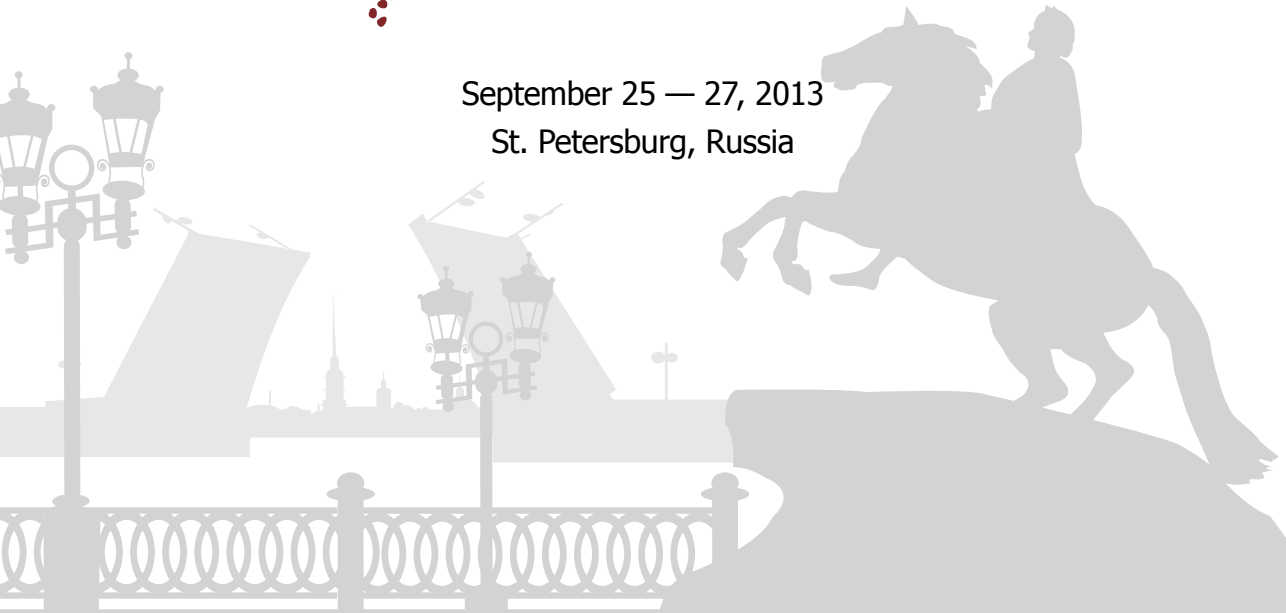


4th EMAC CEE Regional Conference

Marketing Theory Challenges in Emerging Societies



September 25 — 27, 2013
St. Petersburg, Russia



Organized by: St. Petersburg University Graduate School of Management

European Marketing Academy

4th EMAC Regional Conference
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Conference Proceedings

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Conference Proceedings



4th EMAC CEE REGIONAL CONFERENCE
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**Graduate
School of Management**
St. Petersburg University

"Brand Financial Performance Factors: Empirical Evidence from Russian Brands"

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Co-author(s): Sergey Starov (St. Petersburg University Graduate School of Management)

Access to this paper is restricted to registered delegates of the EMAC 2013 Regional Conference.



Brand Financial Performance Factors: Empirical Evidence from Russian Brands

The aim of the research is to identify the key factors of financial branding performance represented by brand value and return on brand investment (ROBI). To test the developed approach the empirical study was conducted in the end of 2011, and 215 Russian and foreign brands of products and services were examined. The empirical analysis of performance indicators revealed that internal effects form a homogeneous set of indicators, while consumer effects can be divided into metrics of “consumer attitude” and “brand consumption”. Economic performance is represented by market-based and financial metrics. The study identified the key factors and indicators influencing branding financial results.

Keywords: *branding, performance, performance model, performance indicators, metrics, branding performance, SEM*

1. Introduction

Brand performance and brand metrics measurement has been an important issue in academic research during the last decade gaining more and more attention from both academic community and practitioners (e.g., Keller & Lehmann, 2006; Lehmann, Keller, and Farley, 2008; Krasnikov, Mishra, and Orozco, 2009; Salinas & Ambler, 2009). One of the streams of current research we consider significant is the connection of branding results and financial outcomes of the firm. A number of works state the problem of the research of the links between perceptual and behavioral metrics and market and financial indicators (Keller & Lehmann, 2006; Krasnikov, Mishra, and Orozco, 2009).

In modern economy brand is no longer the object of only the marketing management, becoming a mediator in the company-stakeholders relationships development (Morgan & Hunt, 1994; Keller & Lehmann, 2006; Lehmann, Keller, and Farley, 2008; Mizik & Jacobson, 2008; Salinas & Ambler, 2009) and creating additional value and allowing to extract relational rents (Dyer & Singh, 1998; Vargo & Lush, 2004). These trends explain the need for increased investment in a brand as an important intangible asset contributing to the additional revenue generating capabilities, and thus the importance of these investments efficiency evaluation. Part of the issue is within the field of relationship marketing that investigates conceptual models of marketing effectiveness and efficiency. However, these models do not take into account a number of factors that we relevant for the analysis of the branding financial impact.

The purpose of this study is to develop a model of brand performance based on the survey of products and services brands promoted by Russian and foreign companies in the Russian market, and to identify the key brand financial performance factors where financial performance is represented by brand value and return on brand investments (ROBI).

2. Brand Performance Indicators

Based on Morgan, Clark, and Gooner (2002) we consider that whereas branding effectiveness might mean the proportion between brand investments and the level of correspondence between brand identity and brand image, *brand performance* leverages the overall outcome of brand management activities across time and the set of standards. Another point to be mentioned is that there is a vast amount of methods to evaluate and assess brands themselves, which is shown by Salinas and Ambler (2009), but there is a difference between assessing a brand (as an intangible asset of the firm and the outcome of marketing activities) and brand performance since the latter is more about finding the balance between various metrics that indicate the state of the brand at the time of evaluation.

Brand can be regarded as a source of relational rents (Dyer & Singh, 1998), that is implicitly reflected in the definitions of the brand within the holistic approach presented in the works of Chernatony (2006), Keller (2007), Starov (2009) etc. We believe the brand should be regarded as a factor of company relationships development with customers and employees. The growing recognition of the relational approach in marketing is clear (Ambler & Roberts, 2008), and in that respect both customer relationships and internal relationships (i.e., the employees' perception of the brand) are becoming more important in case of brand performance evaluation. These issues bring forth a challenge of integrating three different groups of factors into one measurement system. The necessity to tie in customer-based and market based metrics was mentioned in various works but only few authors add internal metrics into the evaluation system (e.g., Chernatony, 2006; LePla, Davis, and Parker, 2007).

Since brand is a complex construct consisting of material and nonmaterial (i.e. emotional) components, the evaluation of brand performance should be based on brand effects assessment. Following the logic of three main directions for assessment brand effects can be divided into 3 main groups: customer-based, internal and economic effects. The first and the second groups both

consist of perceptual and behavioral metrics and economic effects include market-based metrics and financial indicators. Thus we propose a classification of brand metrics represented in Table 1.

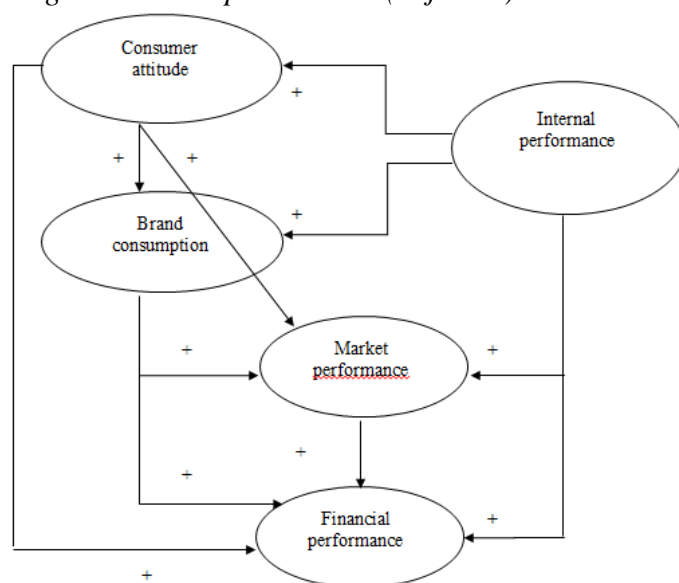
Table 1. Brand Performance Effects

<i>Customer-based (external) effects</i> (Aaker, 1996; Davis & Dunn, 2002; Munoz & Kumar, 2004; Chernatony, 2006; Keller, 2007; Starov, 2009)	
<u>Perceptual metrics:</u> induced and spontaneous awareness, differentiation, relevance, credibility, perceived quality, purchase intent, brand understanding.	<u>Behavioral metrics:</u> trial, customer acquisition, preference, purchase repetition, price premium, superiority, satisfaction, retention, recommendations, customer retention, brand promises fulfillment
<i>Internal effects</i> (Chernatony, 2006; LePla, Davis, and Parker, 2007; de Lancastre & Corte-Real, 2010)	
<u>Perceptual metrics:</u> brand understanding, brand confidence (reliance), employer brand perception	<u>Behavioral metrics:</u> brand values commitment, brand recommendation, organizational culture, brand goals
<i>Economic effects</i> (Aaker, 1996; Munoz & Kumar, 2004; Keller, 2007; Srinivasan & Hanssens, 2009; Starov, 2009)	
<u>Market metrics:</u> market share, distribution level, brand development index (brand sales per person in country regions)	<u>Financial metrics:</u> brand investments, costs of long-term promotion, total income, ROBI, brand value

3. Research Framework

Following the literature review results and the proposed classification, we can suggest that perceptual and behavioral metrics form 4 factors according to their internal or external nature (Aaker, 1996; Davis & Dunn, 2002; Munoz & Kumar, 2004; Chernatony, 2006; Keller, 2007; LePla, Davis, and Parker, 2007; Starov, 2009; de Lancastre & Corte-Real, 2010).

Figure 1. Conceptual model (adjusted)



The relationships between all key brand performance indicators have already been researched during the evolution of marketing. There is research that clearly shows that some internal effects affect consumer-based brand-metrics (Davis & Dunn, 2002; Ahmed & Rafiq, 2004; Barrow & Mosley, 2006; Chernatony, 2006; Punjaisri & Wilson, 2007). There also is some evidence that internal performance positively influences the economic performance indicators (Barrow & Mosley, 2006; Chernatony, 2006; Punjaisri & Wilson, 2007). However, one could find almost no empirical studies that would have tested the brand performance indicators' relationships

within a single model, tiding together the three identified groups of metrics in order to identify which metrics particularly influence the financial performance and in what way.

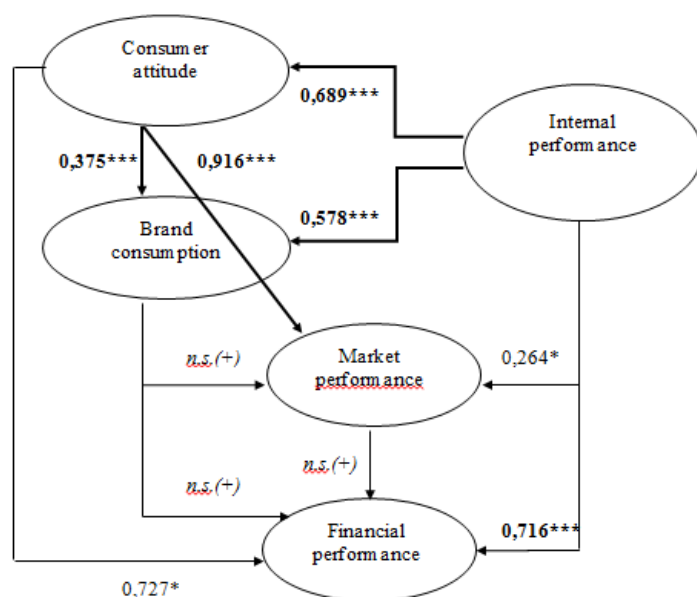
In 2011 a quantitative survey of consumer brands has been performed. The data collection was organized in 2 waves with the first wave in March – June 2011 and the second wave in September – November 2011. The sample included 215 consumer goods, consumer services and retail brands available in the Russian market. EFA of the data obtained within the survey of consumer brands in 2011 showed that in reality internal metrics form one homogeneous factor with alpha equal to 0.923. What is more, there is one metric (brand promises fulfillment) that proved to be part of internal evaluation factors, and this result is consistent with literature though rarely mentioned comparing to the link of this metric with consumer behavior (LePla, Davis, and Parker, 2007; de Lancastre & Corte-Real, 2010).

These results were used to adjust the conceptual model developed based on scattered suggestions on metrics interrelationships presented in marketing literature (see Figure 1). For further testing of the developed model we performed SEM and CFA using IBM SPSS Statistics 20.0 and IBM SPSS AMOS in order to test the links between the groups of performance indicators.

4. Empirical Results

We performed SEM in order to test the links between the groups of performance indicators and obtained a structural models presented on Figure 2. The obtained model satisfies the criteria of construct reliability (CR), average variance explained (AVE) and discriminant validity (Fornell-Larcker criteria) (see Table 2). Model goodness of fit can also be considered as acceptable (CMIN/df = 2,302; GFI = 0,916; CFI = 0,958; TLI = 0,94; RMSEA = 0,078).

Figure 2. SEM results



* p-value < 0.05, ** p-value < 0.01, *** p-value < 0.001
 CMIN/df = 2,302; GFI = 0,916; CFI = 0,958; TLI = 0,94; RMSEA = 0,078

The analysis revealed a statistically significant relationship between the internal performance and the other groups of performance indicators considered in the model. Thus, one of our basic suggestions of the significance of internal performance indicators has been empirically validated. The number of indicators that lead to the financial results, shall not exceed 11, which correlates with the views expressed in the literature that, for the analysis of the impact of branding 10 to 15 indicators would be sufficient (see, e.g., Ambler and Roberts (2005), Clark, Abela and Ambler (2006)).

5. Discussion

In contemporary literature one can find the suggestion that marketers should use the language of real figures and financial performance to justify their decisions to top management (Peppers & Rogers, 2006, p.15). However, this does not imply that the management does not recognize the importance of client relationships (Wu & Ardley, 2007). The literature notes the recognition of the need to consider nonfinancial performance

indicators that are able to predict future cash flows (Elkington, 1998; Ambler & Roberts, 2008), opinions are expressed that companies should assess not only the relationships with clients, but also the full range of relationships with partners, suppliers and employees (Sawhney & Zabin, 2002). Research also indicates the willingness of top management to implement a multimetric approach and utilize a performance system (Clark, Abela, and Ambler, 2006).

Table 2. Structure of Brand Financial Performance Factors

Factors	Indicators	Cronbach Alpha	CR	AVE
<i>Internal brand performance</i>	brand values commitment; brand recommendation (by personnel); employer brand perception	0,86	0,89	0,70
<i>Consumer attitude</i>	induced and spontaneous awareness; brand relevance; preference; brand loyalty	0,74	0,67	0,50
<i>Brand consumption</i>	perceived quality; purchase repetition	0,76	0,83	0,64
<i>Market performance</i>	market share in units; market share in value	0,83	0,89	0,53
<i>Financial Performance</i>	ROBI; brand value	0,84	0,90	0,72

From this perspective, our results allow us to make two significant practical conclusions. First, the empirical analysis confirmed the importance of brand relationships not only with the customers, but also with the company staff that promotes the brand in the market. As a practical matter this means the necessity to make some effort in the field of internal marketing to promote the brand firstly to the “internal customer” in order to achieve better results in the consumer market. On the other hand this shows the importance of internal efficiency indicators monitoring in order to timely track the problematic areas and prevent the negative reaction in the consumer markets due to problems related to the staff behavior.

Second, research evidence regarding the structure of relationships in the performance model means that it would be not sufficient to tracking market performance and financial results of the brand (such as market share and ROBI) to monitor branding effectiveness in the long run. Brand image is formed in the long term, and the time lag between brand investments, the change in the internal and customer impact and particular economic results can be rather large. In the current study the companies were asked to rate the proposed indicators for the 3-years period from 2008 to 2011 (i.e., in the medium term), however, this period was sufficient to demonstrate the relationship between the groups of indicators and the impact of consumer and internal indicators on market and financial performance. Thus, it is confirmed that for the control of future economic performance indicators of intangible branding results related to the attitude and behavior of employees and consumers need to be monitored on a regular basis to be able to promptly respond to the negative changes and prevent the deterioration of economic indicators.

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Advertising Expenditures during the Recession Periods Comparison between Hungary and Romania

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Access to this paper is restricted to registered delegates of the EMAC 2013 Regional Conference.



Advertising Expenditures during the Recession Periods Comparison between Hungary and Romania

Abstract

The effects of the financial crisis from 2008 are still current in most of the countries. Hungary and Romania are still face with serious problems at nearly every industry. A comparison between the two neighboring countries could reveal deeper understanding of similarities or differences. The main purpose of this research is to study economic growth and advertising expenditures between 2000 and 2011 with focus on the recession period in Hungary and Romania. The analysis is based on secondary data. The comparison between the two countries revealed that advertising expenditures in Romania were more affected by the economic crisis compared to Hungary. In both countries, the recession effects were relatively strong in print, radio and outdoor media, while the Internet took advantage of this period.

Keywords: Advertising, Advertising Expenditures, Financial Crisis, Business Crisis, Recession

1. Introduction

The effects of advertising started to preoccupy practitioners since they began to spend money for it. The global advertising expenditure was 557 billion dollar in 2012 (Nielsen, 2012). In terms of euro this is around 422 billion euro¹ which is comparable with Sweden GDP during that year². Considering the amount of value spent for advertising, it is required to analyze the effects of advertising and the economic value generated by it. The effects of advertising could be measured both at micro- and macroeconomic level. This study approaches a macroeconomic dimension of advertising. Given the fact that advertising is the most visible part of the marketing activity, the literature review discusses the role of both concepts in the economy.

In the literature, there is a historical debate about the role of advertising between the supporters and opponents of advertising. According to the definition, the main function of advertising is to provide information about products. This information could help consumers in the decision making process. Opponents' critics of advertising can be grouped into two categories: first, those who consider advertising wasteful by inflating the prices paid for goods and services; second, those who claim that advertising intensifies a number of societal problems (ex. materialism, selfishness, sexual preoccupation etc.) (Pollay, 1986).

One of the great supporters of marketing is Peter Drucker. He considers that marketing is the most effective engine of economic development especially for underdeveloped countries (Drucker, 1958). Beside the theoretical arguments which characterized the debates until the 90's empirical evidence are mandatory too. In a recent study, Kopf, Torres, and Enomoto (2011) empirically showed that on a macro level, advertising expenditures and economic growth are related and they can bring about economic growth. Their conclusions are based on a longitudinal panel analysis of 64 countries for a 10 year period from 1995 to 2005. Sirgy, Yu, and Lee (2012) had extended the effects of advertising from the economic growth to the societal well-being. Data collected from 133 countries from 2005 to 2008 shows that both marketing activity and economic efficiency contribute positively to societal wellbeing, and that economic efficiency plays more of a mediator than moderator role between marketing activity and societal well-being.

The role of marketing activities in the economy became more current in the economic recession context. In general, during the recession demand decreases which results in lower revenue. In order to survive, companies apply a cost reduction strategy; usually it starts with marketing or advertising budget cut. In the same time, they try to stimulate the demand with different marketing variables. Unfortunately, the literature does not give a clear support for defining marketing strategies in the recession period. Even though the recession is a normal phenomenon in the market economy, it all is different. According to Swee (2001) the impacts of the recession is moderated by the nature of the crisis, by the characteristics of the country and by the specifics of that culture.

The marketing strategy for the recession period can't be defined separately by the general marketing strategy of the company. Pearce II & Michael (1997) emphasized that "company's marketing strategies preceding a recession strongly impact the extent of economic downturn on the firm, and influence its odds of a timely and complete recovery". They also argue that the marketing activities in the core business should be maintained during the recession as assurance against recession. During the peak period marketing efficiency should be stressed. The conclusions are based on an empirical analysis in USA from 114 publicly traded

¹ ECB exchange rate 31 Dec. 2012, 1 euro = 1,3194 dollar.

² Eurostat: Sweden GDP 408,467 billion euro.

manufacturing firms. Srinivasan, Rangaswamy and Lilien (2005) study's results for USA are consistent with the previous one that was presented. Proactive marketing during the recession is recommended for companies which already have marketing programs in place (well-recognized brands, differentiated products, targeted communications, good support and service, etc.). These companies could turn adversity into advantage. The study was made on B2B companies.

The effect of marketing activity during the recession period is different according to the business type. Lilien & Srinivasan (2010) distinguished four business types based on market (consumer versus industrial/business) and based on product (product versus services): B2B goods firms, B2B services firms, B2C goods firms and B2C services firms. They emphasize that in case of B2C services firms, advertising increases profit and stock return, in case of B2C goods firms advertising increases profits but decreases stock returns while in case of both B2B firms advertising spending decreases both profits and stock returns.

In their study in the USA for a fifth recession period, Graham & Frankenberger (2011) also highlights the positive effect of the maintained or increased marketing communication expense during the recession to current and future earnings. From this point of view, marketing communication budget is rather an investment than an expense. They also underline that during the recession periods, the effects of marketing communication are greater than in non-recessionary periods. So, it is more efficient to advertise in recession while taking into consideration the industry type. The effects are greater for products than for services.

The last economic recession was approached from a marketing point of view by Fridrikson & Zoega (2012) in case of Iceland. They argue that advertising could be a predictor of investment. Their results show that changes in the volume of advertisements precede changes in investment.

2. Purpose of the research

According to the literature review, the role of marketing, advertising in the economy, especially during the recession period is only partially explored. Most of the research is done in the USA without covering transitional, developing countries. The effects of the financial crisis from 2008 are still current in most of the countries. Hungary and Romania are still faced with serious problems in nearly every industry and with GDP drop. A comparison between the two neighboring countries could reveal deeper understanding of similarities or differences. The main purpose of this research is to study advertising expenditures during the recent recession period comparing Hungary (10 million populations) with Romania (21 million populations). According to our knowledge, this is a first study with this topic so it is considered an exploratory research.

3. Research method

The study uses a descriptive longitudinal research method. The period is between 2000 and 2011. The analysis is based on secondary data collected from professional institutions and from European and national statistical institutions.

The data collection regarding advertising expenditure is a real challenge. Unfortunately, reliable European statistical data in this field are not available. So, data from national professional institutions were used. In Hungary, Hungarian Advertising Association published their estimation

regarding the net advertising expenditure. In Romania, the Media Fact Book published this kind of information.

The advertising expenditures were analyzed in the current economic context. The macroeconomic data was collected from Eurostat, from Hungarian Central Statistical Office and from Romanian National Institute of Statistics.

In the process of the data analysis, some limitations should be taken in consideration. In this study, net advertising expenditures were used instead of gross expenditures, because net expenditures were available in both countries. The gross advertising expenditures, measured by advertising list-price, could be 2 or 3 times more than the net/real advertising expenditures in most Central and Eastern European transition economies. This situation is explained with the difference between the media list price and the final price obtained after negotiation. Hence the list-price based calculations are misleading and the size of advertising is overestimated in those countries.

The use of the proper monetary unit was also important. In case of Hungary the advertising expenditures were available in national currency (HUF). All analysis with the macroeconomic data were also made in HUF because the HUF/EURO currency would affect the results significantly (there was a big fluctuation in the recession period). In case of Romania, the advertising expenditures were available in euro. All analysis with macroeconomic data is made in euro from the Eurostat.

In Hungary, the Hungarian Advertising Association changed the method of data collection from 2009, so the longitudinal comparison should be carefully made. In Romania, the data were available only from 2003. In the same time, the advertising expenditures in the cinema and the ambient are not highlighted separately.

4. Major results

Advertising is an important intangible asset which contributes to the GDP of developed countries with 1% or 1,5% in the beginning of XXI century (Advertising statistics Yearbook 2002). According to our data the ADSPEND/GDP is significantly higher in Hungary than in Romania although the tendency is very similar in both countries: moderate increase until 2008 and significant decrease after 2008 (Figure No. 1). The higher level of ADSPEND/GDP in Hungary could be explained with stronger brands and more multinational companies.

The highest advertising expenditure per capita in the world is in the USA around 760 Euro (DMA) in 2011. The highest value of ADSSPEND/capita in the studied countries were reached in 2008: 78,27 Euro in Hungary, 25,08 Euro in Romania (Figure No. 1). There is a big potential for advertising market development in these countries.

During the first year of recession both ADSPEND/GDP and ADSPEND/Capita drop significantly.

Figure No. 1.

Advertising as a percentage of Gross Domestic Product at market price

Advertising expenditure per capita

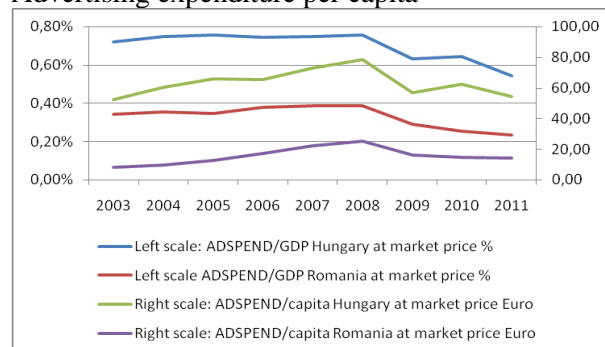


Table No. 1. The change in advertising expenditure at constant price (2005) (in percentage)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Hungary HUF	NA	-3,79	-4,06	2,94	8,92	5,11	2,24	0,62	1,86	-22,02	3,41	-14,41
Romania EURO	NA	NA	NA	NA	12,02	2,21	17,26	8,87	7,31	-29,41	14,16	-5,16

Although the literature (Srinivasan et al. 2005) advocates that the companies with marketing strategies should maintain advertising costs during the recession, in practice companies cut the advertising budget first. According to our data, in 2009, in the first year of recession advertising expenditures dropped dramatically in both countries; a little bit more in Romania than in Hungary (-22,02% in Hungary and -29,41% in Romania) (Table No.1). A decrease of advertising expenditures during the recession is rationally expected because advertising follows the economy but advertising expenditures typically decrease more than GDP (-6,78% in Hungary and -6,57% in Romania in 2009) (Table No.2).

Table No. 2. GDP change at constant prices (2005) (in percentage)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Hungary HUF	NA	3,73	4,46	3,91	4,75	3,99	3,89	0,14	0,85	-6,78	1,36	1,64
Romania EURO	NA	5,76	5,11	5,24	8,42	4,16	7,83	6,35	7,33	-6,57	-1,11	2,13

The impact of the economic change on advertising varies according different media types. Studies revealed that advertising expenditures in newspapers respond relatively strongly to macroeconomic development during both periods of decline and growth, while radio and television (and cinema) advertising expenditures are relatively immune to economic change (Van der Wurff and Bakker, 2008).

In Hungary, the television and the cinema role on the media market could be considered constant between 2000 and 2010. A small decrease at TV could be seen in 2011. The recession has relatively strong effects on print, radio and outdoor media. The Internet took advantage in this period increasing the market share from 0,8% in 2000 to 18,8% (Table No.3).

In Romania, the television and the Internet increased the market share during 2003 and 2011 while print, radio and outdoor media decreased (Table No.3).

Table No. 3 Distribution of adspend by medium (in percentage)

		2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
TV	Hu	40,3	39,7	40,9	41,3	41,2	41,8	40,8	40,0	39,0	40,3	39,9	36,2
	Ro	NA	NA	NA	48,8	52,3	57,4	62,0	63,4	62,4	64,3	66,3	64,7
Press	Hu	40,3	42,5	42,1	41,2	38,9	38,0	36,6	36,1	34,5	30,8	27,1	27,5
	Ro	NA	NA	NA	32,2	28,7	23,8	19,2	16,3	15,1	10,7	8,2	7,7
Outdoor	Hu	9,8	9,9	8,8	8,3	8,7	9,1	10,7	10,6	10,2	8,8	10,9	10,0
	Ro	NA	NA	NA	11,1	11,5	11,1	10,8	12,0	12,9	12,1	10,4	10,0
Radio	Hu	8,0	6,0	6,1	6,6	8,0	6,7	5,7	5,1	5,8	5,0	4,1	4,8
	Ro	NA	NA	NA	6,6	6,4	6,1	6,2	6,2	6,4	7,2	6,6	6,4
Internet	Hu	0,7	1,0	1,2	1,6	2,2	3,6	5,5	7,4	10,0	14,3	15,8	18,8
	Ro	NA	NA	NA	1,1	0,9	1,4	1,6	1,8	2,9	5,51	8,25	11,0
Cinema	Hu	0,7	0,6	0,7	0,6	0,6	0,6	0,5	0,4	0,4	0,49	0,41	0,67
	Ro	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Ambient	Hu	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	1,49	1,82
	Ro	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

5. Implications and further research

There is a traditional debate in economics whether advertising is good or bad (Becker & Murphy, 1993). The answer of economists depends on what they think about the information and persuasion role of advertising, how much economic welfare is produced by marketing in general and advertising in specially. Kopf, Torres, and Enomoto (2011) conceptually showed and empirically proved that there is an optimal advertising to GDP ratio which results in highest economic growth. Two groups of countries were created, where the advertising to GDP ratio was below and over 0,75. The more developed countries were found in the higher group expressing a strong correlation between advertising and economic growth. In their meta-analysis Bahadir, Bharadwaj and Parzen (2009) were looking for marketing determinants of organic sales growth. Among the eleven variables, advertising played an important role together with innovation, market orientation and other factors.

Comparing macroeconomic indicators of two emerging transition economies, we found that the previous studies could offer useful guidance for further analysis. The advertising expenditures in less developed Romania were affected more by the economic crisis than in Hungary. It could be a consequence of higher presence of multinational companies in Hungary compared to Romania. These companies spend more on brand equity via advertising than local companies.

Detailed analysis regarding industries and companies marketing expenditures is required to better understanding the phenomenon. We are going to analyze the development of different industries during the recession and the role of marketing and advertising in these changes. Pharmaceutical industry is one of the specific industries e.g., where the brand awareness becomes more important and where the capability is available to advertise new innovative products and where advertising creates economic/sales growth (Mitev & Bauer, 2010).

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International expansion and knowledge transfer – the case of Polish market research companies

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International expansion and knowledge transfer – the case of Polish market research companies

Abstract

This paper aims at presenting the results of research on the international expansion and knowledge transfers within the Polish market research industry. The research has been conducted as a part of a larger project on Polish professional services sector covering three dimensions: internationalization, networking and knowledge transfer.

The main objective of the research was to find out whether domestic market research companies expand abroad and what is the role of knowledge transfers in this expansion. The research also aimed at explaining how the specificity of the research sector affects the foreign expansion of Polish research companies.

Keywords: international expansion, knowledge transfers, market research industry

1. Introduction

Internationalization of the services sector has received more and more attention in recent years (Javalgi et al, 2004, Carneiro et al, 2008). This stems from structural changes caused by tertiarization of the economy as well as increasing share of services in foreign trade. Services currently represent more than two thirds of the world's GDP and their share in world trade is 21% and still growing (WTO, 2010). According to some researchers internationalization of services is so complicated it cannot be explain by a single theory (Coviello, Martin, 1999). It is also emphasized in the literature that „the development of international service theory does not keep pace with the development of the practice” and „formulating homogenous and internally coherent theory of international service exchange must should be considered as an important challenge”(Misala, 2010).

Professional services (PS) are perceives as more important than other services as they are growing remarkably faster than manufacturing and other service industries (e.g.; Aharoni, 2000; Peneder *et al*, 2003, Toivonen, 2004). Furthermore, because the professional service product is an input into other service or manufacturing firms' production chains, innovations in service processes is likely to positively affect other industries as well. There is growing interest in professional service firms (PSFs) among organization theorists (Suddaby & McDougald, 2006;). Although recent literature stresses the need for studies to explore PS, there has been little concentration on conceptualizing foreign market entry processes in this context, whilst taking into account the importance of mode of internationalization, network relationships, and knowledge diffusion. The skill required to develop and manage business relationships and the networks established in these business exchanges is perceived a critical barrier impacting foreign market entry of professional service providers (Chetty and Campbell-Hunt, 2004). The role of knowledge in the process of internationalization of professional service companies is a rarely investigated area, both conceptually and empirically (Scott-Kennel, Von Batenburg 2012). At the same time it is the organizations intensively using knowledge, such as companies rendering professional services, that may take advantage of better understanding the role of knowledge and learning in the process of internationalization. This is because they mostly depend on tacit knowledge embedded in their human capital. This kind of uncodified and subjective knowledge, embedded in individuals and groups within a company and its environment is inseparably intertwined with those individuals and groups (personalized). Tacit knowledge is used in everyday actions and its essence cannot be entirely specified, which makes its formalization and transfer difficult.

After certain period of transformation processes it seems that the transfers between local professional service providers in the CEE region and their transnational competitors need not be one way only. Local partners have knowledge of the culture and how it relates to the customers and others with whom the foreign PSFs must interact, what is more they understand the distribution networks and have relationships with important government entities (Zahra et al., 2000). As a result, foreign PSFs engage in cooperative learning to acquire this most needed knowledge. Learning from and with the local partners is supported by the findings of Hitt et al. (2000), who found that foreign entrants from developed markets sought to learn from local companies when they entered emerging markets. These foreign entrants primarily sought to learn about the local markets and institutional relationships from their local partners. This phenomenon might be referred to as reverse knowledge spillovers (Feinberg and Gupta, 2004).

2. Description of the research project

The undertaken research on the internationalization of Polish research companies is a part of a larger project on Polish professional services sector covering three dimensions:

internationalization, networking and knowledge transfer. The idea was to focus on unique traits that characterize the international expansion of Polish professional service firms as well as motivations which steer them toward internationalisation. Due to different resource endowments and cultures of emerging markets, the capabilities possessed by Polish firms from the professional business service sector prove to be different from those originating from mature economies. The foreign market entry and the service encounter are approached from network perspective, focusing on the interactions and relationships between the consumer and the service provider, as well as other service providers, including competitors and cooperants. The study also aimed at further understanding of the within company crossborder knowledge sharing process and to shift the focus of the debate from one-way to two-way knowledge transfers taking place between emerging markets PSFs and their multinational counterparts (Babińska et al, 2011).

The project was planned to have three stages. The study's first stage involved a thorough qualitative and quantitative analysis of secondary sources of information. The result of this stage included the critical review of literature on the internationalization of professional services firms, diffusion of knowledge of PSF and the relevant theories describing the processes. The second stage of the research, of exploratory and qualitative nature, was based on case research. Leading professional service companies operating on Polish market and representing financial, medical and management consulting sector were investigated. For the creation of specific cases studies of those leading PSF, which already begun their international expansion, data sources such as web pages, press releases, internal documentation and supplementary interviews, were exploited. The third stage of the study involved semi-structured in-depth interviews with the target companies managers, responsible for international operations, development and formulating company's strategy. The results of the research presented in this paper encompass the first two stages of the main research and concern the research sector as a part of the management consulting area. The main objective of the research was to find out whether domestic market research companies expand abroad and what is the role of knowledge transfers in this expansion. The research also aimed at explaining how the specificity of the research sector affects the foreign expansion of Polish research companies.

The research concerned only Polish research companies, defined as those with exclusively Polish capital. The selection of companies for the study was based on annual publication of PTBRiO¹, both in the scope of companies presented in the ranking of the biggest research companies in the Polish market, that revealed their sales numbers for the previous year (which means around 20 companies annually) and another 40 advertising their offer in the catalogue in the course of five previous years. The website analysis took place in January 2013. For comparative purposes the selected companies' websites were searched systematically for any reference to conducting international research for Polish companies, domestic or international research for foreign companies and global projects within networks of research companies. In particular the following issues were investigated:

- clients' country of origin,
- participation in international networks of research companies,
- engagement in international research projects outside Poland.

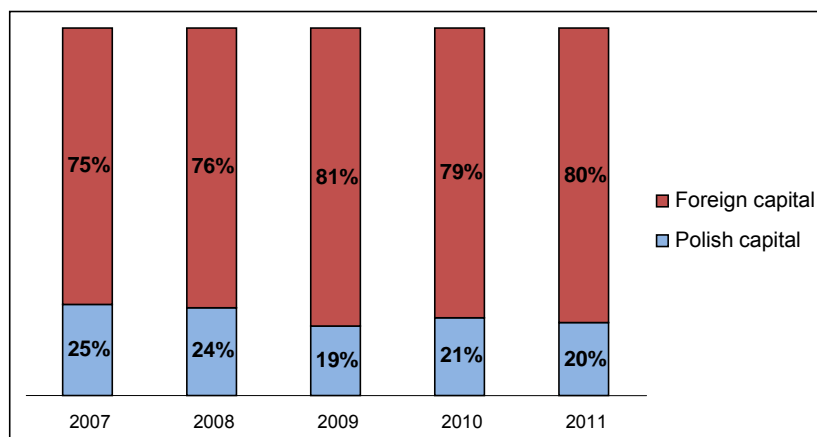
3. Research sector in Poland and foreign expansion

¹ PTBRiO - The Polish Society of Market and Opinion Researchers, founded in 1994. The content analysis of the PTBRiO catalogue has been conducted in the years 2008-2012.

Services, especially those requiring strong local know-how, are among the least global industries (Brock, Alon, 2009). The research industry's internationalization is generally described as lagging behind the foreign expansion of their clients. What is more local research firms from emerging markets face many challenges relating to globalization such as fierce competition from the established international networks and a perception of being less competent than their global counterparts. This creates a unique opportunity of capturing internationalization patterns at their very beginning.

The entrance of international corporations into the CEE in the beginning of the nineties of last century, for which marketing research has been the very base for decision making, to a large extent influenced the introduction of Western research chains and the dynamic growth of the research market in the region. The share of domestic capital in market and opinion research in Poland is constantly on the decrease, which undoubtedly is the result of globalization. Foreign capital prevails as far as income share is concerned and in 2011 it constituted for as much as 80% of the total income of research companies operating on the Polish market (Fig. 1).

Fig. 1 The share of Polish and foreign research firms in the income in years 2007-2011, in %



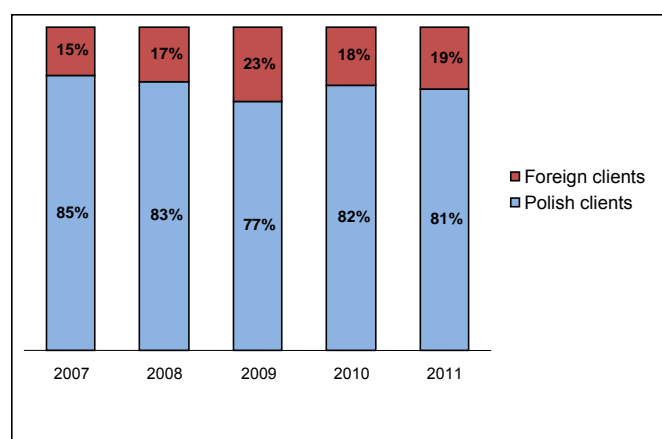
Source: A. Wódkowski, P. Chojnowski: Rynek badań marketingowych z perspektywy 2012 roku. „Badania marketingowe” Rocznik Polskiego Towarzystwa Badaczy Rynku i Opinii, edycja XVII, 2012/13, p.14

On the one hand globalization allows much quicker information and idea transfer, which enhances cooperation among researchers coming from different countries and cultures. On the other hand, the research centers are often located outside the country in which research is conducted. This does not guarantee a proper research adaptation to the needs of the clients and to the market specificity. Research projects are mostly managed from the headquarters as the majority of agencies do not actually open their offices abroad. Hence the need for subcontractors on the local markets occurs. This is an opportunity for the local research companies to gain competitive advantage through offering in-depth knowledge of the specific conditions in Central and Eastern Europe (Babińska, Nizielska, 2009).

The clients, including big transnational corporations, do not pay much attention to differences between countries of Central and Eastern Europe, thus perceiving the countries in question as one region, an entity labeled ‘former Soviet bloc’. However Poland and other Eastern European countries have all undergone a deep economic and social change. Whatever was true 20 or even 10 years ago, today it is irrelevant. Central and Eastern Europe constitutes a mosaic of nations and cultures exhibiting diverse purchasing power, education levels, purchasing habits, gender roles, not to mention the different languages. The domestic research companies’ role could be to “teach” their foreign clients the specifics of particular countries of

the targeted region. But they also must work much harder than their international counterparts, as they are not bound to any headquarters which will offer assistance if such need occurs (Wódkowski, 2010). The major challenge however is the fact that the development of on-line research makes possible the research coordination on the Polish market progressing without the assistance of local research institutes. There is also the fallacy that research companies from the CEE region are representing lower methodological development level in comparison to their Western counterparts (Wódkowski, Chojnowski, 2013). The majority of research is commissioned by companies located in Poland (including the subsidiaries of foreign firms) and this market characteristic is predicted to be stable (Fig. 2).

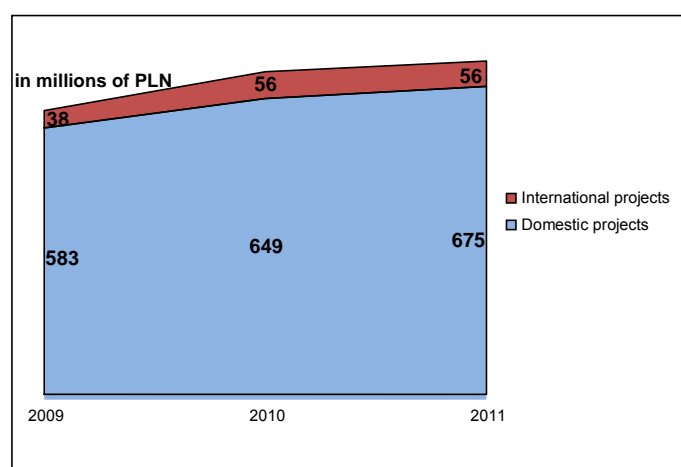
Fig. 2 The clients of the research sector according to country of origin in years 2007-2011, in %



Source: A. Wódkowski, P. Chojnowski,; Rynek badań marketingowych...op.cit. p.16

Polish research agencies rarely coordinate projects located outside the country, which constitute only less than 10% of the total research conducted. However an increase in the value of research conducted abroad from 38 mln to 56 mln of PLN in the last two years was observed. This is a 47% increase compared to 15% as far as the increase in domestic research expenses is concerned (Fig. 3).

Fig. 3 Research expenses according to research scope



Source: A. Wódkowski, P. Chojnowski, Rynek badań marketingowych...op.cit. p. 22

Among the 60 companies investigated, which proved to be the leading market research agencies operating on Polish market, 5 were identified as those with exclusively Polish capital

and somehow engaged in foreign operations. The forms of such engagement involved active participation in international research projects located in such different locations as the CEE region, but also Western Europe, USA, India and China. All five of the selected companies have already been functioning within the structures of at least one international research network. The identified networks were: One Planet One Call, Intersearch, 3D, IRiS Market Research Worldwide², CINT (international platform associating Internet research forums), ESOMAR (European Society for Opinion and Marketing Research), QRCA (Qualitative Research Consultants Association) and Association for Consumer Research. Knowledge transfers taking place as a result of cooperating in an international research network involved knowledge exchange during conferences involving the research sector, learning from the experience of others, for example by observing them in a network e. g. getting familiar with the latest achievements in terms of research products as well as paying special attention to the research instrument prepared for a certain project.

4. Rendering international research services - case description

To better understand the process of foreign market expansion by Polish research companies one of the five firms was selected for further research. A case study was prepared based on an interview with the CEO as well as available secondary sources of information (company's and partners' websites, publications, etc.).

The research agency Inquiry was founded in 2004 as a initiative of individuals employed earlier as managers in one of the multinational corporations operating on the Polish market. Inquiry's main area of expertise is customized research and business intelligence across the markets of Central and Eastern Europe. The company offers high quality fieldwork supported by local insights and good understanding of the diverse consumer landscape. Over the last decade, Inquiry has worked across a range of industries and topics, with the main focus on shopper insights, retailing, healthcare, and automotive. Its offer includes both qualitative and quantitative services within a wide range of data collection methods, from focus groups to on-line surveys. In addition, Inquiry is one of the market leaders in the business-to-business research in Poland. The company has carried out research projects for multi-national and local companies, covering a wide spectrum of research issues - from customer satisfactions surveys through to concept tests and B2B branding. It provides business-to-business data collection or full service projects in Poland, Russia and other CEE countries. Inquiry conducts research projects in foreign markets directed at Polish companies entering new markets or aiming at developing their operations abroad. When conducting international marketing research the company cooperates with partners within One Planet One Call, an international network of research agencies with a seat in USA. Within this network Inquiry is responsible for data collection and coordination of marketing research in the Central and Eastern European region.

Inquiry is also a member of a international initiative of several research agencies called 3D, whose founding partner is a UK research company Aura. The aim of the initiative was a greater opening to the world of research agencies operating on local markets throughout the globe. The expression "Global knowledge in local markets" seems to encapsulate 3D's promise to its clients. Although within the initiative Inquiry is responsible mainly for conducting research in Poland, which is commissioned by foreign clients, this enables the company to learn from foreign partners through observing research instruments used (e.g. questionnaires) or new products. Participating in the network is therefore a valuable platform of knowledge exchange regarding the sector's latest developments. Further knowledge exchange takes place during conferences, where the newest and most interesting market

² International network of more than 30 independent research agencies from all around the world, enabling participation in international research projects such as Global Health Survey.

research products are presented and discussed. What is more the cooperation enables the member agencies joint promotion, e.g. in the ESOMAR catalogue.

The results of the research clearly indicate that the research sector in Poland is in its very initial phase of international expansion. Local research companies are engaged mostly in so called “passive internationalization” (Fonfara et al, 2000) - a term developed in order to differentiate from “active internationalization” concept, which simply means the expansion of companies into foreign markets in all possible forms. Polish research companies do not have subsidiaries abroad but due to spillover effects such as the turnover of staff from international to local firms as well as by entering into numerous economic relations with foreign network partners, they have access to conducting research abroad and participating in international research projects. According to the classification of Clark et al of 1996 a service becomes international in different ways, not necessarily requiring either the service provider or the client to cross borders. Hence conducting research of the Polish market for the needs of foreign clients may also be classified as rendering international services.

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Show me the picture! Is there a shift towards visual information processing style ?

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Show me the picture! Is there a shift towards visual information processing style ?

Abstract

The high level of internet use has an impact on how consumers process information. A shift towards more visual stimuli influences what and how is perceived and processed.

In this study compare the visual and verbal processing styles of young adults. We refer to a previous study done in 2001 within in similar sample, marketing students of the same school. That study has shown a gender effect in the style of processing information. Since a new generation – millennials - is in the lifestage of the previous one, we repeat this study based on the SOP scale and include added measure about internet use. We postulate that due to heavy internet use and the diffusion of smart phones, the overall level of verbal/visual is going to shift toward visual processing, but gender differences will remain. This is a work-in-progress study.

Keywords: visual and verbal information processing, internet use, millennials

1. Introduction

On March 7, 2014 Facebook rolled out its new News Feed that – among others – incorporates larger images that should help the company to satisfy the need of young customers who are more entertained with Instagram than Facebook. As an editor of c/net noted: “Tweens and teens are addicted to the idea of eliciting more reactions in the form of likes, followers, and comments, he said. They employ like-for-like photo tactics, use a myriad of hashtags to get their pictures in front of more users, and promote their desire for additional followers in their profiles”

Internet communication has become more widespread during the last decade; companies and users have reacted in the same way by making and using more content. Technology advances supported the emergence of services, such as YouTube leading to a sizeable amount of visual consumption, according to comScore the average American has spent 1 150 minutes on watching online videos in 2012. (comScore, 2013). And while overall video consumption is growing rapidly, younger generations’ digital media consumption is growing faster.

In this paper we are reporting results of a previous study and form hypotheses for a follow-up research that will have been finished in May 2013.

2. Theoretical Background

Information processing preferences can be different for individuals. Several studies have been dealing with consumers’ affective and cognitive responses to product related verbal or visual stimuli. Relating research, where visual stimuli are used and individual processing styles are assessed vary according to research objectives, research objects and subjects. Several of the researches offer measurement instruments to assess visual processing styles (Childers 1985; Bamossy, Scammon and Johnston 1983).

In empirical research, where visual stimuli are used and individual processing styles are assessed vary according to research objectives, research objects and subjects. Several of the researches offer measurement instruments to assess visual processing styles (Childers 1985, Bamossy et al. 1983). Research objects take the form from paintings (Bamossy et al. 1983). Gould (1990) has shown that there is a relationship between involvement with different types of products and individual processing styles. Consumers with visual processing preferences are more involved with products that are more visual oriented in their use i.e. cameras, clothes.

From a large number of potential variables explaining these differences, Childers et al (1985) identified gender differences having the most significant effect. A research reported later (Horváth, 2001) confirmed the gender issue as well.

3. Research Methodology

3.1 Sample

The 2001 research was using a student sample at a Hungarian university. Participants received course credit for participation and spent 25-30 minutes on a paper-based questionnaire. The 2013 sample matches the previous research, but uses an online questionnaire.

3.2 Measures

The SOP scale - visual and verbal information processing preferences was originally developed by Childers (1985) et al. As a test for the Hungarian adaptation of the SOP scale the study of Gould (1990) was replicated in order to test whether distinct groups could be formed with respect to styles of information processing. The research was conducted in a Hungarian university.

The original SOP scale and its reliability was tested on 106 university students. Internal consistencies (Cronbach alpha) of the whole scale and its two sub-scales were estimated on the Hungarian sample for comparison. (see below). According to Heckler (2000) the scale operates better in a student population than in a representative sample of the total population of the given country, as students are a lot more and more directly confronted with the problems of their own information processing.

Cronbach alphas in the original SOP scale and the adapted scale

	<i>original SOP scale</i>	<i>adapted questionnaire</i>
22 item	0,88	0,6665
11 item: visual processing preferences	0,86	0,6821
11 item: verbal processing preferences	0,81	0,7296

These results are not surprising compared with the later criticism of the SOP scale by Bagozzi (2008), Ramsey et al. (2008). While Bagozzi claims low convergent validity and suggests priming instead of the use of the SOP scale, Wyert et al. (2008) argued that „...a refinement of the measure and confirmation of its convergent validity may be necessary in order to rely on the measure alone as an index of processing style” They however came with conditions in their research where visual and verbal processing came up with the same effect. Ramsey et al (2008) investigated the internal structure of the SOP scale and reported validity problems, however recommended the use of a reduced scale. In our 2013 research we are using the original SOP scale.

To support our hypotheses about the changing communication activity of consumers we decided to adapt the text-dependency scale developed by Igarashi et al. (2008). This scale measures how dependency may lead to psychological/behavioral symptoms in relation to personality traits. The main findings state that two different personality sources trigger dependency, extroversion and neuroticism. While extroversion may lead to perceived excessive use of messages, neuroticism intensifies the fear of rejection by others, where visual elements, such as emoticons may lower this fear. This is a self-reported scale, which –

according to the authors – works well in a social network context, Social networks may also play an important role in text-message dependency. Adolescents tend to conform to norms of peer groups to which they belong, and adjust their behavior to environments

3.3 Analysis of the previous research

We found that of the four social demographic characteristic – gender, age, year of study, employment – only gender influences respondents' information processing preferences, which is in accordance with the original article of Childers et al.(1985)

Visual information processing preferences

- Females accept more the statement that *“There are some special times in my life that I like to relive by mentally „picturing” just how everything looked.”*
- It is more important for females that *“When they are trying to learn something new, they'd rather watch a demonstration than read how to do it.”*
- Females prefer more *“to picture how they could fix up their apartment or a room if they could buy anything they wanted.”*
- Males express that they don't *“like to doodle”*
- Both groups agree, but girls agree more that *“their thinking often consists of mental „pictures” or images”*

The results suggest that female respondents find processing information visually more important than males.

Verbal information processing preferences

- Agreeing with *“reading a lot”* is more characteristics for female respondents.
- Females admit that they *“often make written notes to themselves”*, males made clear that they don't.
- Males disagree more with the statement *“I spend very little time trying to increase my vocabulary”*, which means that they think they spend more efforts on extending their vocabulary.

Results suggest that there are gender differences in respondents' information processing preferences. The conclusion is: female respondents consider both visual and verbal information processing important, they are more sensitive in information processing. Table 1 contains the SOP scale items and gender related measures.

Table 1. Information processing preferences and gender differences, scale items measures

	Gender	Mean	Standard deviation	T test sig.
VERB1 I enjoy doing work that requires the use of words.	male	2.34	0.67	0,3
	female	2.26	0.71	
PICT1 There are some special times in my life that I like to relive by mentally „picturing” just how everything looked.	male	1.71	0.57	0,00
	female	1.51	0.59	
VERB2 I can never seem to find the right word when I need it.	male	2.01	0.52	0,55
	female	2.05	0.52	
VERB3 I do a lot of reading	male	2.25	0.92	0,04
	female	2.05	0.88	
PICT2 When I am trying to learn something new, I'd rather watch a demonstration than read how to do it.	male	2.04	0.79	0,01
	female	1.82	0.77	
VERB4 I think I often use words in the wrong way.	male	1.81	0.60	0,93
	female	1.82	0.60	
VERB5 I enjoy learning new words.	male	1.98	0.75	0,61
	female	1.93	0.74	
PICT3 I like to picture how I could fix up my apartment or a room if I could buy anything I wanted.	male	2.05	0.92	0,00
	female	1.59	0.81	
VERB6 I often make written notes to myself.	male	2.58	0.94	0,00
	female	1.97	0.98	
PICT4 I like to daydream.	male	1.91	0.78	0,00
	female	1.60	0.65	
PICT5 I generally prefer to use a diagram rather than a written set of instructions.	male	2.33	0.77	0,5
	female	2.39	0.81	
PICT6 I like to „doodle.”	male	2.42	0.96	0,00
	female	2.05	0.95	
PICT7 I find it helps to think in terms of mental pictures when doing many things.	male	1.72	0.69	0,91
	female	1.73	0.75	
PICT8 After I meet someone for the first time, I can usually remember what they look like, but not much about them.	male	2.68	0.82	0,43
	female	2.76	0.88	
VERB7 I like to think of synonyms for words.	male	2.54	0.83	0,57
	female	2.59	0.84	
PICT9 When I have forgotten something I frequently try to form a mental „picture” to remember it.	male	1.65	0.63	0,27
	female	1.57	0.65	
VERB8 I like learning new words.	male	1.93	0.74	0,88
	female	1.94	0.80	
VERB9 I prefer to read instructions about how to do something rather	male	2.91	0.77	0,62
	female	2.86	0.82	
VERB10 I prefer activities that don't require a lot of reading.	male	2.91	0.66	0,44
	female	2.85	0.64	
PICT10 I seldom daydream.	male	1.86	0.86	0,00
	female	1.61	0.74	
VERB11 I spend very little time trying to increase my vocabulary.*	male	2.29	0.73	0,01
	female	2.10	0.72	
PICT11 My thinking often consists of mental „pictures” or images.	male	1.85	0.58	0,04
	female	1.71	0.63	

4. Expectations and hypotheses

As previously mentioned this next phase of the research will be carried out in May 2013. We are focusing on two issues: the changes in media consumption, especially the internet, and the stability of gender in the preferred information processing style. Data will be collected from similar participants and the same SOP scale will be used.

The changes in digital environment have a major impact of media use of different generations. As Geraci and Nagy (2004) observed, millennials – who are going to constitute the sample - define themselves with new media and spend more time on using digital media. Further changes in social media, including the growth of image-based applications, such as Tumblr or Pinterest may bring a higher impact on the preferences on visual processing.

H1 Digital media use and preference for visual processing will be higher in 2013 than in 2000, but gender differences will remain

Gender differences had been reported by Childers and this may well have some support from brain science, as Roalf et al. (2006) have reported that females are better and faster processors of detail in visual communication. From the above we postulate that:

H2 A higher proportion of females in 2013 will still prefer visual information processing style than men

However, during the last decade time spent on the internet has increased that includes gaming and social media, as well. While social media is equally used by males and females, gaming is still better preferred by males. As Johnson (2008) observed, increasing frequency of internet use, especially games, increase visual reasoning, while other forms of internet use lead to higher verbal reasoning. For some this may “close the gap” between male and female users:

H3 Males playing games frequently will prefer visual information processing than non-players and will show similar preferences the females

Repeating the research done in 2001 and measuring the SOP scale may allow to develop the scale further, as it was suggested by Ramsey et al. (2008), and advocated by Wyart (2008), as well.

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A method to assess validity of scales developed in Western countries for use in emerging markets: An example using perceived risk in e-commerce

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A method to assess validity of scales developed in Western countries for use in emerging markets: An example using perceived risk in e-commerce

Abstract

The present study aims to discuss to issue of construct equivalence and the etic-emic approach. Applying scales developed in high income countries in emerging countries can be a source of significant error if measures for assessing construct equivalence are not taken. A serious issue concerns conceptual equivalence which means that concepts existing in developed countries are not necessarily present in developing countries. We address this problem by assessing a perceived risk in e-commerce scale in the context of Romanian experts and students. Results show that an etic scale only can lack conceptual validity, as items taken from the etic version of the scale do not show content validity. Moreover, the level of knowledge about the topic seems of major importance in selecting the sample used to test a construct.

Keywords: *construct equivalence, content validity, q-sorting, kappa coefficient*

1. Introduction

Emerging markets are growing at a rapid pace and it is expected that in less than a decade the worlds' largest economies will not be Western anymore. This impacts marketing research. Most of the theories on which marketing has been built have their roots in developed countries or high income countries (Burgess and Steenkamp, 2006). Marketing scholars often set up cross-national studies in an attempt to reveal differences across nations. A significant challenge is represented by comparison of first world countries with third world countries. A common practice in these studies is to use already developed constructs, mostly from industrialized high income countries, and to adapt them for less developed countries. However, assuming that constructs developed in high income countries are automatically valid in an emerging country can be a main source of bias.

Cross-cultural investigation of emerging markets present a twofold advantage for marketing researchers: first there is the opportunity of testing already developed constructs (etic) and second, one can identify new constructs that are specific for a certain culture and in a certain economic environment (emic). The first approach is called an etic approach in which constructs are considered universal and the second approach is called emic in which constructs are considered culture specific. It is common to use the etic approach in marketing, but also a combined etic-emic one is possible which is what Burgess and Steenkamp (2006) suggest when talking about testing and validating theories from high income countries in emerging countries. The researcher can take an etic construct and test it on a new emerging market by first developing emic ways of measuring the construct. It is not uncommon that a construct behaves differently in another culture. For instance, Theoharakis and Hooley (2008) found that customer orientation and innovativeness did not have the same meaning outside the context of a highly industrialized country. They found that organizational innovativeness is more important in Central and Eastern Europe compared to North-Western Europe, while customer focus has the same importance in both. In this article we argue that the mere usage of already developed instruments does not guarantee the equivalence in emerging markets. Including context specific items, taking an emic approach is required. Our focus is on determining the equivalence of the concept of perceived risk in e-commerce in an emerging country – Romania. For that we added emic items to an etic construct. The emic items were obtained through in-depth interviews with Romanian consumers. The resulting construct was then tested for content validity.

2. Conceptual framework

Assuming that a construct developed in a highly industrialized Western country can be applied in an emerging country without assessing its equivalence can be risky. Constructs need to be tested in advance because one may realize that the scale is too long or too complex. It might well be that some items are not appropriate for the emerging market context or that they even have a totally different meaning. Thus, to be able to establish equivalence in the new context, a check is needed on whether the construct has the same underlying meaning (Douglas & Nijssen, 2003). Not only construct equivalence needs to be assessed, but also content validity.

2.1. Construct equivalence

Singh (1995) divides construct equivalence into three aspects: (1) conceptual equivalence – it examines if the construct serves the same function, (2) instrument

equivalence – it explores the scale items, response categories and all issues regarding the questionnaire and (3) measurement equivalence – it refers to whether the construct measures the underlying variable. Craig and Douglas (2005, p.189) say conceptual equivalence is about “the interpretation that individuals place on objects, stimuli or behavior, and whether these exist or are expressed in similar ways in different countries and cultures”.

In studies, it is implicitly assumed that the constructs used are etc. Constructs are taken from previous studies, translated and after data collection measurement invariance is assessed. For instance, Strizhakova & Coulter (2012) used the Material Values Scale (MVS) by Richins (1987) in both developed and emerging markets (Brazil, India, China and Russia), obtaining configural and metric invariance. However, in Wong et al. (2003) the same MVS scale turned out not to be configural invariant. They found that this invariance was not due to lack of conceptual equivalence, but due to the used mixed-worded measures. The direction of item wording yielded a pronounced effect on the way East Asian individuals respond to consumer behavior scales; this was totally different from the Western way. This example shows that that a construct developed in one cultural context cannot be applied in a different cultural environment without first performing a preliminary investigation of conceptual equivalence. Lack of conceptual equivalence likely leads to bias and invalid conclusions. Therefore a good way to proceed is to assess the content validity of constructs before they are used in a culturally different context.

2.2. *Assessing content validity*

Content validity refers to a correct definition of the domain of the latent variable that one intends to measure. Content validity is culture dependent and also has a dynamic structure over time as consumers may change habits, lifestyle and other aspects that can affect the domain of the latent variable. Content validity assures that items inside a construct capture the domain of a construct, being representative and relevant for the population investigated (Sireci, 1998). When dealing with cross-cultural research one should impose to see if the content of the construct is appropriate for cultures under study in order to obtain conceptual equivalence of a construct. Differences or ambiguity in item content may cause lack of content validity and may threaten the conceptual framework (Douglas & Nijssen, 2003). Conceptual equivalence has to be addressed before data collection in a cross-cultural study, because we have to make sure that the construct has the same meaning across nations (Singh, 1995) and that can be confirmed by looking into the content validity of the scale.

There are several ways to test content validity using a quantitative approach. Scale development literature presents at least three: the content validity ratio (Lawshe, 1975), the content validity index (Waltz & Bausell, 1981) and the multi-rater Kappa coefficient.

Lawshe (1975) developed a quantitative measure for assessing content validity called the content validity ratio (CVR). The CVR offers information about item-level validity. The procedure consists in using a panel of experts to rate items according to the relevance for the domain of a proposed scale. Each item of the scale is rated using a 3-point rating system (1- item is irrelevant, 2 – item is important, but not essential, 3 – item is essential). For each item a CVR is computed, that is basically the proportion of experts that considered the items important or essential for the content of the scale.

Another quantitative measure for assessing content validity is the Content Validity Index (CVI) by Waltz & Bausell (1983). The difference between this measure and the CVR is that experts rate items on a 4-point rating scale with slightly different anchors (1 – not relevant, 2 – somewhat relevant, 3 – quite relevant and 4 – very relevant). The CVI-index is actually a percentage given by the number of experts that rate quite relevant or very relevant an item. A total index per scale can also be computed.

According to Waltz et. al (2010) if there are only two raters/judges the recommended index of agreement should be computed using Pearson-product moment correlation. Otherwise, Cronbach's alpha can be used to compute the inter-agreement index. The coefficient takes values between 0 and 1. A value equal to 0 refers to no agreement between judges, while 1 means perfect agreement.

Finally, the multi-rater Kappa coefficient was introduced by Cohen (1960) and it is thought to be a more robust measure than the use of percentage of agreement between raters because it takes into account agreement by chance. Kappa was first developed to assess agreement in the case of two raters. Further developments of Fleiss (1971) and Conger (1980) allowed the computation of a Kappa coefficient for multiple raters and multiple categories.

By using the previously mentioned methods we assessed content validity for a perceived risk in e-commerce scale. The construct was tested on Romanian consumers. Romania is an emerging market in which e-commerce has been growing at a rapid pace. This is a main reason of why a perceived risk in e-commerce is of practical interest for this emerging market.

3. Methodology

The aim of the current study is to test content validity of the perceived risk in e-commerce scale. Perceived risk is a latent, multi-dimensional construct that has been employed in marketing research as it is considered a strong deterrent of consumer behavior in high industrialized countries. The approach chosen to build up the construct was etic, meaning that the perceived risk in e-commerce scale was formed using mainly items from previous studies (e.g., the scales by Featherman & Pavlou, 2003; Forsythe et. al, 2006).

The emic contribution to the scale was obtained by performing in-depth interviews with ten Romanian students to reveal the risks perceived when buying online. Some specific behaviors have been used to develop items and those new items were also added to the original etic construct of perceived risk in e-commerce. The resulting construct had six dimensions (financial, security/privacy, psychological, social, time/delivery and product risk), each of them defined by a set of items.

The subsequent test involved two objectives: (1) to see if the items are content relevant to the domain of the construct, for which we applied methods such as CVR, CVI and the Kappa coefficient and (2) to see if the items can be correctly associated to each dimension of perceived risk, for which a Q-sorting procedure was used.

In the study we employed two samples: (1) a sample of 6 experts, who were asked to assess relevance of the items related to domain of the scale and (2) a sample of students, who had to classify each item to a dimension of perceived risk. With those samples the further scale analysis was done.

The experts in sample 1 were chosen not only considering their connection with the e-commerce field, but also with academic research. They were three marketing professors that teach E-marketing, one Computer Business professor that teaches E-commerce, one E-commerce consultant and one professor specialized in research methodology. The questionnaire used contained 29 items referring to perceived risk in e-commerce; 17 items were from the original scales by Featherman & Pavlou (2003) and Forsythe et. al (2006) and 12 items were generated in the interviews with the students. The experts had to evaluate each item (e.g., "Online shopping is not compatible to my self-image") as being "1= Irrelevant, 2=Important, but not essential and 3=Essential". To calculate the content validity ratio we used the methodology described by Lawshe (1975).

The agreement between experts regarding the relevance and importance of items was tested using the content validity index – CVI and the Kappa multi-rater reliability coefficient. Waltz et. al. (2010) recommends for the case of more than two raters the use of the alpha coefficient instead of the CVI, to quantify the extent to which there is agreement between experts.

The second part of the analysis consisted of a Q-sorting procedure (Storey et. al., 1997). The procedure was applied on a sample of 27 students. The students had to respond to a questionnaire and to assign a type of risk (financial, security/privacy, psychological, social, time/delivery and product risk) to each of the 29 items the experts assessed. The items were in random order, to prevent that the students would be influenced by classifying the items. After the data collection, for each item a percentage of correct classification was calculated. Items with low percentages would indicate that do not discriminate well between the dimensions of perceived risk.

4. Results

The panel formed by the six experts rated the items according to Lawshe (1975) specifications. It turned out that 7 out of 29 items presented a negative CVR value, indicating that more than 50% of experts considered the items to be irrelevant.

These results suggest that the seven items should be removed from the construct; however, this might be a hasty move, because four of the items with negative CVR represent psychological risk, so a whole dimension of perceived risk. This dimension has turned out important in all studies regarding the measurement of perceived risk in e-commerce (Featherman & Pavlou, 2003; Crespo et al., 2009; Forsythe et al., 2006).

In order to have a more clear view upon the scale, the CVI and the multi rater Kappa were also computed. Following Waltz & Bausell (1981), CVI was obtained by doing a reliability check across the ratings of experts. Moreover, a Cronbach alpha across raters was computed. An acceptable level of reliability was obtained – 0,72 - (Nunnaly & Bernstein, 1994)., but it tells that there is non-negligible disagreement.

Given that the results are mixed, an additional approach was taken using Fleiss (1971) version of the Kappa multi-rater reliability coefficient to provide a better understanding of the results. The analysis led to a Kappa of 0.15, which means there is only a slight level of agreement between experts (Gwet, 2001), while a Kappa over 0.81 would have indicated almost perfect agreement.

Next, the Q-sorting procedure using the student sample was used to see how the items relate to the dimensions of e-commerce risk. In order to calculate the percent of correct classification, the frequency of respondents that checked the correct category for each item was computed. Only 3 items were classified correctly by all students, 22 items were classified correctly by more than 70% of the students, whereas 4 items were classified by less than 60% of the students. The percentage variation for each type of risk is presented in Table 1.

Table 1 – Q-sorting results summarized student sample (N=27)

Risk type	Number of items	Correct classification
product	6	63% - 80%
financial	8	67% - 100%
psychological	4	52% - 81%
security	3	59% - 89%
delivery	4	22% - 85%
social	4	81% - 93%
Total	29	22% /- 100%

It is important to further analyze the 4 items that were less recognized as belonging to a certain category of risk. One item from delivery risk had the lowest percentage (22%) – “When I buy online I am sure that I will get the same product that I have ordered”. One explanation for the low percentage could be the fact the sentence is not perceived as a risk by some students. A 52% percent of correct classification was obtained .by another delivery risk item – “When I buy online, there is a high risk that the product delivered is not the same as the ordered product.” The two items measure the same thing, but they are formulated in a positive-negative manner. The problems identified are in line with Wong et. al. (2003) who found that conceptual equivalence can be influenced by direction of item wording. Another item from psychological risk was correctly classified by only 52% of students (Buying online does not fit with my self-image). The small percentage can be justified by the fact that the item is an etic one that was developed especially for products and was further adopted by Featherman & Pavlou (2003). This result is in line with the negative CVR values that we obtained for all items that form psychological risk. One security item had also a low percentage (59% of students classified it correctly). “There is a high chance that hackers take control over my account” is an etic item taken from Featherman & Pavlou (2003). This result can be explained by the fact that hacking an e-commerce account is not a common thing in Romania and does not stand significant risk as consumers do not use credit cards and usually prefer cash-on-delivery.

The data collected using this procedure also allowed to compute a content validity index (CVI) using Cronbach alpha to check the level of agreement between students. The reliability analysis was applied on the transposed database, meaning that the respondents were analyzed, not the items. The found Cronbach alpha of 0,98 indicates strong agreement between the student respondents

5. Implications

The alternative methods used for testing content validity of the perceived risk in e-commerce scale revealed several items with significant problems; items that should be removed in order to obtain an equivalent measure. Items such as “If I buy online I’m not sure that the product will be of good quality” or “The probability of losing money is high when I buy online” behaved well when tested. Both of them are items generated from in-depth interviews. However, items such as “Buying online does not fit with my self-image”, which comes from an etic version of the scale posed serious problems in both samples. Content analysis shows that usually items obtained from the etic perspective lack content validity.

Agreement on relevance of items in the expert group was really low (Kappa = 0.19). One explanation of the low Kappa could be in the sample. The experts were quite different from each other, each of them having connection with e-commerce studies, but from different perspectives. A more homogenous sample of experts might have given more consistent results. The Q-sorting procedure applied on the student sample, a group who is more knowledgeable of the e-commerce topic, showed that most of the items were correctly classified.

The major implications of this research are that conceptual equivalence of a construct cannot be assessed without first attaining an acceptable level of content validity (MacKenzie, Podsakoff & Podsakoff, 2011). The contribution of this research is in the re-introduction of methods of scale validation that can be highly useful in exploratory phases of research in particular in emerging markets. Both content validity ratio and Q-sorting are less employed in current research in marketing, they however show a great potential for assessing content validity of scales in an emerging market context.

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The Different Meanings of the Same Need for Cognitive Closure Levels: Would I Suppress My Feelings or Would I Want to Quit?

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The Different Meanings of the Same Need for Cognitive Closure Levels: Would I Suppress My Feelings or Would I Want to Quit?

Abstract

The different Need for Cognitive Closure (NCC) levels result from different decision situations. But is it also possible that the same level of NCC could result from different decision situations? In this paper we manipulated different decision situations from a combination of three factors: option alignability, time availability, and regulatory focus. We then measured the NCC levels across the different situations. Our empirical results demonstrated that the same NCC level could come from different decision situations. This same NCC level could have different meanings for consumers. It is important for marketers to recognize that the NCC level is just an indicator and that it is worthwhile to explore the underlying cause.

Keywords

Need for Cognitive Closure, Decision Situation, Information Processing, Option Alignability, Regulatory Focus

1. Introduction

Could the “same” Need for Cognitive Closure (NCC) level have different meanings and consequences for marketers? Different decision situations generally lead to different NCC levels. However, could different situations lead to the same NCC level? This research explores NCC levels resulting from different decision situations.

The findings in this research are important because they suggest that marketers look beyond the NCC level. It also suggests that marketers should understand the situations that lead to NCC levels, as well as be sensitive to the potential different consequences resulting from the same NCC level.

This paper reviews and discusses relevant literature, explains methodology, as well as presents and discusses results. Then, the contributions, limitations, and suggestions for future research are discussed.

2. Literature Review

Need for Cognitive Closure (NCC) is “individuals’ desire for a firm answer to a question and an aversion toward ambiguity” (Kruglanski & Webster, 1996). The word “need” refers to the tendency or the inclination that consumers are likely to have (Kruglanski & Webster, 1996). NCC comprises five dimensions – order and structure, predictability, decisiveness, ambiguity and closed-mind. The essence of NCC is the perceived benefit versus the perceived cost of cognitive closure. Situations that lead to perceived benefit include fatigue, illness, boredom from performing the task, as well as noise and time limit (Mannetti, Pierro, Kruglanski, Taris, & Bezinovic, 2002; Webster & Kruglanski, 1997). Perceived benefits lead to high NCC. On the other hand, when consumers are accountable for the answer (Mannetti et al., 2002; Webster & Kruglanski, 1997), or are concerned that arriving at the answer limits them from other solutions (Webster & Kruglanski, 1997), they will tend to perceive the cost from the closure, and therefore have low NCC. NCC is very important because it possibly sheds light on unexplained phenomena in consumer behavior (Mikulincer, 1997). For example, when consumers have high NCC, they will have the need for an answer. If marketers can supply them with a satisfactory answer in a short time, they should be inclined to make a purchase as soon as they can. On the other hand, when they have low need for cognitive closure, they do not need to have the answer right away. Marketers will have to assure them about the accuracy and comprehensiveness of their decision, so that they are not worried about being accountable for the answer or whether there might be a better solution elsewhere.

Since NCC occurs in decision situations, scholars should pay attention to the factors affecting the situations. Paas and colleagues propose that cognitive variables are a function of task factors and subject factors (Paas, Merrienboer, & Adam, 1994). The task factors incorporated into this research are option alignability and time availability. The subject factor incorporated into the current research is the consumers’ regulatory focus type.

The first task factor, option alignability, concerns the difference among choice attributes, whether they differ in the same dimension (alignable) or different dimensions (nonalignable) (Gourville & Soman, 2005). Choosing from alignable options are easier and faster compared to choosing from nonalignable options (Boatwright & Nunes, 2001; Herrmann, Heitmann, Morgan, Henneberg, & Landwehr, 2009). Option alignability is

important because its essence – the ease versus the complexity of the information – should directly impact NCC. Prior research found that option alignability is related to NCC (Zhang, Kardes, & Cronley, 2002). When the option is alignable, its ease will not be a threat to consumers and therefore should lead to low NCC. On the other hand, when the option is nonalignable, its complexity could lead consumers to fatigue and worry, and therefore should lead to high NCC.

The second task factor, time availability, is how much time consumers have for a particular task. Time availability is very important because most consumers now live in a fast-paced world where they have to make a decision under a time constraint (Ahituv, Igarria, & Sella, 1998). Suri and Moroe categorized time availability into three levels – time abundance, moderate time limit, and severe time limit (Suri & Monroe, 2003). The key difference between moderate and severe time limits is that in the latter case, consumers could change their information-processing strategy from using the central route to using the peripheral route (Payne, Bettman, Coupey, & Johnson, 1992). A time limit leads to worry (Eysenck & Calvo, 1992) and stress (Maule & Hockey, 1993). As a result, a time limit also leads to high NCC (Kruglanski, 1989; Kruglanski & Webster, 1996), while consumers should have low NCC when there is no time limit.

The subject factor in this research, regulatory focus, is the tendency of how consumers regulate themselves in response to external stimuli (Crowe & Higgins, 1997; Pham & Higgins, 2005). The two types of regulatory focus are promotion and prevention focus. Promotion (prevention)-focused consumers focus on their wish (duty) (Higgins, 1997; Higgins, Shah, & Friedman, 1997), and are concerned with the positive (negative) outcome (Crowe & Higgins, 1997). Promotion (prevention)-focused consumers tend to have approach (avoidance) orientation (Higgins, 1997; Pham & Higgins, 2005) and tend to be risk taking (risk averse) (Crowe & Higgins, 1997; Pham & Avnet, 2004).

Regulatory focus is very important because it governs how consumers live their lives. It should also influence how they feel about their decision situations and whether they have the need to close the cognitive task or not. Promotion-focused consumers tend to be positive and open to new things; therefore, they should tend to have low NCC because their desire to explore impels them to keep considering options. On the other hand, prevention-focused consumers tend to be cautious and want to get the task done. Finishing the cognitive task takes away their concerns, and therefore they should tend to have high NCC.

From the literature above, we could predict how each factor influences NCC. However, real-life situations usually involve more than one factor. Therefore, the interesting research question is how the combination of the situation factors impacts NCC.

3. Methodology

An experiment using a 2 (alignable versus nonalignable option) x 2 (time abundance versus moderate time limit) x 2 (promotion versus prevention focus) between-subject design was employed to study the impact of different situations on NCC level. The two levels of the three factors result in eight test situations as shown in Table 1. For example, promotion-focused consumers process alignable option information with no time limit in Situation 1.

Table 1
Company Selection Situation

	Situation 1	Situation 2	Situation 3	Situation 4	Situation 5	Situation 6	Situation 7	Situation 8
Option Alignability	Alignable	Alignable	Non-alignable	Non-alignable	Alignable	Alignable	Non-alignable	Non-alignable
Time Availability	Time abundance	Moderate time limit	Time abundance	Moderate time limit	Time abundance	Moderate time limit	Time abundance	Moderate time limit
Regulatory Focus	Promotion	Promotion	Promotion	Promotion	Prevention	Prevention	Prevention	Prevention

Using an undergraduate student sample is appropriate for the company selection domain because it fulfills two requirements. First, respondents have to be highly involved in the domain, so that they will process the information via the central route processing. Second, respondents must be unfamiliar with the domain, so that they will rely on short-term memory, not long-term memory.

A total of 1,116 undergraduate students were approached. Because of manipulation doubts, 55 observations were dropped, resulting in 1,061 usable observations. Seventy-five percent of the respondents were female with an average age of 20. This demographic is in line with the universities' social science studies populations as a whole.

Prior to the main experiment, the option alignability stimulus was developed based on the attributes generated from 30 respondents. The alignable (nonalignable) option differs in one same (different) dimension(s). Regulatory focus priming was based on prior literature. Promotion (prevention)-primed respondents were asked to write down two examples of aspirations (tasks) (Chernev, 2004; Liberman, Molden, Idson, & Higgins, 2001), and two strategies to achieve success (avoid failure) (Chang & Chou, 2008; Lockwood, Jordan, & Kunda, 2002; Pham & Avnet, 2004). The moderate time limit was determined based on the average time used in the pretest (Ahituv et al., 1998; Chien-Huang & Wu, 2005; Dhar & Nowlis, 1999; Higgins, 1999; Payne et al., 1992; Svenson, Edland, & Slovic, 1990). The manipulation checks for option alignability (Zhang & Fitzsimons, 1999), time availability (Suri & Monroe, 2003), and regulatory focus (Ouschan, Boldero, Kashima, Wakomoto, & Kashima, 2007) were based on the prior literature. Qualitative and quantitative pretests were conducted to ensure that the experiment met the research requirements.

The main experiment started with an introduction, the regulatory focus priming, and the career selection task. The option alignability and time availability were manipulated during the career selection task. NCC levels were then measured based on the prior literature (Roets & Hiel, 2011). The researcher thanked the respondents and snack bars were given to them as a token of appreciation.

4. Results and Discussion

The F-test results show that NCC levels are different among different situations, $F(7, 1053) = 5.191, p = .000$. The Gabriel post-hoc test shows that there are three levels of NCC: Low (Situations 1, 7, and 8), Moderate (Situations 4, 5 and 6), and High (Situations 2 and 3). It is not surprising that Situation 1 generates low NCC because it is clearly the easiest task requiring the least cognitive effort, and seems not to produce any stress.

It is very interesting that the more difficult situations where prevention-focused consumers process nonalignable options (Situations 7 and 8) surprisingly lead to low NCC. Having agitated, risk-averse consumers process complex information could heighten their inclination to focus on completing the task. This could distract them from their need to close the cognitive task or not. Prior research also found that consumers will have low NCC when they have to be accountable for the accuracy of the answer (Mannetti et al., 2002; Webster & Kruglanski, 1997). In Situations 7 and 8, prevention-focused consumers have to be accountable for completing the complex task, resulting in low NCC, regardless of the time availability.

The situations with moderate NCC levels are Situation 4, which has promotion-focused consumers processing nonalignable options with a moderate time limit; and Situations 5 and 6, which have prevention-focused consumers process alignable options.

The situations with high NCC are Situations 2 and 3 where consumers are promotion focused and might be annoyed with the small obstacles in these two situations. In Situation 2, the options are alignable, but the consumers have to process them with a time limit. In Situation 3, there is no time limit, but the options are the more complex nonalignable ones.

There are a few interesting observations about these findings. First, regulatory focus leads to a contrasting impact on NCC level. When the task is alignable, promotion-focused consumers have higher NCC when time is limited, compared to when time is abundant (Situation 1 versus 2). In contrast, although prevention-focused consumers have moderate NCC, prevention-focused consumers could try to suppress their feelings so that the NCC mean is lower when time is limited (Situation 5 versus 6). This contrast also applies when the task is nonalignable. Promotion-focused consumers have either moderate or high NCC (Situations 3 and 4), while prevention-focused consumers have low NCC (Situations 7 and 8), when the task is the demanding nonalignable task. This suggests that when the task is more demanding, promotion-focused consumers might want to quit and are likely to have higher NCC, while prevention-focused consumers could suppress their feelings and therefore have low NCC.

It was also observed that high NCC can be found only among promotion-focused consumers. The top two highest NCC levels are not the most difficult situations with the fewest resources, but rather they are the situations where promotion-focused consumers encounter small obstacles. Promotion-focused consumers who want to approach an opportunity will have negative feelings when one dimension of the task is favorable (e.g. time abundance or alignable information), but another dimension is not (e.g. time limit or nonalignable option). They will also probably want to stop the task; however, they cannot easily follow this desire to stop in the middle of an experiment, and therefore express their feelings with high NCC. As a result, the more demanding the task, the higher the NCC levels are for promotion-focused consumers, while it is the opposite for prevention-focused consumers.

Another interesting observation is that different combinations reach the same result for different reasons. For example, both the least and the most demanding tasks could result in low NCC.

Our research findings extend the knowledge frontier of NCC. Highlighted is that different situations can lead to the same NCC level. The same NCC level could have different meanings, and should lead to different consequences. Therefore, scholars should pay attention not only to the NCC level, but also to the situations that generate the NCC level. From the theoretical contributions, managers should be sensitive to the background or situations leading to the NCC level. They should not assume that consumers with the same NCC level are the same. They should try to understand the situations producing NCC, and treat consumers differently because the NCC level is only an indicator of the underlying situation.

The scope of this research focuses on the different decision situations generated from the combination of three factors, and studied how each situation impacts NCC level. This research also predicts that the same NCC levels generated from different situations should have different impacts on other outcome variables. Future research should incorporate other outcome variables such as purchase, delayed purchase, product/service evaluation, and word-of-mouth. In addition, the current research was conducted in a lab environment; future research should reconfirm these findings in the real retail environment.

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What is a multichannel marketing strategy?

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What is a multichannel marketing strategy?

Abstract

The empirical researches so far on multichannel marketing have mainly focused on transaction and operational perspective, thus lack comprehensive overview on this concept, and subsequently lack evidences on several strategic issues such as motivation of adoption and its impact on the implementation of multichannel marketing. This study aimed first to broaden the understanding on the concept, providing a comprehensive measurement on multichannel marketing strategy. It then explored from a strategic level, the motivations of companies currently practicing multichannel marketing. At last, it suggested companies' competitive strategies being the premises influencing the motivation of adoption and implement of multichannel marketing strategy.

Keywords: *Multichannel marketing, Motivation, Competitive strategy*

1. Introduction

The fast evolving Information Communication Technology (ICT) has brought proliferation of potential marketing channels and fundamental changes to marketing practice (e.g., Webb, 2002). Among the blooming multichannel marketing literature, despite most conceptual developments have pointed out the potential of enhanced communication through multichannel (e.g., Keller, 2010), the empirical researches have been mostly carried out in a multichannel setting confined to activities of selling, e.g. whether multichannel increasing sales or cannibalizing, customers' buying behavior in multichannel context, etc. (e.g., Dholakia, Zhao, & Dholakia, 2005). Thus there lacked empirical knowledge on a comprehensive concept of multichannel marketing as envisioned conceptually, and subsequently left several important questions open.

Our study went through a literature review underpinning conceptually the variables which constitute multichannel marketing from an extended perspective, and a field study enabling us to compare the literature and practitioners' views. This study aimed to contribute to the existent literature in three aspects. Firstly, it broadened the current views and proposed a comprehensive measurement of multichannel marketing strategy; secondly, from a strategic level, it explored companies' motivations to adopt multichannel marketing; thirdly, it suggested companies' competitive strategies being discriminating contingent variables to their motivation to adopt and implement of multichannel marketing strategy, providing an interesting future research direction.

2. Background and Framework

Multichannel marketing was defined as *“build lasting customer relationships by simultaneously offering their customers and prospects information, products, services, and support (or any combination of these) through two or more synchronized channels”* (Rangaswamy & Van Bruggen, 2005). Although traditionally companies have already been operating on different channels, the evolving ICT kept creating opportunities for innovative business models through the exploitation of internet and mobile technology (Webb, 2002; Shankar, Venkatesh, Hofacker, & Naik, 2010). Under this increasingly complex environment, conceptual literature was still striving for a comprehensive and precise definition of multichannel marketing. Two dimensions qualifying a channel were derived from existent literature. Firstly, a channel must be used to perform certain distribution functions, i.e. transaction and/or (personal and/or mass) communication (e.g., Vinhas, et al., 2010; Keller, 2010). Secondly, a channel was a touch-point that company either directly operated or indirectly controlled/influenced (e.g. Keller, 2010). Despite the common acknowledgement of the heightened communication capacity brought by emerging channels (e.g., Van Bruggen, Antia, Jap, Reinartz, & Pallas, 2010), the empirical researches, on the other hand, have mostly taken a transaction-oriented and operational perspective, focusing on the sales activities and related issues, e.g. whether multichannel contributing to overall sales increase, segment coverage by multichannel, customers' buying behavior shift in multichannel environment, etc. (e.g., Dholakia, Zhao, & Dholakia, 2005). Consequently, the existent empirical researches on multichannel marketing were insufficient to answer several issues raised by the conceptual developments from the strategic level of the adoption of multichannel marketing. In particular, this study aimed to explore the following two:

What does a multichannel marketing strategy entail, if it was not solely about having multiple selling channels, and thus define a company to be multichannel (Neslin & Shankar, 2009; Van Bruggen, Antia, Jap, Reinartz, & Pallas, 2010)? Answer to this question was an essential premise for research in some other areas of multichannel marketing, for example, the performance measurement for multichannel marketing strategy.

Few researches have looked into companies' motivations to adopt multichannel marketing despite several researchers had raised the question about its strategic role: did companies consider multichannel marketing a necessity in order to survive the competition, or did they consider it a potential source of competitive advantage (Neslin & Shankar, 2009; Rangaswamy & Van Bruggen, 2005)? In case of the latter, what kind of competitive advantages and how they could be achieved through multichannel marketing?

The conceptual framework was illustrated in Figure 1.

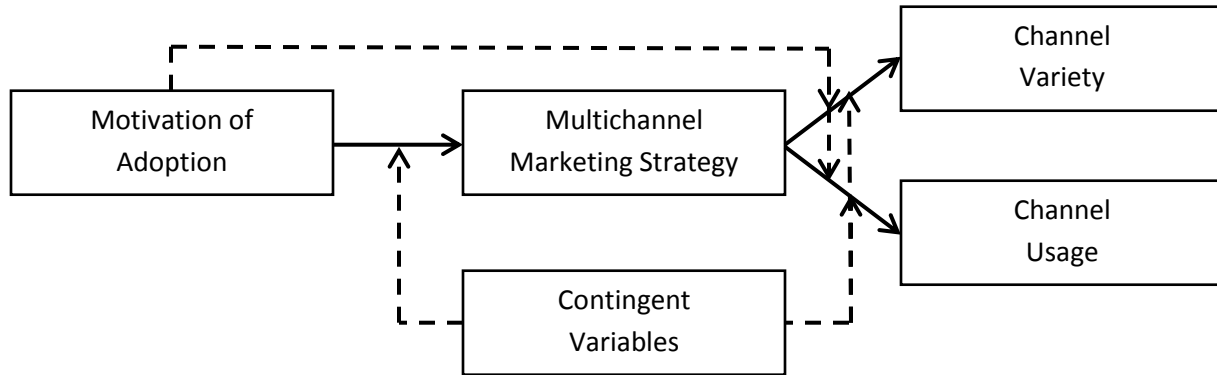


Figure 1: Conceptual Framework

Multichannel marketing strategy would be assessed through two factors. Channel variety measuring the presence of channels, as multichannel literally suggests operation of a variety of channels, was characterized on three dimensions as described in the background: technology, function and ownership. Channel usage measures the intensity of a particular channel was being used by the company (Van Bruggen, Antia, Jap, Reinartz, & Pallas, 2010). Motivation of adoption assessed whether companies adopting multichannel marketing perceived it as a necessity or means of creating competitive advantage; such perception was possible to affect the implementation of the multichannel strategy, i.e. the channel variety and channel usage. Contingent variables include, company characteristics, industries, product types, etc. (e.g., Konus, Verhoef, & Neslin, 2008). They could affect companies' decision to adopt multichannel marketing and/or the implementation of their multichannel strategy.

3. Methodology

Since the empirical knowledge on the variables presented in the conceptual framework was scarce, this study was carried out qualitatively through in-depth interviews in order to preliminarily explore these subjects. A sample of 32 Italian companies mostly located in the highly industrialized northern region Lombardy was selected based on three dimensions: size (large vs. small/medium¹), output (product vs. service), and client type (B2B vs. B2C), which characterized eight types of companies; four companies from different industries within each type were interviewed. The sample plan ensured comprehensive representativeness of these endogenous characteristics in order to, on one hand avoid biased information regarding the multichannel marketing strategy and its implementation, on the other hand collect possible variances regarding the motivation and the contingent variables.

¹ Large companies were defined as: >250 employees and/or >€50million annual turnover

4. Results and Discussion

4.1. Channel Variety

The interviews unveiled a wide variety of currently applied marketing channels qualified by above-mentioned two dimensions, function and ownership. Due to the high diversity within these channels and minor differences among some of them, in order to reach a robust yet parsimonious measurement for channel variety, nine types of channels were categorized taking into consideration their marketing implications.

Traditional channels:

- Point-of-Sales: the channels whose main function was to sell a company's products or services to its customers, including brick-and-mortar stores, distributors, resellers and so on; in cases where physical stores were not applicable, for example, B2B market or service providers, POS also refers to sales force, account management, and alike.
- Mass media: the channels mainly aimed at mass communication, including catalog, brochures, billboard advertising, TV advertising, press, and so on.
- Industrial events: channels aimed at communication with groups highly relevant to companies' businesses, including PR events, trade fairs, industrial events, and so on.
- Call center: the channel which enabled certain level of two-way communication with well-established technology.

Internet-enabled channels:

- Proprietary websites: companies owned the contents and operations of the websites which could be used for communication and/or transaction.
- Social networks: presence on the social networking services (such as Facebook) where real-time, multimedia, interactive and simultaneous communication could take place in a network comprised of a company and its customers (or its stakeholders).
- Web applications: channels depending on other internet-based services, including search engine marketing, web sharing, online distributors (such as Groupon), and so on.
- Email/SMS: email enabled individual identification of customers and one-to-one communication. SMS, although involving different technology, implies similar application to the use of emails.

Mobile-enabled channels (more specifically, refer to smartphone/tablet computers operating on 3G/4G network):

- Mobile applications: mobile devices were more intimate to their uses; their specific technical capabilities enable applications such as: mobile-browsing, proprietary app, location-based-services, bar-code scan, and so on.

Among the 32 companies interviewed, all of them were present in some of the traditional channels and some of the internet-enabled channels. Specifically, all companies operate certain traditional POS and own their proprietary websites. The next most adopted channel was social networks, industrial events, and mass media.

The channel variety currently adopted by companies suggested that: traditional channels are not being replaced (in many cases, traditional channels are indispensable); internet had been widely accepted as a marketing instrument; mobile as a marketing channel was still under exploration; being present on different types of channels was no longer a novelty, the importance of continuously updating multichannel approach had been recognized by most of the companies interviewed, as several of them stated that "it is impossible to imagine operating on single

channel nowadays” and that “we continuously keep ourselves updated with the latest development of channels”.

4.2. Channel Usage

Although all the companies interviewed were present on more than one type of channel, the actual usages of these channels largely varied on a continuum from a proactive and creative approach to multichannel marketing, to an inactive and resistant approach. Table 1 illustrated two cases for each of the polarized behaviors in multichannel usage.

Table 1: Cases on channel usage

Company	Channel Variety	Channel Usage
<i>Proactive and creative approach to multichannel marketing</i>		
No.7 S/M B2B Service - Consultancy	POS	Traditional contacts with clients
	Industrial events	e.g. frequent seminars towards either clients or colleagues
	Website	Provide information; host content; host links to other channels; support payment
	Social network	Communicate with clients and colleagues; share developments of knowledge in the industry; receive feedbacks and criticisms
	Web application	Share with client work-in-progress; deliver multimedia content
	Mobile	Provide ubiquitous accessibility of digital contents
No.14 S/M B2C Service - F&B	POS	Restaurant and its specific setting
	Mass media	Mass media still useful targeting the customer who were not accustomed to communication through ICT
	Industrial events	Promotion through related settings or fairs
	Website	Provide information; educate customer the differentiating value proposition; host content such as recent events; host links to other channels
	Social network	Actively encourage and reward customers to increase the visibility of the company on social network; receive feedbacks
	Web application	Deliver multimedia contents
	Emails	Actively encourage customers to communicate through emails
<i>Inactive or resistant approach to multichannel marketing</i>		
No. 9 S/M B2C Product - Jewelry	POS	A store with strong local focus; preferred maintaining customer relationship face-to-face; strongly believed the importance of seeing and touching the products in customers' purchase process
	Website	Essentially an online static business card
No. 32 Large B2C Service - Luxury hotel	POS	The hotel; booking office; travel agencies
	Mass media	Specialist journalism; often requested by press thanks to the hotel's legendary prestige
	Industrial events	Host high-profile events
	Website	Provide basic information
	Emails	Non-invasive communication with regular customers

4.3. Multichannel Marketing Strategy

Our study supported the framework's suggestion that a company's multichannel marketing strategy was not only determined by the number of channels where the company was present, but also the actual usages of these channels. Since neither of these two determinants were dichotomous, whether a company was practicing a multichannel marketing strategy could not be

simply answered by yes or no. Rather, it should be measured on a continuum. Due to the qualitative nature of this study, the intensity of channel usage could not be properly assessed. However, the notion could be tested in quantitative studies.

4.4. *Motivation of Adoption*

As raised in the conceptual literature, both kinds of motivations of adopting multichannel marketing, i.e. necessity and source of competitive advantage, were detected in our study. Not surprisingly, and supporting the hypothesis in the framework, the ones who were more active in multichannel practices were more likely to be motivated by creating competitive advantage. In particular, the competitive advantage could be realized as:

Differentiation through innovation: expressed mostly by companies operating in mature and highly competitive market. For example, company 28, operating a supermarket chain, commented that offline channels were standard and difficult to differentiate in the industry; online channels, on the other hand, had large space for exploration and were continuously evolving; it was working to build more intimate customer relationship through mobile, by not only providing more convenience and utility, but also engaging customers in the process and making the common errands fun.

Customer orientation: several companies stated that the diversity among the customers made their multichannel efforts well received. For example, company 7, a B2B consultant, stated that its business clients, and the individual contact persons within a business client, might all have different preferences and technological capability; thanks to their multichannel practices, the customers were always able to find a way which suited them the best.

Brand identity communication: multichannel approach was considered by some companies a set of eclectic instruments in order to communicate brand identity through various angles. For example, company 27, a sportswear and equipment producer, was emotionally engaging sports enthusiasts through social network and conveying the spirit of excitement that the brand image was intended; it launched mobile application which let customers to plan, instruct, and record their sports activities, aiming to bond the brand image with the potential product usage.

4.5. *Contingent Variables*

The endogenous variables involved, i.e. company's size, output type, client type, and sector, did not show obvious impact on the relationship between companies' motivation and adoption of multichannel marketing strategy and its implementation. Instead, it was suggested that variables such as a company's competitive strategies could potentially affect these relationships. The interviews revealed cases where, for example, company adopted certain channel in order to convey the sensorial perfection of the product, to cultivate customers' emotional attachment to the brand, to seamlessly circulate related knowledge, to encourage pragmatic engagement with the brand, or to build social community around the brand. These actions aiming at engaging customers' senses, emotions, cognitions, actions and relations were reflection of the increasingly discussed concept of experiential marketing (e.g., Schmitt, 1999) which suggested companies' ability to create and deliver superior customer experience was becoming a more important and sustainable competitive advantage.

5. Conclusion

In this study, we provided an exploratory view on the subject of multichannel marketing from a strategic level. It proposed that the qualification of multichannel marketing strategy should be

identified on a continuum based on channel variety and channel usage. It provided an answer to the conceptual literature that the motivation to adopt multichannel marketing could be either necessity or seeking competitive advantage which in particular entailed (but not limited to) differentiation, customer orientation and brand identity communication. Subsequently, companies' competitive strategies were more likely to influence their motivation of adopting multichannel marketing and its actual implementation. The contribution to existent literature of is threefold: (i) with empirical evidence, it enriches the comprehensive understanding of the concept of multichannel marketing; (ii) it answers, among the firsts, to the question repeatedly raised in conceptual literature of company's motivation to adopt multichannel marketing, and suggests its influence on the implementation of multichannel marketing; (iii) it suggests that company's competitive strategies such as experience-orientation to be more effective contingent variables to companies' motivation of adoption and implementation of multichannel marketing, which represents an interesting joint research direction.

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Behavioral Loyalty in Performing Arts: Do Emotions Matter Without Involvement?

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Behavioral Loyalty in Performing Arts: Do Emotions Matter Without Involvement?

Abstract

Prior research in arts marketing has pointed out that emotions and product involvement are antecedents of the purchase and consumption of performing arts. As a consequence, both variables can contribute to explain why consumers repeat the purchase of this category, that is, their behavioral loyalty. However, prior research has devoted almost no attention to the contextual effects of these two predictors of such behaviors. The main purpose of this study is to investigate the role of emotions and involvement in the formation of behavioral loyalty for performing arts. Alternative structural models of the relations between these variables are tested. The findings show that product involvement fully mediates the relation between emotions and behavioral loyalty.

Keywords: *emotions, behavioral loyalty, involvement, live theatre performances, performing arts*

1 Introduction

Performing arts are a type of experiential and hedonic products. It is conventional wisdom in marketing that emotions are fundamental motivators of the consumption of hedonic products (Hirschman & Holbrook, 1982). In fact, hedonic products are not consumed to satisfy functional needs, but instead serve as powerful experiential devices that consumers use to project their fantasies, to get a sense of fulfillment, to escape their daily reality, and to have fun (Holbrook & Hirschman, 1982). Involvement has also been identified as an important antecedent of the purchase and consumption of hedonic products (Hirschman & Holbrook, 1982). Product involvement, defined as “the personal relevance or importance of a product category” (Coulter, Price, and Feick, 2003: 152), functions as a personal attitudinal trait that is able to induce a purchase and consumption behavior (Olsen, 2007). As a consequence, both emotions and involvement can contribute to explain why consumers repeat the purchase of performing arts, which is essentially behavioral loyalty.

Given the importance of emotions and involvement for the purchase, consumption and repurchase of performing arts, it is quite surprising that prior research has devoted almost no attention to the contextual effects of these two powerful predictors of such behaviors. The main purpose of this study is to discuss and test the role of emotions and involvement in the formation of behavioral loyalty at the product category level for performing arts. We will describe alternative models, which suggest that involvement may be a mediator or a moderator between emotions and behavioral loyalty when all these constructs are measured at the same level of specificity (product category level).

The remainder of the paper is organized as follows. First, we present the theoretical framework behind our proposal. Second, we describe the method we adopted and the results we obtained. Finally, we discuss our findings.

2. Theoretical Framework

2.1 *Emotions and behavioral loyalty*

The tendency of individuals to seek pleasure and avoid pain is a well-established assumption in psychological and consumer behavior literatures (Andrade & Cohen, 2007). We concur with Bagozzi, Gopinath and Nyer (1999, p. 184) who defined emotion as “a mental state of readiness that arises from cognitive appraisals of events or thoughts; has a phenomenological tone; is accompanied by physiological processes; is often expressed physically [...]; and may result in specific actions to affirm or cope with the emotion, depending on its nature and meaning for the person having it”. Emotions have a self-regulatory effect, which guides actions towards the achievement of specific goals (Perugini & Bagozzi, 2001).

Prior psychological research has shown that people tend to seek positive emotions and avoid negative ones (Maio & Esses, 2001). If an individual experiences positive emotions connected to an activity or an object she will try to live the same experience again. Prior marketing research has also highlighted that emotions impact both consumer repeat purchase, and the intention to do so (Bagozzi, Gopinath, and Nyer, 1999; Soscia, 2007). Notwithstanding experiential perspective recognizes the role played by emotions in arts consumption in determining post-consumption behaviors (Hirschmann and Holbrook, 1982) there are few studies about performing arts that analyzes the impact of emotions on repeat purchase. With this regard, Swanson and Davis' work (2012) affirmed that repurchase intention was significantly directly related with patrons' delight/outrage.

In conclusion, prior research suggests a positive (negative) direct relation between positive (negative) emotions and behavioral loyalty. Although some recent literature suggests that the co-activation of positive and negative emotions can lead to repeat purchase of a product category (Andrade & Cohen, 2007), most marketing research confirms that consumers will

repeatedly purchase product categories whose consumption activates positive emotions. Therefore, we focus on positive emotions in our study.

2.2 Product involvement and behavioral loyalty

Involvement is a complex construct and, as suggested by Laurent and Kapferer (1985) there is more than one type of involvement. This variable does not exist in the individual independent of an object (Costley, 1988) and it can be directed toward different objects (i.e. products, advertisements, or situations such as purchase occasions) (Costley 1988). This study is concerned with product involvement - namely involvement with the category of theatre: it is "the inherent nature of the product to cause concern of caring in the individual in a purchase situation" (Smith & Beatty, 1984, p.229).

Previous research has provided rich evidence of the positive effect of product involvement on the repeated behaviors of consumers (Gainer 1993). More recently, Olsen (2007) confirms that product involvement is an antecedent of repurchase loyalty (behavioral loyalty, to use our terminology).

Literature on arts marketing also confirms these results (Johnson & Garbarino, 2001). In this line, a study by Hume and Mort (2008) shows that product involvement is the only driver of intentions to repeat the purchase of performing arts. In conclusion, prior research suggests a positive direct relation between product involvement and behavioral loyalty.

2.3 Product involvement as a mediator between emotions and behavioral loyalty

While prior literature establishes a direct causal link between emotions and behavioral loyalty and involvement and behavioral loyalty, up to our knowledge there is no research in arts management that tested the role of involvement as a mediator of the relationship between emotions and repurchase. Based on previous literature, we advance that product involvement may play this role. Our main argument is that product involvement is the affective and cognitive mechanism that allows consumers to transfer the emotional state connected to the consumption activity from one purchase to subsequent purchases. On one hand, prior research highlights that involvement shares the main characteristics of strong attitudes, and consequently explains behaviors (e.g. Thomsen, Borgida, and Lavine, 1995). On the other hand, involvement is likely to be greatest when an emotion is aroused (Palmer & Koenig-Lewis, 2011). For this reason, we advance that emotions connected to the consumption of a product category may lead to an increased relevance of that product for the consumer, who, in turn, will repeat the purchase of that category over time.

2.4 Product involvement as a moderator between emotions and behavioral loyalty

Despite the fact that involvement is often suggested to be a moderator variable in marketing (Olsen, 2007), the role of involvement on the relationship between emotions and behavioral loyalty has not, to these authors knowledge, been tested empirically nor in the arts management studies nor in other industries. According to Laaksonen (1994), the main function of involvement is to regulate the extent to which inner elements of individuals (e.g. motives, cognitions, beliefs...) determine behavior. In line with this work, involvement might moderate the relationship between emotions and behavioral loyalty. For this reason, a model that hypothesizes the role of involvement as a moderator of the relationship between these two variables is tested.

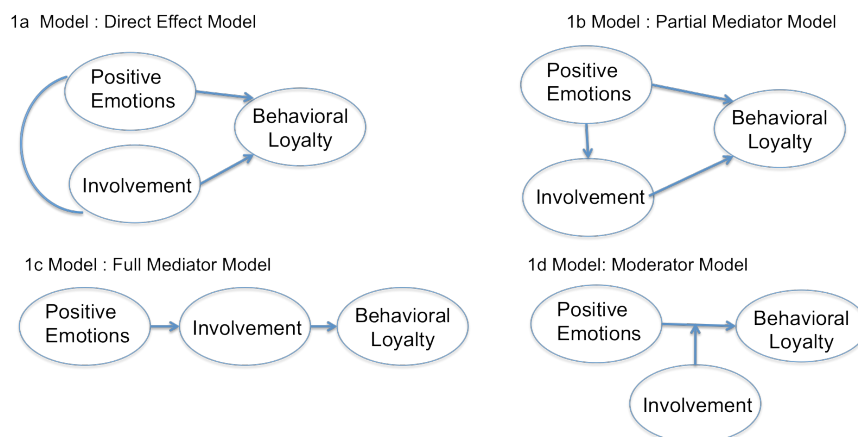
Our research extend the scope of prior research 1) testing the role of involvement as mediator in the artistic contest; 2) maintaining that high level of involvement may strength the effect of emotions in general and more specifically positive emotions.

2.5 Summary of alternative models

In order to test the competing hypotheses we contrast four rival models. In the first one (fig. 1a) both the involvement and emotions have a direct impact on behavioral loyalty. The

second one (fig. 1b) views product involvement as a partial mediator between emotions and behavioral loyalty. In this model we allow direct relationships between positive and behavioral loyalty and suggest that product involvement is one route through which emotions translate into consumer behavior. The third model (fig. 1c) suggests product involvement as a full mediator between positive emotions and behavioral loyalty, considering it the only route through which emotions translates into consumer behavior. In the fourth one (fig. 1d), involvement moderates the relationship between emotions and behavioral loyalty such that the relationship is weaker for less involved customers.

Figure 1: The model



3. Method

Our study focused on one specific performing arts category: live theatre performance. Since emotions are specific to a product category, we conducted preliminary qualitative research with the aim of eliciting a list of positive emotions related to our chosen category.

3.1 Qualitative research

For the elicitation we used the Zaltman Metaphor Elicitation Technique (Zaltman, 1995). We interviewed twenty theatre-goers¹ in two different European cities. To come up with the final list of emotions, we ran an analysis of frequency of the emotional states reported by the interviewees, interpreted according to the Consumption Emotion Set (Richins 1997). The final list of positive emotions related to the attendance of live theatre performances were seven: joy, contentment, optimism, love, romantic love, peacefulness, excitement.

3.2 Model testing

To test the four different models in figure 1, we ran a survey on a convenience sample. 182 female theatre-goers, (18-34 years), from two different European cities participated. The questionnaire was administered personally by one of the authors. Respondents were selected among attendants of two large theatres in the two cities, similar in terms of genre of live performances. We pooled the data of the two samples after running an ANOVA and verifying the absence of statistical difference between the two. We measured the positive emotions related to the live theatre performance product category with a 5-point Likert scale (Bagozzi, Gopinath, and Nyer, 1999). Product involvement was measured through the 17-item scale (Zaichkowsky, 1985). Behavioral loyalty was measured by asking respondents how often they had attended live theatre performance in the last 12 months.

We used structural equation modeling to test the rival models 1a, 1b and 1c and the relationships between the constructs by maximum likelihood estimation in LISREL 8.50. We estimated the three different models, and we provide the fit statistics and standardized

¹ All interviewed declared that they attended at least one theatre live performance in the last twelve months.

estimates in Table 1. Model 1d was tested using moderated regressions, according to the number of available observations.

Table 1 Structural Parameter Estimates (β) of Rival Emotions–Involvement–Loyalty Models.

Path	Direct Effect Model	Partial Mediator Model	Full Mediator Model
Involvement → Loyalty	.32***	.32***	.27**
Positive emotions → Involvement		.65***	.65***
Positive emotions → Loyalty	-.08 (n.s.)	-.08 (n.s.)	
Model goodness-of-fit Statistics			
χ^2 (d.f.)	521.01 (d.f.=273)	521.01 (d.f.=273)	521.47 (d.f.=274)
RMSEA	.08	.08	.08
NNFI	.95	.95	.96
CFI	.96	.96	.95
SRMR	.06	.06	.06
R ² involvement		.43	.42
R ² loyalty	.08	.08	.07

Note: n.s. = not significant ** $p < .01$ *** $p < .001$

Thresholds: RMSEA<.06; NNFI >.90; CFI>.90; SRMR<.06.

3.3 Findings

As reported in Table 1, all three models fit well and they are able to explain an acceptable percentage of the variance in involvement. However, they are able to explain only a limited percentage of the variance in behavioral loyalty.

With regard to the Direct Effect Model (fig. 1a), positive emotions are not significantly related to loyalty while involvement predicts loyalty ($\beta=.32$, $p<.001$). Positive emotions are significantly and positively correlated with involvement ($r=.41$, $p <.001$) suggesting the opportunity to investigate a direct causal effect between emotions and involvement (model 1b and 1c). In the Partial Mediator Model, positive emotions are positively related to involvement ($\beta=.65$, $p<.001$). The positive emotions-loyalty relation is not significant, while the relation involvement-loyalty is positive ($\beta=.32$, $p <.001$). In the Full Mediator Model, the relations between positive emotions and involvement, and between involvement and loyalty are positive ($\beta=.65$, $p<.001$; $\beta=.27$, $p <.01$ respectively).

In order to verify if involvement is a full (model 1c) or partial mediator (model 1b), a formal test of mediation was performed. As reported in table 2, involvement is a full mediator between positive emotions and behavioral loyalty.

Table 2 Tests of causal mediation

Model		Goodness-of-fit	Test of hypothesis and conclusion
1c (Fig. 1)	Full Mediator Model: Baseline	$\chi^2(274)=521.47$	
1b (Fig. 1)	Partial Mediator Model: Added paths from emotions to loyalty	$\chi^2(273)=521.01$	M2-M1: $\chi^2(1)=.46, p>.25$ Involvement fully mediates the effect of positive emotions on loyalty.

Finally, we tested the role of involvement as moderator of the relationship between positive emotions and loyalty (model 1d). We analyzed the data using moderated regressions models. The dependent variable is represented by loyalty. The independent variables are positive emotions, involvement and the interactions between positive emotions and involvement. To improve the interpretability of the main effects in the presence of interaction variables, we mean centered the independent and the dependent variables before computing the interaction one (see Jaccard, Wan, and Turrisi, 1990). To estimate the unconditional main effects, first we examined the models lower in the hierarchy that do not include the interaction term under consideration. Then, we included in the models the two-way interaction between positive emotions and involvement. The joint effect of positive emotions and involvement on behavioral loyalty was not significant (see Table 3): involvement does not moderate the energizing force of emotions in fueling behavioral loyalty.

Table 3 Results of regression model for behavioral loyalty

Independent variable	Main effects only	Main effects + two-way interactions
Positive emotions (β)	-.07 (n.s.)	-.07 (n.s.)
Involvement (β)	.29***	.29***
Positive emotions x Involvement (β)		-.01 (n.s.)
<i>Significance of F</i>	.00	.00
<i>R²</i>	.07	.07
<i>Adjusted R²</i>	.06	.05
*** $p < .001$		

4. Discussion

The main purpose of this study was to investigate the relations between emotions, product involvement and behavioral loyalty for one specific performing arts category: live theatre performance. Our findings contribute to extant knowledge of these relations in two main respects. First, our findings demonstrate that without the mediating effect of product involvement positive emotions have no direct effects on behavioral loyalty. In fact, our direct effect model shows the absence of a significant direct relationship between these variables, and disconfirms prior research on the topic. Second, our findings provide a strong support for the positive relationship between product involvement and behavioral loyalty. In both mediating models – full and partial - our results confirm prior research on the topic (Gainer, 1993), and demonstrate that the importance of a performing arts category for a consumer leads her to repeat the purchase of that category.

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What's in it for me? Investigating the role of utility and involvement in consumer digital piracy

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What's in it for me? Investigating the role of utility and involvement in consumer digital piracy

Abstract

This research examines two types of utilities associated with downloading (i.e., legal and pirated content) as factors driving consumer intention to pirate digital content.

Moreover, we include film/music involvement as a moderator between the utilities and intentions. The conceptual model was tested on a sample of 943 adult consumers. The results of our study confirm that legal content utility has a negative influence on intention to pirate digital content, while the effect of pirated content utility is positive. The moderating effect of film/music involvement was found only for the relationship between pirated content utility and intentions.

Keywords: *digital piracy, file sharing, intention, involvement, utility*

Digital piracy, broadly defined as the act of duplicating files without the permission of the copyright holder (Gunter, 2009), has become a widespread, global phenomenon, which hinders the growth of various industries, particularly the film and music industry. According to IFPI (2009) estimates, 95% of music downloads in 2008 were illegally file-shared, which amounts to over 40 billion files. If copyright holders want to turn things around and effectively respond to these threats, they have to understand the complexities, nature, and drivers of digital piracy (Bateman, Valentine, & Rittenburg, 2012). The academic community has also been following these developments with most of the studies building on three key platforms: theory of reasoned action/planned behaviour, ethical decision making or consumer utility framework, which also presents the basic theoretical premise in this paper. While previous studies mostly focused on the utility of illegal copies, we believe the consumer choice to illegally download files also depends on its substitute, i.e. the legal product. Therefore, the purpose of this study is to explore two opposing types of utilities, namely the legal content utility versus the pirated content utility as factors driving consumer intentions to pirate digital content. What is more, we examine the rather neglected issue of consumer involvement in the specific product category (i.e. film and music) as playing a potentially vital role in the formation of the relationship between utilities and intention to pirate digital content.

1. Theoretical background and hypotheses development

The existing digital piracy studies employed various theoretical frameworks, ranging from the models of attitude-behaviour relationships (e.g., Cronan & Al-Rafee, 2008) to ethical decision making models (e.g., Shang, Chen, & Chen, 2008). While these theories advance the existing knowledge of the mechanisms of pirating digital content, little is known about the possible consequences or utilities of digital piracy as the factors that drive consumer file sharing (Hennig-Thurau, Henning, & Sattler, 2007). Therefore, we build on the utility theory approach derived from Becker's (1968) model of crime which assumes that offenders are rational individuals maximizing their utility. In their decision-making process, individuals ascertain the best course of action based on both the expected value of the return from the activity and the costs. If benefits outweigh costs, the behaviour is undertaken (Becker, 1968). In the file-sharing context, studies by Rochelandet and Le Guel (2005) and Hennig-Thurau, Henning, and Sattler (2007) used the Beckerian framework, which assumes consumers will prefer illegal copies over the original product when the former offer greater utility. Rochelandet and Le Guel (2005) focused on three groups of factors that influence consumers' utility perceptions of the original and the illegal music copies: (1) the utility of the original, (2) costs of the illegal copy, and (3) degree of substitution between an original and its illegal copies. Using a convenience sample of French consumers, authors found partial support for their model. In their examination of the determinants and consequences of film file sharing, Hennig-Thurau, Henning, and Sattler (2007) later refined and extended this approach by integrating two additional determinants: specific utility of the illegal copy and consumer file-sharing knowledge. The latter, along with the collection utility and transaction costs of the original was found to exert the strongest impact on consumer file sharing, while legal costs of obtaining illegal copies had no significant impact. Based on these foundations, our study sets its framework on the impact of utilities on consumers' digital piracy intention. More specifically, we look at the impact of pirated content utility and legal content utility on one's intention to pirate digital content. In this study, we conceptualise pirated content utility as perceived expected benefits related to obtaining pirated content, and legal content utility as perceived expected benefits related to obtaining legal content over the pirated content.

As far as the existing research is concerned, only a handful of studies have looked at the two types of utilities concurrently (e.g., Hennig-Thurau, Henning, & Sattler, 2007). To begin with, we examine the influence of pirated content utility on an individual's tendency to pirate such content. While previous research applies different conceptualizations of pirated content utility, several studies offer empirical support for a positive influence of pirated content utility on piracy intent (e.g., Lysonski & Durvasula, 2008; Wang & McClung, 2011; Yoon, 2011). We conceptualise pirated content utility as a person's expectations of preferred outcomes from pirating digital content, and propose it increases piracy intent. Far less empirical effort has been invested into examining the impact of legal content utility on an individual's piracy intent (e.g., Hennig-Thurau, Henning, & Sattler, 2007). We expect that a consumer's intention to pirate digital content is reduced when he/she expects certain positive outcomes from obtaining legal content. We therefore hypothesise:

H1: Pirated content utility positively influences the intention to pirate digital content.

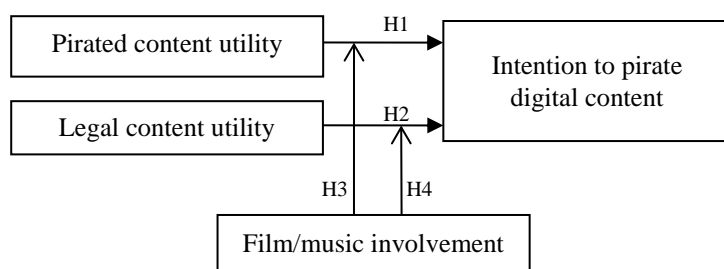
H2: Legal content utility negatively influences the intention to pirate digital content.

Although the level of consumer involvement significantly determines the extent of the consumer decision process (e.g., Ajzen, 1991; Laurent & Kapferer, 1985), it has been rarely studied in the digital piracy context. Consumer involvement in the film and music product category is particularly relevant, since film and music product piracy along with software piracy are the most prevalent types of digital piracy (Gunter, 2009). Consumers who are highly involved in film/music will more likely make a distinction between pirated and copyrighted files in terms of quality and available customer service (Kim & Waldman, 2011), develop different perceptions of copyrighted files apropos pirated files, and prefer pirated files less compared to copyrighted files (Bian & Moutinho, 2009). When consumers are highly involved in a product category, they no longer focus solely on the functional attributes of the product, but seek to gain more personal, experimental and symbolic meaning (Soloman, Surprenant, Czepiel, & Guttman, 1985). Consequently, the positive influence of pirated content utility on intention may be weakened because of other non-functional attributes being sought by highly involved consumers, while the negative influence of legal content utility on intention may be strengthened. Thus, we propose that consumer involvement in the film and music product category will negatively moderate the relationships between the two types of utility and intention to pirate digital content. All the hypothesised relationships are depicted in the conceptual model in Figure 1.

H3: Film/music involvement negatively moderates the relationship between pirated content utility and the intention to pirate digital content.

H4: Film/music involvement negatively moderates the relationship between legal content utility and the intention to pirate digital content.

Figure 1: Conceptual model development



2. Methodology

The study was conducted in Slovenia, where the self-administered questionnaire was sent to an initial sample of 10,000 adult consumers, and 1523 questionnaires were returned. However, since this research was conducted as part of a broader nation-wide study of both digital piracy and counterfeiting, only the respondents who actually used a computer were accounted for in this study. The final sample consequently included 943 respondents with a relatively equal gender distribution (54.8% females) and an average age of 38.3 years.

The measures were developed based on existing scales, which were adapted to the chosen setting. Pirated content utility was measured with three items by adapting the utilitarian aspect from the scale by Kinnally, Lacayo, McClung, and Sapolsky (2008) and Wang and McClung (2011): (a) Illegally downloading files increases my ability to collect music/films/games; (b) Illegal downloading helps me get music/films/games faster compared to legal channels (shops, cinemas, etc.); (c) Illegally downloading files allows me to have files that I would not otherwise be able to afford. The measure of legal content utility was based on the attitude measure of fairness to singers and music industry (Ang, Cheng, Lim, & Tambyah, 2001; Wang, Zhang, Zang, & Ouyang, 2005) using a 5-point Likert-type scale with three items: (a) It is better to pay for the legal versions of the files; (b) I prefer to buy legal products because it supports the industry; (c) I prefer to buy legal products because it supports the artist/author. Intention to pirate digital content was measured with a 5-point Likert-type scale (Goles et al., 2008; Taylor & Todd, 1995) with three items: (a) I intend to illegally download files from the Internet in the future; (b) I do not plan to illegally download files from the Internet within the next month (R); (c) If the need or opportunity arises within the next month I would illegally download files. Film/music involvement was measured using the scale by Laurent and Kapferer (1985): (a) I have a strong interest in film/music; (b) Film/music are very important to me; (c) For me, film/music do not matter.

3. Results

The hypotheses were tested using structural equation modelling, which enables the testing of the model as a whole. We first tested the measurement model to establish the unidimensionality, reliability and validity of the chosen constructs. We determined the unidimensionality of the latent variables by checking the fit indices of the confirmatory factor analysis, which reported a good fit. We inspected the values of the coefficients between the latent variables to determine the discriminant validity. Since the values were not particularly high (i.e., the values of the correlation coefficients ranged from -0.057 to 0.618), this indicated the validity of the proposed constructs. The factor loadings and error variances were all statistically significant (at $p < 0.05$), therefore confirming the convergent validity of the selected indicators. The reliability of the chosen constructs was inspected by checking the values of composite reliability (CR) and average variance extracted (AVE) – see Table 1. The values of composite reliability were above the required 0.7, while average variance extracted exceeded 0.5 for all the constructs, which indicated acceptable reliability.

Table 1: Reliability of the chosen constructs

Construct	No. of items	CR	AVE
Pirated content (PC) utility	3	0.811	0.589
Legal content (LC) utility	3	0.900	0.751
Intention to pirate digital content	3	0.879	0.711
Film/music involvement	3	0.844	0.643

After testing the measurement model, we focused on the structural model to inspect the paths between the latent variables, which displayed a good fit. While the χ^2 was significant (101.29, $df = 35$, $P = 0.000$), which can be attributed to the large sample size (Hair, Black, Babin, & Anderson, 2010), other indices were acceptable with RMSEA (0.045) and the standardised RMR (0.029) both well below the 0.08 threshold. The values of other indices were above the 0.9 cut-off point (NFI = 0.986; CFI = 0.991; GFI = 0.981) (Kline, 2011).

In order to test the proposed research hypotheses, we checked the t-values of all the relevant paths. Furthermore, since we hypothesised that involvement moderates the effects of both utilities on intention, factors scores were created for the predictors (*PC utility and LC utility*) and the moderators (*involvement*) using exploratory factor analysis. The products of the factors scores were then used as a single indicator when testing the structural model. Table 2 shows the hypotheses H1-H3 are supported at the significance level of 0.05, whereas H4 is not supported. As expected, pirated content utility positively influences the intention to pirate, which supports H1. Also confirmed is H2, where the higher level of legal content utility has a negative effect on intention. Film/music involvement significantly and negatively moderates the relationship between pirated content utility and intention, confirming H3. The final hypothesis H4 is not supported, since film/music involvement is not found to be a significant moderator between legal content utility and intention.

Table 2: Hypotheses testing

Hypothesis	Causal Path	Expected Sign	Path Coefficients (t-Value)	Result
H1	Pirated content utility → Intention	+	0.47 (13.26)	Supported
H2	Legal content utility → Intention	-	-0.36 (-11.14)	Supported
H3	PC utility-Involvement → Intention	-	-0.06 (-2.26)	Supported
H4	LC utility-Involvement → Intention	-	0.03 (1.22)	Not Supported

4. Discussion and implications

This study attempted to generate new insights into digital piracy by proposing and empirically testing a specific model of consumer behaviour on a heterogeneous sample of adult population. We identified two variables (pirated content utility and legal content utility) that influence consumer intention to pirate digital content, and one variable (film/music involvement) that moderates these relationships. Interestingly, while several studies on counterfeiting raise the issue of interaction between counterfeited and legal products (e.g., Commuri, 2009; Penz & Stöttinger, 2008), surprisingly little research effort has been devoted to simultaneous examination of pirated and legal digital content (e.g., Hennig-Thurau, Henning, & Sattler, 2007). This study tries to fill this gap, while it also introduces film/music involvement as an influential moderating variable. In this way we also respond to calls of de Matos, Ituassu and Rossi (2007) inviting researchers to investigate the role of involvement as a moderator. In our piece of research, the involvement construct focuses specifically on film and music, which has been also supported by the sample characteristics. Namely, respondents reported music (78% of the content) and movie files (17% of the content) as the most frequently downloaded content.

Our findings suggest that the intention to pirate digital content is significantly influenced by two factors: pirated content utility and legal content utility. These two factors play pivotal roles in shaping digital piracy intentions, and thus need to be considered in future (anti)piracy activities. As hypothesised, an individual's expectation of benefiting from obtaining pirated digital content leads to increased tendency to engage in digital piracy. Conversely, perception

of benefits from obtaining legal content seems to reduce the individual's tendency to pirate digital content. These findings corroborate previous empirical work, especially in the well-researched domain of pirated content utility/benefits. For example, Wang and McClung (2011) show that the utility of pirated content related to costs and convenience positively predicts consumers' intentions to pirate in the future. Similarly, Hennig-Thurau, Henning, and Sattler (2007) find that specific utilities a consumer derives from an illegal copy correlate positively with obtainment and watching of illegal copies. The implications of our results for the affected industries aiming to deter consumers from digital piracy, are two-fold, i.e. they have to either reduce the utility of pirated content or increase the utility of legal content. The first has already been implemented by industry associations which use two main approaches: graduate response (e.g. notifications to digital pirates, followed by sanctions, such as temporal account suspension, bandwidth throttling or fines) and website blocking measures (IFPI, 2012). The second has to be made clearer to the end consumers, who may fail to see the connection between legal downloading and showing support for the artist/industry, which also influences the output of the industry.

In addition to examining the determinants of the intention to pirate digital content, we also provide insight into the moderating role of consumer involvement in the film and music product category. Our analysis provides support for the negative impact of film/music involvement on the relationship between pirated content utility as perceived by the consumer and their future intention to pirate. More specifically, in situations when consumers are highly involved in film/music, the influence of pirated content utility on intention is not as strong as in situations of low involvement. However, the moderating role of involvement on the legal content utility-intention relationship seems to be negligible.

While several limitations apply to this cross-sectional survey based study conducted in a single country, its findings provide avenues for further research. In developing and testing our model, we merely included two sets of utilities as drivers of consumer intentions to pirate digital content, resulting in 50.7% of explained variance (adjusted R^2) in intention to pirate digital content. Extending these two sets of utilities to include not only other types of utilities (e.g., Kinnally, Lacayo, McClung, and Sapolsky, 2008; Wang & McClung, 2011), but also various types of perceived costs (e.g., Hennig-Thurau, Henning, & Sattler, 2007) would offer deeper insights into factors underlying downloading in utility theory based piracy studies. We hope the results of this research nevertheless offer a springboard for future investigations in this field.

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Channel Relationship Quality in Exchanges: a Systematic Literature Review Approach

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Channel Relationship Quality in Exchanges: a Systematic Literature Review Approach

Abstract

The purpose of this study is to identify the exchange relational constructs that characterize channel relationship quality, the contexts and new avenues to explore in futures researches. Forty five papers were selected as the most relevant. The main findings are: Most notable and cited articles are published in journal of marketing and journals of strategic marketing; Since the beginning of the interest in this topic (the 1980's), the year 2009 presents the highest number of publications in top journals. Further research that remains from this review recommends cross-cultural studies and comparison studies regarding firm size and profit and non-profit organizations.

Key words: *relationship, relationship quality, commitment, trust, long-term relationship, interdependence, cooperation, satisfaction, systematic approach*

Track:

1. Introduction

To be competitive in a global market, it is crucial to develop new strategic approaches, which go beyond the traditional marketing instruments. Nowadays, good raw materials, financial resources, the best production and sales methods and products with the best quality are not enough. In the midst of aggressive offers that could arise from any part of the world, building a sustainable business exchange in the distribution channel requires producing and offering added value in order to sustain the market position.

Despite the existence of several studies that address aspects of the relationship between two partners in a business context, for example the study of Athanasopoulou (2009), there are a few studies that focus on the channel relationship quality exchange. Therefore, we intend to go further by contributing to fulfil this gap using a systematic review approach, where the most relevant literature about this topic was analysed. In this vein, this study aims to understand the major constructs which could influence the inter-firm Channel Relationship Quality (CRQ) and differentiate the perspectives and the contexts used more in previous studies taking into consideration: type of market, relationships, and perspectives.

2. Background

What is a relationship? Clearly it is not an occasional and singular transaction (Fournier, 1989), which means a discrete transaction or a simple vehicle for the exchange of goods, services or currency (e.g., Dwyer, Schurr, & Oh, 1987; Jap, Manolis, & Weitz, 1999; Hammervoll, 2012). A relationship can be defined as a unique set of practices and routines that support a relation exchange among organizations (Dwyer et al., 1987; Johnson, 1999; Rauyruen & Miller, 2007). Fournier (1989) highlights that this concept is understood in the interpersonal domain, in which interdependence between people is established, for whom the relation has some meaning. A relationship is constituted by a recurrent and reciprocal exchange established between parts that know each other, and that are in a continuous learning and adaptation of each other's context. The author also refers that the relationship developed is shaped by the context reinforced by three sources of meaning: the psychological, the socio-cultural and the relational involvement. Hence, a joint response to an event affects and is also affected by a particular context in which they are embedded (Fournier, 1989; Dyer & Singh, 1998; Hammervoll, 2012).

Relational management represents the orientation or behavioural predisposition to promote and preserve close relationships (Crosby, Evans, & Cowles, 1990; Smith, 1998), and it could be developed in five different stages of a supplier-buyer relationship: Partner selection; Defining relationship purpose; Setting relationship boundaries; Creating relationship value; Relationship maintenance. Each stage is affected by different factors that influence RQ (Powers & Reagan, 2007). This requires a higher degree of attention by the managers to ensure the success and the long-term relationship of the partnership.

Regarding relationship quality (RQ), this topic has been developed in several researches. In the last decades, a few definitions emerged (e.g., Crosby et al., 1990; Kumar, Scheer, & Steenkamp, 1995; Hennig-Thurau & Klee, 1997; Smith, 1998; Johnson, 1999; Jap et al., 1999; Bejou, Wray, & Ingram, 1996; Palmatier, 2008; Nyaga & Whipple, 2011). RQ focuses on the core essence of relationship marketing (Jap et al., 1999) and promotes a global measure to describe and assess the nature, climate, depth, health and wellbeing of the inter-organizational relationship, between buyer-supplier. Despite the different proposes of RQ concept, we can view some common paths which raise a higher-order construct comprising of several distinctive, although related, constructs or dimensions (e.g., Dorsch, Swanson, & Kelley, 1998; Wutf, Odekerken-Schroder, & Dawn, 2001; Walter, Mu, Helfert, & Ritter, 2003; Lages, Lages, & Lages, 2005; Rauyruen & Miller, 2007).

The literature review reveals studies in different market contexts with distinct approaches that stress different relationship dimensions (e.g., Lages et al., 2005; Rauyrueen & Miller, 2007; Athanasopoulou, 2009). The more common and studied contexts are: The participant could be a producer, manufacture/supplier, distributor/resellers or retailer; They could offer goods or a service; The company could be working directly in a market place or in an industrial environment; The firms may work in a domestic market or in the export market, with importers; The relation exchange could be in a business-to-business market (b-to-b), business-to-consumer (b-to-c), both, or in a business network; The study could promote the perspective of the seller, buyer or the dyadic relationship; The relation could be on an interpersonal level, with employees or on an inter-firm level, between organizations; and finally, the relation can be analysed in a salespeople and/or customer perspective.

3. Methodology

This study applies a systematic literature review process taking into consideration high ranking journals and studies carried out mainly since 1984, focusing on dimensions and constructs connected with RQ constructs established between both organizations of the distribution channel. The Web of Knowledge is the electronic data base used to collect information and identify, document, and conceptualize all key analyses of those themes. By using a combination of several keywords, which had in common the word “relationship”, the selection process of relevant research articles followed these steps:

- After obtaining the global results promoted by the topic search results, several filters were applied which allowed us to extract article titles that were irrelevant to the study.
- Following analyse titles of the selected group of the literature search, some were excluded as a result of not having any relevance to the focus of this study.
- To ensure the best-quality evidence and credibility, articles that were not published in journals classified with a superior rating in the Journal Quality List - Anne-Wil Harzing 2013, especially regarding the WU Wien Journal Rating, were excluded.
- By analysing the abstract of the cited articles selected in the previous stage, a new group with significant topics to this study was selected.
- After a global analysis of each of the articles selected in the prior stage, a more restricted group with relevant literature emerged.
- Finally, as a consequence of the cross-references studies analysed, a few relevant and less recent studies were added.

In sum, the final selected studies are directly related with CRQ. The construct could be presented, or not, in the title, but certainly it is developed in the abstract or content of the article. It is paramount that its findings propose at least one dimension/construct categorized in any of the three categories of variables, as drivers, outcomes or core constructs of RQ.

The collection of selected articles was an impartial cross-referencing. The quality selection criteria included: validity (how accurate is the study and information presented in articles to measure what we intend to investigate); reliability (the consistency and the degree of replication of the results and the possibility to generalize); credibility (with regards to articles published in well reputed journals worldwide); integrity (which can be regarded as how robust the research is and if it adopts, or not, rigor in the selected research process) (Collis & Hussey, 2003). Regarding the selection criteria, various filters were used, such as: selection of academic papers in English; general categories and research areas related with business relationships. These criteria were used as a screening process in order to define the more relevant literature. Therefore, to ensure the quality of the selection, the articles extracted and analysed were published in the best worldwide journals classified in the first two ratings (A+ or A) of one of the main rating journal WIE 2008 - WU Wien Journal Rating May 2008, in its

Stand: 3.6.2009. This journal rating is included in the Journal Quality List (JQL) (Harzing 2013).

4. Major Results

Table 1 shows the results for the keywords in the first stages of the screening process. As we can see, the group of keywords with more results is “Relationship buyer-supplier”. This fact is related with the significant number of studies concerning the supply-chain topic. In second place, the keywords “Relationship supplier retailer” appears in a significant number of studies, but less used in the more prestigious journals.

We can see that the majority of the literature, that focused the relational characteristics between the players of the distribution channel, has been developed since 2007, which represents 64% of all articles. Interest in this topic continues which is reflected by 38% of the total articles developed between 2010 and 2012.

key words	n° of refers/all dates	n° of refers 2007-2012	n° of refers 2010-2012	WU WIEN JR2009 (A+)	WU WIEN JR2009 (A)
Relationship distributor retailer	19	16	10	0	0
Relationship distributor producer	15	9	5	0	1
Relationship supplier retailer	116	75	48	3	10
Relationship distributor retail	5	4	2	0	0
Relationship buyer-supplier	488	306	180	9	44
TOTAL	643	410	245	12	55

Table 1. Results for the keyword search

Despite the criteria used, the list of references in the articles selected was also checked, which allowed us to identify other studies. Figure 1 shows the different stages of the screening process and each result until the final group.



Figure 1. Screening Process

In our research, a developed data extraction form was used to extract the data from the selected studies and to document the data extraction process. After the last screening, a group of 45 articles emerged (from 1984 to 2012). For an in depth examination, all of the final studies selected were analysed through a rigorous comparison method. In order to systematize and document the data which resulted from the deconstruction of the selected articles, a comparative table was used (Athanasopoulou, 2009).

This topic started to be explored in the 80's, but in the last decade a continuum and incremental attention by academic researches has been verified. The year 2009 presents the highest number of publications in top journals.

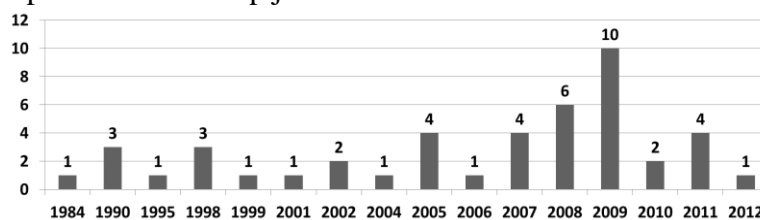


Figure 2. Selected articles (A and A+) by year of publication

Anderson & Narus (1984) were two of the first researchers to develop studies focused on the relationship among members of the channel, in a b-to-b or b-to-c context. But this topic had more emphasis in the 90's when these authors and also others, such as Crosby and Fournier, gave more attention to the constructs that could influence the quality of the relation between business partners in the channel distribution. This occurred in b-to-c exchanges but more frequently in a b-to-b context. The most notable and cited articles were published in the *Journal of Marketing*, *Journal of Marketing Research* and *Journal of Consumer Research*.

In the 21st century, the quantity of research increased and a new group of authors, such as Cannon, Homburg, Kumar, Palmatier, Robert, Fang and Wuyts have been focusing their studies on more in-depth research on the inter-firm relationships in the channel. The context that has been explored the most is the b-to-b and the journals that promote this topic have been the *Journal of Marketing*, followed by *Strategic Management Journal* and *International Journal of Research Marketing*. Other rating A journals that have, on a regular basis, published articles in this area are: the *Journal of Business Research*, followed by the *Journal of Business Logistics* and the *Journal of Retailing*.

Related with the buyer-supplier relationship perspective, we could observe that in the 80's and 90's, the majority of studies focused on the buyer perspective. After 2000, research that analysed the seller perspective of suppliers, which complements a study of the dyadic relationship, started to appear. Meanwhile, recent studies about a triadic relationship related with a network channel of distribution began to arise. Since the beginning, the industrial market has been the favourite focal point of study, yet in this century the market place with goods and service have had more visibility. The first market studies were carried out in North America and Europe, meanwhile in the more recent papers, new markets have also began to be studied, especially China. In the latest ones, despite domestic studies maintaining the higher quota, the research of comparative markets have been increasing, above all between countries in North America and Europe.

In a relational marketing view, the use of the partner-specific knowledge and the relational attributions are critical to forming high-quality relationships. The idiosyncrasy of this inter-organizational linkage produces mutual benefits for creating and appropriating value which sustain distinctive competitive advantages in the marketplace (e.g., Moorman, Zaltman, & Deshpande, 1992; Gummesson, 1997; Dyer & Singh, 1998; Jap et al, 1999; Johnson, 1999; Corsten & Kumar, 2005; Rauyruen & Miller, 2007; Payne, Storbacka, & Frow, 2008; Bejou et al., 2008; Chatain, 2010; Wagner, Eggert, & Lindemann, 2010; Eberly, Holley, Johnson, & Mitchell, 2011; Zacharia, Nix, & Lusch, 2011; Nyaga, 2011; Hammervoll, 2012).

To ensure a valuable, strong and long-term relationship, it is necessary to sacrifice short-term profits and bind the members to reap benefits accruing to the relation over the long run (Jap et al., 1999; Cannon et al., 2010). Similarly, it is important that the outcomes provided by one part meets or exceeds the expectations of the other part (comparison level). Furthermore, in a global evaluation, those are considered better than alternatives offered in the market (Anderson & Narus, 1984; Hennig-Thurau & Klee, 1997)

According to Cruz and Liu (2011), the earlier the partners invest in their relationship, the more it increases the possibility to turn it more profitable. The value of a relationship transcends the economic asset (profit margins, cost reduction in production, logistic and administrative), and also in another two fields: technical (sharing resources, reengineer process; innovation; goods inventory; reducing process cycle time) and social (reduction of risk and uncertainty, among others) (e.g., Cruz & Liu, 2011; Walter et al., 2003; Gummesson, 2008; Ballantyne & Varey, 2008; Zacharia et al., 2011; Arranz & De Arroyabe, 2012; Mooi & Frambach, 2012; Lui & Ngo, 2012).

In sum, in a context where there is a paradigm change from transactional marketing to relational marketing, there is an increase in interest on the topic related with the management, development and evaluation of relationships (e.g., Gummesson, 1997; Hennig-Thurau & Klee, 1997; Wulf et al., 2001; Lages et al., 2005).

The research literature raises three distinct concepts: Discrete Transactions (DT); Relationship Exchange (RE) and Relationship Quality (RQ). Yet, few present a clear distinction between the last two. DT refers to short-term exchange actions which are market drivers; RE characterizes exchange mechanisms that are close and are driven by the context of the interaction, its interdependence and norms (Dwyer & Oh, 1987; Lages et al., 2005; Ballantyne & Varey, 2008). RQ goes further and promotes a more profound overall assessment (Johnson, 1999). Based on a more recent service-dominant logic of marketing, both concepts coexist and demand collaboration practices with a new approach to developing business (Ballantyne & Varey, 2008).

5. Conclusions and Implications

In the present study, a thorough review of the existing literature on relationship quality drivers and outcomes has been conducted in order to identify the key constructs/dimensions to measure and analyze, used in previous research. Therefore, the main core key constructs/dimensions for RQ are: commitment, trust, long-term relationship, cooperation, collaboration, information and routine exchange, joint-problem solving, interpersonal resources and influence, social and economic satisfaction, service orientation, adaptation, attraction, interdependence, self-connection, intimacy, brand partner quality and durability. In previous studies, we did not find a consensus concerning this topic. The dimensions and constructs depend on the context and tend to change over time. Nevertheless, the mentioned construct/dimensions seem to emerge as the most analyzed and applied, in most cases in the perspective of the buyer and in an industrial b-to-b context.

Further research on this topic should lead to more understanding of multi-relationships; how they evolve in time; how the dynamic of the process works (establishing and maintaining); how it could change depending on firm size; comparing profit and non-profit organizations; and how relationships depend on culture (county, region and organization) and leadership. In fact, most of the times the relationships are not only dyadic, instead they are triadic or in a word multiple. This is one of the reasons why the multi-participants influence on the CRQ needs to be explored in more detail.

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Note: Since this study is based on a literature review, and due to the restricted number of pages in this paper, it is not possible to present a complete list of references, but they can be provided on request.



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**Graduate
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Influence of children age and gender on parents' purchasing decisions in two countries

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Influence of children age and gender on parents' purchasing decisions in two countries

Abstract

The paper analyses influence of children on parent's purchasing decisions, comparing it in Lithuania and Azerbaijan. Influence of children is measured throughout the opinions of their mothers and related with the gender and age of children, comparing its strength in purchasing two types of products. The major findings include recording overall higher influence of a child on purchasing decisions in Azerbaijan than in Lithuania, as well as confirming stronger influence of children in case of products that are directly aimed for their personal use.

Keywords: *children influence; purchasing decision; Lithuania, Azerbaijan*

1. Background and literature review

It is well acknowledged that children influence purchasing decisions within a family, and this influence is increasingly observable in various societies (Shoham, Dalakas, 2006; Bao et al., 2007; Su and Wang, 2010). Previous studies have shown that the child's influence on their parents' decision to buy a product might depend on a broad range of factors. Majority of them may be related with the family characteristics, demographics of the child and a product type.

Studied characteristics of the family typically included their age, education, occupation and income; they were found as being predictors for differences in the influence of child's on their parents' purchasing decisions (Akhter et al., 2012; Shergill et al., 2013). Also, it was important on which of the parents the child's influence was exerted (father or mother); therefore a gender of the influenced parent was taken into account.

Most of the researchers found that the child's demographic data (gender, age) have caused the main differences of the influence: elder children have significantly stronger influence than younger ones, and this finding is pretty consistent in numerous studies (Akhter et al., 2012; Beneke et al, 2011, Martensen, Grønholdt, 2008, Shoham, Dalakas, 2006; Shergill et al., 2013). However, the findings on the influence and importance of a child's gender are rather diverse. Some authors have found that children's influence depends on their gender (Beneke et al, 2011, Dikcius, Medeksiene, 2008; Kaur, Singh, 2006; Shoham, Dalakas, 2006), while others did not observe such a dependency (Martensen, Grønholdt, 2008).

A number of studies disclose the relation between the strength of children influence and the type of products purchased (Akhter et al., 2012; Beneke et al, 2011; Dikcius, Medeksiene, 2008; Kaur, Singh, 2006; Martensen, Grønholdt, 2008, Shoham, Dalakas, 2006, Shergill et al., 2013). The common denominator here is that children exert stronger influence on the family decision making processes for products that are relevant to themselves (Martensen, Grønholdt, 2008). Despite of the type of product grouping, children tend to be important players for products at which they are the main users (Aslan, Karalar, 2011).

A number of studies observed that child's influence might depend on several factors simultaneously (Dikcius, Medeksiene, 2008; Kaur, Singh, 2006; Martensen, Grønholdt, 2008). Ramzy et al. (2012) concluded that the type of product, the age of the child and context of different countries (Egypt and U.S) impact parents' perceptions of children's influence on purchase decisions. Very similar factors were found to be important by Shergill et al. (2013).

In the context of these studies, the factor of a country remains the least explored and represents a certain research gap; there is very little exploration on what characteristics of countries are 'responsible' for the differences (economic development? culture?). We assume that one of the differentiating factors is culture, since it influences behavioural models within society and therefore – within families. Therefore influence of culture in this context is worth of further examination in similar studies (Shoham and Dalakas, 2006).

When considering cultural influences, researchers often relate cultural dimensions of Hofstede's (2001) and the interpersonal influences in family purchase situations (Shoham, Dalakas, 2006; Shergill et al., 2013; Su, Wang, 2010; Su, 2011). Such an approach allows seeing the influence of children, linking it with a set of already estimated dimensions. However, such an approach becomes more difficult, when reliable measurements are not yet available for a selected country. To cope with this, other approaches that help explaining cultural similarities and/or differences may be explored (Ramzy et al., 2012).

In this study, we aim to measure influence of children on purchasing decision within a family in two countries that significantly differ by parameters of their cultural context. We assume that these contextual differences may be reflected in different patterns of a child influence on purchasing decisions within their families. In case of one of the researched countries (Lithuania) all six dimensions, based on Hofstede's model are known. The country

is described by rather low rank of power distance (42), above average individualism (60), low masculinity (19), relatively lower uncertainty avoidance (65), high long-term orientation (82) and low score on indulgence versus restraint (16) (Borker, 2012). This combination of metrics could be related with certain patterns of a child influence on purchasing decision.

The findings are compared with patterns in another country (Azerbaijan) that has significantly different cultural context, and it allows expecting differences in child influence on purchasing. Unfortunately, there are no established values of Hofstede's cultural dimensions for this country yet, and it creates difficulties in performing studies (Tracy, Matsumoto, 2008). However, the choice of this country for the comparison is based on the fact that both countries have some historical similarities and obvious cultural differences. Both of them experienced a controversial historical period of being part of the former Soviet Union, which has influenced personal and social identities (Tereskinas, 2009) and behaviours within families. On the other hand – despite not yet established measurements of cultural dimensions, Azerbaijan is perceived as a rather masculine country, having numerous sets of cultural differences from Lithuania. This allows testing children influence on purchasing in the two rather different cultural contexts.

There are several methodological options on studying behavioural patterns within families. It may be directly based in the standpoint of a child (Singh, Aggarwal, 2012), or aim to disclose child's influence from the point of view of other family members, typically – mothers (Ülger, & Ülger, 2012). The first choice allows concentrating either on the child's characteristics, typically – age (Singh, Aggarwal, 2012), while the other allows a broader evaluation. The latter approach seems to be prevailing, in part – due to the complexity of collecting data directly from children (Morrow, Richards, 1996). In this study, we analysed child's influence throughout perception of his/her mother.

Literature analysis enabled to develop the following hypotheses:

H₁: Mothers in Azerbaijan evaluate children's influence on a family's purchasing decisions higher than those in Lithuania;

H₂: The attitude to a child's influence on parents' purchasing decision differs depending on interaction of several factors, such as the country, the child's gender and the child's age;

H₃ Children have stronger influence on parents' decisions in purchasing goods for a child's personal use than in the case when goods for the family are bought.

H₄: Azerbaijan children will have higher influence on parents' purchasing decision related with goods for their use than Lithuanian children;

H₅: The attitude to a child's influence on parents' purchasing decision related with goods for the child differs depending on the interaction of the three variables (the country, the child's gender and the child's age);

H₆: Azerbaijan children will have bigger influence on parents' purchasing decision related with goods for the family than Lithuanian children;

H₇: The attitude about a child's influence on parents' purchasing decision related with products for the family differs depending on the interaction of a set of variables, i.e., the country, the child's gender and the child's age.

2. Research methodology

A lot of previous studies have focused on analysis of just one factor at the time. However, some researchers have noticed that the influence of a child on parent's decision to buy a certain product depended on several interrelated factors together (e.g. a child's age, type of a product, etc.). Therefore we expect that interaction of the three variables – the country, gender and age – can be a reason for different influence of a child on parents' buying decisions. In order to prove it, we used a factorial design 2×2×2. The analysis included two different countries (Lithuania and Azerbaijan), two genders (boys and girls), and two age groups, i.e.,

4-12 and 13-18 years of age. As it was mentioned the literature overview, the strength of a child's influence on parents' purchasing decision depends on the product. Therefore we included products of the two types: goods aimed for the use of children, and those for the whole family. The group of products for children included 4 types, i.e. goods for school, books, toys, and computer games. The second group (goods for the whole family) included computers, furniture, cars and TV sets. As it was already mentioned above, we analysed child's influence throughout perception of his/her mother.

The research instrument included a question about overall opinion related with a child's influence on parents' purchasing decisions "Children have influence on parents' purchasing decision", which was measured on a five point Likert scale from 'totally disagree' to 'totally agree'. Other two questions measured an influence of a child on parents' decisions to buy different products from two groups of goods – for a child and for a family. The construct of goods for a child included four questions about the influence of a child on parents' purchasing decision of goods for school, books, toys, and computer games. The second construct was related with purchasing of goods for a family. It included four types of goods, i.e., computers, furniture, cars and TV sets. Each statement of the constructs was measured using a 10 point scale (1 - no influence; 10 – very strong influence). Cronbach's alpha of the statements showed satisfactory level for the construct "Goods for a child" ($\alpha=0.641$) and for a construct "Goods for a family" ($\alpha=0.854$). The questionnaire included the typical demographic characteristics of the respondent (age, employment and education) and the child (gender, age). The questionnaire was presented in the Lithuanian language for respondents from Lithuania and it was translated into Russian for respondents from Azerbaijan.

The survey was performed in two countries – Lithuania and Azerbaijan. The respondents were selected using the method of judgmental sampling. In order to avoid situations when daughters have more influence on fathers while boys on mothers, the respondents' sample was restricted to just women who had a child or children from 4 to 18 years old. If the respondent had several children of the age within the appropriate range, they had to answer only about one child. 100 correctly completed questionnaires from each country were included in the analysis – totally 200 questionnaires. The distribution of questionnaires according to the gender of children was roughly even; according to the age of children, respondents distributed: 59% - 4-12 years old; 41% - 13-18. With regard to the respondents' (mothers) age, 59% of them were 36-55, and 41% - 26-35 years old.

3. Findings

First of all we analyzed mothers' attitude to children's influence on parents' purchasing decisions. Our findings suggest that overall mothers agree with the statement about children's influence ($M=3.52$). In order to evaluate the differences of the result we performed factorial ANOVA. A $2 \times 2 \times 2$ full-factorial ANOVA examined the effects of the Country, the child's Gender and the child's Age on mothers' attitude towards child's influence. We found a statistical effect for the main effect of the Country ($F_{1,192}=7.508$, $p=0.007$, partial $\eta^2=0.038$). Mothers from Azerbaijan agree more ($M=3.76$) than those from Lithuania ($M=3.33$) with the statement that children have the influence on parents' purchasing decisions. It confirms hypothesis H_1 . In addition, we noticed that there was a difference in the evaluation depending on the Age of children. In the case of older children (aged 13-18) the average was higher ($M=3.74$) than in the case of younger children ($M=3.35$) ($F_{1,192}=6.239$, $p=0.013$, partial $\eta^2=0.031$). It means older children have stronger influence than younger. However, in this case the observed power was 0.7, which is lower than the required 0.8. Therefore the result cannot be valid. None of the other main effects or interactions were found to be statistical. So, hypothesis H_2 could not be proved, because interaction of Country \times Gender \times Age was not significant ($F_{1,192}=1.451$, $p=0.230$, partial $\eta^2=0.008$).

Table1

Results of a factorial ANOVA for analysis mothers' attitude towards child's influence

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta ²	Observed Power ^a
Country	7.583	1	7.583	7.508	0.007	0.038	0.778
Gender	1.229	1	1.229	1.217	0.271	0.006	0.195
Age	6.301	1	6.301	6.239	0.013	0.031	0.700
Country×Gender	1.584	1	1.584	1.569	0.212	0.008	0.238
Country×Age	3.912	1	3.912	3.873	0.051	0.020	0.499
Gender×Age	1.528	1	1.528	1.512	0.220	0.008	0.232
Country×Gender×Age	1.465	1	1.465	1.451	0.230	0.008	0.224
Error	193.912	192	1.010				

R² =0.142 (Adjusted R² =0.110); a. Computed using alpha =0.05

According to literature, we expected that children will have a greater influence on parents' decision to purchase goods for a child than goods for a family. Paired sample t test showed significant difference ($t=20.954$, $p=0.000$). As it was expected children had stronger influence with regard to goods for a child ($M=7.65$) than in the case of goods for a family ($M=3.37$). Therefore we can confirm hypothesis H₃.

The following two hypotheses were related to different importance of the child in purchasing goods for a child depending on the Country, or interaction between a Country, a Gender and an Age. A 2×2×2 full-factorial ANOVA examined these differences. We found a statistical effect for the main effect of the Country ($F_{1,176}=12.136$, $p=0.001$, partial $\eta^2=0.065$). Mothers from Azerbaijan agree more ($M=8.40$) than those from Lithuania ($M=7.14$) with the statement that children have influence on parents' purchasing decisions to buy goods for children. It confirms hypothesis H₄. In addition, we noticed that there was a difference in the evaluation depending on the Gender of children. The boys' average was higher ($M=8.15$) than that of girls ($M=7.38$) ($F_{1,176}=4.563$, $p=0.034$, partial $\eta^2=0.025$). However, in this case the observed power was 0.565, which is lower than the required 0.8. Therefore we cannot accept this result. None of the other main effects or interactions were found to be statistical. So, we could not proof hypothesis H₅, because the interaction of Country×Gender×Age was not significant ($F_{1,176}=0.268$, $p=0.605$, partial $\eta^2=0.002$).

Table2

The influence of the child on parents' decision in case of goods for a child

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta ²	Observed Power ^a
Country	57.751	1	57.751	12.136	0.001	0.065	0.934
Gender	21.712	1	21.712	4.563	0.034	0.025	0.565
Age	9.608	1	9.608	2.019	0.157	0.011	0.293
Country×Gender	6.686	1	6.686	1.405	0.237	0.008	0.218
Country×Age	13.019	1	13.019	2.736	0.100	0.015	0.377
Gender×Age	0.512	1	0.512	0.108	0.743	0.001	0.062
Country×Gender×Age	1.274	1	1.274	0.268	0.605	0.002	0.081
Error	837.515	176	4.759				

R² =0.111 (Adjusted R² =0.076); a. Computed using alpha =0.05

The final two hypotheses were related to different importance of the child in purchasing goods for family depending on the country, or interaction of a Country, a Gender and an Age. A 2×2×2 full-factorial ANOVA examined these differences. We found a statistical effect for the main effect of the Age ($F_{1,186}=6.326$, $p=0.013$, partial $\eta^2=0.033$). In the case of older children (13-18 years old) the average was higher ($M=3.99$) than in the case of younger children ($M=2.99$). However, the observed power was 0.706 which is lower than the required

0.8. Hence the result lacks certainty and cannot be accepted. In addition, we can noticed that there is a significant difference depending on the interaction of the Country and the Gender ($F_{1,186}=4.559$, $p=0.034$, partial $\eta^2=0.024$). It shows that Lithuanian boys ($M=4.07$) have bigger influence on parents' decision to buy goods for family than Lithuanian girls ($M=2.63$). No significant differences were found in the influence between Azerbaijan boys ($M=3.50$) and girls ($M=3.75$) or between the girls in the two countries ($M_{AZ}=3.750$, $M_{LI}=2.635$) and the boys ($M_{AZ}=3.50$, $M_{LI}=4.07$). However, in this case the observed power was 0.565, which is below than the required 0.8. Therefore we cannot be certain about the result. None of the other main effects or interactions were found to be statistical.

Table 3

The influence of the child on parents' decision in case of goods for a family

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta ²	Observed Power ^a
Country	2.967	1	2.967	0.472	0.493	0.003	0.105
Gender	13.967	1	13.967	2.224	0.138	0.012	0.317
Age	39.731	1	39.731	6.326	0.013	0.033	0.706
Country×Gender	28.632	1	28.632	4.559	0.034	0.024	0.565
Country×Age	10.285	1	10.285	1.638	0.202	0.009	0.247
Gender×Age	3.789	1	3.789	0.603	0.438	0.003	0.121
Country×Gender×Age	2.475	1	2.475	0.394	0.531	0.002	0.096
Error	1168.104	186	6.280				

$R^2=0.088$ (Adjusted $R^2=0.053$); a. Computed using alpha =0.05

So, we cannot confirm hypothesis H_6 , because these was no significant difference between the Countries ($F_{1,186}=0.472$, $p=0.493$, partial $\eta^2=0.003$). Finally we did not determine the influence of interaction of Country×Gender×Age on the difference of results ($F_{1,186}=0.394$, $p=0.531$, partial $\eta^2=0.002$). It means we have to reject hypothesis H_7 .

4. Discussion and conclusions

Current study attempted to analyze a child's influence on parents' purchasing decisions in Lithuania and Azerbaijan. As in many previous studies, we have discovered a moderate level of their influence on parents' purchasing decisions. This is consistent with findings of previous studies despite the differences of characteristics of countries the studies have been performed.

We found a significant difference of children influence between the cases when goods are purchased for their and when the goods are purchased for the whole family. This confirms former findings (Aslan, Karalar, 2011). On the other hand, we did not observe significant children's influence on parents' purchasing decisions for family-related goods.

We have observed rather different influence of children on purchasing decisions in the two analyzed countries, which was the main aim of this study. The main observations within this context include:

- mothers in Azerbaijan in general see the stronger influence of children on purchasing decisions. This was repeatedly confirmed in analysis of every analysed children-related product;
- both countries are similar in case of products for the whole family: we found insignificant or nonexistent children influence both in Lithuania and Azerbaijan.

Many former studies have found that the influence of a child depends on two demographic factors: gender and age, some others included the factor of the country. Therefore we aimed to analyze whether it is possible to observe the simultaneous interaction of the all three above mentioned factors. However, the used methodology did not allow finding such an interactive influence neither in case of products for children, nor for products for the whole family. Also,

there was no interaction of the three factors in relation of the mothers' general opinion about children influence.

Though limitations of the study scope hardly allow firm conclusions, it well serves for the outlining directions for further research. It is obvious that analysis on the basis of just two countries generates too many country-specific results, which makes generalizations hardly possible. Therefore it would be preferable to compare evidence from a larger group of countries, segregating and controlling general and country-specific observations. Other limitations of the study are related with a rather small and non-representative sample and relatively small number of included products. Also, all of the considered products were durable, and this did not reflect children influence in case of purchasing non-durable goods.

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4th EMAC CEE REGIONAL CONFERENCE
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University Brand Personality: an Exploratory Research about the University of Florence

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University Brand Personality: an Exploratory Research about the University of Florence

Abstract

The paper explores brand personality construct with specific reference to university institutions. In particular this work takes into account brand personality scales literature refining and extending the measurement items to the specific university sector. This study empirically analyzes the population of undergraduate and postgraduate students enrolled at the University of Florence; a representative stratified sample of 1470 students is surveyed for this purpose. Exploratory and confirmatory factor analysis are run for testing the personality scale here proposed and for identifying the main dimensions of university brand personality.

Keywords: *Brand Personality; Brand Personality Scale, University*

1. Introduction and main purpose of the paper

According to Sung & Yang (2008) “university can build positive emotional attachment if they make prospective students feel valued and develop connection with them”. In educational services management, constructs such as image and reputation are largely used as marketing instruments to influence students’ choice of a higher education institution (Milo, Edson, & Mceuen, 1989; Nguyen & LeBlanc, 2001; Weissman, 1990). In this direction, Perna (2005) emphasizes the importance to build positive feelings in achieving university enrollment goals and suggests to increase a positive emotional experience through the so called “enrollment tunnel” for creating an emotional attachment and loyalty. Students search for educational services guided by a an emotional needs variety, such as love, power, safety and belonging. Hence the analysis of university “brand personality” is inserted in this conceptual area where customers (students) could perceive university institutions such as “market organisms” with a specific personality. Treadwell and Harrison (1994) state perceptions of audiences affects “the institution’s ability to recruit desired faculty members, to attract philanthropic donations, and to draw and retain motivated students”.

So far with reference to university, this work is based on brand personality concept selected by the authors within all the theoretical brand associations constructs. The *main purpose of this paper* is to apply brand personality analysis on to the university environment developing and testing a specific measurement scale for the university brand personality.

2. Theoretical background

As known audiences tend to consider brands as independent “market organisms”. The attribution of human characteristics to inanimate objects appears to be an universal phenomenon (Brown, 1991). This process is very interesting both for marketing academics and managers because the comprehension on how human perceive products, brands, stores in terms of human features impacts on the planning and execution of marketing operations.

Cook (1992) believes that the relationship between the brand and the consumer reflects several features similar to an affective relation between individuals. Aaker (1997), in her seminal work, defines brand personality as “the set of human characteristics associated with a brand.” It is relevant to consider Aaker developed this theoretical framework taking into account the Big Five human personality dimensions. Considering this definition too broad and vague Ambroise et al. (2003) and Ferrandi et al. (2003) propose to define the brand personality as “all human personality traits associated with a brand”. Firms increasingly attempt to personify their brands with the purpose of enabling consumers to reflect their personality through brand choice. Grandi (1987) emphasizes that a consumer’s perception of a brand is that of a personified image, built up in a symbolic manner partly through the virtue of the communicative effort firms undertake. Likewise, it is argued that what the consumer desires, and actually purchases, transpires as the global personality of the product. Its personality consists not only of physical components, but also consists of the perception built up in the minds of consumers, concerning also brand reputation. Hence brand personality is important also for its association to brand reputation construct. Scholars and managers believe that to be successful and profitable, brands should have a positive reputation (Herbig and Milewicz, 1995). According to Fombrun and Rindova, (2000) reputation “is the aggregate perception of outsiders on the salient characteristics of companies, or brands”. The development of brand reputation it requires more than keeping customer satisfied; reputation is earned by brands over time and refers to how various audiences evaluate them (Veloutsou and Moutinho 2009). Brand reputation occurs primary through the signals that firms send to

the market (Herbig and Milewicz, 1995); in this perspective, brand reputation is an output of the brand identity and brand personality achieved by the company. Brand reputation management is continual (Park et al., 1986); “the brand’s concept and the brand image, and as a consequence its reputation will be managed over the brand’s life, via the selection of a brand expression, its introduction in the market and its further expansion, defense and enforcement over time. Reputation is one of the primary contributors to perceived quality of the products carrying the brand name” (Veloutsou and Moutinho 2009). Brand reputation is also defined as the overall value, esteem and character of a brand as seen or judged by people in general. That superior customer value is viewed in the literature as a tool to reach greater market share and profits (Day and Wensley, 1988).

3. Research Methods

This study is a working in progress about brand personality with specific reference to university institutions. The specific aim is to apply a brand personality analysis on to the university environment developing and testing a specific measurement scale for university brand personality. The authors hope the present paper leads to further conceptual and empirical developments in this area.

Sample and Data Collection. In this study we decided to analyze the population of students enrolled at the University of Florence (54889 students). A representative stratified sample of student was built randomly selecting from the overall population of enrolled students undergraduate and postgraduate students. The sample stratification was run considering the 12 Faculties composing the University of Florence. A face to face structured questionnaire was built. All items under analysis (scale of personality) were rated on a five-point Likert scale. The process of questionnaire development was based on the approach recommended by Churchill and Iacobucci (2002). The first version of the questionnaire was face-validated twice using exploratory and expert interviews and pre-tested with 40 respondents. In November 2102, a total of 1470 valid and completed questionnaires were obtained. The sample was composed of 59.4% women and 39.6% men with an average age of 22.5 years old. Considering the main tasks of the current study, first the measurement scale structures was validated. To do this, exploratory and confirmatory factor analysis was used successively for “brand personality” scale.

Measuring scale. Scale items were derived from the literature and from unstructured interviews with university enrolled students. For measuring the variable of “University personality” it has been develop a personality scale based on the overlap of the five source scales selected (Aaker, 1997; Chan et al., 2003; d’Astous and Levesque, 2003, McCrae and Costa, 1995, 2005) with 134 unique traits to measure personalities. The scale has been tested through exploratory and confirmatory factor analysis, reducing the number of traits from 134 to 7 items. Then the scale has been enriched of other 4 items appositely developed by Sung and Yang (2008) to measure university personality (friendly, stable, practical, and warm). So the personality scale here proposed accounts 11 items in total.

4. Main empirical Results: Exploratory and confirmatory factor analysis on University of Florence personality

Exploratory factor analysis. On the basis of the representative sample, a principal component factor analysis with Varimax rotation was performed. We thus try to identify underlying variables to explain the origin of correlations within all of our observed variables.

As a preliminary, tests were carried out on the suitability of the data sample for factor analysis¹. We also tested the reliability of this measure. The Tucker Lewis Index of factoring reliability, which is 0.939, showed good internal consistency of this measurement scale.

The resulting factor solution (Table 1) with 4 dimensions initially developed is confirmed for 65.9% of explained variance.

1. The first dimension named "Organization" (3 items, 41.53% of variance explained) includes items illustrating the traits "Well-Organized", "Stable" and "Practical".
2. The second dimension labeled "Innovation" (2 items, 8.87%) is based on the "Innovator" and "Dynamic" side of the personality traits under analysis.
3. The third dimension called "Openness" (3 items, 8.02%) corresponds to the items of "Open", "Friendly" and "Warm".
4. The fourth dimension named "Prestige" (3 items, 7.46%) marks the "Expert", "Prestigious" and "Attractive" side of the personality of the University of Florence.

Confirmatory factor analysis. Confirmatory factor analysis (Figure 1) shows a satisfactory fit of the congruence scale to its data. The global model testing results show fit values of RMSEA (.060), for which suggested minimum are < .05 as satisfying and < .08 as tolerable², CFI (0.957) and NFI (.949).

In the next paragraph further comments on personality factors are developed.

5. Conclusion, limitations, further developments

The purposes of this research is to explore brand personality with specific reference to university institutions and to refine brand personality scales in this area. To our knowledge is the first exploratory empirical research has ever run related to an Italian university.

Statistically significant results from the exploratory and confirmatory factor analysis are gained. Based on the exploratory research run we got four dimensions (factors) useful to measure brand personality of university institutions: "Organization", "Dynamic", "Openness" and "Prestige". These factors seem to be four complementary sides of the metaphorical personality of universities. The first one (Organization) express the capability of an institution to be well ruled in term of organization and corporate stability that means i.e, the organization ability to recruit desired faculty members and to attract abundant funds (Treadwell and Harrison 1994). The "Organization" dimension at the same time involves the practical side of the personality related to the so called "management operations". The second one (Dynamic) can be interpreted such as the university personality side rooted on the research and teaching innovation and dynamism. This factor appear to be highly related to: a) the key performance index measured for the university ranking and b) to the drivers influencing students' choice of a higher education institution (Milo, Edson, & Mceuen, 1989; Nguyen & LeBlanc, 2001; Weissman, 1990). The third dimension (Openness) conveys the warm feeling of friendship and the emotional bondages and links the university is capable to activate together with the students and between the students ("university can build positive emotional attachment if they make prospective students feel valued and develop connection with them"; Sung & Yang 2008). Lastly the fourth dimension (Prestige) is the one that seems

¹ To conduct a factor analysis, the KMO test must be greater than .5. This measure varies between 0 and 1, and values closer to 1 are better. A value of .6 is a suggested minimum. The Bartlett's Test of Sphericity tests the null hypothesis that the correlation matrix is an identity matrix. The Bartlett's Test must be significant. For this analysis, the two conditions are verified (KMO = 0.89 and Bartlett test $\chi^2(55)=4816.796$, $p=0$).

² Steiger and Lind, 1980; Pedhazur and Pedhazur Schmelkin, 1991; Browne and Cudeck, 1993; Hu and Bentler, 1999; Tabachnik and Fidell, 2007; Steiger, 2007

the most related to the brand reputation construct. It contains the expert and attractive base of the university personality and in this perspective, brand reputation is an output of the brand personality achieved by the organization (see also Herbig and Milewicz, 1995).

Being an exploratory research, further empirical analysis will be run for verifying the generalization degree of the results gather from the investigation of the specific case of the University of Florence; according to the authors national and international comparisons could generate and foster interesting insights.

The results of this research have academic and managerial facets. From the academic point of view, we have built and tested a purified scale of personality that can be applied to university institutions.

From the managerial point of view, we have discovered that the main dimensions explaining the brand personality of universities (at least of the specific institution personality under analysis); relying on this results university decision makers could have a better understating of the students' perceptions and could better shape brand value proposition for strengthening the emotional bonds and links together with the student community.

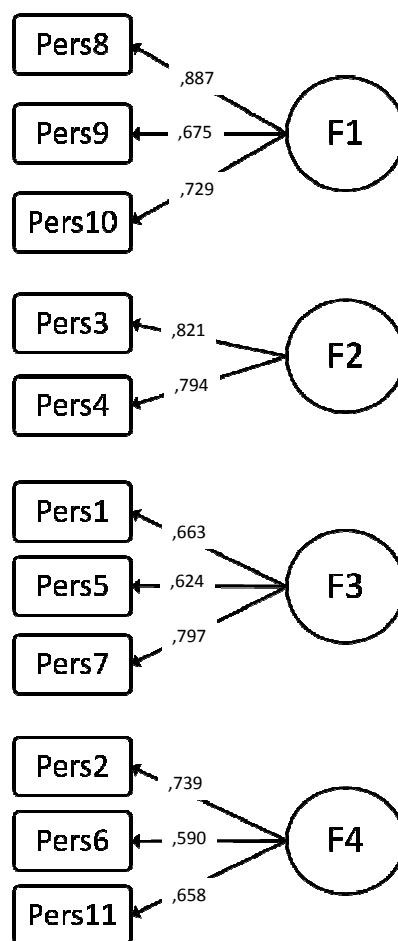
Figures and Tables

Table 1: Brand Personality of University of Florence: Exploratory Factor Analysis Rotated Factor Matrix^{aa} :

		Factor			
		1	2	3	4
Pers8	(Well- Organised)	,685			
Pers9	(Stable)	,797			
Pers10	(Practical)	,745			
Pers3	(Innovator)		,822		
Pers4	(Dinamic)		,745		
Pers1	(Open)			,688	
Pers5	(Friendly)			,816	
Pers7	(Warm)			,535	
Pers2	(Expert)				,514
Pers6	(Prestigious)				,817
Pers11	(Attractive)				0,68

Extraction Method: Principal Axis Factoring. Rotation Method: Varimax with Kaiser Normalization. a. Rotation converged in 5 iterations.

Figure 1: Brand Personality of University of Florence: Confirmatory Factor Analysis Model



Fit values: RMSEA (.060), for which suggested minimum are < .05 as satisfying and < .08 as tolerable, CFI (0.957) and NFI (.949).

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The future of B2B-trade shows: Insights from a scenario analysis for a powerful forum of marketing communications

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The future of B2B-trade shows: Insights from a scenario analysis for a powerful forum of marketing communications

Abstract

Trade shows are one of the most important communication and sales instruments for B2B-companies. However, due to the advent of the Internet and the spreading of the social media, the communications landscape has changed completely in the last years. Faced with a growing substitution competition, trade shows are under pressure to bear up their value added in the communication mix. Based on multi-stage scenario analysis, the paper presents eight key factors that will influence the performance of trade show organisers and that will shape the future of trade shows as a marketing instrument until the year 2020. The paper thus provides a basis for the discussion of strategic decisions made by trade show companies.

Keywords: *Marketing communication, trade fairs, future trends strategic management*

1. Introduction

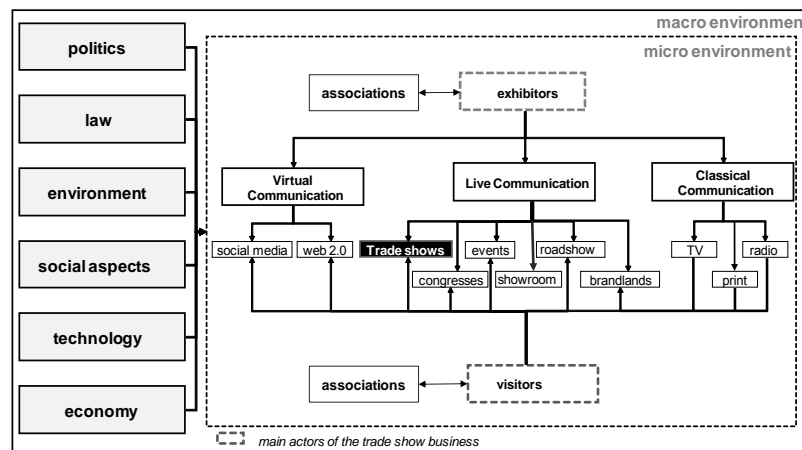
With the advent of the Internet and the spreading of the social media the communications landscape has changed completely in the last years. Besides the new media companies can use a variety of diverse communication tools nowadays to communicate with their buyers. Compiling an appropriate mix of effective and efficient instruments for their relationship communication (Duncan & Moriarty, 1997) and designing the message that shall be transmitted across the different communication channels is a huge challenge for companies. One of the most important instruments in the communication mix of many companies still is the trade show (Gopalakrishna & Lilien, 2012; AUMA, 2012), as evidenced by their frequency of use and expenditure level (Kerin & Cron, 1987). Trade shows, which are market events of a specific duration, held at intervals and bringing together interested current and prospective buyers and sellers to meet face-to-face (Kirchgeorg, 2005; Morrow, 2002; Ponzurick, 1996), have been an essential sales and communication tool for many centuries now all over the world (Gopalakrishna & Lilien, 2012; Kirchgeorg, Springer, and Kaestner, 2010a). This is because they allow for unique personal encounters and the active experience between a company/brand (exhibitor) and its target group (visitor) in a staged and emotionally appealing surrounding. In light of the increasingly virtual nature of communication and the growing demand for fun and experience, the Global Association of the Exhibition Industry has found out that the relevance of personal encounters and face-to-face communication will remain highly important, particularly in business communication (UFI, 2011). Trade shows also constitute an important instrument for profit generation (AUMA, 2012), especially in the business-to-business (B2B)-market. Thus the North American trade show industry generated an estimated revenue of almost 11.2 billion US-Dollar in 2009 (CEIR, 2010), while German trade show organizers gained a revenue of 2.6 billion EURO (approx. 3.4 bn Dollar) in 2009 (AUMA, 2010). Taking this, it is concluded that trade shows prefigure a positive future and will remain relevant for B2B-communication. However, due to a growing number of communication alternatives, trade shows will have to face increasing competition and thus will have to bear up their value added in companies' communication mix. Particularly decision-makers in trade show companies therefore seek for a better understanding of the future development of trade shows and of the factors that will influence this development. This is a background decision-makers can consider in their discussions on strategic decisions.

The paper at hand wants to contribute to the body of trade show management literature and to an effective use of this B2B-marketing communication instrument by providing new insights for strategic planning. On the following pages the results of a multi-step scenario analysis are presented. In the following sections a brief review of some theoretical aspects and definitions of relevant terms will be provided. Then, the methodology and the data analysis are explained. With a brief presentation of the findings as well as implications for management and future research the paper will be concluded.

2. Theoretical Background

The competitive pressure within the trade show sector has reached a high level. One reason for this is the fragmented communications landscape (Figure 1). In the future, trade shows will have to prove themselves as relevant, effective and efficient communication instrument both on exhibitors' and trade show visitors' side.

Figure 1. Frame of reference: Trade shows as one of various element of exhibitors' communication mix used for relationship communication



The substitution competition for trade shows is getting stronger. For the discussion about future developments of this instrument it is necessary to keep an eye on the development of other communication instruments, particularly those ones that allow for direct, face-to-face buyer-seller interaction. At the same time there are manifold influencing factors in the micro- and macro environment which will have a lasting effect on the demand for trade shows. In order to answer the question what the relevance and the role of trade shows will be in the future, it is necessary to analyze those factors and their dynamic of changes.

This provided the motivation for the research that is presented in this paper. The challenges, which are specifically relevant for the international trade show industry, are investigated in depth.

Trade shows not only play a key role for the economic wealth and growth globally they are also an important part of different economies (Kirchgeorg, Jung, and Klante, 2010). This is why a multi-stage scenario analysis with industry experts was conducted.

Searching, using and exchanging information works differently in today's digitized world compared to one or two decades ago. More than ever before, IT plays an important role for effective trade show management. It has become an inevitable tool for trade show organizers and exhibitors (Gopalakrishna & Lilien 2012). Due to impact of the technological changes on traditional trade show strategies, trade show organizers have great interest in what the future development of business trade shows will look like.

Compared to forecasts and other mechanism used to look into the future, scenario analysis have quite a number of advantages (Cornelius, van der Putte, and Romani, 2005; Shumadine, 2005). Having emerged as a corporate planning tool in the early 1970s (Wack, 1985), scenario analysis is nowadays a common practice when it comes to discussions about strategic developments. A scenario can be understood as a story telling how the future may turn out (O'Brien, 2003). The scenario methodology understands the environment as a complicated system. This system is marked by uncertainty which is best understood from a perspective of multiple plausible futures (Burt, Wright, Bradfield, Cairns, and van der Heijden, 2006). Scenario analyses are a complex matter. This is because several different external factors and a number of different stakeholders, who not always pursue complementary objectives, have to be taken into consideration. Applied to the trade show industry, scenarios can particularly stimulate discussions about the configuration of successful future paths for trade shows.

3. Methodology

The more dynamic developments are, the more difficult it is to forecast the future by updating past development paths. Instead of projecting success factors from the past to the future without adapting them, it is better to develop both an idea of a multiple future and sensitivity for different development paths. However, it is not possible to determine which of the possible development paths will occur. But they can be specified and explained in more detail through the combination of different influencing factors and their more or less likely manifestations. The result of this is different scenarios.

In order to develop scenarios for the trade show industry, an approach was used that is based on the general process of a scenario analysis. It comprises five steps:

- **Scenario-Preparation:** Differentiation of the research object and determination of the scenarios time horizon
- **Scenario-Field analysis:** Identification of relevant influencing factors
- **Scenario-Forecast:** Analysis of the influencing factors' dynamics of change and determination of alternative manifestations
- **Scenario-Definition:** Combination and description of relevant possible scenarios and plausibility check based on secondary studies
- **Scenario-Transfer** Preparation of a report and consolidation of the analysis as well as the contents of the report

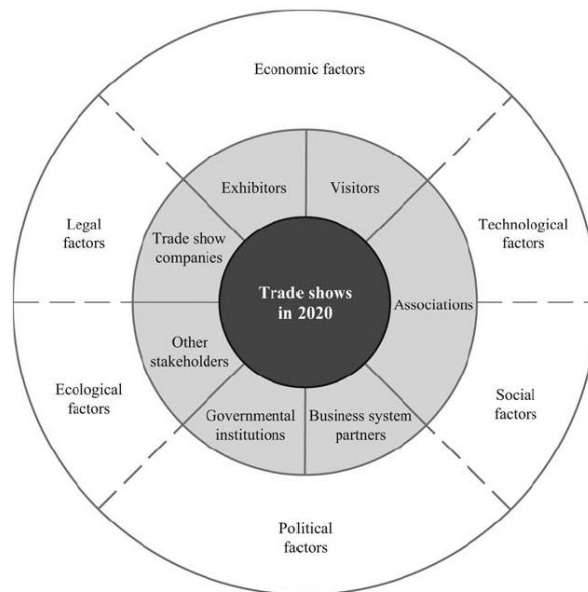
The quality of a scenario analysis is based on the influencing factors that have been identified and are considered for the research object (here trade shows). For identifying the influencing factors an environmental model was used. The model's different levels are the search fields. Based on proven frameworks for strategic analysis, the levels of the macro environment (Figure 2) were explored for influencing factors. Then the identified factors were systematically evaluated by means of a structured survey among industry experts (trade show organizers, current and potential exhibitors). The survey was realized with an online questionnaire, which included more than 120 influencing factors as items. The factors were extracted during the scenario-field analysis. Interviewees were asked to evaluate each single factor in three aspects:

- dynamics of change (scale: increase, no change, decrease),
- expected probability of occurrence for the indicated change (scale: from 0 to 100 percent)
- impact of changed significance on trade shows in the year 2020 (scale: (very) positive, neutral, (very) negative).

Finally, 65 datasets were considered for analysis. An expectation value was calculated by multiplying all three assessments per influencing factor. This value indicates the relevance each single influencing factor has for trade show demand in 2020. Then the relationships among the identified influencing factors were analyzed. Based on found relationships bundles of influencing factors (called key factors) were finally formed. Considering the different expectation values, the key factors were brought into a relevance-based order. They were also classified into ones that positively influence the demand for trade shows and ones having a negative influence on the demand. However, the identified influencing factors do not exist to each other in an isolated manner. They are linked through manifold relationships. In order to identify the factors that show a rectified development and are closely connected, a factor analysis was calculated (Gausemeier, 1995; Schwartz, 1991). Also relational contexts were

logically derived on the basis of the system model. The key factors finally serve as the fundament for the scenario deduction.

Figure 2. Environmental model indicating the areas for the search of influencing factors



4. Findings

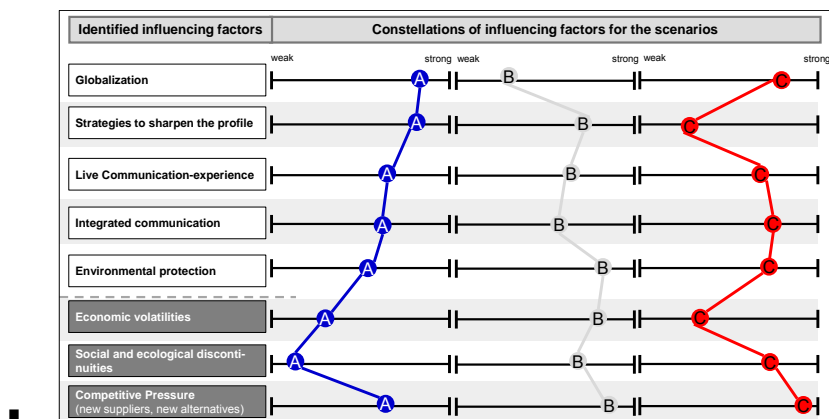
Overall, *five* key factors were identified, which will *positively* influence the demand for trade show in future. Graded according to their strength of impact, these key factors are: “Globalization”, “Strategies for sharpening the profile”, “Live Communication-experience”, “Integrated communication”, and “Environmental protection”.

Furthermore, *three* key factors were detected, which *negatively* influence future demand for trade shows. According to their significance these three factors include: “Competitive pressure”, “Social and ecological discontinuities”, and “Economic volatilities”.

Following up the basic idea of a multiple future, the identified key factors with their different manifestations and probabilities of occurrence were combined in a conclusive way in order to generate the scenarios. Based on the manifestations of the key factors (Figure 3), the following *three alternative future scenarios for trade shows* have emerged:

- **Scenario A:** “Growing world markets with worldwide distinguished trade show organizers”
- **Scenario B:** „Continental trade show markets in a suspenseful world”
- **Scenario C:** „Smart Exhibitions in a digitalized world“

Figure 3. Future scenarios and the permutations of the eight key factors of influence



5. Implications for management and avenues for future research

Overall, the results of the scenario analysis show three things. First of all, the future of trade shows (B2B-market) will be very dynamic, intensively competitive and marked by many changes in the environment. Next, there are key factors, like e.g. globalization, economic volatilities, social and ecological discontinuities, and increasing pressure of cut-throat competition, which have an influence on the future development of trade shows. The trade show industry, however, cannot influence them. How these factors develop is independent of the trade show industry's strategies, although the latter will determine which of the found scenarios becomes real. Finally, personal contact (face-to-face) among decision-makers, companies and customers will undoubtedly be highly relevant in 2020. However, the relevance of "physical" trade shows remains questionable given increasing digitization, a shift of communication to the virtual space as well as pressure on efficiency and for competition. Using scenarios as decision support in strategic planning is part of the scenario-transfer, the final step in the scenario analysis. It is the responsibility of organizers and exhibitors to take this final step. Thus, to be successful in the future trade show organizers and exhibitors, too, need to deal with the looming development of the industry already today (Abell, 2006). Doing so, they will be prepared for what might become real in the near future and can, thus, quickly and flexibly react to the changes in their industry. This will be helpful to preserve or defend one's competitive advantage.

The research presented in this paper helps in gaining a broader understanding of those factors that will influence the future development of trade shows. However, it is limited regarding width and depth of the scenarios due to the regional focus as well as the number and background of the respondents. *Future research* could involve a larger sample size and collect data on an international level in order to be able to make generalizations that are valid for the industry worldwide. It could also be analyzed whether sub-scenarios exist and what their specificities are.

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The influence of affective consequences forecasting on desire and purchase decisions.

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The influence of affective consequences forecasting on desire and purchase decisions.

Abstract

Our research assumes that people tend to anticipate the affective consequences of their purchase decisions, and proposes a four-legged framework of anticipated emotions (AE). Three experimental designs confirmed that consumers engage in a comparative process which consider both positive and negative AE of both purchase and non-purchase decisions. AE indirectly affects purchase probability depending on their functionality: leading to action or inaction. Desire mediates some of these relationships, and negative valenced emotions present a higher impact on the decision process. This research also suggests future research lines to expand the understanding of forward-looking emotions role in decision processes.

Keywords: *Affective consequences forecasting, Anticipated emotions, desires, purchase decisions*

1. Introduction

Research suggests that expected emotional outcomes are a simple but useful guide driving decision processes (Mellers & McGraw, 2001). To describe such processes, researchers propose that before taking decisions, individuals engage in judgments based on the imagination of emotional consequences of their actions (Philips & Baumgartner, 2002) or inactions (Patrick, Chun, & Macinnis, 2009). Previous literature confirmed that anticipated feelings affect such current decisions as purchasing an item on sale (Simonson, 1992), using coupons before expiration dates (Inman & McAllister, 1994), desires to visit shopping centers (Hunter, 2006), or eating snacks (Winterich & Haws, 2011).

Like many studies into the role of affect in decision making, individual studies on anticipated emotions (AE) have typically focused on one emotion at a time. When measuring more than one emotion, they have considered one group or two: usually positive and negative AE of action (Philips & Baumgartner, 2002), or positive AE of action and negative AE of inaction (Patrick et al., 2009). Summarizing, the literature has largely ignored that individual decisions may involve positive and negative emotional consequences of action but also of inaction in regard to a specific buying context. What is even more relevant, all four groups of AE might be interrelated and likely affect behavioral decisions and other relevant behavioral motivators such as desire.

Taking into account the contribution of the different approaches to research on AE, we propose an integrative framework which develops and empirically validates a theory of anticipated emotions (Zeelenberg, Van Dijk, Manstead, & Van der Pligt, 2000). Consequently, we propose a framework of four sets of AE affecting purchase decisions that result from the combination of positive and negative AE, resulting from purchase or non-purchase decisions. We review previous research on AE and develop a theoretical framework explaining behavioral decision making from emotional anticipation processes. In this paper, we test how consumers anticipate their feelings toward the purchase or non-purchase of a technological product on sale, and how this emotional forecasting influences purchase behavior. In three studies, we investigate what specific set of emotions consumers anticipate for each decision, and how they influence desires and purchase probability.

2. Literature review

2.1 *Affective consequences forecasting*

Both theoretical and empirical research support the concession that expected emotional outcomes are simple but useful guides driving decision processes (Mellers & McGraw, 2001). The underlying assumption of research on AE is that individuals anticipate how their choices will make them feel (Patrick et al., 2009). Usually, this process has received the name of prefactual thinking and consists of anticipating the consequences, specifically the affective effects, of a decision before the decision is made (Perugini & Bagozzi, 2001). An important point dealing with prefactual thoughts is that they are based on affective forecasting (Patrick et al., 2009). Predictions regarding AE need not be accurate to influence final decisions (Van Dijk & Zeelenberg, 2005). This is because individuals rely on the current available information to make predictions about outcomes and affective consequences of their behavioral choices. In agreement with this view, AE have been defined as beliefs about one's own emotional responses to future outcomes (Lowenstein, Weber, Hsee, & Welch, 2001), or predictions of the emotional consequences of decision outcomes (Bagozzi, Baumgartner, & Pieters, 1998). We propose that affective forecasting participates in the decision process by means of AE which do not act as affective indicators (e.g., pleasantness of a choice, per se) but as a cognitive and to some extent inaccurate anticipated appraisal of the affective consequences of the decision.

Consumer behavior literature suggests that consumers seek favorable outcomes or avoid unfavorable outcomes both in terms of product functioning and consumer affective consequences (Zeelenberg et al., 2000). This suggests that a purchase decision will be made when favorable purchase outcomes (positive affective consequences) are expected and that negative outcome expectations (negative affective consequences) will lead to the decision not to purchase. Analogously, an almost unexplored perspective could be taken. Purchase omission could involve positive affective consequences when the purchase outcome is unfavorable (e.g., not buying a product that ends in failure); but this omission could also produce negative affective consequences when purchase outcome is favorable (e.g., a missed opportunity to buy a product bid on ebay). According to this rationale, a four-legged framework emerges as a consequence of the combination of positive and negative valenced emotions resulting from both purchase and non-purchase decision.

2.2 An integrative perspective of the theory of anticipated emotions

The study of AE has followed parallel conceptual and empirical developments. A broad body of work has focused on the analysis of regret aversion, and anticipated regret as determinant of actions and inactions (e.g. Patrick et al., 2009). Trying to find the emotional basis of behavior, other approaches propose that positive AE and negative AE affect behavioral intentions, but also desires to engage in that behavior (Perugini & Bagozzi, 2001; Bagozzi & Dholakia, 2006). Some researchers have suggested an integrative theory of anticipated emotions (Zeelenberg et al., 2000). This latter perspective elucidates a set of four AE affecting decisions: positive AE toward action, negative AE toward action, positive AE toward inaction and negative AE toward inaction. Nevertheless, there is not clear agreement about the emotions that individuals anticipate to better assess their decisions.

Following Fong and Wyer (2003), the likelihood of taking a risky decision like an investment opportunity depends on (1) the positive feelings (e.g., happiness) people imagine they would experience if they benefit from the investment decision, (2) the negative feelings (e.g., disappointment) they imagine that they would feel if they take the risk and lost, (3) the positive feelings (e.g., relief) they imagine they would experience if they did not take the risk and avoided a loss, and (4) the negative feelings (e.g., regret) they anticipate experiencing if they did not take the risk and miss the opportunity to achieve a benefit. However, the theory of anticipated emotions is underdeveloped and has received little attention by scholars beyond the theoretical proposals to date. As well, most researchers have focused only on some but not all of these groups of AE (Philips & Baumgartner, 2002; Patrick et al., 2009). Indeed, the few studies considering several sets of AE provide little empirical support and have been limited to the analysis of economical choices like gambles or investments or choices in non-commercial settings (e.g. Fong & Wyer, 2003), without considering purchasing decisions in broader, more general senses. In sum, there is a research gap in our understanding of the influence of AE on purchase decisions.

The existence of these four sets of AE implies that individuals might anticipate both positive and negative affective outcomes of their actions and inactions before making decisions. In addition, desires have been described as a motivational state of mind wherein appraisals and reasons to act are transformed into a behavioral motivation, assigning a relevant role of desire in behavioral models by placing it as the most proximal determinant of behavioral intentions (Perugini & Bagozzi, 2001). Thus, desires should function as behavioral motivators in the process by which anticipated emotional consequences affect action or inaction. In this line of research, some groups of AE have been proposed as direct antecedents of desires (Perugini & Bagozzi, 2001; Hunter, 2006; Bagozzi & Dholakia, 2006).

2.3 Research proposal

As a result of our review of the literature and the accompanying theoretical underpinnings, our studies aim to assess the following propositions. (1) We propose that consumers anticipate emotional consequences of different valences related to a single purchase decision. (2) AE affect purchase probability depending on their for-purchase or against-purchase functionality. (3) Desire acts as a behavioral motivator, mediating the effect of AE on purchase decision. Following an experimental design, three studies help us assess the suitability of the research propositions.

3. Study 1: Autonomous forecasting of emotional consequences

Forty graduate and undergraduate students at a large university in northern Spain participated in the study in exchange for course credit. The study was presented as research on consumer perceptions and emotions toward desired products. Half of participants were randomly assigned to either the purchase or the non-purchase conditions. All participants were invited to read an hypothetical scenario in which a standard student (Mr. A) with a limited budget had the choice to purchase a high quality Tablet PC for a reduced price with the requirement of making the reservation at the present moment. Participants were instructed to put themselves in Mr. A.'s place and respond to questions regarding their beliefs about the realism of the scenario and their desires to buy the tablet. Depending on the purchase or non-purchase condition, participants were told to imagine that they had already taken the decision to purchase or non-purchase, and then they were asked about the anticipated emotions they believed they would feel at that moment as a consequence of the decision (open-ended questions). The rest of measures used seven-point Likert scales from 1 (strongly disagree) to 7 (strongly agree).

The results of the experiment confirmed the suitability of the scenario since the three measures related to the scenario realism and believability provided a mean of 4.97 (standard deviation=1.22). The selected product was desired by participants, revealing the attractiveness of tablet computers for participants (mean=4.50, s.d.= 1.49). Related to AE, 20% of participants in the purchase scenario provided only one AE named either in terms linked to positive feelings (e.g., happy, privileged), or negative ones (e.g., guilty, worry). The rest of participants (80%) anticipated two or more AE related to the purchase decision and combined both positive and negative terms (e.g., worried, anxious, pleased), with the exception of one participant providing two AE of the same valence. In the non-purchase condition, again most of participants (63.2%) anticipated more than one feeling combining different valence terms (e.g., remorse, satisfaction; happiness, doubt, insecurity; uncertainty, stupid, relieved). Finally, 10.5% of the respondents mentioned two of the same valence feelings (e.g., doubt, bad).

4. Study 2: Development of the AE scales

To develop four lists of scales of AE we conducted a separate study with a sample of 64 respondents. In a first round, participants were asked to select those emotions they would feel in the future as a result of purchase and non-purchase decisions of the same tablet computer scenario presented in Study 1 (half of participants assigned to each condition). They were instructed to make a cross on those emotions they think they would feel in the future from a list of 26 positive AE and 50 negative AE taken from the scale of consumption experience emotions by Richins (1997), and those terms provided by participants in Study 1. The number of AE in each category was reduced based on three criteria: we maintained those evaluated with higher incidences of crosses by respondents, those emotions that help to reflect conceptual variety instead of very close synonyms, and maintaining also those emotions traditionally described as relevant in previous literature (e.g., Izard, 1977). The first round of the pretest provided a list of 13 positive and 17 negative AE toward the purchase and two different lists of 13 positive and 15 negative AE related to non-purchase.

A second round with the same pretest sample was conducted in order to reduce the number of emotions selected in each choice. This time, participants in each purchase or non-purchase scenario had to evaluate their level of AE toward the purchase (non-purchase) of the selected product based on 7-point Likert scales. According to their responses, emotions achieving the highest average score were retained in order to obtain four sets of AE to be used in the experiment. Specifically, the 8 positive AE toward purchase were: peaceful, satisfied, hopeful, happy, pleased, joyful, delighted and excited. The 12 negative AE related to purchase were: upset, anxious, nervous, discontented, disappointed, uneasy, tense, worried, threatened, ashamed, guilty and regretful. The 8 positive AE associated with non-purchase were: peaceful, relieved, satisfied, proud, self-assured, happy, pleased, and worthy. The 12 negative AE related to non-purchase were: frustrated, upset, anxious, discontented, disappointed, worried, uneasy, sad, envious, threatened, guilty, and regretful. The four scales obtained high levels of reliability based on Cronbach alpha (positive AE toward purchase [posAE_p] $\alpha = .89$, negative AE toward purchase [negAE_p] $\alpha = .85$, positive AE toward non-purchase [posAE_{~p}] $\alpha = .83$, negative AE toward non-purchase [negAE_{~p}] $\alpha = .94$).

5. Study 3: Application of the AE scales and test of the relationships between variables

Participants were forty graduate and undergraduate students recruited similarly to Study 1 and presented to a similar scenario description. Again, half of them were randomly assigned to a purchase condition and the other half to a non-purchase condition. Participants were asked to respond to each of the four AE scales obtained in Study 2. Desire ($\alpha = .94$) was measured using a seven-point Likert scale, and purchase probability was measured with a seven-point statement.

In the purchase condition, the average of the posAE_p was 4.83 (s.d.=.86) and the negAE_p was 3.38 on average (s.d.= 1.02). In the non-purchase condition, respondents reported posAE_{~p} with an average of 4.43(s.d.=1.16), and negAE_{~p} with 3.56 on average (s.d.=1.46). Respondents in the tablet purchase condition tended to evaluate their desire ($M_{\text{purchase}}=4.80$, $M_{\text{non-purchase}}= 4.27$, $t(38)=1.11$, $p>0.1$) and purchase probability ($M_{\text{purchase}}=4.05$, $M_{\text{non-purchase}}= 3.45$, $t(38)=1.16$, $p>0.1$) higher; however, the differences between the two groups for the two variables were non-significant.

To test the suitability of our propositions, we conducted multiple regression analyses to test the effects of AE in each condition on desire and purchase probability separately. For the tablet purchase condition, the expected positive effect of posAE_p on desire is non-significant ($\beta=.17$, $p>.1$). In contrast, negAE_p reduces significantly the desire toward the product ($\beta=-.66$, $p<.05$), which support our initial proposal. Analyses in the non-purchase condition show that posAE_{~p} has no significant effect on desire ($\beta=-.54$, $p>.1$), but negAE_{~p} increases significantly tablet desire ($\beta=.59$, $p<.05$). Positive and negative AE of the purchase and non-purchase conditions do not affect significantly purchase probability (posAE_p $\beta =.42$, negAE_p $\beta =-.52$, posAE_{~p} $\beta =-.46$, negAE_{~p} $\beta =.40$, $p>.1$ in all cases). Despite the lack of significance, analysis of the AE isolated effect on purchase probability suggests a clear pattern. Specifically, posAE_p would have a positive impact on purchase probability, while negAE_p would have a negative impact. Opposite, the effect of posAE_{~p} on purchase probability should be negative, while negAE_{~p} should have a positive impact. Second, another regression was carried out to explain purchase probability based on AE and desire. As expected in our propositions, the effect of product desire on purchase probability is positive and significant in both the purchase condition ($\beta=.71$, $p<.05$), and the non-purchase condition ($\beta=.69$, $p<.01$), while AE effects on purchase probability remain non-significant when desire is included.

6. Discussion

The aim of this research is to answer some questions that remain unresolved in this emerging area, given the lack of studies about AE conceptualization and their influence on consumer behavior.

Study 1 showed that the promotional scenario used is perceived as realistic and believable, and the tablet device is perceived as a desired product. Our first contribution is to recognize the existence of a four-legged framework of AE and its functioning. The great majority of consumers anticipated several emotions reflecting both positive and negative affective consequences of their decision, suggesting that consumers spontaneously engage in a decision process of comparison between the affective benefits and costs of the decision. What is more relevant in our research is that not only purchase but also non-purchase entailed a judgment of the decision in terms of affective consequences. Study 2 determined each of the emotions included in the four scales: 8 posAE_p, 12 negAE_p, 8 posAE_{~p}, and 12 posAE_{~p}. Results indicated that consumers anticipate that the purchase and non-purchase decisions produce different affective consequences, and that the number of negative AE is higher than positive ones. Literature supports longer lists of negative AE than positive ones because negative emotions are expressed through a greater variety of conceptually different terms (e.g., fear, sadness, anger) than positive emotions (Izard, 1977; Winterich and Haws, 2011). Studies 1 and 2 confirmed our first proposition: consumers tend to anticipate different valenced emotions as a consequence of the single purchase decision. According to a cognitive-evaluative interpretation of AE, we argue that consumers potentially question the purchase decision of the great majority of products and that these purchase decision processes might be preceded by a vacillation period in which individuals face a trade-off between different anticipated affective consequences in decision making to resolve the best possible emotional outcome as a determinant of choices to act or not.

Deepening on the understanding of the four-legged framework of AE, Study 3 found that negAE_{~p} has a positive effect on desire, and negAE_p has a negative effect on desire. The theoretical implication of these findings is twofold. On the one hand, negative AE of either purchase or non-purchase seems more relevant than positive AE in the decision process. This conclusion clearly agrees with broad research based on the relevance of individuals' avoidance of negative affective consequences (e.g., Zeelenberg et al., 2000). Nevertheless, negative AE are not limited to regret aversion but to a whole set of different negative AE of both action and inaction. On the other hand, while the effects of positive AE were not significant, the effect of negative AE on desire would depend on its instrumentality (leading to purchase or non-purchase, respectively); interestingly, the avoidance of the negative emotional reactions to non-purchase activate desire, while the avoidance of the negative affective consequences of purchase deactivate desire. This finding agrees with previous findings which showed that emotions depend on their instrumentality (e.g. Brown, Cron, & Slocum, 1997; Bagozzi et al., 1998). In addition, Study 3 revealed that the effect of AE on purchase probability is non-significant, but desire has a clear positive impact on purchase probability. The combination of these two latter findings suggests that desire mediates the effect of some sets of AE on purchase decision, specifically negative AE toward both purchase and non-purchase decisions. Therefore, our second and third propositions are partially confirmed, since some groups of AE affect purchase probability by means of desire, and according to their specific functionality for or against the purchase.

Nevertheless, further research should analyze and further develop the applicability of this framework in consumer behavior. For example, the number and kind of AE participating in the purchase decision may vary depending on the product and the expected outcome (e.g. influenced by marketing variables). As well, another avenue for further research is to explore the association amongst AE depending on their impact on choice. Our work clearly points out a possible combination of AE according to their instrumentality (posAE_p and negAE_{~p} would lead to purchase, while negAE_p and posAE_{~p} would lead to a non-purchase decision), but other elements could be altering or mediating the influence of these groups of variables on purchase probability.

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Merchandising at the point of sale: differential effect of ends of aisle and islands

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Merchandising at the point of sale: differential effect of ends of aisle and islands

Abstract

Merchandising at point of sale comprises a set of techniques aimed at encouraging the purchase at the point of sale. This work analyzes the impact on sales of two of these techniques, especially used in the context of non-specialized food stores: (1) the presentation of product at the end of the aisle or main aisles, leading from the side aisle access and, (2) the presentation of the product in island shelves at the main aisles.

This research combines cross-sectional and longitudinal data in two large categories of product from a hypermarket over ten weeks. Results show that both the ends of aisle and the islands have a positive effect on sales and their relative importance can depend on the product category. There are also greater synergies between end of aisle and price promotions. Finally, the results provide some insight on the impact of the extension or conclusion of these stimuli.

Keywords: Retail, merchandising, end of aisle and island

1. Introduction

According to the AMA (American Marketing Association), merchandising is a wide term that encompasses promotional activities run by the manufacturer or retailer in the form of special presentations that take place at their own stores, as well as initiatives run by the retailer to make the product stand out. In any case, merchandising refers to commercial actions at the point of sale aimed to stimulate customers' purchases as soon as they enter the store. The manufacturer's and retailer's reliance on merchandising actions has been growing over the past few years. This increasing interest in merchandising can be credited to current studies that show that unplanned purchases make up between 46 and 70% of total purchases (Bezawada, Balachander, Kannan, and Shankar, 2009; Bell, Corsten, and Knox, 2011).

The role of merchandising is usually analyzed as a special presentation at the point of sale (display) by most previous academic contributions (Gupta, 1988; Van Heerde, Leeflang, and Wittink, 2000 and 2004; Bezawada, Balachander, Kannan, and Shankar, 2009; Inman, Winer, and Ferraro, 2009). So, the effort to analyze the impact of various merchandising initiatives separately has been much more limited. The difficulty to collect precise data may underlie this lack of studies. This work seeks to contribute in this regard, broaching separately and comparatively the effect on sales of two very common initiatives that have a different impact on purchasing decisions of consumers: the end of aisle and the islands at main aisles. The study also discusses the interaction with promotions and potential synergies that this combination may cause. Additionally, the temporary effects are considered in these stimuli, considering possible effects of diffusion, saturation or inertia.

2. Previous Literature Review and Working Hypotheses

2.1. *Effects of end of aisle and island on market response*

Several studies have confirmed that using merchandising techniques at the store can stimulate sales of a product (Narasimhan, Neslin, and Sen, 1996; Bezawada, Balachander, Kannan, and Shankar, 2009; Inman, Winer, and Ferraro, 2009). This phenomenon is perfectly logical from the perspective of consumer behavior. For example, The Integrated Theory of Consumer Behavior by Sheth (1983) distinguished a previous planning that includes the selection of stores and a later phase focused on behavior at the point of sale. This last phase shows that consumers may change initially planned purchases or deciding new purchases during their visit and that stimulus at the store can influence these changes significantly. Its importance increases because the proportion of unplanned purchases tends to be increasing (Bezawada, Balachander, Kannan, and Shankar, 2009; Bell, Corsten, and Knox, 2011).

The stimuli at the point of sale can be different types (Buttle, 1984; Cooper, Klapper, and Inoue, 1996) and they can influence differently on the purchasing decisions of consumers. This fact implies the need to analyze separately the role each they play in the response on consumer's purchase. In particular, it is interesting to analyze the role of two types of special presentation of products with different characteristics (Samson and Little, 1988; Varley, 2006):

- a) The end of aisle that is an exposure at the end of the same linear in which there are all products of a particular category.
- b) The island that is the stacking of a product, out of its normal location together with the rest of the category, and it is usually located in the middle of the main aisles.

Because of this distinction, both techniques will have a positive impact, although the island has a greater visual impact and is more perceptible by potential buyers (Varley, 2006) and therefore, it will have a greater impact on consumer response. Thus, we propose:

H1a: The ends of aisle have a positive impact on product sales.

H1b: The islands have a positive impact on product sales.

H1c: The islands have a greater positive impact than the ends of aisle on products sales.

2.2. Interaction between end of aisle with islands and price promotions

There are already many evidences about how promotions work and affect the costumer's behavior and their positive effects in short-term (Gupta, 1988; Blattberg, Briesch, Fox, 1995; Leeflang, Parreño-Selva, Van Dijk, and Wittink, 2008). Another line of research, but not yet too developed, analyzes the possible synergies between promotions and merchandising techniques, under the term display, concluding that the joint use of both can enhance the effectiveness of each one of the separate techniques (Narasimhan, Neslin, and Sen, 1996; Van Heerde, Leeflang, and Wittink, 2000 and 2004). Starting from this positive synergistic effect between the merchandising (display) and promotions, it would be interesting to collate it distinguishing between ends of aisle and islands. Both techniques have a common objective, which is simply to boost and encourage stimulated product's purchase. While promotions attract attention of a set of price-sensitive buyers, merchandising techniques, both end of aisle and island, do it on more impulsive buyers (Samson and Little, 1988). However, the special presentations of the products also serve to provide customers become aware of promotions, so they encourage the test of the product (Bezawada, Balachander, Kannan, and Shankar, 2009). Consistent with this, the following hypotheses are:

H2a: The combination of ends of aisle with price promotions produces a positive synergistic effect on products sales.

H2b: The combination of islands with price promotions produces a positive synergistic effect on products sales.

However, although it is expected that both techniques have a positive effect, we propose that they have different intensity. The island is a more aggressive stimulus and therefore has a higher effect on impulsive buyers, who require low information to buy (Inman, McAlister, and Hoyer, 1990) so, the price may be less relevant with this buying situation. Instead, the end of aisle is in the end of the linear where the competing brands are located. Many customers attracted to this presentation have a faster access to the comparison between the different alternatives (Varley, 2006). This fact can make the contribution of the end of aisle is more linked to the power of the effect of promotions and that, therefore, the combination with a promotion markedly intensify the effect on sales. Therefore:

H2c: The synergistic effect between end of aisle and promotion is higher than the synergistic effect between island and promotion.

2.3. Temporary effect of end of aisle and islands

Previous academic contributions have broached the impact of promotions from a time perspective and are trying to study its short-term and long-term consequences (Gupta, 1988; Blattberg, Briesch, and Fox, 1995; Leeflang, Parreño-Selva, Van Dijk, and Wittink, 2008). In this regard, we note that there is no clear consensus in the literature.

On one hand, the academic literature provides two opposing effects about the extension of the promotional stimulus. Sales would grow as the promotion prolong during a reasonable time (Blattberg, Briesch, and Fox, 1995). Instead, the initial use of the advantages of a promotion can also make your interest fall down when it is prolonged (Macé and Neslin, 2004; Ataman, Van Heerde, and Mela, 2010).

On the other hand, focused on the stimulus conclusion, most authors support the idea that during the promotion are attracted disloyal buyers. In addition to this, there can be a stockpiling effect which will reduce sales in next weeks (Van Heerde, Leeflang, and Wittink, 2000 and 2004; Ataman, Van Heerde, and Mela, 2010). However, others researchers support

the idea that there is a positive effect after the promotion, because the test is habit forming (Keane, 1997; Ailawadi, Gedenk, Lutzk, and Neslin, 2007). We are not aware of this potential post-promoting effect has not been studied in the case of merchandising techniques, especially if we distinguish between ends of aisle and islands. So, our hypotheses are:

H3a: The temporary extension of an end of aisle has an effect on product sales.

H3b: The temporary extension of an island has an effect on product sales.

H4a: The end of aisle has an effect on product sales once the stimulus has concluded.

H4b: The island has an effect on product sales once the stimulus has concluded.

3. Methodology

3.1. Data

The data used in this study has been compiled from a hypermarket that belongs to one of the ten product distribution chains with the highest sales rates in Europe (International Private Label Consult, 2011). In particular, we collect these weekly data from one store in an important city of Spain. These data offer information on sales rates, merchandising techniques, and sales prices during a time period of ten weeks (February-April, 2011) for all the products registered under two big categories: milk and liquid soap. The information about merchandising techniques was directly collected on site because it is not recorded by the information system. We choose such two different product categories because numerous studies have found that the characteristics of the product are crucial in evaluating the effects of promotions and merchandising techniques (Pauwels, Hanssen, and Siddarth, 2002; Ailawadi, Harlam, César, and Trounce, 2006; Inman, Winer, and Ferraro, 2009).

3.2. Empirical analysis

The methodology used for this study differs from that of other studies in this field. While most studies compile data about a few product references during long periods of time, our study compiles data on a large number of product references during a short period of time. This method will provide higher chances of generalizing the results obtained from the study. However, due to the need of comparing sales from very different references, the dependent variable is defined in relative instead absolute terms: sales variation instead of sales. (Table 1 contains the description of used variables).

Table 1. Description of variables

VARIABLES	DESCRIPTION OF VARIABLES
Sales Variation SV_{it}	marks the sales variation of the product reference i during week t compared to the average sales rate of the same product reference during the weeks in which it was not stimulated.
Sales Variation of Category	is a variable of control that marks the sales variation of the product category as a whole during week t in regard to the average sales rate of the ten-week period of the study.
End of Aisle EOA_{it}	is a binary variable that has null value when the product reference i was displayed on the end of aisle during week t .
Ends of Aisle of Competitors $EOACOM_{it}$	represents the actions of the competitors of the product reference i during week t regarding end of aisle. It was calculated with a sum of the CAB variable for all the competitors during week t , although it was weighted by the market share (except for i) of each competitor.
Island ISL_{it}	is a binary variable that has null value when the product reference i was displayed on the islands during week t .
Islands of Competitors $ISLCOM_{it}$	represents the actions of the competitors of the product reference i during week t regarding the islands. It was calculated with a sum of the ISL variable for all the competitors during week t , although it was weighted by the market share (except for i) of each competitor.
Discount PRO_{it}	marks the price discount on the product reference i during week t , as a proportion over the regular price.
Average Discount of Competitors $PROCOM_{it}$	represents the average discount level expressed as a percentage of the competitors of the product reference i during week t . It was calculated with a sum of the PRO variable for all the competitors during week t , although it was weighted by the market share (except for i) of each competitor.
End of Aisle Extension $EOAY_{it}$	is a binary variable that has no null value when the product reference i was displayed on the end of aisle during week t having been displayed also during the previous week $t-1$, comparing the weeks during which the end of aisle are used.
End of Aisle Conclusion $EOAYN_{it}$	is a binary variable that has no null value when the product reference i was NOT displayed on the end of aisle during week t having been displayed during the previous week $t-1$, comparing the week previous to the ending of an end of aisle.
Island Extension $ISLY_{it}$	is a binary variable that has no null value when the product reference i was displayed on the islands during week t having been displayed also during the previous week $t-1$, comparing the weeks during which the islands are used.
Island Conclusion $ISLYN_{it}$	is a binary variable that has no null value when the product reference i was NOT displayed on the islands during week t having been displayed during the previous week $t-1$, comparing the week previous to the ending of an island.

The explanatory analysis is based on a multiple regression analysis. In a first place, in order to analyze the effect of end of aisle and islands over sales rates and its interaction with the special discounts, the following functional relation was proposed:

$$SV_{it} = \alpha + \beta_1 SVC_t + \beta_2 EOA_{it} + \beta_3 EOACOM_{it} + \beta_4 ISL_{it} + \beta_5 ISLCOM_{it} + \beta_6 PRO_{it} + \beta_7 PROCOM_{it} + \beta_8 EOA_{it} \times PRO_{it} + \beta_9 ISL_{it} \times PRO_{it} + \varepsilon_i$$

In order to analyze temporary effects the following functional relation was proposed:

$$SV_{it} = \alpha + \beta_1 SVC_t + \beta_2 EOA_{it} + \beta_3 EOACOM_{it} + \beta_4 ISL_{it} + \beta_5 ISLCOM_{it} + \beta_6 PRO_{it} + \beta_7 PROCOM_{it} + \beta_8 EOAY_{it} + \beta_9 ISLY_{it} + \beta_{10} EOAYN_{it} + \beta_{11} ISLYN_{it} + \varepsilon_i$$

4. Analysis and Results

4.1. Direct and synergistic effects

Table 2 shows the results for the proposed models, which are aimed at analyzing the direct effects of the ends of aisle and islands, as well as the moderating role that special discounts play. We propose three models for each one of the product categories: the first one studies the direct effects of ends of aisle and islands, the second one adds the effect of the discounts, and the third one also includes the interactions between these two elements.

Table 2. Effects of ends of aisle and islands and interactions with price promotion

	MILK			LIQUID SOAP		
	Model 1	Model 2	Model 3	Model 1	Model 2	Model 3
Constant	0.397	0.447	0.452	0.361***	0.161	0.181
Sales Variation of Category	0.169	0.215	0.215	0.987***	0.859*	0.914**
End of Aisle	0.223*	0.252*	0.318**	3.688***	3.689***	3.331***
Ends of Aisle of Competitors	-0.010*	-0.016*	-0.016*	-0.025**	-0.026**	-0.023**
Island	1.006***	1.065***	1.014***	1.379***	1.202***	1.146***
Islands of Competitors	-0.040*	-0.041*	-0.041*	0.021	0.037	0.033
Discount		4.846***	1.128*		6.611***	6.234***
Average Discount of Competitors		-0.084	-0.087		5.660	3.674
Interaction End of Aisle-Discount			3.715			26.891***
Interaction Island-Discount			2.783			1.517
R ²	0.094	0.167	0.169	0.175	0.280	0.290
F ANOVA	***	***	***	***	***	***

* p<0.10; ** p<0.05; ***p<0.001

These results show that both merchandising techniques, end of aisle and island, have a significant and positive effect (p<0.01). So, both of them have positive effects on the product sales. This result confirms H1a and H1b. There are also differences between the two product categories in terms of relative importance of end of aisle and island. The results for the milk category are aligned with H1c: islands are more effective than ends of aisle. However, this effect turns out to be the opposite one in the case of the liquid soap.

Regarding the synergetic effect between the merchandising techniques and the promotions, there are several differences in the results for each one of the techniques studied. Results show that for the island the effect is not negative, while for the end of aisle, as well as having more importance in both categories, the effect is significant (p<0.01) in the case of the liquid soap. This result rejects H2b, although it is in line with H2a and H2c. This way, the ends of aisle will have a more synergetic effect with the price discounts due to its proximity to other competitors' references. Either way, the differences observed seem to point out that the product category plays a moderating role in the effects of the commercial stimulus studied.

4.2. Temporary effects

Table 3 shows the results for the second model proposed, aimed at analyzing the temporary effects resulting from the extension or the conclusion of ends of aisle and islands.

Table 3. Temporary effects

	MILK		LIQUID SOAP	
	Model 4	Model 5	Model 4	Model 5
Constant	0.365	0.381	0.225*	-0.223
Sales Variation of Category	0.198	0.247	0.953**	0.647
End of Aisle	0.431*	0.415*	3.090***	3.123***
End of Aisle Extension	-0.318	-0.241	1.310***	1.241***
End of Aisle Conclusion	-0.253	-0.151	1.298***	1.371***
End of Aisle of Competitors	-0.006	-0.009*	-0.014	-0.017*
Island	0.741***	0.760***	0.914*	0.831*
Island Extension	0.670***	0.670***	0.619	0.517
Island Conclusion	-0.031	-0.030	-0.215	-0.168
Islands of Competitors	-0.037*	-0.038*	0.015	0.053
Discount		4.903***		6.759***
Average Discount of Competitors		-5.150		22.787
R ²	0.107	0.181	0.280	0.306
F ANOVA	***	***	***	***

* p<0.10; ** p<0.05; ***p<0.001

These results are in line with the ones obtained in the previous models. Once again, the effects of island are more noticeable for the end of aisle in the case of milk category products, while the effects are the opposite in the case of the liquid soap. For both categories, an extension of the most effective stimulus has positive and significant effects. In other words, a diffusion effect happens. This result partially confirms H3a and H3b. No significant signs of a saturation effect are observed in any case. It is important to say that both techniques tend to exist for a reduced period of time (2-3 weeks), which prevents these negative effects.

Regarding the effects of the conclusion of the stimulus, a positive effect is only observed in the case of the end of aisle for the liquid soap. This implies that there exists an inertial effect due to the familiarization of the customers with the product reference that is stimulated, which counteracts the possible negative effect of an accumulation of such reference by the customer. This result partially confirms H4a, while it shows no evidence in favor of H4b.

5. Conclusions

Our study analyzes the impact on the sales rates of two of the most important merchandising techniques: ends of aisle and islands. The results obtained confirm the decisive role of both of them, in stimulating the sales. Results also prove that the first one plays a more decisive role as in special discounts. Furthermore, the extension or conclusion of this kind of stimulus needs to be taken into account in order to evaluate their overall impact.

The first implication of this study, from both academic and professional points of view, is the need to analyze separately the different merchandising stimuli. This study clearly shows that, even though all the merchandising techniques have positive effects on sales rates, their role may be very different. In this sense, we must stress the importance of merchandising techniques as complements to other commercial stimuli, because they influence on different types of customer, such as the impulsive one or the price-oriented one. Based on these results, we can advise retailers if they seek a synergistic effect between promotions and merchandising techniques, they must know this effect will be higher for ends of aisle than for islands. Another relevant implication is the importance of the temporary perspective when planning the merchandising stimulus. The same way it happens with the promotional stimulus, the diffusion or saturation effects that come with the extension of the stimulus, as well as the inertia and relapse effects that come with the conclusion of the stimulus have to be taken into account. The last implication, of great importance, is the product category and its role. According to previous works, aspects such as the purchase frequency, the expiration date of the products or the impulsive nature of category are crucial for studying the impact of the different merchandising and promotional stimulus.

Finally, this work can be completed if it is used more category of products and more techniques of merchandising in a high number of stores. These could allow give advice to a higher number of retailers, and, obviously, assure the confidence and reliability of the conclusions for other countries.

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The Dimensionality of the Retail Service Convenience Phenomenon: A Qualitative Examination

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The Dimensionality of the Retail Service Convenience Phenomenon: A Qualitative Examination

Abstract

The existing measure of service convenience has been developed and validated in context of developed economies, but very little work is done about this topic in emerging societies. Current study explores and identifies a comprehensive inventory of service convenience in context of retail services in emerging economies, thus expands the domain of service convenience construct by further exploring the propositions set out by Berry, Seiders and Grewal(2002) .Based on convenience literature and three separate qualitative studies, authors proposed retail store service convenience as a multidimensional construct consists of seven dimensions. Assurance and facility were found as novel dimensions for retail store convenience. Perceived risk of service fairness, resulting in exertion of cognitive energy, is seen as major concern among respondents. The implications of proposed dimensions are discussed both for retailers and future research.

Key words: Non-monetary cost, Retail service convenience, Effort cost

1. Introduction & Literature Review

Research studies have suggested that a firm can increase value of their offering either by providing better quality products or services, or by lowering price of the products or services, or by decreasing non-monetary cost (time and energy cost) incurred by consumers during buying process (Zeithaml & Bitner, 2008). It has been seen that consumers display their interest in conserving time and effort (Anderson 1972; Kelley 1958; Nickols and Fox 1983) and desire to make best use of their scarce resources. Contemplation on providing convenience (decreasing time and energy cost) for consumers is long standing, especially in the retailing and consumer behavior literature (Zeithaml & Bitner, 2008; Anderson, 1972; Kelley, 1958). Although, term 'convenience', coined by Copeland (1923), has been identified as a significant variable in plethora of studies focused on consumer satisfaction, loyalty and store patronage (Sinha, Banerjee & Uniyal, 2002; Mohanty & Sikaria, 2011) but very inadequate efforts has been taken to understand it as an absolute construct, except few studies which have given its long overdue recognition as a multidimensional construct in its own right (Yale & Venkatesh 1986; Brown 1990; Gehrt & Yale, 1993; Berry, Seiders & Grewal, 2002). Which otherwise was neglected and was poorly defined as a uni-dimensional construct.

Rapidly embedding its critical importance in the field of consumer behavior research and business practices, 'convenience', in an era of service economy, was conceptualized as service convenience and had its first conceptual model on the basis of five stage model of consumer decision making by Berry, Seiders and Grewal (2002). They did extensive review of convenience-related literature based on time, effort waiting time and convenience orientation. They suggested that past works have not adequately explored the complex interrelationships between time and effort in regards to the dynamic processes by which convenience is initiated and sustained. They formulated a conceptual model which proposed a more comprehensive multi-dimensional measure of convenience within a services context. They defined service convenience as "consumers' time and effort perceptions related to use or buy a service", comprising of five types of service convenience, each one affecting an overall convenience evaluation of a service. Post Berry, Seiders and Grewal (2002) model few researchers attempted to develop and validate measurement scales for service convenience in different setting (Seiders, Voss, Glenn, Andrea & Grewal, 2007; Colwell, Anug, Kanetkar & Holden, 2008). So far, the most recognized scale is SERVCON, a 17 items comprehensive instrument for measuring service convenience, developed and validated by Seiders, Voss, Glenn, Andrea and Grewal (2007) in context of specialty retail store. The contribution of this study is significant as it exhibits first rigorous empirical inquiry into convenience. However, study displays some flaws in item generation and statistical process (Farquhar and Rowley, 2009). Another empirical study was done by Colwell, Anug, Kanetkar & Holden, (2008), they developed multi item psychometrically valid scales for measuring the service convenience in cell phone and internet services. These two studies produces much required empirical investigation into convenience, but still lacking in generalizability of their scale, very few work has been done to test these scales in different settings. A study done (Aagja, Mammen & Saraswat, 2011) on SERVCON in Indian setting in context of food and grocery store, found it partially validated, and recommended the need of further investigation on dimensions to reveal underlined nuances of consumers' perception on expenditure of non-monetary resources, i.e. time, energy and effort. It is realized here that more work is required on adaptation and modification of existing scale across service types and hence should come up with a more solid measure for service convenience.

Given this background, the paper examines the perceptions of Retail Service convenience among Indian consumers. Although measures of service convenience for pure service

environment and for retail environment are likely to share some common dimensions, measures of retail service convenience must capture additional dimensions, especially in emerging societies. The study would be worth contributing, if conducted in emerging market situation where consumers are yet not fully exposed to and acquired the kind of retail services developed countries demonstrates. In response to literature call to use qualitative approaches to explore service convenience dimensions (Aagja, Mammen & Saraswat ,2011), this paper uses triangulation of qualitative technique adopted from Dabholkar , Thorpe and Rentz (1996) study conducted on scale development and validation of service quality for retail stores, to elicit veiled retail service convenience factors.

2. Qualitative Inquiry

2.1 Study I- Phenomenological Interviewing

Phenomenology, “as both a philosophy and a methodology has been used in organisational and consumer research in order to develop an understanding of complex issues that may not be immediately implicit in surface responses”(Smith, Flowers & Larkin, 2009). Phenomenology is a qualitative research approach committed to the examination of how people make sense of their major life experience; it is concerned with exploring experience in its own terms. In the context of this study, six phenomenological interviews were conducted to assign meaning to the shopping experience as the participant sees it, not as the researcher perceives it. In an attempt to explore their perceptions about convenience in shopping respondents were allowed to mention their aggregate shopping experience regardless of retail type (modern or traditional retail store) and category type (FMCG, durables and apparels). Key points of the interview were taken verbatim during the course of discussion and with 24 hour rule by Eisenhardt and Bourgeois (1988), discourse was transcribed immediately after interviews. This study revealed customers are most concerned with behavior of sales people. Other salient mentioned attributes that emerged from interview data are store layout and space with in store.

2.2 Study II- Exploratory in-depth interview

In-depth telephonic and personal interviews technique was used to obtain shoppers perception of retail service convenience. An in-depth interview is a robust technique and has been widely used by researcher for the purpose of qualitative exploratory study. The group of 60 shoppers was interviewed and the method used was nonrandom convenience sampling. Size of sample population was decided based on ‘Concept of Saturation’ of Glaser & Strauss (1967). Respondents were asked to recall their whole shopping trip, leaving from home to end of purchase. They were also asked to mention factors which produced convenience in their whole shopping experience. The definition of convenience was not given to the respondents, in an attempt to explore their perceptions about word convenience in shopping. It was assumed that the more a particular factor related to convenience was cited, the more salient it was overall in the minds of respondents, and thus the more prominent the component of retail service convenience to them. In addition to phenomenological study findings, other significant factors which emerged from exploratory in depth interviews were shoppers’ concern for trust, value for money and guarantee of product quality. Shoppers also gave importance to infrastructure and interior related features of the store and counting these attribute as convenience. Above insinuations indicate that convenience is not only about time and effort saving, it is more concerned with the perception a consumer builds during the process of buying with the given services and environment by the store, as Yale and Venkatesh (1986) argue that ‘Convenience is many things to many people’

2.3 Study III- Tracking the Customer

Finally, 'tracking' was taken as a technique for third qualitative investigation, to observe the thought process and service expectations of three customers during their shopping trip. In tracking method "researcher unobtrusively monitor the customer experiences in the store, information regarding identified components of the shopping experience and the customers' interactions with these elements was collected without significant altering the natural flow of the experience"(Dhabolkar, Thorpe & Rentz ,1996) . Researcher took the permission from customers and followed them through the store for the purpose of current study. Researcher observed and noted down their experiences as mentioned by them verbally; their interactions with store employees, store services and merchandise; their pleasure and discontentment attached with that particular excursion. The primary objective of study was to inform our understanding regarding retail service convenience amongst Indian shoppers. Analysis represents human interpretation of the themes which has been emerged from the data; no software package has been used for analysis.

3. Qualitative Results and Domain Definitions

Adopted from Berry, Seiders and Grewal (2002) retail service convenience is conceptualized as "consumers' perception of their time and effort (physical, cognitive and emotional) required during the course of achieving underlined shopping goal, initiating from problem recognition stage to post purchase stage." Emerged items from qualitative study were subjected for thematic content analysis by specialist panel, all emerged items category wise were put in the preset and emergent retail service convenience dimensions In the course of an iterative process researcher recognized seven dimensions for retail service convenience i.e information search convenience, access convenience, selection convenience, facility convenience, assurance convenience, transaction convenience and post purchase convenience.

The first dimension we propose is *information search*, this dimension is about having availability of information about product, offers and surety of getting what customers are looking for in a particular store or at its competitor's store. Information search convenience is salient as it takes place prior to the actual service exchange. Retailers should be more careful while making their communication strategies so that right message and right information is delivered to potential customers. Respondents have mentioned that information through advertisement via various channels is an important source to get informed before actual buying process takes place. If customers are well informed about merchandise a store possess, erases their mental anxiety regarding non availability of products in store. *Access convenience* is another dimension which also takes place before initiating actual buying process. Access convenience can be described as the proximity of store from home or office, sufficient and safe parking area, less travel time and store operating hours. An easy and comfortable access to store stimulates more frequent purchases and occasions to buy from the given store. Access convenience is more salient in case of inseparable services as compare to separable services, like people shop when store is open (Berry, Seiders and Grewal, 2002). Access convenience diminishes the physical efforts and serves time convenience to shoppers. The new dimension emerged from qualitative study is *Selection Convenience*, involves consumers' perceived time and effort expenditure in searching and selecting products in the store. It involves all those activities which support shoppers to locate things in the store and facilitate him for selecting products of his choice with less time and effort expenditure. Behavior of sales staff has emerged as one important parameter during selection of products. Most of the respondents displayed their concern for sales people related issues. It was found out that even in modern retail store sales staffs help is required and uninformed and half knowledgeable sales staff expands time and energy expenditure of shoppers.

Sales staff also offers a personal touch during shopping trip especially in modern retail stores where shoppers do not interact with store owner personally. Moreover shoppers admit that they do not appreciate sales people chasing them in store but at the same time they should be available as and when their help is required. Shoppers yearn for their own control over shopping, they get a sense of freedom when they can touch & see things by their own. That's the reason new age retail stores are getting popular among shoppers in emerging markets where for ages traditional model of retailing was playing a dominant role. An additional novel convenience dimension that emerged from qualitative study is **facility convenience**, related with the experiential part of shopping. Responses in interviews exhibit that physical atmosphere and various facilities provided by store creates an environment to make shopping a pleasing activity, however, absence of or substandard peripheral services affect shoppers perception for retail service convenience. Though retail literature suggests ambience as physical aspect of store enhances quality of services, but during exploratory interview it is revealed that ambience which includes lighting, climate control, interiors and hygiene of the store very much affect consumer perception of convenience. Paucity of these factors creates physical discomfort and adversely affects whole shopping experience. Store physical facilities and amenities supplement comfort and ease during shopping process and cultivate pleased customers. Another convenience dimension that emerged from current study is **assurance convenience**, which involves customer expenditure of time and effort to be convinced regarding quality of the product, obtaining value for the money and fairness in the transaction details. This dimension of convenience deals with the anxiety and fear shoppers have in their mind because of unfair practices run by marketers. Also new age retail stores lack personal relationship based trust between retailer and shopper, therefore stores need to assure them and require to instill faith in them through their genuine practices throughout the process. Assurance has been seen as an important dimension amongst respondents as it reduces their anxiousness and they feel less anxiety while shopping. **Transaction Convenience** comprises of consumers expenditure of time and effort to carry out a transaction to obtain the right of ownership of the given product (merchandise). Long waiting queue at billing counter has been seen as the most concerning factor during transaction process. Respondents agreed on the issue that they want quick check out as soon as their selection process is over. It was seen that most of the stores had sufficient billing machines but due to lack of sufficient trained staff to handle billing process only few counters were open for transaction process. **Post purchase convenience** is related with the expenditure of customers' time and effort at the time when they want to reconnect with retailer for any exchanges and to acquire after sale services. Interview data reveals that shoppers after sale service experience with retail store subsequently affects their repurchase intentions for next shopping trip.

4. Item generation

Based on the findings of the qualitative study, literature review and existing SERVCON scale, items were constructed to tap each of the seven dimensions of retail store service convenience. The initial item generation process generated pool of 105 items, with an iterative process which involves systematic reviews, we revised and refined the set of items to articulate items that would be suitable to retail store services. Panel of marketing faculty members and retail store managers then evaluated the items for content and face validity. The members were given the conceptual definitions of retail service convenience along with illustrative quotes from the data, and instructions were given to retain items based on their representation of convenience domain, clarity of words and subject to modification. This process resulted in 30 convenience

measurement items, including 14 revised items from Berry, Seiders and Grewal(2002)(see table1).

Table 1 Proposed item descriptions for retail service convenience dimensions

SERVCON Dimension	Retail Service Convenience Dimension	Perception Item
Decision (NI)	Information Search	P1. Prior to shopping, I can easily determine whether store will offer what I need
Decision (NI)	Information Search	P2. I can quickly get information about product availability in store (via Internet, newspaper, television or radio advertisement)
Decision (NI)	Information Search	P3. Store updates me regularly about special schemes offered by the store.
Access (NI)	Access	P4. Deciding to shop at this store is quick and easy
Access (NI)	Access	P5. I am able to get to store quickly and easily
Access (NI)	Access	P6. Store offers suitable store hours to customers
Benefit (NI)	Selection	P7. Store provides sufficient parking area.
Benefit (NI)	Selection	P8 Store has well organized layout
Benefit (NI)	Selection	P9 Store is spacious enough for comfortable movement in between aisles
Benefit (NI)	Selection	P10Store has appropriate sign boards
Benefit (NI)	Selection	P11 Store offers wide variety of offering.
Benefit (NI)	Selection	P12 It is easy to get information related with product specifications, quality and price
Benefit (NI)	Selection	P13It is easy to locate things; I am looking for in store.
Benefit (NI)	Selection	P14 It is easy to locate staff for assistance
Benefit (NI)	Selection	P15 It is easy to get store staff advice while selecting the product
Benefit (NI)	Facility	P16. Store provides hygienic facilities
Benefit (NI)	Facility	P17. Store has effective air condition facility.
Benefit (NI)	Facility	P18. Store has eating joint
Benefit (NI)	Facility	P19. Store provides safe play area for kids
Benefit (NI)	Facility	P20. Store provides comfortable sitting area
Benefit (NI)	Assurance	P21. Behavior of store staff instills trust and confidence in customers
Benefit (NI)	Assurance	P22. I don't feel cheated in the store
Benefit (NI)	Assurance	P23. Store ensures safety and security to customers in store
Benefit (NI)	Assurance	P24. I don't feel intimidated while shopping in store.
Transaction	Transaction	P25. I did not have to wait for long at billing counter to pay.
Transaction	Transaction	P26. I was able to complete my purchase transaction quickly.
Transaction	Transaction	P27. It takes little time to pay for my purchase
Post Benefit	Post purchase	P28. It is easy to process returns and exchanges at retail store.
Post Benefit	Post purchase	P29. Store takes care of product exchanges and returns promptly.
Post Benefit	Post purchase	P30. Any after-purchase problems I experience are quickly resolved.

5. Implications of the study and directions for future research

“Marketer knows convenience is important to consumers even if they are not always sure how to deliver it” (Berry, Seiders & Grewal, 2002).Our objective of this research was to investigate service convenience construct in a retail environment, especially in the context of emerging market. This study was an effort to address the literature call of conducting an exploratory study to understand the nuances of service convenience in the Indian context, so that a scale grounded in an Indian context can be developed (Aagja, Mammen & Saraswat,2011). We proposed psychometrically scales items for measuring retail service convenience as a multidimensional construct consists of seven dimensions i.e. decision, access, selection, assurance, facility, transaction and post purchase convenience. We found that in emerging retail market situation assurance has emerged as an important dimension for retail store service convenience, due to perceived risk of fairness. Our qualitative research also suggests that interaction with store staff is a crucial element for customers during buying process, especially in

the markets where organized retailing is still in its nascent stage and yet dominated by traditional retailing model where personal relationship between customer and retailer plays an important role. This research article provides a conceptual framework designed to stimulate further research in the domain of retail service convenience. This study offers avenues for further research for developing scales to assess the seven dimensions of retail service convenience and validating it in different context. This research represents the first step of expanding domain of service convenience in emerging market context, but as Berry, Seiders & Grewal, (2002) suggest “service convenience is uncharted territory and requires further investigation in order to increase our understanding of this phenomenon.”

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Make Memories Manageable

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Make Memories Manageable

Abstract

Consumers' strongly rely on their memories and experience in a decision-making process. Yet, despite empirical evidence that both semantic and episodic brand memories affect consumer behavior, literature on brand memories is scarce. The present study seeks to explore brand memories in order to render them manageable. Using a collage technique (N=100), the principal domains of semantic and episodic brand memories are examined. A subsequent Delphi method assesses concrete measures on how these brand memories can be influenced by the brand owner. Theoretical, methodological and managerial implications are discussed guiding new directions in the understanding and management of semantic and episodic brand memories.

Keywords: *brand memories, semantic memories, episodic memories*

1. Introduction and Theoretical Background

What we know and remember about a brand strongly affects our perception and behavior (Ratnayake, Broderick, & Mitchell, 2010). As consumers strongly rely on their memory, brand knowledge and experience in a crucial factor in the decision-making process (Mantonakis, Whittlesea, & Yoon, 2008). Yet, knowledge about consumers' brand memories is scarce. Building on psychology and using a collage technique and a Delphi method, the present study explores the principal domains of consumers' brand memories and assess concrete measures how these memories can be influenced.

Memory. Memory is generally defined as the ability to store and retrieve information (Roediger & Wertsch, 2008). Neuroscience classifies the human memory into the sensory, short-term and long-term memory (Phelps, 2004; Welzer & Markowitsch, 2005). All permanently stored information is thereby memorized in the *long-term memory*. The *declarative memory* of the long-term memory contains consciously represented and retrievable information (Tulving, 2002). The declarative memory is thereby divided into the *semantic memory* (memory for facts) and the *episodic memory* (memory for events) and conscious memories can be assigned to either one of the two memory systems (Welzer & Markowitsch, 2005).

Semantic and episodic memory. The semantic memory manages the storage and utilization of language, as well as generic, factual knowledge about objects, their meaning, their history and relationship to each other (Tulving, 1972, 2002). The conscious recollection of factual information and general knowledge is thereby understood to be independent of context and personal relevance, comprising concept-based but context independent knowledge unrelated to a specific experience (Welzer & Markowitsch, 2005). Episodic memory is the memory of autobiographical events such as times, places, associated emotions, and other contextual knowledge that can be explicitly stated (Mantonakis, et al., 2008; Welzer & Markowitsch, 2005). The episodic memory holds memories that were personally experienced at a specific time and place (Baumgartner, Sujana, & Bettman, 1992; Phelps, 2004). *Semantic and episodic brand memories.* Just as with every other object or person, consumers hold distinct semantic and episodic memories of brands (Ratnayake, et al., 2010). *Semantic brand memories* thereby refer to general, generic and factual knowledge about the very brand stored in the individual's semantic memory (Ratnayake, et al., 2010). In contrast, *episodic brand memories* refer to personal, autobiographical memories in connection to a brand, which are often context specific as far as time, place and associated emotions are concerned. Despite empirical evidence that both semantic and episodic brand memories affect consumer behavior, only a very limited number of studies have started to assess the nature of brand memories (cf. Ratnayake, et al., 2010; Teichert & Schöntag, 2010) and assess methods to investigate the latter (cf. Herz, 2010; Koll, Wallpach, & Kreuzer, 2010). Yet, the nature of semantic and episodic brand memories remains unexplored. Furthermore it is unknown whether (and how) brand users and non-user differ in their brand memories. Finally, concrete strategies to manage consumers' brand memories are missing. Against this background, the present study aims to (1) examine the extent to which brand users and non-user hold brand related memories, (2) explore the principal domains of brand related semantic as well as episodic memory, and (3) assess concrete measures how consumers' semantic and episodic brand related memories can be influenced by the brand owner. We, thus, investigate the following research questions:

RQ1: What are the domains of consumers' semantic and episodic memories of brands?

RQ2: Do brand users and non-users differ in their semantic and episodic brand memories?

RQ3: (How) can brand owner influence consumers' brand memories?

2. Methodology

Given the exploratory nature of our research, we employed a two-stage approach using first a collage technique followed by a Delphi method. The collage technique using a consumer sample is used to identify the domains of semantic and episodic brand memory and examines differences between users and non-users. The subsequent Delphi method using an expert panel explores how brand related memories can be influenced.

2.1. Collage technique

A collage technique is classified as an expressive projective technique which can be used to capture the holistic brand image in the consumer's mind (Rook, 2006). The collage method originates in psychoanalysis, where it is used to gain insights into peoples' personality, knowledge and experience (Boddy, 2005, 2007; Boddy & Ennis, 2007; Davis & Butler-Kisber, 1999). The advantage of using nonverbal stimuli is that test persons do not have to 'translate' nonverbally and emotionally loaded perceptions towards a subject into words or a prepared scale (Barner, 2008; Blümelhuber, 2004). Furthermore people typically do not have the specific vocabulary to extensively discuss and explain their views on the image of a certain brand (Herz, 2010; Rook, 2006; Siegelman, 1990). Consumers can have thoughts, personal experiences and emotions towards a brand, which may be too complex, intense or vague for ordinary speech (Siegelman, 1990). The collage technique was found to be a helpful method to explore brand knowledge and memories (Koll, et al., 2010).

Sample and Stimuli. We used 100 Austrian respondents with quotas on age, gender, and education (48% of the respondents are male; mean age is 36.2 (range 20-72 years); 32% had completed primary school, 42% high school, and 26% held a university degree. The study employs well-known brands of a range of product categories: FMCG ('Coca-Cola' and 'Red Bull'), furniture stores ('IKEA'), luxury products ('Hugo Boss' and 'Ralph Lauren'), mobile phone ('O2' and 'Vodafone'), cars ('BMW' and 'Alfa Romeo') and airlines ('Lufthansa').

Procedure. First, test persons create a collage on their brand image for a given brand. Test persons receive a short description of the task and are given a brand name, an A2-sized paper and handicraft materials (paper, pens, scissors and glue) (Herz, 2010; Koll, et al., 2010). Eighteen magazines from various categories are provided to give the test person a wide spectrum of image and text elements acting as input material. All instructions and all provided material is identical for all test persons. Afterwards, all test persons explain the collage and every collage element to the researcher. The interpretation hinders interpretation bias. In the end, respondents indicated their brand ownership and usage.

Analysis and interpretation. Collages are digitally photographed and all data material is assigned with a respondent specific serial code for recognition and all interviews are digitally recorded and transcribed resulting in 515 pages of single-spaced text. In the subsequent qualitative content analysis all collage elements are categorized and grouped using content analysis (e.g. Druckman & Hopmann, 2002; Krippendorff, 2004). Based on the conceptual definitions of semantic and episodic brand related memories is an initial category scheme (Miles & Huberman, 1994) with a matching coding criteria catalogue is developed relying on a subsample of 25 cases. Intercoder reliability is controlled for by using multiple independent analyst groups (two groups each consisting of two members) with multiple analysis stages (Lombard, Snyder-Duch, & Bracken, 2002).

2.2. Delphi method

In the present context, the Delphi method (see Rowe & Wright, 1999 for an overview) was used to explore how brand related memories can be influenced by the brand owner. The method utilizes the advantages of group expert interactions while minimizing negative social difficulties encountered with group interactions (Jolson & Rossow, 1971; Rowe & Wright, 1999). In the present context, the Delphi method was applied to assess the manageability of the explored brand related memories. The researcher provides a task/question to an independent group of five experts. Here, the identified domains of brand related semantic and episodic memory are provided to each expert with the task to give concrete recommendations on how these memories can be influenced. After all experts independently give their recommendations, the researcher summarizes the results and sends the summarized conclusions of all panel members again to each individual expert. Then each expert can – if (s)he wants to – alter the original assessments in light of the replies of other panel members or stick to their recommendations. After three rounds, the procedure was stopped, as a common consensus was found.

3. Results

Brand memories with brand users and non-users. Overall, 77 of 100 respondents communicated brand memories in their brand image collages. We find semantic with 45 of 100 and episodic brand memories with 57 of 100 respondents. In order to investigate how brand ownership and usage determine the type of brand related memories, we compared their relative independence on an intrapersonal level. Out of 100 respondents, 52 were brand users. Overall, 44 respondents communicated semantic and 50 episodic brand memories (see Table 1). The application of a chi-square test on these frequencies resulted in a significant result ($\chi^2(3, N=100) = 27.8, p < .001$) indicating that the brand usage determines the type of brand memories. Thereby, non-users often exclusively have broad factual knowledge about the respective brand. However, 11 out of 48 non-users (23%) show episodic brand memories. Thus, while not using the brand, these respondents hold strong personal, autobiographical and experience-based memories.

Table 1: Breakdown of brand memory type by brand ownership/usage (N=100)

Type of brand memory	User	Non-User
No brand memory	6	17
Semantic brand memory	3	17
Episodic brand memory	24	8
Semantic & episodic brand memory	19	6
	52	48

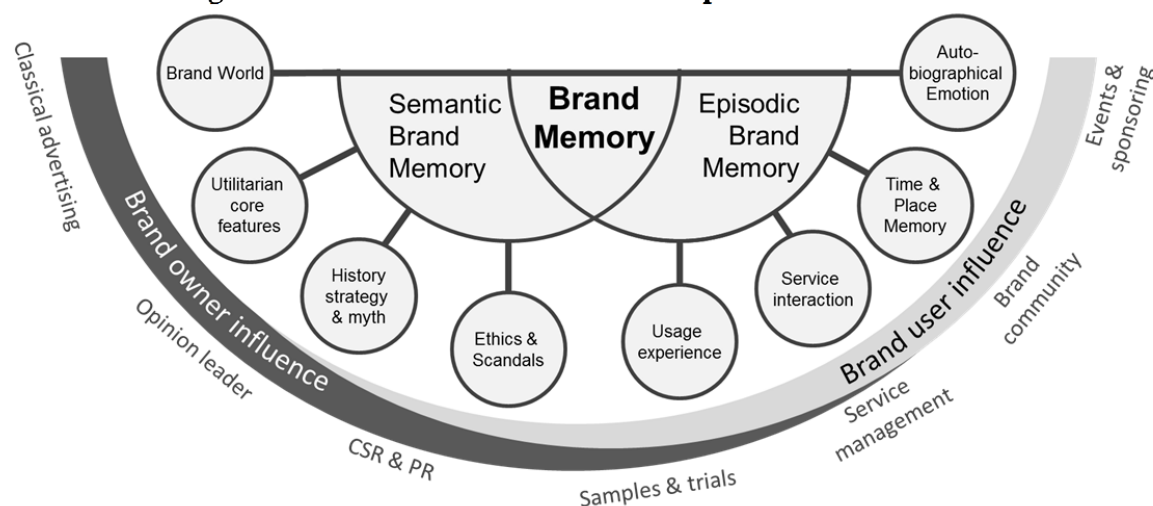
Nature of semantic and episodic brand memories. The fine-grained analysis resulted in eight emerging domains of consumers' brand memories: Semantic brand memories comprise (1) brand world, (2) utilitarian core brand features, (3) history, strategy & myth, and (4) ethics & scandals. Episodic brand memories comprise (1) usage experience, (2) service interaction experience, (3) time & place memories, and (4) autobiographical emotions. The following section describes the principal domains of semantic as well as episodic brand memories and provides the key aims and the key steps to influence the latter, which were identified by the Delphi method (see Figure 1 for an overview).

- 1) *Brand world* includes factual knowledge about elements of the brand's corporate identity (e.g. logo, color, font), as well as adverts, slogans and testimonials. In the 100 collages, we find N=40 memories belonging to this domain. The key aim to impact brand world memories is to

occupy unique niche associations in consumers' memory. Key steps are to (a) identify niche associations, (b) develop a unique CI, and (c) use classical advertising to communicate the associations.

- 2) *Utilitarian core brand features* (N=14) describes knowledge about the brand's offering, conditions, brand promise which indicates a detailed examination with the brand. The key aim is to hold relevant utilitarian standalone features in consumers' memories. The key steps are to identify the brand's utilitarian core features, and use classical advertising to communicate the associations.
- 3) *History, strategy & myth* (N=33) include specific knowledge about the brand's history, such as mergers and acquisitions, takeovers, co-branding activities, etc. It further includes brand myths, traditional, legendary stories about the brand shared by consumers. The key aim is brand authentication and ownership of a brand momentum. The key step is focused and integrated communication strategy using classical advertising, PR and opinion leaders.
- 4) *Ethics & scandals* (N=18) include often critical facts or publicized allegations about a brand. Topics relate to a company's corporate responsibility and ethical behavior. The key aim is the prevention of scandals and the pro-active solutions of scandals and a successful turn from a scandal into an opportunity. The key steps are well-organized CSR activities (including established labels and self-tests) communicated via an incorporated PR strategy.

Figure 1: Dimensions of semantic and episodic brand memories



- 5) *Usage experience* (N=41) includes personal experience with the brand and memories of brand usage. The key aim is to get new consumers to try the brand and provide continuing positive usage experience with existing customers. The key steps are to (a) offer samples or trials (b) provide a multi-sensual experience, and (c) apply up-/re-selling strategies.
- 6) *Service interaction experience* (N=16) includes all (positive and negative) memories about brand related services, with service staff, and experience with company employees. The key aim is to make the customer feel treated good and fair. Furthermore, positive service encounter can turn negative product experiences into positive ones, creating positive episodic brand memories. The key steps are to establish easy and clear guidelines for employees and consumers, and communicate these guidelines.
- 7) *Time & place* (N=42) describes memories that are connected to a specific time and or place in someone's personal past, connected to a certain brand. The key aim is to create positive brand

memories to a specific time and or place in someone's personal past. Key steps include event marketing or sponsoring activities.

- 8) *Autobiographical emotion* (N=24) include critical incidents, strong positive or negative feelings that are aroused in connection to the brand. The key aim is to make the brand a part of consumers' lives. Being highly dependent on each individual consumer, the creation of such memories is complex and can take a very long time. One key step is to create a strong a loyal brand community, through event-marketing, sponsoring and brand community building strategies. Another key step is to become something unique to the consumer, by polarizing, differentiating and highly emotional communication strategies.

4. Discussion and Conclusion

The present study (1) examined the extent to which brand users and non-user hold brand related memories, (2) explored the principal domains of brand related semantic as well as episodic memory, and (3) assessed how consumers' semantic and episodic brand related memories can be influenced by the brand owner.

On the *theoretical front* the present study gives new insights on the very nature and basic domains of semantic and episodic brand-related memories. Findings further show that also non-users can hold episodic brand-related memories. While semantic brand memories strongly depend on brand communications (e.g., advertising, PR, etc.) episodic memories highly depend on each individual. While these episodic memories are much harder to influence, they have the potential to strongly connect the brand to a consumer and even make the brand a part of this individual's life.

On the *managerial front* the study provides practitioners with concrete measures on how semantic and episodic brand related memories can be influences. The applied Delphi method using independents experts enabled innovative strategic key steps for practitioners to

On the *methodological front* the combination of techniques provides an innovative approach for researchers to combine respondents' insights with experts' recommendations. While the collage technique proved extraordinary useful to explore consumers' brand knowledge and memories (cf. Koll, et al., 2010), the Delphi method enabled professional managerial recommendations on the explored dimensions. The present approach, thus shows how to give an exploratory assessment a managerial spin.

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Consumer innovativeness as a prerequisite of private label success in emerging markets

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Consumer innovativeness as a prerequisite of private label success in emerging markets

Abstract

In emerging markets private labels are in the beginning of their life cycle when they still present a novelty on the market and consumers perceive difference between them and manufacturer brands. This paper is based on the assumption that consumers who possess certain level of innovativeness will be more willing to accept private labels, so there should be positive correlation between consumer innovativeness and private label attitude. The research conducted for the purpose of this paper on 841 consumers in Croatia verified initial assumption of positive correlation between consumer innovativeness and general private label attitude as well as attitude toward private labels in the liquid soap category. However, no correlation was found between consumer innovativeness and private label attitude in chocolate and facial care product categories.

Keywords: *consumer innovativeness, private label attitude, emerging markets*

1. Introduction

Private labels have been present on the market in developed countries since 19th century (Herstein & Gamliel, 2004) and they reached high growth rates (Mittal & Mittal, 2009; Bao, Bao and Sheng, 2011). On the other hand, in emerging markets of Central and Eastern Europe the share of private labels is still much lower and often does not exceed 10 per cent (Schreijen, 2011). However, emerging markets are constantly recording the highest private label growth rates, so it is expected that their role in the market will be significant in the next few years (Boutsouki, Zotos and Masouti, 2008). Giving that in emerging markets private labels are still relatively new concept, and consumers make distinction between private labels and manufacturer brands (DeVecchio, 2001) it is reasonable to expect that consumer innovativeness can encourage private label acceptance and their market success.

Consumer innovativeness can be seen as central element in diffusion of innovation because it transforms consumer action from routine purchasing of static sets of brands and products to dynamic behavior (Steenkamp, Ter Hofstede and Wedel, 1999). In that sense, consumer innovativeness can be important in private label management because private labels are often introduced in mature product categories where consumers already have defined set of manufacturer brands they purchase. Therefore consumers who display certain amount of innovativeness will be more inclined to change brands and try private labels. Similarly, according to previous research, innovative consumers are also more willing to take risks (Foxall & Bhate, 1993; Baumgartner & Steenkamp, 1996), benefiting private labels which are perceived as riskier alternative to manufacturer brands (González Mieres, Díaz Martín and Trespalacios Gutiérrez, 2006). All the aforementioned findings lead to conclusion that consumer innovativeness can be an important factor in determining private label success.

The remainder of the paper is organized as follows. First, the concept of consumer innovativeness is reviewed after which the theoretical relationship among consumer innovativeness and private labels is discussed. Research conducted for the purpose of this paper and research results are described in the second part of the paper, ending with conclusion and research limitations.

2. Consumer innovativeness concept

Consumer innovativeness as a concept cannot be easily defined. Roehrich (2004) states that consumer innovativeness can be described as “*early purchase of a new product or as a tendency to be attracted by new products*”. In that sense he makes distinction between actualized and innate innovativeness, concluding that most authors consider innovativeness to be a consumer trait. Similarly, Steenkamp, Ter Hofstede and Wedel (1999) define consumer innovativeness as a “*predisposition to buy new and different products and brands instead of retaining past choices and behaviors*”. Such a predisposition entails four directions in which innate innovativeness can be viewed as (1) an expression of the need for stimulation, (2) an expression of novelty seeking, (3) independence toward others communicated experiences, (4) an expression of need for uniqueness. Giving that private labels are usually introduced in mature product categories, approach to consumer innovativeness as an expression of novelty seeking seems appropriate and is further analyzed.

In the study of innovativeness, Venkatraman and Price (1990 in Park, Yu and Zhou, 2010) posit that innovativeness is multidimensional construct which includes cognitive and sensory innovativeness. Consumers with cognitive innovativeness are motivated to stimulate the mind by new experiences while sensory innovators prefer new experiences which stimulate the senses. Consequently, these two types of consumers also differ according to their shopping

styles as shown by Park, Yu and Zhou (2010). They concluded that cognitive innovators are likely to be price sensitive and are more likely to focus on the utilitarian features of products, whereas sensory innovators put more emphasis on the aesthetic aspects of products. In that regard, it is reasonable to stipulate that private label prone consumers would be considered as cognitive innovators because private labels offer significant price discount compared to manufacturer brands and mostly provide utilitarian benefits (De Wulf, Odekerken-Schroder, Goedertier and Van Ossel, 2005).

3. Importance of consumer innovativeness in private label management

Research on impact of consumer innovativeness on private label success is largely marginalized. This is probably the result of the fact that most research on private labels was done on developed markets where private labels are not an innovative concept, so this variable did not prove to be significant. Accordingly, Baltas (1997), in his study of factors that influence purchase of the private label in the United Kingdom, revealed that consumer innovativeness has no influence on private label success. Martínez and Montaner (2008) reach the same conclusion in the study of private label prone consumers in Spain.

However, research conducted in Korea, as a market where private labels were recently introduced, gave opposite results. Jin and Suh (2005) empirically demonstrated that consumer innovativeness has a significant and dominant impact on attitudes to private labels as well as to the intention to buy private labels in both product categories analyzed (food and household appliances). Consumer innovativeness was highlighted as the most significant predictor of attitudes toward private labels among Korean consumers. Furthermore, consumer innovativeness directly predicts purchase intentions in the food category, while in the home appliances category this effect was not significant.

Based on the studies described above it can be hypothesized that consumer innovativeness as a concept has positive influence on attitudes to private labels, especially in the early stages of their product life cycle. Therefore, the main research problem is to explore and analyze correlation of consumer innovativeness and private label attitudes in emerging markets where private labels are in the early stages of the product life cycle and are therefore still perceived as innovations on the market.

4. Research

In order to offer a solution to a stated research problem, quantitative empirical research was conducted in December 2011 on the convenience sample of 841 respondents in Croatia. The sample consisted of 70 percent female and 30 percent male respondents. Younger respondents (66 percent under the age of 35) and respondents with higher levels of education (53 percent) were dominant in the sample.

The quantitative methodology was chosen on the basis of a large number of scientific papers dedicated to different aspects of private labels (eg, Dick, Jain and Richardson, 1996; Batra & Sinha, 2000; Apelbaum, Gerstner and Naik, 2003; Hsu & Lai, 2008) that showed this approach is appropriate. The study was conducted using a questionnaire which consisted of series of statements to which respondents expressed their agreement or disagreement using Likert-type scales. Statements were taken from the existing literature and translated to Croatian. A scale for measuring attitudes towards private labels on general and category level was developed according to papers from Burton, Lichtenstein, Netemeyer and Garretson, 1998; Garretson, Fisher and Burton, 2002; Lymperopoulos, Chaniotakis and Rigopoulou,

2010; Walsh & Mitchell, 2010. A scale for measuring consumer innovativeness was adjusted from Ailawadi, Neslin and Gedenk (2001). A scale of 7 degrees was used to measure attitudes and consumer innovativeness whereby 1 denoted "strongly disagree" and 7 is "strongly agree." Respondents expressed their (dis)agreement for each claim individually since Likert-type scale does not provide the possibility of multiple responses.

Collected data were analyzed using statistical package PASW Statistics 18. Reliability of measurement scales was primarily analyzed using the Cronbach alpha coefficient and the convergent validity was tested using exploratory factor analysis as suggested by Churchill (1979). Both methodological approaches showed satisfactory results so it was possible to conduct further analysis.

Analysis of interrelation between consumer innovativeness and private label attitude was done at the general and product category level (liquid soap, chocolate and facial care products categories). All respondents were divided into three groups according to their attitudes to private labels i.e. segment with negative, neutral and positive attitude as shown in table 1.

Table 1 – Mean values of consumer innovativeness according to different consumer segments based on private label attitudes

Consumer innovativeness	Total	Private label attitude		
		Negative attitude	Neutral attitude	Positive attitude
When I see a product somewhat different from the usual, I check it out.	2,89	2,50	2,90	3,06
I am often among the first people to try a new product.	3,69	3,19	3,62	3,96
I like to try new and different things.	4,66	4,29	4,55	4,90

Although all three statements exhibit significantly different mean values, the common finding is that scores increase with an increase in the level of private label attitude. So consumers which exhibit positive private label attitude all rate higher on consumer innovativeness scale than the consumers with neutral and negative attitude. This observation is further corroborated by correlation analysis shown in the table 2.

Table 2 – Correlation matrix between consumer innovativeness and private label attitude

		Private label attitude	Private label attitude in liquid soap category	Private label attitude in chocolate category	Private label attitude in facial products category
Consumer innovativeness	Pearson Correlation	,165**	,119**	-,014	-,017
	Sig. (2-tailed)	,000	,001	,682	,620
	N	840	841	841	841

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

On the general level, significantly positive correlation is observed between consumer innovativeness and private label attitude. Somewhat smaller but still positive correlation between those two variables is also found in the liquid soap category. On the other hand,

correlation between consumer innovativeness and private label attitudes in chocolate and facial care product category is not statistically significant.

5. Conclusion

In the emerging markets private labels are still in the beginning of their product life cycle and consumers perceive them as a new concept which differs from existing manufacturer brands. Private labels are positioned as cheaper alternatives to manufacturer brands which offer primarily utilitarian benefits and higher level of perceived risk, giving that they are managed by retailers. Taking all this into account it is reasonable to expect that consumers who possess certain level of consumer innovativeness will be more inclined to try private labels. This might be especially true for consumers which exhibit innate innovativeness as an expression of novelty seeking because private labels offer a new alternative in mature product categories. If consumers dominantly possess cognitive innovativeness trait they will be more price sensitive and mostly focus on utilitarian features of the product, which are all characteristics comparable with private label positioning.

Research conducted for the purpose of this paper on 841 consumers in Croatia has verified initial assumption that there is a positive correlation between consumer innovativeness and private label attitude. However, more detailed analysis on the product category level has revealed that positive correlation exist just in the liquid soap category while in the chocolate and facial care products category no statistically significant relationship between consumer innovativeness and private label attitude was found. Since selected product categories differ according to the level of perceived risk, stated results could indicate that perceived risk of the product category has negative moderating effect on relationship between consumer innovativeness and attitudes towards private labels.

Despite the fact that positive relationship between consumer innovativeness and private label attitude was not found in all product categories analysed, results indicate that novelties seeking innovative consumers are more likely to have a positive attitude toward private labels in general and in categories with lower levels of perceived risk. This finding implies that retailers could put more emphasis on novelty of private labels as a concept and not exclusively pursue copycat strategy mimicking leading national brands in the product category.

The main limitation of this research lies in the type of the sample used. Despite large number of respondents who participated in the research, convenience sample precludes generalization of the results because it is not based on probability. Despite aforementioned limitation, a large sample still allows for relevant conclusions.

Additional limitation is seen in the research instrument used. Differences in mean values for different statements which constitute consumer innovativeness scale indicate that the scale is not homogeneous. In order to gain a deeper understanding on correlation between consumer innovativeness and private label attitudes more detailed scale should be used and applied to different product categories.

Further research should focus on examining moderating effect of perceived risk on the relationship between consumer innovativeness and attitude towards private labels in different product categories. Also, additional research should analyse consumer innovativeness as a multidimensional construct consisting of cognitive and sensory innovativeness in order to test the assumption that cognitive innovators are more likely to adopt private labels.

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Online-consumer satisfaction and word of mouth in case of services buyers and products buyers

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Abstract

In marketing literature a lot of studies have been created focusing on understanding and measuring electronic service quality, online -consumer satisfaction and word of mouth, but most of these studies neglected the heterogeneity of e-commerce. The aim of this study is to analyze separated the relationship between e-sq, satisfaction and WOM in case of service buyers and products buyers. The data were analyzed by Smart PLS because of the small sample size. Our results show, that the dimensions of e-sq has different relevance, and in case of product buyers e-sq hasn't got a significant effect on WOM.

Keywords: electronic service quality, online-consumer satisfaction, WOM, e-commerce

1. Introduction

Over the last 10 years the business-to-consumer online market was growing very fast. In 2011 the sales return of the Hungarian web-shops was 115 billion HUF (54 million EUR), that means more than 20 billion HUF (6,8 million EUR) increases compared to 2010 (Enet, 2011, 2012). The rate of the online consumers is growing as well: in 2012 25% of the Hungarians bought something online in the 12 months. The most popular online purchased goods are: books, magazines (44% of the online-buyers), clothes, sports goods (40%), and the travel and holiday accommodation (36%). These facts improve that the e-commerce also became a relevant and important field of business researches in Hungary.

The internet and e-commerce provides a lot of advantages compared to the offline environment, such as personalization, an increasing range of information and products, interactivity, e.c.t, but it has also some risk factors. In this impersonal and automated environment the opportunities for fraud or abuse is higher, thereby the safety and quality has a more important role than in offline environment.

The paper aims at analyzing the effects of the customer service, design, reliability and security on the electronic service quality, and the relationship between quality, satisfaction and word of mouth depending on the nature of the good purchased. The first section of the study provides an overview about relevant literature dealing with electronic service quality (e-sq), satisfaction, and word of mouth. The second section describes our empirical research and results.

2. Electronic service quality and satisfaction

Electronic service quality is a complex concept that includes also the pre and post aspects of buying process. That means, it covers not only the information seeking process and the usage of a website, but also the fulfillment, delivery, compensation. The broadly accepted definition of e-sq is *“The extent to which a Web site facilitates efficient and effective shopping, purchasing, and delivery.”* (Parasuraman, Zeithaml, and Malhotra, 2005, pp. 5).

Online purchasing results a different experience compared to offline purchasing: the buyers are searching and communicating in a virtual world, there is a human-machine interaction instead of interpersonal interaction (Bressoles, Durrieu, & Giraud, 2007), and the number of self-service interactions is higher (Meuter, Ostrom, Roundtree, and Bitner, 2000). Internet as a channel has a lot of advantages – interactivity, personalization, the community, a huge product and information supply – that necessitate also a new concept (Wolfenbarger & Gilly, 2003). In that impersonal, automated environment the risk of the consumers is higher; hence the privacy has a most important role (Bressoles, Durrieu, and Giraud, 2007).

Based on the disconfirmation paradigm the e-service quality has an expected and perceived component, which means that the quality perception and the consumer satisfaction could be influenced by the earlier experiences, and/or by the communication of the company, and/or by the word of mouth. (Hill, 1986; Hofmeister-Tóth, Simon, and Sajtos, 2003) In the literature a lot of e-sq concepts exist, and unfortunately there is no consensus about its dimensions. The summary of Bressoles et al. identified six common dimensions (2005): (1) the quality and the quantity of information, (2) the ease of use of the Website, (3) the design or the graphic style of the Website, (4) reliability and respect for commitments, (5) security and privacy, and (6) interactivity and personalization.

According to the critics most of the e-sq concepts do not have a content validity, because they do not cover all stages of the buying process (information seeking, transaction, delivery, consumer service) (Wolfenbarger & Gilly, 2003; Parasuraman, Zeithaml and Malhotra, 2005).

On the other hand most of these concepts treat e-commerce as a homogenous market, but it should be divided into different categories. Francis and White (2002) established a marketing based categorization that defines four segments of e-commerce based on fulfillment and the sold product category: offline-goods, offline-services, electronic-goods, and electronic-services. It is recommended that dimensions of e-sq should be analyzed individually within these categories, but most of the e-sq scales do not deal with this difference.

Tabl. 1. – Summary of the e-sq concepts, source: own edition, resume of the literature

	E-commerce category	Valuation: How does it cover the definition of e-sq?				
		Information seeking	Transaction	Delivery	Contact, costumer serv.	Security
WebQual TM	products and services	✓	✓	No	No	✓
Web Qual 1.0	university sites	✓	✓	No	No	✓
Web Qual 2.0	sites usually	✓	✓	No	No	✓
Web Qual 3.0	sites usually	✓	✓	No	No	✓
SITEQUAL	products and services	✓	✓	No	No	✓
PIRQUAL	N.A.	✓	✓	✓	✓	✓
Web Qual 4.0	products	✓	✓	No	No	✓
ETAILQ	products and services	✓	✓	✓	✓	✓
E-S-Qual and E-RecS-Qual	products	✓	✓	✓	✓	✓
e-TRANSQUAL	products	✓	✓	✓	✓	✓
RECIPE	offline-products, offline-services, e-product e-services	✓	✓	✓	✓	✓
E-S-Qual and E-RecS-Qual Bank	pure-service, e-banking	✓	✓	✓	✓	✓

Based on the critics we chose the E-tailQ scale (Wolfenbarger & Gilly, 2003) among these concepts for measuring the e-sq because it has been tested in e-commerce under either products buyers or services buyers. The E-tailQ scale includes four dimensions with 14 items: the customer service (3 items), design (5 items), reliability (3 items) and security (3 items). Most of the authors agree that the quality is the antecedent of the satisfaction, hence we would like to analyze the relationship of these two constructs in e-commerce. According to Oliver (1997) satisfaction is “the summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with a consumer’s prior feelings about the consumer experience.” Therefore e-satisfaction is the “*contentment of the customer with respect to his or her prior purchasing experience with a given electronic commerce firm*” (Anderson & Srinivasan, 2003, 125. pp.). In this article only one antecedent of the satisfaction is analyzed, the word of mouth, which is defined as a negative or positive informal communication about a business or its products and services (Tax, Chandrashekar, and Christiansen, 1993).

3. The empirical research

In the spring of 2012 a research was conducted for testing the assumed model, in which the electronic service quality had been designed as a second order construct. Our hypotheses were:

H1: The e-sq has a positive effect on satisfaction in e-commerce.

H1a: In case of service buyers the e-sq has a positive effect on satisfaction in e-commerce.

H1b: In case of product buyers the e-sq has a positive effect on satisfaction in e-commerce.

References: Wolfenbarger & Gilly 2003, Parasuraman, Zeithalm, and Malhotra, 2005, Bressoles, Durrieu, and Giraud, 2007.

Dependent variable: satisfaction – scale: Chang, Wang, and Yang, 2009.

Independent variable: e-sq – scale: ETAILQ, Wolfinbarger & Gilly, 2003.

H2: The e-sq has a positive effect on word of mouth in e-commerce.

H2a: In case of service buyers the e-sq has a positive effect on WOM in e-commerce.

H2b: In case of product buyers the e-sq has a positive effect on WOM in e-commerce.

Dependent variable: WOM – scale: Zeithalm, Berry, and Parasuraman 1996.

Independent variable: e-sq – scale: ETAILQ, Wolfinbarger & Gilly, 2003.

H3: The satisfaction has a positive effect on word of mouth in e-commerce

H3a: In case of service buyers the satisfaction has a positive effect on WOM in e-commerce.

H3b: In case of product buyers the satisfaction has a positive effect on WOM in e-commerce.

References: Dolen, Dabholkar, and Ruyter 2007, Ltifi & Gharbi 2012.

Dependent variable: WOM – scale: Zeithalm, Berry, and Parasuraman 1996.

Independent variable: satisfaction – scale: Chang, Wang, and Yang, 2009.

Student sample and online survey has been used in the research. In two weeks 148 responses (56+92) have arrived. The data were analyzed by SPSS and Smart PLS.

4. Results

In our research the effect of e-sq on satisfaction and WOM was analyzed separated in cases of products and services buyers. The descriptive statistics of the scales are in 2. table.

Tabl. 2. – Descriptive statistics of the used scales, source: own results

	<i>Services</i> (N=56 person)		<i>Product</i> (N=92 person)	
	Mean	St. dev	Mean	St.dev
Electronic service quality	5,73		5,82	
Design	5,61		5,80	
The website provides in-depth information.	5,75	1,297	6,11	,831
The site doesn't waste my time.	5,55	1,595	5,58	1,549
It is quick and easy to complete a transaction at this website.	6,05	1,367	6,16	1,225
The level of personalization at this site is about right, not too much or too little.	4,68	1,454	4,87	1,491
This website has good selection.	6,02	1,152	6,28	,941
Fulfillment/reliability	6,63		6,29	
The product that came was represented accurately by the website.	6,61	,888	6,36	1,054
You get what you ordered from this site.	6,70	,711	6,55	,856
The product is delivered by the time promised by the company.	6,57	,850	5,96	1,283
Security/privacy	5,89		5,66	
I feel like my privacy is protected at this site.	5,91	1,431	5,65	1,270
I feel safe in my transactions with this website.	5,96	1,388	5,79	1,322
The website has adequate security features.	5,79	1,289	5,52	1,209
Customer service	4,80		5,52	
The company is willing and ready to respond to customer needs.	4,88	1,820	5,73	1,335
The company is willing and ready to respond to customer needs.	5,09	1,481	5,53	1,321
Inquiries are answered promptly.	4,45	1,683	5,29	1,305
SATISFACTION	6,38		6,36	
I am satisfied with my decision to purchase from this website.	6,41	1,332	6,36	,944
If I had to purchase again, I would feel differently about buying from this website.	6,45	1,306	6,34	1,041
My choice to purchase from this website was a wise one	6,29	1,232	6,37	1,024
WORD OF MOUTH	5,73		5,95	
I say positive things about the company to other people.	5,41	1,385	5,95	1,278
I would recommend the company to those who seek my advice about such matters.	5,91	1,210	6,12	1,221
I would encourage friends and relatives to use the company.	5,86	1,299	5,79	1,371

The most relevant dimensions of e-sq in cases of services are the design and security ($\Lambda_2=0,897$, $\Lambda_4=0,738$), and in cases of products the consumer service and design ($\Lambda_1=0,872$, $\Lambda_2=0,837$). For analyzing the assumed relationships, Smart PLS program has been used. We decided using the PLS method, because it could be used to estimate relationships between latent variables, if the sample size is too small (Henseler 2010).

The internal consistency of the used scales are good: in both subsample the Cronbach-alphas are higher than 0,7 (Nunnally & Bernstein, 1994), and the Dillon-Goldstein's Rho values are also higher than 0,6 (Vandenbosch, 1996). The discriminant validity of the scales is also sufficient, the AVE-s are higher than 0,5 (Fornell & Larcker, 1981) (Tabl. 3).

Tabl. 3. – The reliability of the scales, source: own results

	<i>Service</i>	<i>Product</i>	<i>Service</i>	<i>Product</i>	<i>Service</i>	<i>Product</i>
	AVE		Dillon-Goldstein's Rho		Cronbach-alpha	
Consumer service	0,7813	0,7494	0,9146	0,8997	0,8599	0,8325
Design	0,528	0,4856	0,8475	0,8243	0,7736	0,7322
Reliability	0,6252	0,6125	0,8256	0,8252	0,683	0,6823
Security	0,8244	0,7231	0,9336	0,8866	0,8926	0,8087
E-SQ (second order construct)	0,5753	0,6175	0,7886	0,7414	0,8753	0,875
SAT	0,8639	0,8733	0,9501	0,9539	0,9223	0,9275
WOM	0,8158	0,8209	0,9299	0,9321	0,8859	0,8907
<i>Expected value</i>	AVE > 0,5 (Fornell - Larcker 1981)		D-G-R > 0,7 (Vandenbosch 1996)		$\alpha > 0,7$ (Nunnally – Bernstein 1994)	

The explained variance of the latent variables is different in the two sub-samples. The explained variance of satisfaction in case of products is $R^2_{\text{prodSAT}}=0,371$, but in case of services it is very low, $R^2_{\text{servSAT}}=0,037$. The explained variance of WOM is higher in case of services ($R^2_{\text{servWOM}}=0,523$, and $R^2_{\text{prodWOM}}=0,384$).

The path coefficient of e-sq in case of services shows that it has a relevant effect on WOM ($\beta_{57\text{serv}}=0,584$), but its effect on satisfaction is very low ($\beta_{56\text{serv}}=0,194$). The relationship between satisfaction and WOM is also relevant ($\beta_{67\text{serv}}=0,584$). Contrarily to this results in case of products buyers the e-sq has a relevant effect on satisfaction ($\beta_{56\text{prod}}=0,609$), but its relationship with WOM is weak ($\beta_{57\text{prod}}=0,173$). The satisfaction in case of products has also a relevant effect on WOM ($\beta_{67\text{prod}}=0,499$). In order to reject or not to reject the significance of the assumed relationships the following hypotheses should be analyzed:

H0: $\beta=0$, the path coefficient does not significantly differ from 0.

H1: $\beta \neq 0$

Based on the significant level of the path coefficients the following table (4.) shows the result of the hypothesis analysis.

Tabl. 4. – The result of the hypotheses analyzing, source: own results

	t-stat	reliability: 95%	reliability: 95%
H1a	2,2292	✓	☒
H1b	9,1480	✓	✓
H2a	8,8530	✓	✓
H2b	1,4192	☒	☒
H3a	4,8949	✓	✓
H3b	3,0823	✓	✓

5. Conclusion

The e-commerce got a relevant role the last years, and the number of customers who buy products or services online is increasing fast. The shops are only “one click” from each other

and the expectation of online-shoppers is getting higher, that gives the relevance of researches connected to quality perception and satisfaction in e-commerce.

Fig. 1. – The results of the PLS path modeling in case of service buyers

Source: own results

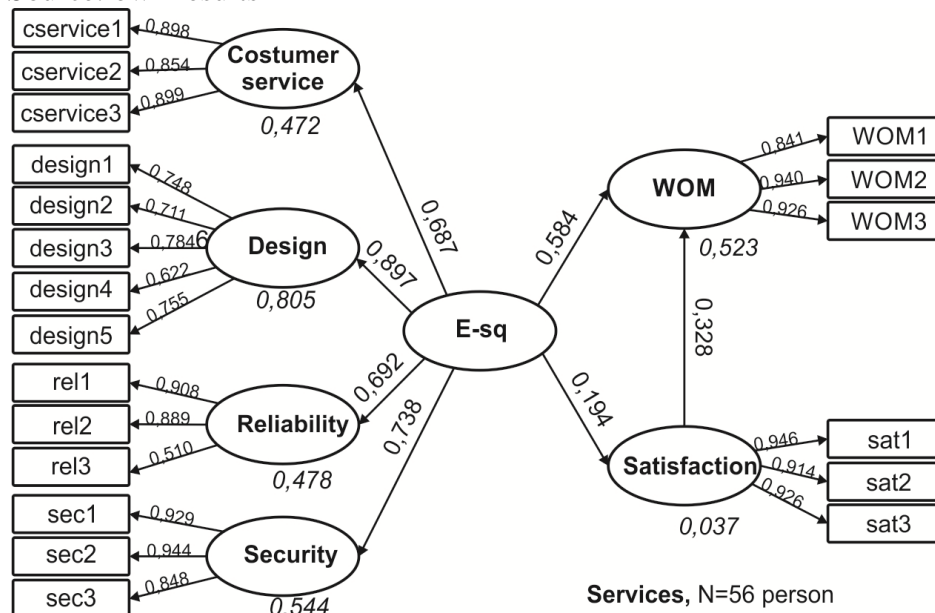
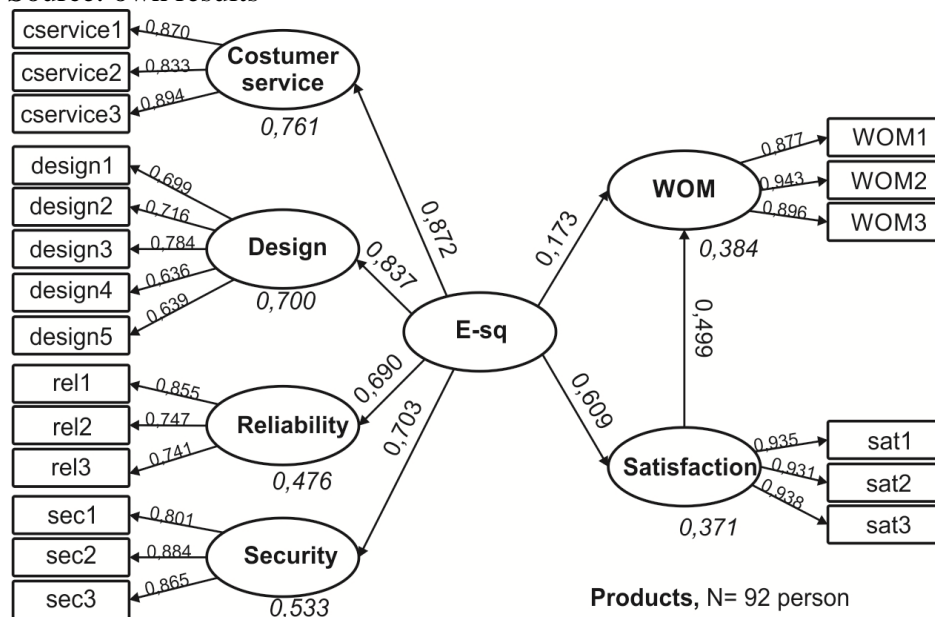


Fig. 2. – The results of the PLS path modeling in case of product buyers

Source: own results



According to the advice of Francis and White (2002), we divided the e-commerce in two categories: product buyers and service buyers. In our research the before mentioned relationship was analyzed separated, and our results show, that the effect of e-sq on satisfaction and WOM, and the effect of satisfaction on WOM differs in these two e-commerce categories.

The limitation of our study is the small sample size, and the snowball sampling, and we did not differentiate the offline-goods and services from online-goods and services. In the future

this would be an important research area, and of course, it requires a new or modified e-sq scale.

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A scenario based analysis of green advertising perception

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A scenario based analysis of green advertising perception

Abstract

The purpose of this paper is to investigate the possible differences in the perception of green advertising between an industrially developed country (USA) and a post socialist East-European country (Hungary). We used experimental design to assess the effect of different advertising messages and company's environmental performance on perceived brand attitude. The results indicate that there is a significant interaction effect between green advertising and corporate environmental performance in both countries, and there is no significant difference between the two countries, meaning that greenwashing effect is true for both countries. Based on our results we offer explanations why there is no significant difference between the two societies in the perception of greenwashing perception.

Keywords: green advertising, cross cultural research, attribution theory, greenwashing

Theoretical foundations and research hypothesis

Companies spend huge amount of money on green advertising. The assumption behind this is that green advertising has a positive impact on the attitude towards their brands. General marketing literature suggests that attitudes can be formulated through advertising under specific circumstances (ELM Model by Petty-Cocioppo 1986 or Hierarchy of Effects model by Colley 1961). Similar results were observed by researchers on green advertisements, as well (Schuhwerk and Lefkoff-Hagius 1995, Mobley et al. 1995). These findings have proved that green appeals in advertisements have positive effect on brand attitudes.

On the other hand we have to state that not only companies' communication efforts form attitudes, but performance, as well. Delmas and Blass (2010) have stated that corporate environmental performance is based on the firm's environmental impact, regulatory compliance and organizational process. In addition, several studies have shown that environmental performance influences brand attitudes (Montoro-Rios, et al. 2008; Folkes and Kamins 1999; Murray and Vogel 1997).

Based on these findings we suggest that green advertising and environmental performance both have an effect on brand attitude. The question that remains unanswered is what happens if there is a contradiction between the firm's communications and environmental performance.

Here we have to look at the growing greenwashing literature (Alves 2009; Delmas and Burbano 2011; Furlow 2010; Gillespie 2008; Greer and Bruno 1996). Greenwashing is defined as firms' use of misleading or deceptive green claims. Greenwashing is assumed to be a widespread corporate practice in US and globally (TerraChoice 2010). Greenwashing in our interpretation is actually the interaction between green advertising and environmental performance: companies advertising environmental credentials while underperforming in actual environmentally relevant operations.

While the consumer effects of greenwashing have not been discussed in the green advertising literature to our knowledge, in the CSR literature there are some studies on the consumers' perceptions of CSR messages and actions (Forehand and Grier 2003; Klein and Dawar 2004; Swaen and Vanhamme 2004; Vlachos et al. 2009; Webb and Mohr 1998). There is evidence that consumers respond negatively to CSR efforts if they perceive it as exclusively stakeholder-driven (Walker et al. 2010). Higher perceived deception by respondents decreases favorable attitudes (Newell et al. 1998). In summary, we can hypothesise that if a company communicates CSR messages and in the meantime engages in an ethically problematic behaviour it will cause more damage in brand attitude than if it did not communicate anything.

Studies across cultures showing differences in greenwashing perception are scarce. Although much of the researches on the topic have been conducted in the United States, some studies investigate environmental behaviour and differences in environmental consciousness cross-culturally. However, no studies have yet compared greenwashing effect across cultures directly, and it is not clear whether there are differences in the perceptions that exist across cultures. In the current study we compared the greenwashing effect on brand perceptions in two countries: the Unites States and Hungary.

Traditional wisdom suggests that in socialist countries environment had no intrinsic value but to serve human needs (Mazursky, 1991). Environmental issues were downgraded and forced industrialism has caused major environmental problems. Main causes of the environmental degradation was that in these countries property was communally or governmentally owned and was treated as free resources, energy and food prices were heavily subsidized, recourses were misallocated, cheap and toxic fertilizers were employed, just as outdated technologies, etc.(Scrieciu-Stringer, 2008). This environmental carelessness was true for CEE countries similarly (O'Brien 2005, Marangos,2004, Pavlínek-Pickles 2000). The acknowledgement of

environmental concerns has started with the collapse of the system in a different pace, those countries that has joined the EU first has implemented legal measures and set up institutions to handle the problem.

The question is whether there have been corresponding changes in environmental thinking and behaviour of consumers at the same time. Recent research on environmental consumer behaviour (Riley et al. 2012) didn't find significant difference in the Ecologically Conscious Consumer Behaviour (ECCB) between UK, Germany, Japan and Hungary. Eurobarometer studies (Special Eurobarometer 365, 2011, 2008) have shown that Hungarians are more concerned of environmental problems and more open to environmentally friendly behaviours than the European average. The Greendex (the scale of *National Geographic* that measures consumer progress toward environmentally sustainable consumption) of Hungary in 2010 was 54.1 with a continuous progress throughout the past few years, compared to the 45 points of US consumers.

Taking into account all these somewhat controversial information, we do not make hypothesis on the differences between the two observed countries, but only on the effect of the manipulated variables. In the results section we report on the differences between the two subsamples.

Based on the presented theoretical considerations we stated three hypotheses, the first two concern the main effect of advertising and performance, while the third one refers to the greenwashing effect.

H1: Green advertising has more positive effect on brand attitude than general or no-advertising strategy.

H2: Positive environmental performance has more positive effect on brand attitude than negative or if consumers have no information on performance.

H3: There is an interaction effect between green advertising and firms' environmental performance such that the negative impact of low performance is strengthened by green advertising.

Research method

In order to test our hypothesis we designed a between-subject experiment with two independent variables: environmental performance was manipulated at three levels (high-low-no performance), green advertising at three levels (environmental message, general corporate message about innovativeness, no advertising stimulus) and we controlled the effect for country (USA vs Hungary). The dependent variable was corporate brand attitude originated from Muehling and Laczniak (1988) with 3 items. A 7- point semantic differential scale was used.

The stimulus development was based on 2 different advertising and 2 different performance scenario messages. To manipulate green advertising we used print ads that were developed for a fictitious company and contained in the first version a green message about the company and positive, but bland messages in the second ad. This second ad was developed to have no message on environment but rather general positive messaging about the company's innovativeness. This was to control for the potential general effect of having *any* advertising at all (Parguel, et al., 2011).

The ads were developed in consultation with advertising and marketing specialists and were created in InDesign both in English and in Hungarian. The ads were evaluated by faculty members on believability and language. The ads were pre-tested quantitatively by an independent sample (n=69) on whether the ad contains environmental or innovative message. For the performance manipulation we used scenarios, a positive and a negative scenario about the firm's performance. University students in the US and in Hungary were asked to

participate in the experiment. 296 and 383 respondents have filled in the questionnaire, respectively. Data was collected online with the help of Qualtrics. Subjects were assigned randomly to the eight possible cells. Although the design has consisted 9 cells (3X3) originally, collecting attitudinal data on a fictitious company without either advertising or message on performance seemed to be uninterpretable for respondents. Subjects were exposed to only one condition showing (or not showing) the ad and/or followed by the message on performance. After the stimulus the dependent variable was measured. The translation of the ads, the messages and the scales were done by a translator and was back-translated by an independent individual which in turn was checked by the researchers.

Results

Reliability assessment was conducted for the dependent variable, Cronbach's Alpha for brand attitude was 0,92 and 0.91 for US and for Hungary respectively.

Table 1 shows the significant main effects and interactions for the two independent variables, controlling for country. Contrary to our first hypothesis the main effect of advertising is not significant. That means that based only on advertising, subjects did not report differences in brand attitude. On the other hand, both environmental performance and country have caused significant difference.

Table 1 Analysis of Covariance for brand attitude

Dependent Variable: Attitude toward PWXL - all cells

Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	732,334	8	91,542	63,520	,000
Intercept	1535,949	1	1535,949	1065,784	,000
Country	38,887	1	38,887	26,984	,000
Advertisement	8,214	2	4,107	2,850	,059
Environmental performance	483,295	2	241,648	167,678	,000
Ad X performance	135,303	3	45,101	31,295	,000
Error	965,567	670	1,441		
Total	11965,000	679			
Corrected Total	1697,901	678			

a R Squared = ,431 (Adjusted R Squared = ,425)

In case of the manipulation of environmental performance negative message has significantly decreased brand attitude (Table 2).

Table 2 Means for brand attitude – main effects

		Mean	Std. Deviation	N
Advertisement**	General	3,91	1,28	221
	Green	3,86	1,39	256
	No ad	3,90	2,04	202
Performance*	Positive	4,75	1,42	202
	Negative	3,61	1,27	257
	No message	3,88	1,12	166

* p<0,01; **p<0,1

To detect the perceived greenwashing effect, we have to look at the interaction between advertising and environmental performance. Our initial assumption is that when green advertising goes hand-in-hand with environmentally bad performance, it increases the negative brand attitude formation.

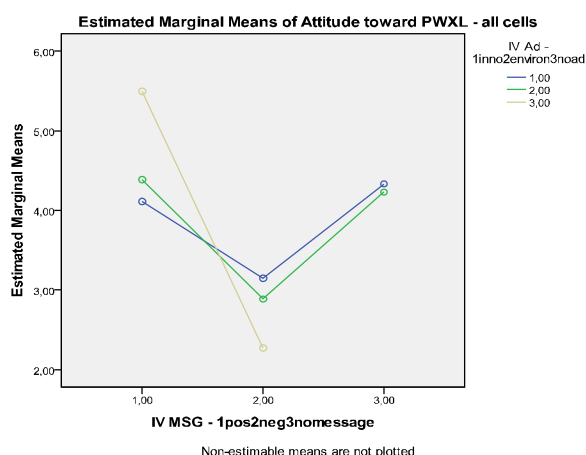
The interaction is significant for the whole sample and separately for both countries. Figure 1 indicates that when advertising is followed by a high performance message, attitude toward the brand is most favourable for no advertising (M=5,51), followed by environmental ad (M=4,41), followed by general corporate ad (M= 4,10).

Table 3 Means for brand attitude Advertisement X Message

Advertisement	Environmental performance	Mean	Std. Deviation	N
General ad	Positive	4,10	1,36	78
	Negative	3,22	1,12	70
	No message	4,36	1,06	73
Green ad	Positive	4,41	1,21	77
	Negative	2,93	1,29	86
	No message	4,27	1,17	93
No ad	Positive	5,51	1,27	101
	Negative	2,27	1,21	101

p<0,01

Figure 1 Advertisement and message effect for the whole sample



The order is reversed when the ad is followed by a negative performance message with attitude toward brand being the most favourable for general ad (M=3,22), followed by environmental ad (M=2,93) and no ad (M=2,27). Under the no information on performance condition, the corporate ad (M=4,36) outperforms somewhat the environmental ad (M=4,27) (Table 3).

Having a closer look on the two countries, we realize that Hungarians gave significantly higher rates for brand attitude, than American respondents (Table 4).

Table 4 Mean values for brand attitude

		Mean	Std. Deviation	N
Country	Hungary	4,09	1,52	383
	USA	3,61	1,62	296

p<0,01

The difference disappears when we observe the performance and advertising effects (Table 5).

Table 5 Means for brand attitude by country

Performance					Advertisement				
Environmental performance	Country	Mean	Std. Deviation	N	Advertisement	Country	Mean	Std. Deviation	N
Positive	Hungary	4,85	1,38	146	General ad	Hungary	4,03	1,21	133
	USA	4,61	1,47	110		USA	3,72	1,37	88
Negative	Hungary	2,99	1,26	144	Green ad	Hungary	4,16	1,33	144
	USA	2,45	1,23	113		USA	3,48	1,37	112
No message	Hungary	4,61	0,99	93	No ad	Hungary	4,09	2,03	106
	USA	3,92	1,17	73		USA	3,67	2,04	96

N.s.

This suggests that no difference is detected in the reaction to the advertisement manipulation and the environmental performance manipulation for the two countries (the difference is only in magnitude not in direction, caused by country). Although Figure 2 shows that Americans preferred the general advertising to the green one and Hungarians vice versa, that difference is

not significant. The result indicates that there is similar interactional effect of advertising and performance for both countries.

Figure 2 Interaction means plot for country and advertisement

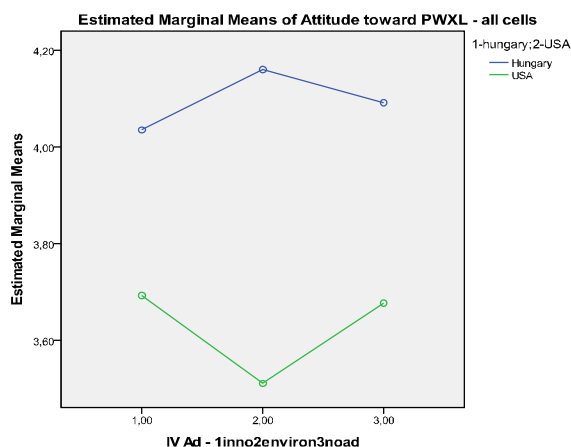
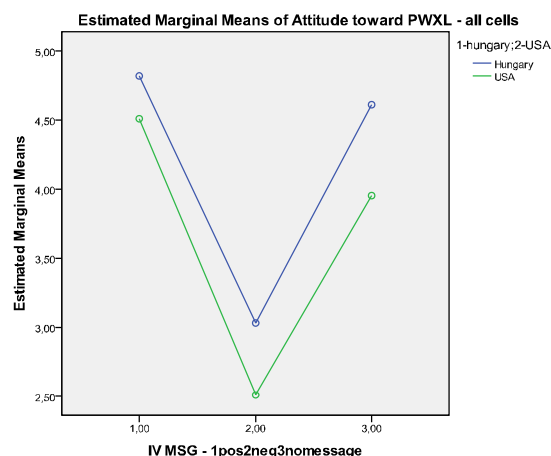


Figure 3 Interaction means plot for country and message



It is clear from the figures that Hungarians gave systematically higher ratings on brand attitude in each cell. The explanation for that can be twofold. The first is that Hungarians have more positive view in general about chemical industry and they are not that suspicious. The second possible reason can originate from the intercultural nature of the research that is reported in other studies, as well (Bhalla and Lin 1987). It is possible that Hungarians rate their perception differently overall, and that rating is biased towards the positive side.

Although the ratings are more positive overall, concerning the directions and the significant interactions (Figure 1) the experiments showed huge consistency between the two countries. That means that the greenwashing effect is as apparent in Hungary as in the US.

Conclusions

In terms of the main effects we did not find evidence that green advertising has higher impact on brand attitude than either no advertising or general corporate advertising (and this is true for both of our samples separately, as well). The reason for that can be the scepticism towards green advertising that is especially true for American respondents.

On the other hand environmental performance has caused variation in the brand perception. Positive performance caused significantly higher ratings than negative performance or no information on performance. One qualification for this result can be that consumers believe more the objective performance of companies than what they tell about themselves. This reasoning can be supported with the result that under positive environmental performance scenario, green advertising resulted lower brand attitude than in the no-advertising strategy.

On the basis of our results we can state that the interaction for green advertising and environmental performance is significant for both counties. This suggests that green advertising is contraproductive in the case when a firm has engaged in an environmental breach. This is true for the US and for Hungary, as the difference between the two observed countries is not significant in terms of the greenwashing effect. Based on our theoretical considerations this result has strengthened those research results that has realised major shift in the ecological and environmental thinking of the former socialist, new EU member CEE countries, like Hungary.

There are of course some limitations of our study. Experiments may be limited in external validity. Field experiments or case studies can provide further cross-validation. Second we

used student sample. Although, our goal was not to generalize the results but to emphasise the existence of the greenwashing phenomena. Third we concentrated on two countries different in economic development and history, it may be reasonable to extent our research to other cultures.

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Understanding Responses to Schema-Incongruent Brand Communication

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**Graduate
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Understanding Responses to Schema-Incongruent Brand Communication

Abstract

We present an experimental study that extends previous research on schema incongruity by investigating consumer responses across different levels of ad – brand discrepancy and exploring the process underlying incongruity resolution. As predicted, findings reveal a positive effect for ad – brand incongruity on ad processing and attitude, unless discrepancies are extreme. Consumers find it more difficult to make sense of the ad as incongruity increases, but manage to successfully accommodate moderately incongruent brand messages. Message comprehension is found to mediate attitudinal responses across the degrees of incongruity. The theoretical and practical implications are discussed.

Keywords: *Schema theory, incongruity resolution, advertising rhetoric*

1. Introduction

A long standing proposition in persuasion and advertising research is that the content of communication should be encoded according to consumers' perceptions and experience in order to become interesting and meaningful to the audience (Rossiter Percy, & Donovan, 1991; Keller, 1993). In other words, effective advertising has been traditionally perceived as a positive function of the fit between consumers' brand schemata and the content of the message (Halkias & Kokkinaki, 2011a). Although this view is not disregarded, the highly overloaded environment and the soaring costs of communication may call for alternative, even unconventional, ways of breaking through the clutter and reaching out to consumers. To this end, research in psychology indicates that stimuli deviating from existing schemata and expectations may elicit more favorable responses, when incongruities are successfully resolved (Mandler, 1982). This proposition has received mixed support in the marketing research, whereas only scarce attention has been given to the case of ad – brand incongruity (Törn & Dahlén, 2008; Maoz & Tybout, 2002). Based on the implications of schema theory and of research in advertising rhetoric, we present an experimental study that examines the effect of brand messages that deviate from consumers' expectations and beliefs, while we extend previous literature by providing empirical evidence for the process mediating attitudinal responses to schema incongruity.

One of the most prominent theoretical paradigms to study schema incongruity has been proposed by Mandler (1982), who argues that, in contrast to information that readily conforms to existing knowledge, incongruent information captivates attention and increases cognitive arousal as people try to restore balance. When the degree of discrepancy is moderate, incongruities are successfully accommodated, resulting to metacognitive experiences of satisfaction and self-reward, hypothesized to enhance the favorability of evaluations (Meyers-Levy & Tybout, 1989). However, in cases of extreme incongruity, people are hardly willing to invest the significant amount of psychological resources necessary to accommodate discrepancies. As a result, incongruity is not resolved and evaluative judgements decline. Mandler's (1982) theory corresponds to relevant notions arguing that incongruity and ambiguity can sometimes provide a source of aesthetic pleasure (McQuarrie & Mick, 2009). Investigating the psychology of aesthetics, Berlyne (1971) has suggested that when one is confronted with an ambiguous stimulus they become more aroused and the most effective way to reduce tension is to explore the source of incongruity; that is, the content of the stimulus. Like Mandler, Berlyne (1971) argues that human aesthetic preference has an inverted-U relationship with a stimulus' potential to induce arousal, which is determined by the degree of its complexity or incongruity. Berlyne's (1971) notion has been widely acknowledged in advertising rhetoric research, suggesting that the increased arousal produced by moderately ambiguous stimuli that is then alleviated by successfully decoding incongruities is most preferred, whereas too simple or too complex stimuli tend to be liked to a lesser extent.

2. Ad – Brand Discrepancy & the Incongruity Resolution Process

Even though extant research on information incongruity has provided insightful, yet inconclusive findings (Noseworthy, Finlay, & Islam, 2010), there seems to be converging evidence across studies supporting the superiority of moderate incongruity (Maoz & Tybout, 2002). For instance, Pieters and colleagues (2002) found that, compared to typical, relatively unique and unexpected ad executions increase attention to the ad's verbal and pictorial content, as indicated by the frequency of eye fixations. Likewise, Törn and Dahlén (2008) showed that

consumers devote a longer viewing time to ads that mismatch, rather than match, established beliefs about the advertised brand. In a study that closely followed Mandler's (1982) paradigm, Meyers-Levy and Tybout (1989) demonstrated that when a new product proposition is moderately discrepant with the product category schema it supposedly corresponds, it is processed to a greater extent and is evaluated more favorably than a congruent or an extremely incongruent product. This inverted-U pattern has also occurred for incongruity between a parent brand and a brand extension, between a product and a celebrity endorsement, or when the music in an ad does not match consumer expectations (e.g., Meyers-Levy, Louie, & Curren, 1994). In the same vein, research in advertising rhetoric has indicated that moderately ambiguous and incongruent rhetorical figures, such as antithesis, metonym, or metaphor, increase the aesthetic value of the ad and create more liking than completely straightforward or extremely figurative ads (McQuarrie & Mick, 2009). In fact, a recent study by Phillips and McQuarrie (2009) has reconciled this proposition with Mandler's (1982) original postulate. The authors demonstrated that it is not the presence of a figurative element in the ad execution *per se* that produces the favorable effect, but the degree of its figurativeness, that is, the extent to which the rhetorical element deviates from established norms and expectations. Based on the above discussion, a similar non-monotonic relationship is anticipated in the case of ad – brand incongruity. In more detail, we hypothesize that:

H1: Moderately incongruent ads (a) stimulate more ad processing and (b) lead to more favorable ad attitude, compared to congruent and extremely incongruent ads.

Central to the hypotheses above is the assumption that consumers manage to successfully resolve the incongruity. In other words, consumers need to identify the ad – brand discrepancy and accommodate the incongruent stimulus information within existing brand knowledge in order to make sense of the ad content (Jhang, Grant, & Campbell, 2012). Thus, even though it should become more difficult to make sense of the ad as incongruity increases, consumers will finally manage to resolve moderate, but not extreme, discrepancies and comprehend the message. Thus, it is suggested that:

H2a: As the degree of ad – brand incongruity increases, consumers find it more difficult to make sense of the ad message.

H2b: Consumers comprehend the content of the congruent and moderately incongruent ads equally, but are less able to comprehend the content of the extremely incongruent ad.

Finally, it is suggested that incongruity enhances the favorability of evaluations through metacognitive experiences of satisfaction generated by successfully carrying out a more intellectually-demanding task (Maoz & Tybout, 2002; Halkias & Kokkinaki, 2011a). Similarly, research in rhetoric argues that there is an intrinsically rewarding value in successfully interpreting an ambiguous or deviant configuration of signs (McQuarrie & Mick, 2009). Incongruity resolution is necessary for the favorable effect of ad – brand incongruity to occur. That being said, evaluative responses will be mediated by consumers' ability to accommodate schema incongruity and comprehend the ad message. Overall, it is predicted that:

H3: Ad message comprehension mediates the effect of ad – brand incongruity on attitude toward the ad.

3. Method

The above hypotheses were examined in an experimental study, employing a between-subjects design. In total, 120 undergraduate students participated in the study in exchange for extra course credit. Cell sizes were equally distributed across conditions. Hypotheses were tested through ANOVA and ANCOVA with planned contrasts. The proposed mediation was investigated using Baron and Kenny's (1986) approach and Sobel's (1982) test of the indirect effect.

Stimuli and manipulations. Through a series of pretests, we developed three stimulus print ads for a real chocolate brand, each being either *congruent*, *moderately incongruent*, or *extremely incongruent* with the consumers' schema for the brand. The degree of incongruity was manipulated through the pictorial component of the ad, while all verbal elements and ad format were held constant across conditions (Halkias & Kokkinaki, 2011b). Manipulation effectiveness was checked by averaging participants' ratings on ad expectancy and ad relevancy ($r = .72, p < .001$) with regard to their impression of the brand (Heckler & Childers, 1992). Post-hoc comparisons were all significant at the .01 level with $F(2, 117) = 26.27, p < .001$.

Procedure and measures. The study took place in a computer laboratory. Upon arrival participants were randomly assigned to one of the three experimental conditions, were given a set of instructions, and completed a computer-based questionnaire that contained the all necessary manipulations and dependent measures. Participants' evaluations for a series of brands, including the target brand, were measured in the beginning of the experiment to control for individual differences in brand attitude prior to the exposure. Measurement of response latency to the experimental stimuli was used to indicate the amount of ad processing (Goodstein, 1993). Ad and brand attitudes were measured on three nine-point items anchored by *dislike/like*, *bad/good*, and *negative/positive* (Cronbach's α ranged from .89 to .91). Ease of resolution was measured on a nine-point item asking respondents to indicate how many mental would be needed to make sense of the ad concept (*few steps/many steps*), while their ability to resolve the incongruity was measured on a nine-point item indicating ad message comprehension (*makes no sense to me/makes sense to me*) adapted from Jhang, Grant, and Campbell (2012).

4. Results

As hypothesized, analysis indicated that ad processing follows an inverted-U pattern across the degrees of incongruity ($F(2, 117) = 14.94, p < .001$), with participants spending significantly more time processing the moderately incongruent ad ($M = 10.25$ seconds), compared to the congruent (*mean difference* = 4.88 seconds, $p < .001$) and the extremely incongruent ad (*mean difference* = 3.83 seconds, $p < .001$). ANCOVA revealed no significant influence of participants' brand attitude prior to the exposure ($F < 1$), thus analysis of variance was performed to investigate ad attitudes. Consistent with *H1b*, a significant main effect was obtained ($F(2, 117) = 15.29, p < .001$). Planned contrasts showed that moderate ad – brand incongruity leads to more favorable ad attitude ($M = 6.82$) than congruity (*mean difference* = 1.35, $p < .001$) or extreme incongruity (*mean difference* = 1.81, $p < .001$). In terms of incongruity resolution, as figure 1 shows, participants found it significantly more difficult to make sense of the ad concept as incongruity increased. However, as *H2b* predicted, they managed to comprehend the message of the moderately incongruent ad version, whereas they were significantly less able to understand the content of the extremely incongruent ad.

FIGURE 1: Means, Planned Contrasts, and Main Effects for Ease of Resolution & Comprehension

Dependent measures	Degree of Incongruity			F-value
	Congruity	Moderate Incongruity	Extreme Incongruity	
Ease of resolution	3.65 (1.87)	4.48 (1.94)	5.75 (1.86)	12.46**
Message comprehension	6.40 (2.44)	6.90 (2.02)	5.04 (2.42)	7.71**

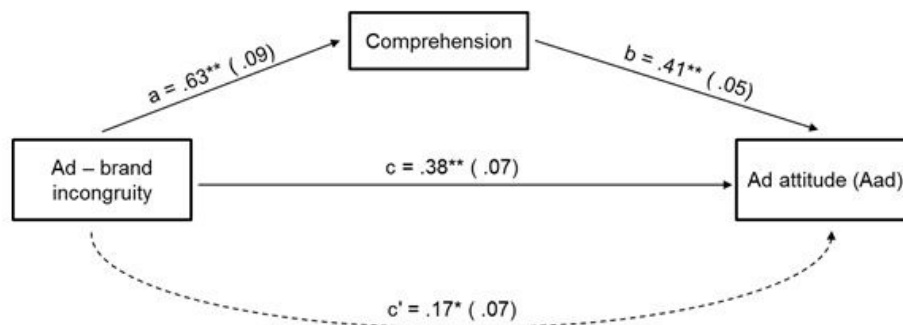
$t = 1.95^*$ (Congruity to Moderate Incongruity)
 $t = 3.01^{**}$ (Moderate Incongruity to Extreme Incongruity)
 $t = 4.95^{**}$ (Congruity to Extreme Incongruity)

$t = 1.16$ (Congruity to Moderate Incongruity)
 $t = 3.69^{**}$ (Moderate Incongruity to Extreme Incongruity)
 $t = 2.52^*$ (Congruity to Extreme Incongruity)

* $p < .05$, ** $p < .001$,

Note. Standard deviations in parentheses.

Finally, mediation analysis produced significant results for all four steps of the Baron and Kenny (1986) procedure, indicating complementary mediation (see Zhao, Lynch, & Chen, 2010). The indirect effect accounted for about 55% of the total effect and a Sobel test showed that it was statistically significant ($z = 4.35$, $p < .001$). Full details for the mediation analysis are provided in the figure below.

FIGURE 2: The Mediating Role of Message Comprehension in the Effect of Ad – Brand Incongruity on Ad Attitude

* $p < .05$, ** $p < .001$

Note. Values represent unstandardized regression coefficient (standard error in parentheses). Paths c , c' , and ab represent the total, direct, and indirect effect, respectively.

5. Discussion & Implications

The present research extends previous literature by exploring consumer responses across different levels of ad – brand incongruity and by offering empirical evidence on the process mediating the resolution of incongruity. Although extant literature has examined information

incongruity in various situations, results are inconclusive and, with a few exceptions, only limited attention has been given to the ad – brand relationship (Halkias & Kokkinaki, 2011a, 2011b; Noseworthy et al., 2010). Besides, most of the relevant studies have used a dichotomous operationalization of (in)congruity that merely distinguishes between match and mismatch without taking into consideration differences in the degree of incongruity. This prevents comparisons across studies, since different degrees of discrepancy (from a slight to severe) fall under the term “incongruent”, although they may essentially refer to a totally different case. Some of the empirical inconsistencies found in the literature may be attributed to this issue (Phillips & McQuarrie, 2009; Halkias & Kokkinaki, 2011a).

The findings reveal an inverted-U pattern across the degrees of ad – brand incongruity for ad processing and evaluation. In more detail, ad – brand incongruity is found to stimulate ad processing, yet to a point that discrepancies can be successfully decoded and people can make sense of the communication. There seems to be a threshold in the magnitude of incongruity above which messages are ignored being perceived as irrelevant and non-diagnostic. Findings show that even though it becomes more difficult to make sense of the incoming message as incongruity increases, consumers do manage to accommodate moderate incongruities into existing brand knowledge and come up with a satisfactory interpretation of the ad’s concept. In contrast, ads that are extremely incongruent with the brand schema appear to significantly reduce consumers’ understanding of the communication. In addition, the favorable effect of schema incongruity is mediated by the participants’ ability to resolve the ad – brand discrepancy and produce a meaningful interpretation of the content of communication. As McQuarrie & Mick (2009) argue (see also Phillips & McQuarrie, 2009) enhanced pleasure may come from successfully decoding a more sophisticated and complex arrangement of signs. Accommodating incongruity can be thought of as solving a mental puzzle in which brand information and cues are combined in some sort of meaningful pattern to reveal the answer (Halkias & Kokkinaki, 2011a). The present research shows that when discrepancy is moderate this process is successful and generates a sense of satisfaction and fulfilment that is intuitively transferred to evaluations.

From a managerial perspective, incongruity-based tactics can enhance communication programmes by captivating consumers’ attention and making them to more actively participate in the communication process. However, great caution is required, since unresolved discrepancies may lead to frustration and disregard. Brand information that cannot be meaningfully reconciled with existing brand knowledge bears the risk of disorientating consumers and diluting the image of the brand. The positive effect of incongruent communication is mediated by the ability to successfully reconcile the ad – brand incongruity, hence marketing managers should ensure that consumers will have the ability and the opportunity to process a message of this type. Finally, the findings imply that such advertising tactics appear to be more appropriate for established and mature products to “refresh” and “rejuvenate” the brand.

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How do Elderly Consumers Use the Internet? A Qualitative Study of Motivations and Usage Patterns

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How do Elderly Consumers Use the Internet? A Qualitative Study of Motivations and Usage Patterns

Abstract

In this study our purpose is to provide an in-depth understanding of the attitudes and Internet usage patterns of older consumers, with the use of qualitative research (60 in-depth interviews). We focus on the functional and emotional benefits expected from Internet usage among elderly consumers and the ways biological, psychological and information processing characteristics of elderly consumers influence Internet usage patterns. Our results show that perception of emotional (e.g. keeping touch with children) or functional (e.g. easy access to information) benefits of technology creates positive attitudes and contributes to overcoming the various age related physical and information processing deficits.

Keywords

elderly consumer, technology, Internet usage, qualitative study, telecommunication

1. Introduction

Older consumers represent a growing segment in most developed countries. It is estimated that by 2050 the number of population over 60 will reach 2 billion globally from 606 million in 2002 (source: DESA, United Nations). This trend has tremendous implications both from macroeconomic and business perspectives. One important consequence is that in developed countries older consumers are becoming a very attractive target group for marketers based on their proportions within the population and their purchasing power. Traditionally, older consumers are perceived as an irrelevant target group for technology-based service industries. This idea however is being challenged now, and the elderly represent a growth opportunity for many service industries including telecommunication which is in the focus of this paper.

In this study our purpose is to provide an in-depth understanding of the attitudes and Internet usage patterns of older consumers, with the use of qualitative research. The following research questions are investigated:

1. What functional and emotional benefits are expected by the elderly consumers when using the Internet?
2. How the use of Internet is influenced by biological, psychological and information processing characteristics of elderly consumers?

First, the academic literature relating to the research questions are discussed, then our qualitative research methodology is presented followed by the analysis of results. We end the paper with a theoretical model and some practical and academic implications of research results.

2. Literature review

2.1. *Characteristics of the elderly consumers*

Elderly consumers can be considered a heterogeneous group of consumers which is also indicated by the various terms used to denote them such as older consumers, elderly, and seniors. Several authors emphasize that “old” and “young” are relative terms, and that cognitive age as a multidimensional construct is a better indicator of age identity consisting of dimensions of feel-age, look-age, do-age and interest age. (Barak,1987; Barak et al, 2001). Studies and papers looking at the segmentation opportunities of elder consumers revealed a large number of criteria as discussed by Bone (1991).

Information processing characteristics of elder consumers have a great influence on the advertising directed to his group of consumers. With aging biological changes are taking place affecting memory, hearing, and perception of visual stimuli (Rousseau, Lamson and Roger, 1998). Physiological and age related changes in perception determine the time and ways of information processing. For example the ability to process information rapidly is decreased because of the slowing of the central nervous system (Spotts and Schewe, 1989). This suggests a need for slower pacing in the presentation of information. Analysing age differences in information processing Roedder John and Cole (1986) identified deficits in memory capacity and memory strategies. For example, elder consumers use less visual imagery, or fail to use efficient retrieval strategies. According to research findings (Yoon, at al, 2005) repeating information has a considerable impact on older consumers: when information is repeated people tend to believe it to be more valid (“truth effect”).

2.2. *Attitudes of the elderly consumers toward technology*

The attitudes of elderly consumers toward technology in general and Internet more specifically are influenced by different factors such as reference group influences, previous work experience, resistance to changes, social relationship or physical abilities (Eastman, 2004, Trochia, 2000, Iyer and Eastman, 2006). Empirical research results (Richardson, 2005, Deloitte, 2005) show that the elderly perceive computers as rather for young people and to be used by men rather than women. Finally, older consumer show less confidence in using the Internet than young consumers (AARP,2000). There are emotional factors prohibiting the use of Internet (fear, frustration), there also high perceived costs with the purchase of computers and Internet subscriptions. Despite all these inhibiting factors, the use of computers has benefits for older consumers.

- The use of computers can help isolated people to build social relationship (Czaja, 1993, White, 1999, Swindell, 2000).
- By belonging to virtual communities people can establish new relationships, friendships in an age when otherwise there would be less opportunities to do this. (Kanayama, 2003).
- Activities related to the use of computers represent intellectual stimulation for older people (Eilers, 1989, Ogozalek, 1991), offer a hobby, and increase self-confidence.
- Communication between generations can be improved (Furlong, 1995).
- By using computers people feel less that the word is passing by (Morris, 1994).

3. **Research objectives and methods**

The research objective was to get an understanding of the benefits expected from using Internet, the perceived risk associated with Internet usage and the usage patterns in different groups of elder consumers. In total 60 in-depth interviews were carried out with the distribution presented in Table 1.

Table 1 Distribution of the sample by age groups, gender and use of Internet

age	User		Non user	
	Male	Female	Male	Female
50-64	7	8	7	8
65 or more	8	7	8	7
	15	15	15	15

The condition for qualifying as an interview subject was showing some degree of interest for the non –user group and using Internet at least once a month for users. Interviews were recorded and typed for further analysis. For observing Internet usage patterns, search tasks were specified and interviewers used a laptop when carrying out the interviews. Users and non-users were given slightly different tasks: users were asked to perform tasks individually and the role of the interviewer was to observe and record the behaviour and the comments made by the subjects. In the case of non-users the interviewer took a more active role and demonstrated how to perform the search tasks and encouraged the subjects to try.

4. Results

4.1. *Factors that motivate Internet usage of the elderly consumers*

The motivation for Internet usage is different among different segments of senior consumers. We divided our sample to Internet users and non users to be able to see the difference between the two groups. For those who use Internet the influence of reference group seems to be crucial. If other people in their surroundings let it be either friends or family use it, they are more open to this new technology, as the following quote reveals.

“My daughter has convinced me to use it. We can keep contact if something happens. And if I am not able to go to her and she is not able to come to me, we can keep in touch.” (Woman, 55)

Other people have internal motivation. Their expectation of Internet is to know more about the world and to be up-to-date.

“I started to use Internet to develop. Our time requires the usage of Internet. It gives me the possibility to reach and know things that I was not able to find before.” (man, 55)

These people appreciate the huge amount of information but they are suspicious, as well - they are afraid of being trapped by the Internet. They perceive the usage of Internet time consuming. To be able to find one piece of information they have to spend a lot of time searching the web. On the other hand they perceive the danger of giving up the habit of leaving home. They believe that if they can find everything on Internet, if they can arrange all their business through Internet, they don't even have to leave their home. As our following illustration presents, elderly people are afraid of being isolated by using Internet.

“It is so convenient that it is almost dangerous. If you can do anything on Internet you don't need to go to the library you don't need to go to cinema you don't even need to meet your friends. This seems to me very dangerous. Of course it makes our life much easier, we gain a lot, but on the other hand we loose a lot, as well.” (man, 54)

It is evident from our research that “older generation” is not homogeneous and one differentiation point is whether people were encouraged to use Internet during their work. Those who have used it remained users after retirement but those who were not users needed some external motivation to get used to it.

Frequently this external force, as we already noted is family. In some cases younger members of the family use webcam or Skype and parents are motivated to learn the usage of these devices if they want to keep in touch with their children. In the following case the grandchild uses Internet for playing games and grandparents would like to understand them.

“When I was visiting my 4 year old grandchild, he was playing on Internet. I just stared at him and asked how this thing works? I have felt a bit ashamed and I asked him to show me this game. I did not want to look like stupid in the eyes of my grandson.” (woman, 66)

In these cases people perceive the emotional benefit of using Internet. They can spend time with their children or grandchildren with the help of Internet. In our sample there has been a sharp difference in the use of Internet between men and women. Women use mainly the communication possibilities, like e-mails or Skype. Men in our sample are using Internet for business purposes, as well, like online banking or any other online transaction. In accordance to this observation we have perceived differences regarding the perceived benefits. Women perceived mainly emotional benefits (keeping touch with children, playing with

grandchildren), men has perceived mainly functional (easy access to information, make transactions).

Half of our interviewees were not Internet users. There are different reasons for not using this tool. One main reason is that they don't have computers. The next group feels no need of using Internet either because they can find anything on traditional ways or somebody finds for them the relevant information on web. Although they perceive the advantages of this technology, they just do not want to be part of it. These people are often afraid of using Internet. There seems to be different dimensions of this fear. They are afraid of spending too much time on the web, afraid of frauds, or afraid of becoming addict. A different type of fear is that they feel they are not able to learn how to use properly the Internet and on the other hand they do not want to make any effort. In the next illustration an interviewee demonstrated this.

„It intrigued me. My perception is that if you have a minimum level of knowledge you will use it. I don't have the patience to acquire even this minimum level. I think I am lazy in head to undertake such a new thing. I have neither the energy nor the patience.” (man,72)

4.2. *Special needs of older generation*

During the interviews we used interactive techniques to supplement the in-depth interview. We gave different tasks to our interviewees (similar method was used in Björk, 2010). The task was to:

1. find the latest news
2. read the daily horoscope
3. to search for the whether forecast
4. to select a mobile phone from a service provider's webpage

During the task we asked the subjects to comment on their experience and their thoughts. The two subsamples (users and non-users) were naturally split in their comments. For those who do not use Internet handling of the mouse has caused some problems (in accordance with Spotts and Schewe (1989) findings on physical deficits). They do not like the crowded pages, they feel to be overloaded with information and it prohibits them in understanding of the content. The pages are too rich in stimuli; the users become impatient and give up the task, just like our next interviewee.

“No, no and once more no! I am too impatient for that. I want to break it to pieces. This is not for older people! It just doesn't appeal to me I don't feel like I should do that. I will be upset in a minute.” (women, 62)

Our respondents have mentioned the problem of too much information on one page and too small letters. They would expect much less information with more structured and easy to understand contents. These results confirm research results on the information processing patterns of older people (Roedder John and Cole, 1986).

Internet users have reported positive feelings and positive feedbacks on the web pages. They were motivated and sophisticated enough to get through the difficulties. Personal motivation seems to be very important factor for this generation.

The response to the service provider's web page was a bit different from those of general content. It proved to be very complicated and inconvenient for our respondents irrespective of their attitude and experience. The level of this inconvenience has varied across the sample but

generally they did not like the page. They found it too technical and mentioned that they need other type of information than they have found:

“These information are too sophisticated for me, I do not understand them in this form. I’m not interested in them. If I want to buy a mobile phone, I ask my friends, or I ask the sales rep. I tell them my expectations and select the simplest one.” (man, 72)

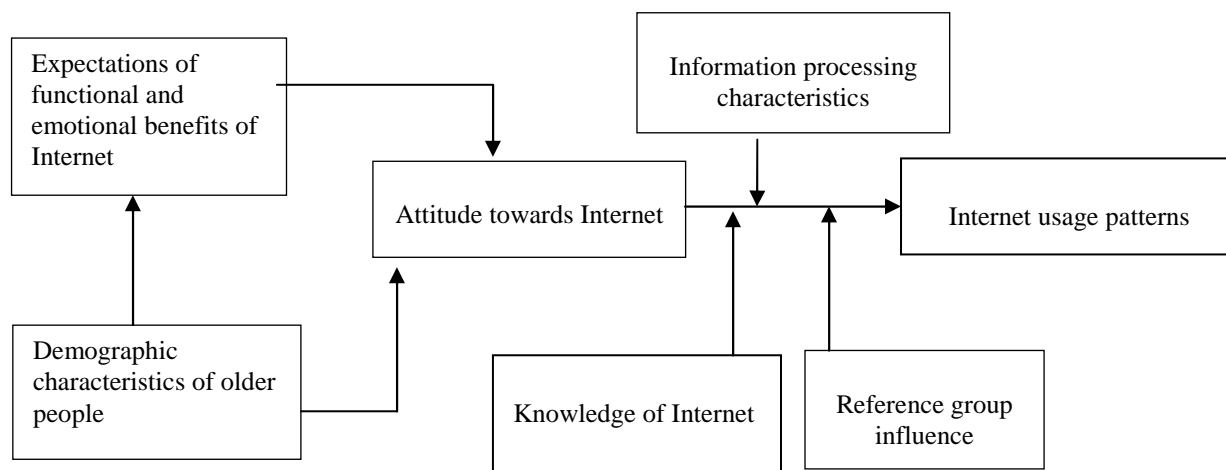
We have found that these people do not hesitate to stop searching if they feel that the task is complicated. They are not motivated to stay on the page if it is too complex. The high sophistication can be an obstacle for them and discourage them from using the page.

5. Conclusion and proposed theoretical model

Summarizing our conclusions we can state that older generation values technology. On the other hand they feel that even if they have positive attitude, the lack of knowledge discourages them from using it. The lack of knowledge results in frustration and frequently shame. Important factor that can motivate older people to learn and use Internet is the reference group and the influence of the family.

The information processing capabilities of this generation sometimes are lower than of the average user. They often feel that the information content and load is too much for them. Regarding the main factors that can have an influence on attitude, it turned out that if they perceive any emotional (e.g. keeping touch with children) or functional (e.g. easy access to information) benefits of technology, they have a more positive attitude towards technology and Internet. We have found that there can be demographic characteristics (like age or previous work place) that can influence the attitude of this generation.

Figure 1 Theoretical model for the elderly consumers’ Internet usage



Our results can be relevant for practice and for academics. From practical aspect it emphasizes the importance of managing expectations and including customer education into strategy. On the other hand it is important to keep web pages that are specially designed to this segment simple and efficient for senior people. The theoretical model gives implications on the possible factors influencing the usage of Internet and some hypothesized relationships between these factors.

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Network Approach in Integrated Promotion of Urban Business Tourism

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Abstract

Interdependency of number of actors representing various sectors and industries within urban business tourism (MICE) product leads to integration of marketing initiatives. However, the existence of public and club goods and external effects give rise to the free riders problem and therefore lower overall promotional efficiency. As Poznań case study suggests, the main challenge is to create a strong partnership, based on the key stakeholders and wide representation of city business tourism product's establishments. The aim of the study is to propose a method of identifying the network as a prerequisite for effective business tourism promotion. The findings suggests that the most appropriate method is network pictures, which gives the opportunity to examine a structure as well as positions, relations, connections and networking activities from the city (or overall tourist product) perspective.

Keywords

MICE industry, promotion, business travel and tourism, network approach, network pictures, collaboration and partnerships

1. Introduction¹

Tourism is a heterogeneous and place determined economic activity. Tourism products are created in destinations as amalgams of attractions, services, commodities and facilities offered and consumed locally under the destinations' brand names (Buhalis, 2000; Medlik, 2003). These elements are linked together as a tourist value chain that is based on tourists' overall experience and contains a number of industries conventionally defined by their products (Poon, 1993). Private, public and non-profit establishments are related to tourism industry in various extents – from totally tourism oriented ones like hotels to firms which treat tourists as only a supplementary market. Regardless of their identification with tourist industry all these firms and organisations are interdependent as they are parts of local tourism systems, which function objectively.

Heterogeneous and complex tourist products should be branded and promoted in integrated way, shifting promotional strategies from the level of particular enterprises to the level of destinations. Supply fragmentation should not lead to dispersing marketing activities and the smaller the dispersion, the deeper network interactions and relations between enterprises. The paper aims at proposing a method of identifying a business network (and its boundaries) as a prerequisite for effective business tourism promotion in the conditions of market failure (the supply of public goods and external effects).

This paper is organized as follows; firstly, the brief revision of the literature on promotion in business tourist is presented. Secondly network approach to business tourism (MICE) network was introduced. Then we move to MICE network identification and network pictures issues. The last section contains conclusions.

2. Promoting business tourism in the conditions of market failure

Promotion is a part of local place marketing, which has the greatest impact and the biggest integrating and coordinating possibilities on the destination level. Therefore literature on tourism marketing pays a lot of attention to collaborations and partnerships as prerequisites for efficient marketing activities (Buhalis, 2000; Fyall & Garrod, 2005; Murphy & Murphy, 2004; Palmer & Bejou, 1995). The optimal level of tourism promotion efficiency is influenced by two phenomena: the existence of public goods in the structure of a tourism product and external benefits that give rise to the so called free rider problem.

Many attractions and facilities which are components of the tourist product are characterised as public or club goods (Murphy & Murphy, 2004; Samuelson & Nordhaus, 1995; Socher, 2006) and are therefore provided to tourists on a non-market basis for fixed prices or for free. Their non-commercial nature means no finance for their promotion but they must remain part of it, because they lie at the core of tourist product attractiveness. As a result, tourist companies are forced to use them while promoting their services, which is beyond their individual capacity.

External effects, in turn, are benefits enjoyed by tourist establishments located in a destination regardless of whether they participate in promotional activities or not (Tribe, 2001). External benefits give rise to the free riders problem, i.e. a situation in which not all tourist establishments are willing to engage their finance in collective promotional activities, because they believe that they will enjoy benefits created as a result of other establishments' activities anyway (Socher, 2006).

Both the indications of market failure are inherent in tourism promotion. The process of financing tourism promotion in cities should become part of these two forces at play. It is essential to find a way of including the most possible number of the most key and committed

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objects to engage in creating a tourist product (Samuelson & Nordhaus, 1995). A mandatory tourist tax payable in many destinations is a burden for only some kind of establishments, which do not face the dilemma of having to determine the degree to which they serve tourists or locals. The other way, which is the creation of a joint promotional fund and a joint decision making process, can be used only after identifying a tourist network, and what is more important, specifying its boundary and the intensity of interrelations among particular actors.

3. Network approach in tourism

Treating tourism as a local open system is manifested by attempts to design the shape and operation of the system, and first of all to design promotional activities according to how the system is perceived by the recipient. Such activities require that the whole system be captured, therefore they are mostly conducted by institutions whose aim it to coordinate joint efforts and represent tourism industry (e.g. local authorities, Destination Management Organisations).

The system approach is closely linked to the network approach that consists in several elements cooperating in the system. Both the approaches have developed side by side, but it needs to be stressed that the system approach has been dominant in economics and management, whereas the network approach – in sociology.

A network is a system characterised by complex interrelations among its elements. The network approach concentrates on relations among them. From a social perspective interaction is the crucial term here. From the economic point of view, a business network is a set of long-term formal and informal relations which exist between two or more establishments (Hakansson & Snehota, 1993). The relations are characterised by continuous interaction, interdependence of resources, establishments and activities and the lack of distinct boundaries (Ratajczak-Mrozek, 2010). If tourism is treated as a system, we concentrate first of all on its elements, and if we see it as a network, we are mainly interested in relations and interactions of these elements. This results in crucial consequences for identifying elements comprising a network/system. If tourism is to be perceived as a network, two principal points of view must be accepted: macro, when the aim is to identify a network, and micro, in which attention is paid to the interactions among participants of the network.

4. Cooperation in the business tourism network

Business travel, comprising trips and visits made by employees and others in the course of their work, including attending meetings, incentive trips, conferences and exhibitions (that is why it is also called MICE industry) and individual business travel lie at the core of creating the strongest and the most dynamic products in cities (Davidson & Cope, 2003; Swarbrooke & Horner, 2001). The most crucial trait that differentiates it from leisure travel is that it is driven by derived demand. Most tourist services, goods and facilities are purchased by business tourists because they are inputs of creating final products – concluding agreements, selling products, exchanging info at a conference, etc. The role that the public sector plays in creating the attractiveness of the sector is lesser than in leisure tourism because of the fact that it is part of a general tourist product in a city.

Business tourism is extending its subjective scope to include companies that represent those associated with tourism to a small degree, such as interpreters, telecommunications facilities, exhibition stand constructors, conference/exhibition centres owners, manufacturers, etc., which means that they identify themselves with local tourism industry to a small extent. Moreover, the shape of the product is influenced more by establishments that can operate in any place, which extends the spatial scope of a network of relations. These are meeting planners, venue-finding agencies, PR agencies and event management companies, to name just a few of them. In business tourism the networks are becoming supralocal and

supranational. On the one hand, the subjective and spatial extension raises the potential of financing its promotion. On the other hand, it is more difficult to identify establishments in a network and the intensity of interrelations among them within a network is greater, because the success in integrating marketing activities is conditioned by the intensity of their relations with local establishments. The bigger and more intensive the network, the easier it is to overcome market failure more efficiently. The sufficient promotion in the MICE market is dependent on recognising the spatial and subjective scope and the structure of interrelations (i.e. its content and intensity).

5. Towards an effective promotion of business tourism network: case of Poznań, Poland

Interdependency, cooperation and market failures within a tourist value-chain in the context of integrated promotion issues have been widely recognised in the literature (Ashworth & Voogd, 1990; Fyall & Garrod, 2005; Morgan & Pritchard, 2000; Palmer & Bejou, 1995; Socher, 2006; Wang, 2011). The problem of joint promotion can be well described using the case of MICE network in Poznań metro area, which has a million inhabitants and is the biggest fair and conference centre in Poland. In 2008, a failed attempt was made to create an independent voluntary special purpose fund to promote the city in the business tourism market. The fund was managed jointly by a collective body representing local MICE establishments and operated under the auspices of a local DMO. The fund was both public and private in nature (there were more private establishments) and was meant to be sourced from: (1) voluntary contributions from hotel guests (their conscious donations of 1 euro), transferred by hotels participating in the fund; (2) subsidies from Poznań's authorities and its neighbouring communes as well as other establishments in the private sector, including the local airport and the fair organiser; (3) member fees paid to DMO; (4) funds from EU operational programmes for specific projects related to promotion and tourist information. The yearly proceeds were estimated at at least 400,000 Euro. The talks of parties interested in the project lasted six months; however, two months before the system was due to start operating (i.e. January 1, 2009), its main partners, i.e. six biggest business hotels and city council (who also worked on city brand strategy formulation then) unexpectedly withdrew their participation. None of them openly voiced their reasons for doing so, and all the partners expressed their disappointment at the failure. The rationale of these decisions has never been officially formulated. It could be assumed that local authorities were not really willing to empower the private sector in the area of substantial part of city promotion, and the local hotel industry was afraid of free riders and technical issues concerning the operation of the promotional fund. Nevertheless, none of the partner identified a network, which should be a basis for common action.

6. Outline of the problem

One solution to the problem of inefficient promotion is to recognise a network as a prerequisite for any further action. Our consideration raises the question as to what is an efficient method of identifying a network (and its boundaries) in business tourism (MICE) in the conditions of market failure in the area of promotion?

This question could be considered in the light of two trends of the network approach as an idea of analysing relations among market players. The strategic trend allows for coordination activities and the existence of a leader or an establishment supervising the network (Moller & Svahn, 2003), which is exemplified by clusters in tourism (Novelli, Schmitz, & Spencer, 2006). Such an approach to MICE networks is inherent to entities created to coordinate promotional activities (e.g. DMO). Another approach was proposed by IMP Group which says that a network is created regardless of its participants' will, is non-centralised and informal to a large extent, therefore it is not subject to management and its boundaries cannot

be determined (Ford, Gadde, Hakansson, & Snehota, 2003). In this trend it is more important to determine the way the participants perceive their network.

7. Network identification methods

In order to recognise a network it is necessary to collect information in three dimensions: position, relation and structure. Its users determine position in a network – they are the ones who decide with whom to interact. Relations specify connections among users of a network and structure is described by: density, centrality, formation of subgroups and degree of reciprocity. In order to determine the dimensions, it is necessary to specify who belongs to a network and where its boundary is. The following approaches have been proposed to identify a network (Butts, 2008): own-tie report, complete egocentric design and link-trace design. They provide information about actors is obtained from the set given by the first respondents. In cognitive social structure design actors are asked to provide information not only about their connections, but also about their relations with all the other members of a network, thus creating their network picture.

Collecting data on the network edges may start from actors, which in fact belong to the MICE network. They are easy to identify on the basis of the general classification of economic activities thus snowball sampling may be applied. Unfortunately, considering the problem of joint promotional activities of MICE network participants, such an approach has one serious drawback. Anderson, Håkansson, and Johanson (1994) claim that actors limit their perceptions of the market to their direct relations forgetting about the invisibility of network relationships and connections. For this reason in the case of MICE network identification the effect may include an obvious network, which does not allow for weak ties and free riders.

Therefore, in order to recognise a full business tourism network, it is a good idea to use more complex approaches. They are based on benefits ensuing from networks being identified by its participants, but attempt at strengthening the identification of isolated actors.

Three methods should be considered to deal with this issue. Random-walk sampling (Klov Dahl, 1989) is a variation of snowball sampling, in which a nod from which another wave is started is chosen out of neighbours of the initial nod at random. Another approach to sampling design and inference in hard-to-reach populations is respondent-driven sampling (RDS). RDS applies a design for sampling from the target population and a corresponding strategy for estimating properties of the target population based on the resulting sample (Gile & Handcock, 2010). The last one is design is an arc sampling, where – identification starts with selecting edges of a network on the basis of observation and secondary sources (Heckathorn, 2002).

8. Network pictures in MICE network

Since actors in the MICE network are diversified, it should be identified based on determining its cognitive social structure design. The institutional nature of the network's participants and the ensuing business-to-business relations form the basis for seeking solutions in the IMP Group's research. The environment suggests the cognitive social structure be research by means of network pictures. They make use of the sense-making process, thanks to which the actors' subjective mental images of the surrounding and its boundaries are pictured. Thus they can reflect the way in which the actors comprehend their business network (Ramos & Ford, 2011). Corsaro, Ramos, Henneberg, and Naudé (2010) propose that four dimensions are considered when analysing network pictures: (1) Forces that can be seen as an actor's perceived dependence or independence in relation to other actors within the network but also the strength of the relationships; (2) Dynamics, which refers to the progress of processes in the network and the development of relations in the network, which, in turn, relates to the

adaptation and interdependence of actors. The dimension of dynamics also refers to the (in)stability of relations in the network; (3) The width and scope of the network relates to the subjective scope of the relations and the depth of the relations perceived by an actor creating his or her network picture; (4) Indirectness understood as the ratio of indirect connections of the focal company to the number of direct ones (an indirect relation is “a link between two firms which are not directly related but which are mediated by a third firm with which they both have relationships“ (Easton, 1992).

Network pictures not only show users' idea of the network but also make it possible to identify establishments in it. Within the model of managing in networks, Ford et al. (2003) assume that the way in which a network's participants visualise it and their place in it influences networking activities. Their idea of the network influences the decisions that they will take to cooperate within the network and to develop it. The network picture that they have also has an impact on expectations as to the effects of the network and their evaluation. Therefore, if, say, exhibition stand constructors do not perceive themselves as part of the MICE network, they will not take action to build relations with the network. They will not expect benefits from cooperating with other participants of the network, either. The most important thing may be that they will not see benefits from operating within such a network from the angle of the network and that means they will not be willing to engage in joint activities such as promotion.

9. Conclusions

There should be no doubt whatsoever that integrated MICE promotion is essential but hard to implement. Identifying a MICE network is an ambitious task, which is impossible to carry out fully, because networks are infinite. This does not mean, however, that identifying a network in tourism through joint promotional activities is unfounded. Obtaining an even partial picture of the MICE network should help identify establishments, which create supply responding to demand for business tourism, but do not participate in integrated promotion of a particular network. Obtaining a network picture does not mean knowing network pictures of its participants. Establishments that coordinate promotional activities and are aware of network relations may have an influence on extending network pictures and thus change networking activities and the way network outcomes are perceived.

Actors' network pictures should provide an answer as to which establishment being part of a network has decided to participate in joint activities and whether they are key to the network. In the case of Poznań MICE promotion it should lead to an indirect conclusion why the efforts have failed and what must be done in the future to avoid such failures.

10. Limitations

It needs to be borne in mind when using network pictures that informants portray networks solely subjectively. Actors “bracket” or “frame” (Corsaro et al., 2010) their surroundings. Therefore, they depict a limited number of establishments and their relations. That means that such networks have boundaries. In fact, they are always conventional and relative, because it is inherently impossible to determine the objective scope of a network.

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Changing economic conditions and advertising message adaptation

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Changing economic conditions and advertising message adaptation

To facilitate a more holistic analysis of the extent, direction and rationale of advertising message adaptation during changing economic conditions, a theoretical framework that organizes several key concepts is presented. Taking into consideration the cultural role of advertising, shifts in social values as they derive from fluctuations in economic conditions are reflected in advertising messages. Given that a market orientation approach requires matching advertising with social values in order to design effective advertising messages, there is a growing need to monitor significant changes in the economic environment as these may signal a requirement for strategic and tactical adaptation.

Keywords: advertising, downturn, adaptation

1. Introduction

In such a highly creative discipline as advertising, ideas and actions are often guided by intuition and experience. The increasing need for marketing accountability along with the volatility of the international economic environment (an example of which has been the recent economic downturn) cause skepticism as regards the creation of successful advertisements. Within this framework, this paper attempts to organize selected fundamental concepts of advertising messages and the macro-environment under a broader theoretical model so as to facilitate understanding of the direction of advertising message adaptation to changing economic conditions.

2. Literature review

2.1. Effects of economic fluctuations on social values and customer perceived value

Apart from cut backs in advertising expenditures or budgets, worsening economic conditions may also influence aspects relating to advertising content and execution. As per the centrality paradigm of communications content (Riffe, Lacey and Fico, 2005), advertising messages can be viewed as a result of certain antecedent environmental conditions bearing a possible range of effects to the market. Values are considered to be ‘individual representations of societal goals’ (Gurel-Atay, Xie, Chen and Kahle, 2010: 58) and have been defined as ‘enduring beliefs that a specific mode of conduct or end state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence’ (Rokeach, 1973: 5). As a core element of the national macro-environment, social values are of dynamic nature and subject to regular change (Gurel-Atay, Xie, Chen and Kahle, 2010).

Values may change due to various reasons. Given that factors of the macro-environment interact, it is very likely that economic fluctuations affect the predominant values in a given marketplace. Consequently, different economic conditions in single or multiple national contexts may signal increasing consumer divergence. Safety and stability, value for money, friends and family, prudence and conscientious consumption (Boston Consulting Group, 2011; Grossberg, 2009), represent shifts in social values and attitudes caused by the recent economic downturn (Quelch and Jocz, 2009), the duration and severity of which has been dissimilar among different regions of the world. High unemployment rates, consumer anxiety and uncertainty are some of the forces driving the surfacing of new market segments (Quelch and Jocz, 2009) that adopt new value systems. Consequently, new value systems and attitudes alter buyer behavior. Therefore, during severe economic downturns, customers seem to become more price sensitive (Estelami, Lehmann and Holden, 2001), focus on acquiring price information (Wakefield and Inman, 1993), show an increasing preference for private labels (Lamey et al. 2007; 2012) and demand less (Daleersnyder, Dekimpe, Sarvary and Parker, 2004).

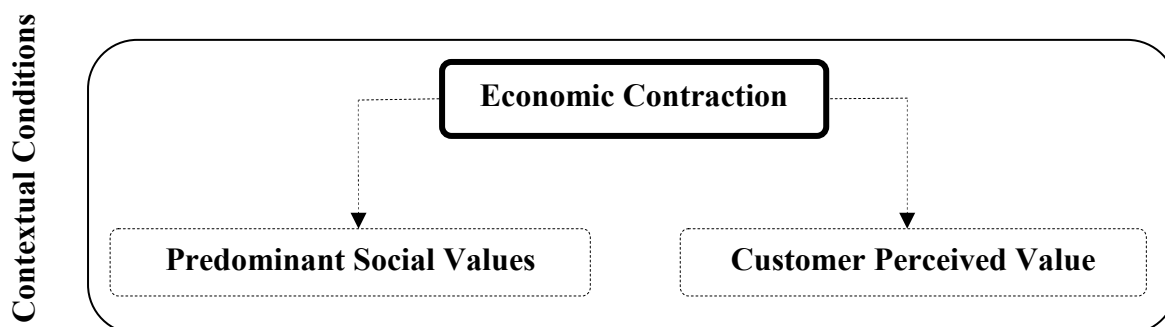
Additionally, it is important to note that the emerging environmental conditions may also have an impact on customer evaluation of the costs and benefits they associate with given products. Holbrook (1996) argued that customer perceived value is situational in that the evaluations taking place by customers are context dependent. Apart from influencing the importance of social values, changing economic conditions may also influence customers’ perceived value of market offerings and their alternatives (Kotler and Keller, 2006; Kotler and Armstrong, 2012). In certain situations, while perceived costs may increase, perceived benefits may decrease.

Hence, taking into consideration the aforementioned reasoning, depicted in figure 1, the following hypotheses can be formulated:

H₁: Changes in the economic conditions influence the predominant social values in the marketplace. Economic contractions in particular, drive consumers to focus on values such as safety, economy and belonging.

H₂: Changes in the economic conditions influence the customer perceived value of offerings and their alternatives, leading to changes in customer evaluations and choices.

Figure 1: Effects of economic conditions on social values and perceived value



2.2. The relationship between advertising and social values

Advertising has been assigned with various roles in societies, including the provision of market information, market power and social control (Rotzoll, 1973). Although linkages between advertising and social values have been documented in the literature, there is disagreement on the nature of the relationship between the two. To this extent, Pollay (1983, 1986) acknowledged that advertising is a value carrying institution with enough power to ultimately change societal preferences and standards (Pollay and Gallagher, 1990). On the other hand, various academics and practitioners (e.g. Holbrook, 1987; Ogilvy, 1985) have argued that advertising merely reflects existing values and lacks the power to manipulate them. As Petit and Zakon (1962) indicate, advertising serves the existing value system and would not endure if it opposed it. In line with the previous, Holbrook (1987) stresses the notion that marketing is about acknowledging market differences and adapting to them with the use of different communication strategies. Thus, this view presupposes advertising's lack of control over existing values to which it has to adjust.

One could identify a range of possible viewpoints within the value reflection versus manipulation dispute. Indeed, advertising reflects certain values that are deemed to be profitable (Mueller, 1987), but lacks the power to manipulate them, as it exists and operates in parallel with other powerful value-shaping institutions such as family, philosophy and literature (e.g. Aaker and Myers, 1975). However, although advertising may not have the power to shape existing values directly, it has control over which values to emphasize, so as to better serve its commercial purposes. Although the direction of the relationship between advertising and values remains unclear, economic recessions provide an ideal setting to reach valuable conclusions. Given the aforementioned, it could be argued that:

H₃: Changes in predominant social values that occur during varying economic conditions precede and are reflected in advertising messages.

2.3. Strategic and tactical elements of advertising messages

Hughes and Fill (2007) argue that a contemporary view of the marketing communications mix requires an appraisal of “what is said” in the communication content. Although the message mix has been recognized to be an important element of marketing communications planning (e.g. Hughes and Fill, 2007; Kotler, Keller, Brady, Goodman and Hansen, 2009; Shimp, 2007), researchers distinguish strategic from tactical decisions (Laskey, Crask and Day, 1989; Ramaprasad and Hasegawa, 1992; Taylor, 1999). The terms ‘creative strategy’ (e.g. Frazer, 1983; Okazaki and Alonso, 2003; Simon, 1971) or ‘message strategy’ (e.g. Laskey, Fox and Crask, 1995; Taylor, 1999) have been used to describe the strategic decision concerning the choice of the main message that is transmitted through the advertisement. However, given that several authors consider creative strategy to entail selection of both main message and method of presentation, the term message strategy has prevailed (Laskey, Crask and Day, 1989; Taylor, 1999). At a tactical level, the term creative execution relates to the presentation of the message and the selection of specific executional devices (e.g. Laskey, Fox and Crask, 1995; Ramaprasad and Hasegawa, 1992; Taylor, 1999).

According to Kotler and Armstrong (2012) message strategy ought to be aligned with the broader positioning strategy and Taylor (1999: 7) defined it as a ‘guiding approach to a company’s or institution’s promotional communication efforts for its products its services or itself’. Generally, the determination of message strategy precedes creative execution (Kim and Cheong, 2011) which encompasses various factors that pertain to the method of message presentation (Stanton and Burke, 1998) and are a part of the encoding phase in the communication process. Similar to the notion of message strategy, advertising appeals are a strategic aspect of advertisements (Frazer, Sheehan and Patti, 2002) that reflect the core value(s), or theme(s), being advertised (Stern and Gallagher, 1990). Therefore, given the interrelationship between advertising and social values, changes in the importance of said values are expected to be reflected in advertisers’ selection of message appeals.

Message strategy and advertising appeal are distinguished from concepts such as executional style (Kotler and Armstrong, 2012; Laskey, Fox and Crask, 1994), message structure (Shimp, 1976), commercial format (Stewart and Furse, 1986), advertising tone (Manrai, Broach and Manrai, 1992), advertising rhetoric (McQuarrie and Mick, 1996), incongruity (e.g. Heckler and Childers, 1992) or absurdity (e.g. Arias-Bolzmann, Chakraborty and Mowen, 2000), that relate to the visual, auditory and/or verbal dimensions of advertisements (Arens, 2006) and represent creative devices utilized in marketing communications. In light of the aforementioned, a complete examination of the extent of advertising message adaptation to changing economic conditions includes the evaluation of both advertising appeal, as an element of message content, and creative execution, as an element of message presentation.

Advertising appeals are a strategic element of message content (Frazer, Sheehan and Patti, 2002) and represent the main ways to express values in advertising (Albers-Miller and Gelb, 1996). As such, they are expected to adapt to and reflect occurring changes in the predominant social values. Moreover, they can be viewed as the central themes of advertisements (Stern and Gallagher, 1990) and thus appeal selection guides the overall character of the commercial as it is determined from the balance between rati on and emotion (Albers-Miller and Stafford, 1999). In light of the previous, recent research (Lee, Chung and Taylor, 2011; Lee, Taylor and Chung, 2011) showed an increase in use of informational messages over their transformational counterparts. As Steenkamp and Fang (2011) argue, in terms of message content, a shift from differentiation to price focused advertising may be more effective during financial contractions. This evidence, although premature, of advertising’s adjustment to the adverse economic climate supports arguments for the

importance of economic conditions in advertising message creation. In line with the previous, the following hypothesis is formed:

H₄: Changes in economic conditions influence the selection of advertising thematic content (i.e. advertising appeals). During economic contractions in particular, the balance between emotional and rational appeals in advertising messages changes, affecting the overall character of advertising.

On the other hand, creative execution entails the method of presentation in a commercial (Stanton and Burke, 1998) and it is conceptualized as the means to presenting the advertising appeal. Given the multidimensionality of creative execution, appeals can be communicated in every way possible with the use of audiovisual art and verbal rhetoric (Pollay, 1983) in an effort to capture audience attention and effectively convey the theme(s) of the commercial. Although the use of specific creative devices such as incongruity (e.g. Heckler and Childers, 1992) or rhetorical figures (e.g. McQuarrie and Mick, 1996) does not seem to be directly affected from changes in the national macro-environment, they are expected to be influenced, indirectly, by the values portrayed in the commercials through advertising appeals:

H₅: Variations in the use of rational and emotional advertising appeals during changing economic conditions affects the use of structural, visual, auditory, and verbal creative devices in advertising messages.

3. A Theoretical framework

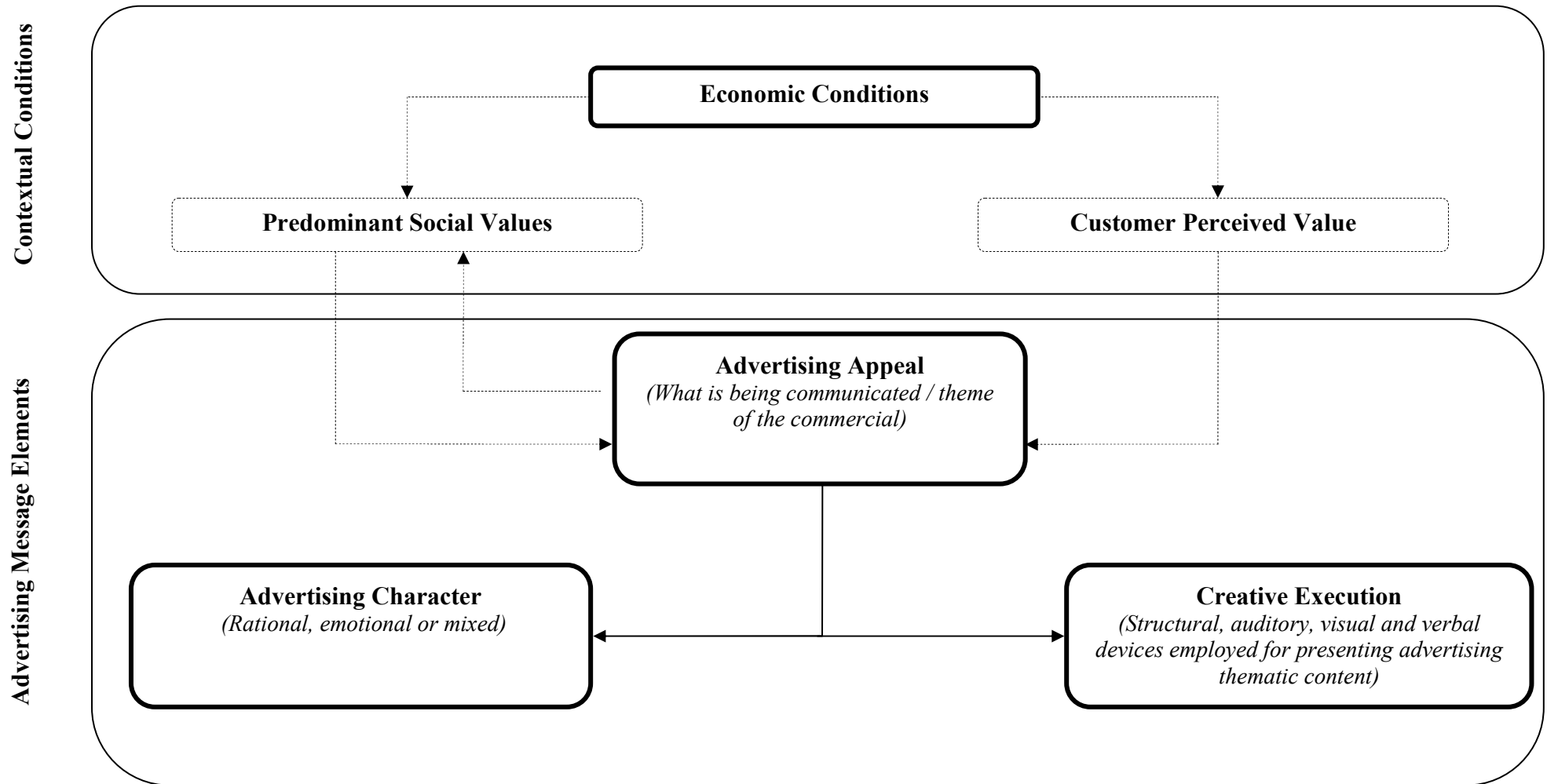
In line with the preceding theoretical analysis, the proposed framework (figure 2) illustrates the relationships between contextual factors (i.e. economic conditions, predominant social values and customer perceived value) and advertising message elements (i.e. appeal, character and creative execution). Specifically, the model suggests that the changes in the economic conditions within the macro-environment guide the selection of advertising strategic and executional elements in accordance with changes in predominant social values and customer perceived value.

Overall, the theoretical framework asserts that advertising messages adapt so as to cater to different and evolving consumer needs (Holbrook, 1987). Although advertising is a value-carrying institution (Pollay, 1983) it lacks the power to directly change social values and therefore, it is forced to adjust in order to be relevant and persuasive. Advertising message adaptation pertains to both strategic and tactical message elements and represents a process rather than a single task, since social values are subject to constant change (Gurel-Atay, Xie, Chen and Kahle, 2010) that can be triggered by fluctuations in the economic environment. These fluctuations, depending on their severity, can bring radical and lasting changes to values, preferences, lifestyles and perceptions.

4. Conclusion

Through an attempt to organize fragmented knowledge on the broader marketing context, social values, customer perceived value and creative strategy, the proposed theoretical framework attempts to clarify the rationale, direction and scope of advertising message adaptation during changing economic conditions and proposes several broad hypotheses that could direct further research on the topic. Future studies in this area, in the form of content analyses, are required to clarify advertising's role in the marketplace during periods of economic contraction and growth.

Figure 2: A Theoretical framework for the adaptation of advertising messages to changing economic conditions



Based on Riffe, Lacey and Fico (2005); Quelch and Jocz (2009); Pollay (1983); Holbrook (1987, 1996); Kotler and Keller (2006); Albers-Miller and Gelb (1996); Albers-Miller and Stafford (1999); Stern and Gallagher (1990)

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Evaluative conditioning of consumer attitudes towards food technologies

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Evaluative conditioning of consumer attitudes towards food technologies

Abstract

Earlier post-hoc explanations suggest that evaluative conditioning may be able to change consumer attitudes towards food technologies. This study seeks to test the relationship between evaluative conditioning and consumer acceptance of new technology. Within an evaluative conditioning paradigm including between-subjects control groups in addition to standard within-subjects control conditions, participants were presented with three food technologies (conventional, enzyme, and genetic technology) paired with affectively positive, neutral, and negative images. Subsequent evaluative measurements revealed that EC is capable of explaining attitude change towards food technologies when affective images are used.

Keywords: *evaluative conditioning, consumer attitudes, food technology*

1. Introduction

Consumer attitudes towards food technologies play an important role in the adoption of new technologies. Previous research has addressed the question of what factors affect the acceptance of a particular technology as well as the underlying processes leading to acceptance or rejection (Olsen, Grunert, & Sonne, 2010). Attitude formation has been explained by bottom-up processes, explaining attitude to technology by a risk-benefit trade-off, and by top-down attitude formation (Frewer Scholderer, & Bredahl, 2003), explaining attitude to technology by categorizing them as instances of higher order attitude objects. All of these studies have relied on presenting consumers information (e.g., on benefits, risks, consequences) on the respective technologies, with various measures of consumer acceptance preferences, intention to buy, attitudes, beliefs (e.g. Lähteenmäki, Grunert, Ueland, Aström, Arvola, Bech-Larsen, 2002) as dependent variables. Thus, studies on consumer acceptance of food technologies merely mirror that consumer attitudes subsist but they do not account for how these attitudes are acquired and how they are modified. In other words, why do some consumers dislike particular food technologies while others like them resulting in rejection and acceptance respectively? The nature of the underlying process behind the acquisition and change of affective liking and disliking is theoretically anchored in classical conditioning, known as evaluative conditioning (De Houwer, 2007).

2. Evaluative conditioning

Evaluative conditioning is defined as a change in the valence of a stimulus (conditioned stimulus or CS) that is due to the pairings with another stimulus (unconditioned stimulus or US) (De Houwer, 2007). In a standard EC paradigm a neutral stimulus (CS) is paired with positive or negative valence images. The co-occurrence of positive/negative images (US) with a previously neutral stimulus (CS) results in a spillover of the positivity/negativity of unconditioned stimuli to the conditioned stimulus. Hofmann et al. (2010) explain the differences between EC and classical conditioning in the following way: (1) EC is assumed to take place without contingency awareness (Olson & Fazio, 2001) nevertheless EC effects were stronger for high than for low contingency aware participants; and (2) EC is resistant to extinction (Baeyens, Diaz, & Ruiz, 2005) though EC decreases after CS unaccompanied presentation. There is a significant body of EC literature on attitude acquisition of food preferences, suggesting that food likes/dislikes can be explained employing an EC paradigm (Kerkhof, Vansteenwegen, Baeyens, and Hermans, 2009). Furthermore, in addition to employing the standard picture-picture paradigm (visual stimuli) to examine food attitude formation, EC effects have been shown to exist using sensory liking (flavor), odors, and gustatory stimuli as USs (e.g. Hermans, Baeyens, Lamote, Spruyt, & Eelen, 2005). Although few scholars have alluded to EC as a post-hoc explanation to elucidate consumer acceptance of food technologies, nobody has yet applied an EC framework to study food technology attitude formation. Attitudes towards food technologies are widely divergent among consumers and yet little is known how attitudes can be modified. The research question this study wishes to address is, does evaluative conditioning work in the context of formation of attitudes toward food technologies? Does “simply” pairing up affective images (US) with a food technology (CS) spill over and result CS in acquiring evaluative quality of US? The aim of the present study is to take on an applied perspective by extending earlier evaluative

conditioning studies to empirically demonstrate that attitudes towards new food technologies can be changed.

3. Method

The study employed a between-subject control group as well as the standard within-subjects control condition in which the CS-US pairings were subject to a 3 x 3 Latin square design, thereby simultaneously controlling the effect of valence and technologies. Due to the applied nature of the current study, we sought to extend earlier EC studies in two ways: (a) we used three existing food technologies which are recognized to elicit variations in consumers evaluative measurements and which represent realistic options in real life settings; (b) we employed simultaneous CS-US presentations (Pleyers, Corneillel, Luminet, & Yzerbyt, 2007) as consumers are often exposed to positive/negative media coverage of particular technologies.

3.1 Participants

Participants (n=507) were recruited from Denmark using a consumer panel. Upon agreement to participate, participants were screened according to three inclusion criteria: (a) the participant had purchased bread for consumption during the previous four weeks; (b) the participant did fall into the age category of 17 or older and 40 years of age; and (c) participants had heard of all three food technologies.

3.2 Materials

The three CSs were different technologies used in food production. The three food technologies used were: conventional technology, enzyme technology, and genetic technology. The three technologies were selected to represent a wide range of perceived risk for the consumer, ranging from low risk associated with conventional technology to genetic technology that often evokes high perceived risks among consumers, and enzyme technology expected to be located between these two. Names for technologies were kept generic to avoid evoking different levels of concern based on differences in wording. The nine USs consisted of three positive, three neutral, and three negative pictures taken from the International Affective Picture System (IAPS) picture database. IAPS pictures have been used in many evaluative conditioning studies (Sweldens, van Osselaer, & Janiszewski, 2010) and are affective stimuli of normative affective ratings collected over 10 years. A pre-test (n =19) evaluating USs on Likert scales (1= very negative; 7= very positive) confirmed that the pictures with the highest ($M=6.92$; $SD= .27$) and the lowest ($M=1.16$; $SD= .51$) ratings were rated positively and negatively respectively, whereas pictures from the mid category were rated as neutral ($M=3.53$; $SD= .82$).

3.3 Procedure

Evaluative measurements of the three CSs were obtained using the following three items, rated on a 7-point Likert scale "using conventional/enzyme/genetic technology in food production is" (1=extremely bad; 7=extremely good); "using conventional/enzyme/genetic technology in food production is" (1=extremely foolish; 7= extremely wise); "I am ... (1= strongly against using conventional/enzyme/genetic technology in food production; 7 =strongly for using conventional/enzyme/genetic technology in food production). At the

beginning of the experiment, all respondents were provided with a brief overview describing the different technologies. The three evaluative measurement items for each CS were combined to an average score (Cronbach's alphas: conventional technology = .917; enzyme technology = .944; genetic technology = .953) and are referred to as the first evaluative measurement (**EM1**).

3.4 Conditioning phase

Participants were repeatedly presented with a simultaneous presentation (Pleyers et al., 2007) of positive, negative, or neutral images selected from the International Affective Picture System (IAPS) with different CSs (conventional technology, enzyme technology, and genetic technology) on a computer screen. To avoid demand characteristics, a cover story was presented to provide a plausible explanation for each phase in the experiment. In particular, participants were told that they will see a short newspaper headline and underneath an image that appeared in the newspaper article but they will not be seeing the actual newspaper text: just a headline and an image. With this procedure, the aim was to condition attitudes towards the respective technology, based on the hypotheses that the technology would take on the valence of the paired images. Following Baeyens et al. (2005), there were two possible presentation schedules, which varied according to the condition the participants were assigned to

3.4.1 Paired condition

A 3 x 3 Latin square design was used, thereby simultaneously controlling the effect of valence and technologies. The three treatment conditions, ensuring that each CS was paired with all three USs across participants, consisted of pairing groups featuring either: (G1) conventional (N), enzyme (-), and genetic (+), (G2) conventional (-), enzyme (+), and genetic (N), and (G3) conventional (+), enzyme (N), and genetic (-). The experimental design comprised nine combinations of levels of treatment and blocking variables. A random CS-US assignment was used for each respondent. For a given participant, an arbitrary CS picture was always paired with the same US picture. The CS-US assignments were presented 7 times intermixed with 4 CS-only trials, presenting a total of 33 presentation trials in randomized order. Each CS-US trial consisted of a presentation of one CS positioned as a headline under which a US was interposed. Each of the seven CS-US pairs was displayed on the computer screen for 1 s and was directly followed by a dark screen for 1,500 milliseconds.

3.4.2 Unpaired condition

The participants assigned to the block/sub-block condition received this condition. CSs and USs were paired according to the same criteria as in the paired condition, however, this time the selected CSs and USs were not presented in a contiguous or contingent pattern. Instead, CSs and USs were separated and presented in two isolated blocks (CS block and US block). Within each of these blocks, each stimulus was paired with itself (7 times in CS blocks and 5 times in the US blocks) using the same parameters as in the CS-US trials of the paired condition. Thus, the sequence looked as follows: simultaneous presentation of stimulus with itself for 1 s, followed by a black screen for 1,500 milliseconds, and so on, until that stimulus had been presented 14 times in the CS block and 10 times in the US block. Half of the participants saw the CS block followed by the US block and the rest saw the US block before the CS block (Baeyens et al., 2005).

3.5 Post-acquisition phase

After the conditioning phase, the second evaluative measurement was collected (**EM2**). An exact replication of the first evaluative measurement took place, where a given CS was presented in the centre of the screen (the size corresponding to the conditioning phase), and beneath the CS respondents were asked to indicate their attitudes towards the CSs using the same three items as in the pre-conditioning phase (Cronbach's alphas: conventional technology = .905; enzyme technology = .932; genetic technology = .927). The evaluative measurements given at this stage are referred to as the second evaluative measurement (**EM2**).

3.6 Contingency Awareness

Participants subsequently completed questions similar to the ones used by Baeyens, Eelen, Crombez, and Van den Bergh (1992) about each CS. The questions assessed participant's knowledge of the CS/US contingency relationship. Participants rated each CS on four items: (1) "do you think that it was followed by a particular image?"(yes; no; don't know); (2) "indicate whether it was consistently presented with positive, negative images, or neutral image during the first phase of the experiment" (possible answer included "don't know"); (3) "please choose from the following list of images which image it was paired with"; (4) item measured the level of certainty of participants decision (1= completely unsure; 7 =completely sure). A response that was both accurate for all three questions and very confident received a score of 3; a response that was only accurate on the picture selection question received a score of 2; and a response that was inaccurate all the way received a zero score. Scores for each participant were then totaled, giving a potential range from 0 – 9 with higher numbers indicating higher contingency awareness.

4. Results

We began the analysis by running a repeated measure MANOVA to test the effect of experimental group (G1, G2, G3, or BSB) and moment of evaluative measurement (EM1 and EM2) on attitudes towards the three technologies (conventional, enzyme, and genetic technology).

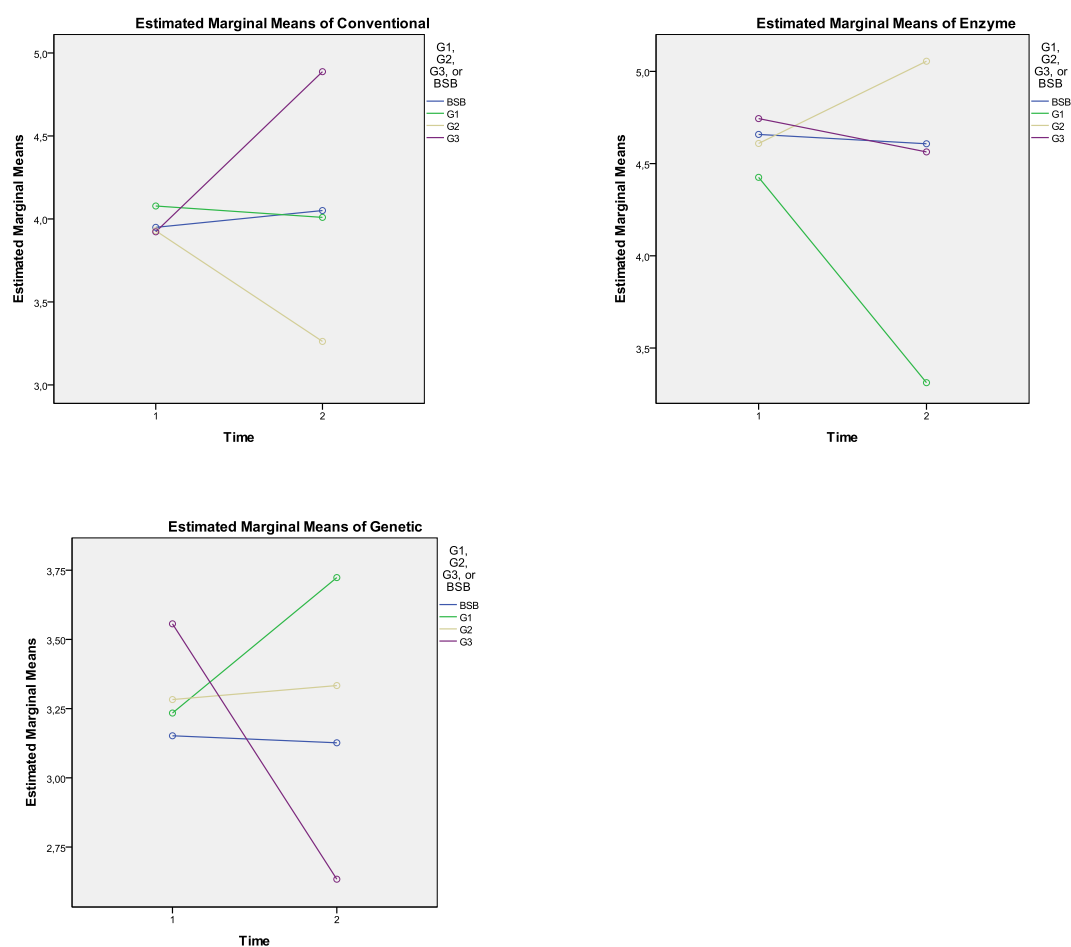
Table 1: Mean evaluative measurement of (standard deviations) conventional, enzyme, and genetic technology across pairing groups before and after conditioning phase

	G1			G2			G3			BSB		
	C	E	G	C	E	G	C	E	G	C	E	G
1 st	4.08 (1.2)	4.43 (1.2)	3.23 (1.4)	3.93 (1.3)	4.61 (1.2)	3.28 (1.5)	3.92 (1.3)	4.74 (1.2)	3.56 (1.6)	3.95 (1.1)	4.66 (1.2)	3.15 (1.3)
2 nd	4.01 (1.1)	3.31 (1.5)	3.72 (1.6)	3.26 (1.6)	5.06 (1.4)	3.33 (1.4)	4.89 (1.6)	4.56 (1.1)	2.63 (1.5)	4.05 (1.1)	4.61 (1.2)	3.13 (1.2)

This analysis indicated a significant interaction between moment of evaluative measurement and experimental group, $F(9, 1509) = 33.76$, $p < .001$. This indicates that for different pairing groups the evaluative measurement was different before and after evaluative conditioning task. Contrasts were used to break down this interaction, revealing a significant effect of pairing group when comparing conventional technology before and after EC task, $F(3, 503) = 39.35$, $p < 0.001$, $r = .27$ ($d = .5$), enzyme technology before and after EC task, $F(3, 503) =$

43.04, $p < 0.001$, $r = .28$ ($d = .6$), and genetic technology before and after EC task, $F(3, 503) = 30.74$, $p < 0.001$, $r = .24$ ($d = .5$). Univariate tests confirmed the interaction between evaluative measurements and pairing for each technology. We also observed a significant between-subjects effect for pairing for technology: conventional technology, $F(3, 503) = 12.04$, $p < 0.001$ and enzyme technology, $F(3, 503) = 19.96$, $p < 0.001$, but not for genetic technology, $F(3, 503) = 2.33$, $p = .073$, *ns*. For the BSB group, a repeated measure MANOVA for the three CSs (EM1, EM2) was conducted and as expected no significant results were obtained for conventional technology, $F(1, 78) = 1.62$, *ns*; enzyme technology, $F(1, 78) = 1.52$, *ns*; and genetic technology, $F(1, 78) = .66$, *ns*.

Figure 1: *Evaluative measurements of conventional, enzyme and genetic technology before and after EC across different pairing groups*



Although not the focus of this study, results pertaining to contingency awareness for the BSB group revealed that all participants did, as expected, not believe that CSs were followed by a particular picture. In the paired conditions (G1, G2, G3), answers to the four questions revealed that when CSs were paired up with positive or negative USs, participants had noticed that each CS was frequently followed by a particular picture with a determined valence. In addition, participants accurately selected the picture the CSs were paired with and indicated a high level of certainty (range from 5.89 to 6.21). A different picture emerges when CSs were paired up with neutral USs. Although participants had noticed that each CSs was frequently followed by particular picture, participants indicated an incorrect valence.

5. Discussion and conclusions

The present study clearly supports previous post-hoc explanations (Grunert et al., 2004; Scholderer et al., 2006; Olsen et al., 2010) that EC is capable of explaining the formation of modification of attitudes towards food technologies when affective images are used. Extending the results of previous research, which alluded to EC as a post-hoc explanation to explain the effect of positive sensory experience on changing consumer attitudes towards food technologies, the study provided evidence for both positive and negative attitudinal conditioning. On the one hand, positive conditioning effects occurred when food technologies were paired with positive images, producing favorable attitudes. On the other hand, when participants were exposed to the pairing of food technologies with negative images, evaluative measurements revealed more negative attitudes. Furthermore, the results did not depend on contingency awareness. However, the present study was only a first step in demonstrating evaluative conditioning effects on consumer attitudes towards food technologies. Future studies should examine further evaluative conditioning characteristics such as resistance to extinction and product related settings.

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Market orientation in the emerging and advanced economies

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Market orientation in the emerging and advanced economies

This paper is devoted to the analysis of market orientation concept as opposed to the market development capabilities in the emerging and advanced economies. The term market orientation is already well known, while during 1990s academics contributed significantly to the conceptual development of market orientation as well as to its operationalization and empirical research. However, relatively few attention was paid to its analysis in the emerging countries and nothing was done to test this concept simultaneously in the emerging and advanced economies. However, market orientation concept may be not appropriate for emerging economies due to their specifics (Sheth 2011). Basing on this, in this paper we want to analyze the concept of market orientation as opposed to market development capabilities in the emerging and advanced economies and elaborate the model for the future research.

Key words: market orientation, market development capabilities, measurement, emerging economies, advanced economies

1. Introduction

Despite the fact that market orientation has been actively studied during 1990s, almost all the research was focused on advanced economies, where this concept yielded positive results for company performance. Only recently has this situation been corrected (Ellis 2005; Zebal & Goodwin 2011; Kirca 2009; Dwairi et al. 2007). At whole, these studies demonstrate that the higher the maturity of the economy, what also means that market turbulence diminishes and competitive intensity increases, the higher the effect of market orientation on business performance. However, Sheth (2011) goes further and declares that five key characteristics of emerging markets which include market heterogeneity, sociopolitical governance, chronic shortage of resources, unbranded competition and inadequate infrastructure are so different from that of advanced economies that we need to rethink the marketing perspective and the core guiding strategy concept in general. In particular, he says that for emerging markets it is more actual to speak about market development rather than about market orientation. However, this contradicts to previous studies exploring market orientation in emerging countries. But we should note that these previous studies were focused exceptionally on the emerging countries neglecting the advanced, what does not make possible direct comparison. This stipulates the reason d'être and the goal of the research – we want to check the idea of Sheth in practice comparing the links between market orientation and market development capabilities of Russian and Finnish companies and to find whether it is really worth saying that for emerging markets market development concept is more actual. In addition, this aim necessitates our theoretical contribution, while currently the market development concept was not operationalized and there is no scale for it.

2. Emerging and advanced economies: where is the difference?

Emerging and advanced economies are often opposed to each other. Among the features of emerging markets are such as lower household incomes, occurring structural changes in the economy, fast economic development and reform programs under way, less mature stock and bond markets (Schwab 2012). Besides this, Sheth (2011) says that most of the emerging markets are highly local and ruled by faith-based sociopolitical institutions, have underdeveloped infrastructure and suffer from lack of resources. In such countries the competition often arises from unbranded products or services, while buyer decisions are often based on prices, rather than on brands. Therefore, many assumptions which are right for the developed countries may be false here.

Thus, we may suppose that, on one hand, the core marketing assumptions may be wrong in such countries due to their specifics and, on another hand, their growing significance in the world context and the higher attention of the world largest companies to them allow us declare high actuality and novelty of this study.

As for the classification of countries different international organizations classify countries by different factors (World Bank, United Nations, International Monetary Fund). At whole, the classification by the IMF seems to be the most appropriate for our research. Firstly, the IMF operates by three criteria, not being limited to GNI only. Secondly, it operates with more modern notion (in our opinion, “transition economies” seems a little bit obsolete taking into account the modern economics situation). Finally, such terms as “emerging” markets/economies are more often used by the authors we cite (Sheth 2011; Kirca 2009). At the same time, there are some authors operating with such terms as “developed” and “developing” countries (Ellis 2011; Zebal & Goodwin 2011; Ellis 2005), but this does not change a lot, while all these classifications are overlapping to certain extent. However, we will operate with the IMF classification, for the reasons mentioned above.

3. Market orientation: theory and operationalization

It is considered that market orientation concept stems from the “marketing concept” (Kohli & Jaworski 1990; Ruekert 1992; Lagerty & Hult 2001). The marketing concept means that is a management concept that views the whole business from the customer point of view (Felton, 1959). However, it was not Felton who firstly introduced this term. Indeed, it was McKitterick (1958), but neither of them, is often referred to as the primary source, as it is in the case with Drucker who stated

that the only aim of the business is to “create customer” (1954, p. 37). The marketing concept was further developed by such authors as McNamara (1972), Houston (1986).

However, before 1990s, few empirical works had operationalized the marketing concept, prompting Day to remark that “the marketing concept has been more an article of faith than a practical basis for managing a business” (Day 1994, p. 37). As a result, during 1990s academics contributed significantly to the conceptual development of market orientation as the operationalization of the marketing concept and to its empirical support.

During this period three main approaches to market orientation were crystallized: as a set of behaviors exhibited by organizational members, as a set of activities carried out in the organization, or as an entire organizational culture. Narver and Slater (1990) present market orientation MO as consisting from three behavioral components - customer orientation, competitor orientation and inter-functional coordination - and two decision criteria – long-term focus and profitability (the so called culturally based behavioral perspective). Kohli and Jaworski (1990, 1993) define market orientation in two ways: from literature-based and from field-based perspective. From the first one, it includes customer focus, coordinated marketing and profitability. From the second one, it consists from activities: market intelligence generation, market intelligence dissemination and organizational responsiveness to the generation and disseminated intelligence (the market intelligence perspective). The third approach (Deshpandé et al., 1993) regard market orientation in the context of organizational culture and innovativeness (the customer orientation perspective).

However, despite so many approaches to market orientation, there is no common definition, what stipulates the issue of its operationalization. Here there two main - MKTOR developed by Narver and Slater (1990) and MARKOR developed by Kohli, Jaworski and Kumar (1993). The former initially included three behavioral components, (customer orientation, competitor orientation and interfunctional coordination) and two decision criteria, (a long-term focus and a profit objective), but later they were neglected but to their low Cronbach Alpha, and now MKTOR includes 14 items. MARKOR includes three components (intelligence generation, intelligence dissemination, and responsiveness) initially measured by 32 items, which were later reduced to 20 items. MARKOR was criticized a lot, for example, for collapsing of the factors of intelligence dissemination and responsiveness into a single factor (Farrell & Oczkowski 1998).

There were attempts to improve this scale (Deng & Dart 1994; Pelham 1997; Lado et al. 1998; Gray et al. 1998; Zebal & Goodwin 2011). However, all of them were criticized and did not gain enough popularity, and, thus, we will base our study on MKTOR and MARKOR. As for choosing one of these scales, the studies shows that from the statistical viewpoint, MARKOR’s reliability is lower than MKTOR (Pelham 1993; Pelham & Wilson 1996). Oczkowski and Farrell (1998) showed higher predictive ability of the MKTOR scale. In our opinion, these two scales serve as the benchmarks for all others and both should be used. Indeed, it was demonstrated that the combination of these two scales (without one item on interfunctional coordination) marginally outperforms both MARKOR and MKTOR (Farrel 2002).

4. Marketing capabilities: theory and operationalization

Over the last decade, a growing number of studies have analyzed highlighted the role of marketing capabilities in achieving firm competitive advantage. Basing on the resource-based view of the firm (Barney 1991; Grant 1991; Peteraf 1993; Wernerfelt 1984) and the capability-based view of the firm (Grant 1996; Prahalad & Hamel 1990; Teece et al. 1997), the row of researchers showed that marketing resources and capabilities can contribute to the creation of a competitive advantage because they may be rare, difficult to achieve, difficult to replicate and have value appropriability by the organization (Dutta et al. 1999; Hooley et al. 2005; Hunt & Morgan 1995; Vorhies et al. 1999; Weerawardena 2003a).

Marketing capabilities have been defined as “the integrative processes designed to apply collective knowledge, skills and resources of the firm to market-related needs of the business, enabling the business to add value to its goods and services, adapt to market conditions, take advantage of market opportunities and meet competitive threats” (Vorhies 1998 p. 4). However, there

may be different classifications of marketing capabilities, but all of them are based on the assumption that the capabilities are exercised through specific marketing processes. For example, Day (1994a) distinguishes between market sensing and customer-linking capabilities, what is quite close to market orientation: the first refers to the ability of a company to identify customers' needs, the second refers to the ability to build relationship with them. Other authors claim that market oriented companies have common ability to learn from the market (Li & Calantone 1998; Slater & Narver 1995; Weerawardena, 2003 a,b).

What specific marketing capabilities would a market-driven business develop?

The first area is market information management research defined as the set of processes needed to discover broad-based market information and to develop information about specific customer needs, and to design marketing programs to meet these needs and market conditions. The second area is concerned with discovering and serving market segment. The third area is product development, meaning firm ability to design new products that can meet both current and future customer needs, and can meet internal company goals and hurdles, and which are able to outperform competitors' products. The next component is pricing needed to competitively price the firm's products and services and monitor prices in the market. The fifth capability is the management of the firm's channels of distribution. This capability means firm ability to find and develop relationships with distributors, including their support. Selling ability of a company denotes its ability to train and develop the skills of their salespeople and representatives. Promotion refers to advertising, sales promotions, personal selling activities and branding activity of a firm used to communicate with the market and sell the product. Marketing planning capability denoted firm ability to develop marketing plans taking into account possible changes on the market. The last area is marketing implementation focusing on resource allocation, strategy implementation and monitoring of the results. This conceptualization encompasses nine market development capabilities being both important and effective, since a capability that is not important cannot serve as a basis for competitive advantage and a capability (by definition) must be performed effectively (Day 1994).

As for operationalization, this area is quite new. Although, certain efforts were done in this direction (Vorhies & Morgan 2005; Vorhies & Harker 2002), but we have to develop and test our own scale encompassing these nine dimensions (35 items totally). Although, we regard all these dimensions as important, we may support that later their number will be reduced.

5. Theoretical model

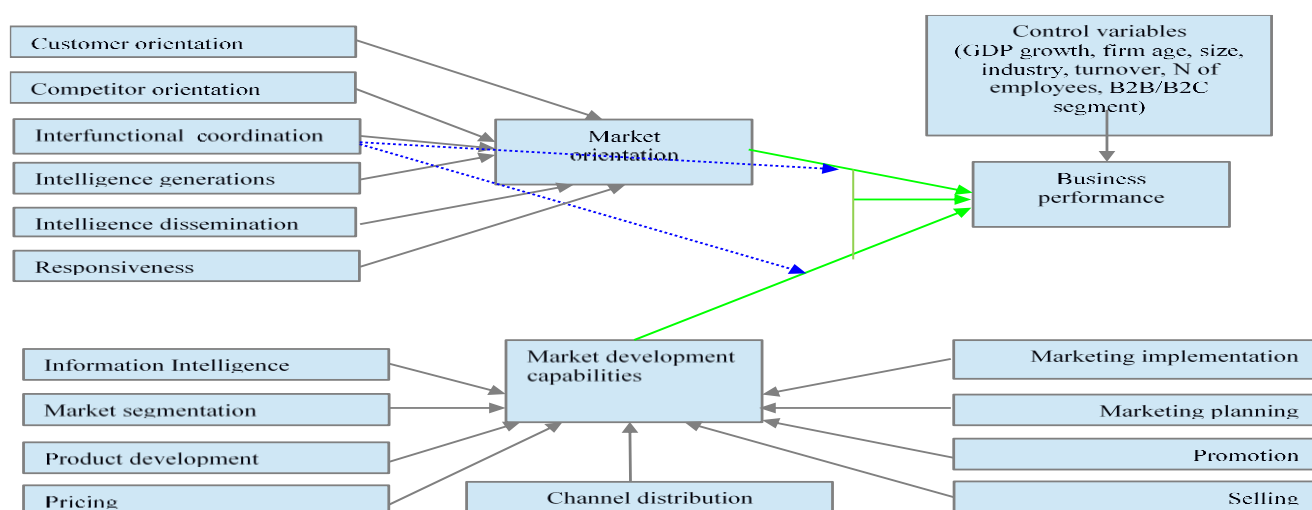


Figure 1. Market orientation, market development capabilities and business performance of a company (conceptualization).

Basing on the analysis of literature, in our theoretical model (see Fig. 1) we suppose that both market orientation measured by MKTOR and MRKOR scales and market development

capabilities measured by MDCap scale positively affect business performance of a company measured by sales, revenue, net profit and market share, but their influence will be different in emerging and advanced economies. As for the scales, these are only preliminary variants, which will be tested and, probably, reduced.

At whole, basing on the analysis of previous studies, we are supposing to test the following hypotheses:

H1a: The positive relationship between market orientation and business performance of a company is higher in the advanced countries rather than in emerging countries.

H1b: The positive relationship between market development capabilities and business performance of a company is higher in the emerging countries rather than in advanced countries.

H2: Components of market orientation are directly and positively related to business performance of a company.

H3: Interfunctional coordination moderates the positive relationship between market orientation and business performance of a company.

H4: Components of market development capabilities are directly and positively related to business performance of a company.

H5: The interaction between a firm market orientation and market development capabilities is positively related with business performance of a company.

6. Research design

To test the hypotheses mentioned above the online survey of the companies from different industries in Finland and in Russia will be conducted. The link to the survey will be e-mailed and sent to CEOs and CMOs of these companies. However, the survey will be preceded by pre-tests, the aim of which is to verify the scales of both market orientation and market development capabilities. The pre-test will be hold in the same format.

7. Potential contribution

The contribution of this work may be divided into two parts: theoretical and practical. From theoretical point of view, this work is valuable, first of all, by the elaboration of the market development capabilities concept as well as by its operationalization, based on the work of Day (1994). However, we need to test whether all the components are really part of market development capabilities. As for market orientation, we suppose to measure it in a new way, combining both MKTOR and MRKOR scales. Besides this, we suppose to test whether interfunctional coordination and other components are part of market orientation concept.

From practical point of view, this work is useful for the managers of companies in the elaboration of marketing strategy if they are planning to enter or are already operating on the foreign markets which are different by the stage of development from their home markets. Specifically, this study will be useful in answering such questions as how the company should act introducing new products: should it only capture value being only market oriented or should it create and co-create value by developing the market?

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**4th EMAC CEE REGIONAL CONFERENCE
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What are the characteristics of a good ad for children aged 9 to 12? Creator's and parents perspective.

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What are the characteristics of a good ad for children aged 9 to 12? Creator's and parents perspective.

Abstract

The purpose of the present paper is to discover the main characteristics of a good ad for children aged 9 to 12 in the opinion of creators of ads and parents. 15 creators and 36 parents of children aged 9 to 12 were included in this exploratory study. The results of the study reveal that the most important characteristic of a good ad according to creators' opinion was ethical acceptance; following characteristics were remembering the ad and drawing child's attention. The latter two characteristic were the most important for parents, it followed child's desire to purchase advertised product. Results suggest the importance of investigating different perspectives in defining a good ad for children.

Keywords: advertisement, children, creators of ads, parents, ethics.

1 Introduction

Advertising represents an important way for companies to communicate with their existent and prospective clients and is a part of promotional mix which besides advertising consists of direct marketing, interactive/internet marketing, sales promotion, publicity/public relationships and personal selling (Belch & Belch, 2004). Child-targeted advertising is defined as advertising that appears in media in which 50% or more of the audience is between the ages 2 and 11 years (Peller, Kolish & Enright, 2009).

1.1 *Children's exposure to advertising*

Advertising to children was and still is one of the most controversial topics in marketing. Children are exposed to media each day – television, radio, the newspapers, jumbo billboards and the most common these days internet. Indeed, according to recent study, the average child aged 6 to 13 years watches on average approx. 3 hours of television per day (Jordan, Hersey, McDivitt & Heitzler, 2006), according to parents, children watch an average of 1,8 h of mixed programming per day (Fitzpatrick, Burnett & Pagani, 2012). In 2004 children were exposed to around 25.600 TV ads per year, whereas older children aged 6 to 11 watched 26.000 TV ads a year, in comparison to 1977 when they watched 22.000 TV ads (Holt, Ippolito, Desrochers & Kelley, 2007). Moreover, across a typical day youngsters aged 8 to 18 devote an average of 7 and a half hours using “entertainment media” (Rideout, Foehr & Roberts, 2010). Thus advertising on kid-based web sites became both a rapidly growing market for consumer companies and a concern for parents. With a click on an icon, children can link to advertisers and be granted tremendous spending power (Austin & Reed, 1999). Already in early 90's it has become clear that marketers are becoming increasingly focused on children, not only because children are consumers themselves, their power to influence parent purchases have increased over time (Caruana & Vassallo, 2003; Calvert, 2008). One study on USA sample found, that children influenced on at least 43% of all purchases parents made (Cooper, 1999). Their impact depends on the type of product and decision stage. Children and teenagers have big influence when they are primary consumers (e.g. clothes, toys, snacks, cereals, school supplies). They also have great influence on the purchase of products for family leisure (Atkin et al., 1983; in Lee & Beatty, 2002).

1.2 *Advertising to children aged 9 to 12*

Creating ads for children aged 9 to 12 is especially challenging for advertisers, since this period represents a boundary between childhood and adolescence. Moreover, children in this age begin to establish their own opinion about ads. Children younger than eight are especially vulnerable because they lack the cognitive skill to understand the persuasive intent of television and online advertisements (Calvert, 2008). In order to achieve mature comprehension of advertising messages, they have to acquire two key information-processing skills – discrimination of commercial from non-commercial content and ability to attribute persuasive intent of advertising and use certain degree of scepticism to their interpretation of advertising. These abilities develop over time as a result of cognitive and intellectual development (John, 1999). Thus by the age of 8, children seem to distinguish content from ad (Gunter & Furnham, 1998; Chan, 2000), although the purpose of advertisement is not fully understood even by many 10-year-olds (Oates, Mark & Gunter, 2002). Research shows that at 12 years, majority of children realized persuasive intent of ads (O'Sullivan, 2005).

Advertising to children is according to Fletcher (2004) topic that needs special attention for several reasons: no other market is so diverse and does not change so fast, no other market is so regulated by law and no other market is so under attack from political pressure and wants to hinder or completely waive advertising to children. Arguing about advertising to children encouraged the

advertising industry to restrict this area. In 1970 they wrote directions for advertising to children and established Children's advertising review unit. Directions were last reviewed in 1983. Wells, Burnett & Moriarty (1989) summarized five basic directions for advertising for children: advertisers should always consider children's level of knowledge, intelligence and maturity of target age group of children; they should not stimulate unrealistic expectations about quality or characteristics; information should be given in realistic and acceptable manner with total awareness that child can imitate ads in real life; with regard to fact, that advertisement influences social behaviour of kids, it is recommended to create ads that stimulate positive behaviours like friendship, kindness and honesty. Although advertisement influences personal and social development of children, the main responsibility however is on parents to guide their children, but advertisers should constructively contribute to the relationship: parent-child. Parents of children aged 9 to 12 are still playing an active part in effecting children's wishes and preferences, they also spend a lot of time with children, which means that they have the power to influence children's comprehension and perception of ads. Research shows that although parents of teenagers still made the final purchase decision, children have the chance of selecting between two different alternatives (Lee & Beatty, 2002).

1.3 Characteristics of a good ad for children

One study on processing commercial messages of children aged 7 to 12 found, that ads should be entertaining and not necessarily funny (Panwar & Agnihotri, 2006). Results from other study suggest, that the most important component affecting the likability of ad is protagonist or model in ad, especially cartoon creatures (Kenneth, Maas & Nisenholtz, 2005). among other important features are also music, songs and slogan (Panwar & Agnihotri, 2006) or colours used in ad (Lichtlé, 2007). Especially music as universal language for children all ages plays an important role. It doesn't have to be children's music; it can be also hip-hop, reggae or rap (Kenneth, Maas & Nisenholtz, 2005). Studies also suggest that children remember good ad and discussed them with friends (Panwar & Agnihotri, 2006), good ad should attract child's attention, for the reason that young viewers need enough time to comprehend the main message of ads (Gunter & Furnham, 1998), besides that studies show that children's attention tend to drop during ads to a greater extent than do that of adults (Schmitt, Woolf & Anderson, 2006). Results from other studies show, that it is also important to show the benefits of using the advertised products (Del Vecchio, 2004) and to give useful information about the product. Preston (2004) explains that ads can explain children what does the products mean, where to buy them and things you can do with them. A good ad for children should definitely be morally and ethically acceptable. Advertising to children should be effective and socially responsible at the same time (Kenneth & Maas, 2005).

The purpose of the present exploratory research is to determine the most effective way of communicating through ads with children aged 9 to 12 years. We want to determine the main characteristics of good ad in creators and parent's opinion, compare those opinions, find differences and common points in comprehension of good ad and on the basis of that define more general characteristics of good ad for children aged 9 to 12 years.

2 Method

2.1 Sample

Two groups of participants, closely linked to the advertising for children were included in study. First group consisted of three subgroups: 5 editors of magazines for children and youth (editors), 5 from companies that advertise products for children (advertisers) and 5 from advertising agency involved in making creative ads for children (agencies). These subgroups were combined in one

and termed creators, for the reason that all of them participate in the process of making ads with strong interest in communicating with children and their parents.

Second group consisted of parents of children aged 9 to 12 years. A sample of 36 parents completed questionnaire (81% females). Half of them were over 40 years old, 14 aged between 35 and 39 and 4 aged between 30 and 34 years old. Majority finished high school or college, few of them had master in science or PhD. More parents included in study had boys (20) than girls, most of their kids were 12 years old ($M = 10,47$; $SD = 1,23$).

2.2 Instruments

Expert interview. Semi-structured interview was employed with creators of ads. First part of interview contained 7 questions and was designed to encourage the interviewee to express as many qualities of good ad for children aged 9 to 12 years as they remembered. They were asked to express their opinion about advertising to children, what characteristics does good ad for children have, how to make a good ad for specific age group and what do they find most difficult in creating ads for children in that specific age group etc. On these questions respondents answered free, we set further questions though in case their answers were not specific enough. Second part of an interview was more structured. On the basis of literature review we set ten baseline characteristics of a good ad and the respondent had to evaluate them on 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree) with specific characteristic (see also Table 1). In the next step respondents had to arrange all ten characteristics according to its importance from 1 (least important) to 10 (the most important) characteristic.

Questionnaire for parents. Questionnaire was employed to discover parent's attitude towards advertising for children. On the basis of results from interviews with creators of ads, we extended the primary list of characteristics of a good ad and the respondents had to evaluate each of them on 5-point Likert scale from 1 (strongly disagree) to 5 (strongly agree). In the next three questions respondents had to select three or two most important characteristics from each of three sets of features (elements of ad, description of ad, response to ad).

2.3 Procedure

The respondents from both samples participated on a voluntary basis and they were fully informed on the objectives and methods of the study. All of the participants were assured in the confidentiality of their responses. Research was conducted in five steps. First step was to set baseline characteristics from literature review. In the next step we conducted expert interviews, where we examined above mentioned characteristics and on the basis of interview answers extended them. Next step was the arrangement of extended characteristics in three groups (elements of ad, description of ad, response to ad). In final two steps we employ questionnaire with parents and combine all the answers in order to find common features and differences between groups.

3 Results

Results of the interview with creators of ads indicate that the majority (80%) of creators mentioned that good ad for children should be morally, ethically and legally acceptable. More than a half (60%) answered that a good ad includes mascot or cartoon figures and is also educational and informative. Other answers were that ads for children should trigger positive feelings in children, including kids their age, draws child's attention and is interactive, includes child. Less frequent answers were funny, in trend, using bright colours; rare answers were innovative, attractive, dynamic etc.

Table 1.

List of baseline characteristics and average ratings of importance of each characteristics

Baseline characteristics	M			
	Agencies (a)	Editors (b)	Advertisers (c)	a+b+c
Good ad for children aged 9 to 12 year...				
1 is morally and ethically acceptable.	7,60	9,60	8,20	8,47
2 immediately draws child's attention.	6,80	8,20	7,60	7,53
3 child remembers.	8,40	7,20	6,00	7,20
4 triggers pleasant feelings.	7,20	5,60	6,40	6,40
5 includes acting heroes, mascots, children.	5,00	5,60	5,40	5,33
6 stimulates desire to purchase the advertised product.	6,00	1,60	7,40	5,00
7 presents useful information about the product.	4,60	5,80	4,20	4,87
8 includes picture of product.	4,00	4,80	4,60	4,47
9 shows benefits of using the products.	4,40	4,60	4,20	4,40
10 is rewarded at advertising festivals.	1,00	2,00	1,00	1,33

As seen in table 1, creators as the most important component of a good ad estimated its moral and ethical acceptableness. Among other important features are also drawing children's attention, remembering the ad and triggering pleasant feelings. At least important component according to creator opinion was winning the price on advertising festival.

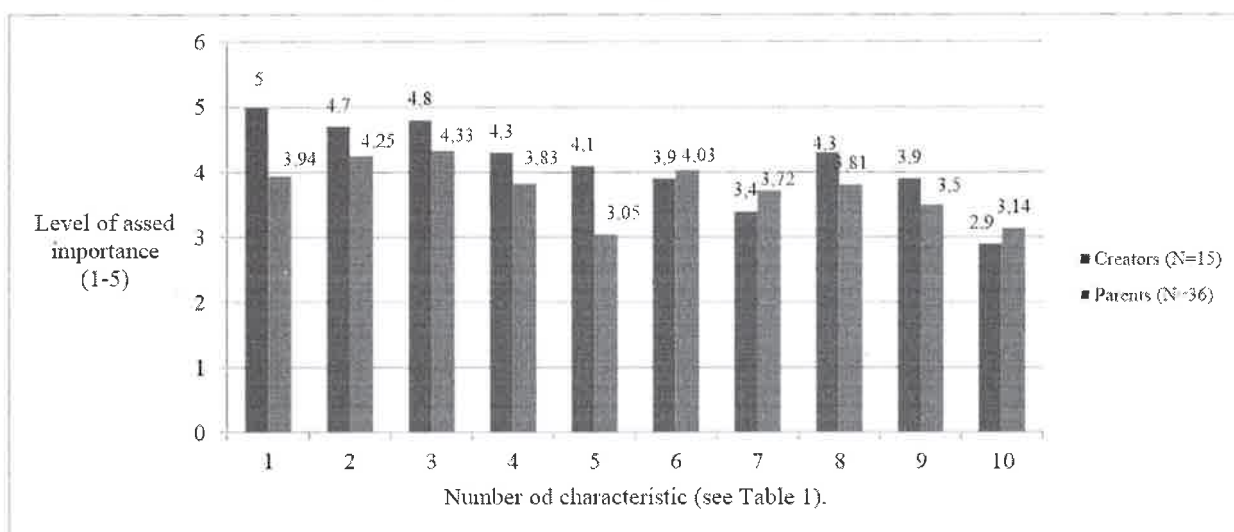


Figure 1. Comparison of average estimation of importance of each characteristic.

In figure 1 are shown average creators and parent's estimations of importance for each among ten above mentioned characteristics. Ethical and moral acceptableness was the most important characteristic of good ad for children according to creators opinion, whereas the most important characteristic for parents was that child remembers the ad and that it draws his attention. We also noticed tendency that almost all estimations are slightly higher for creators. Discrepancy in comparison of creators and parents opinion was the biggest for characteristic number 1 and 5, where creators in average estimated ethical acceptableness and incorporation of heroes, mascots and children as more important in comparison with parents opinion.

We then asked parents to select three of characteristic out of each group that they would consider when making ad for children. The results are shown in table below.

Table 2.

Most important features of a good ad in parents opinion

		f
Element	Shows benefits of using the product	24
	Includes children 9-12 years	24
	Shows usage of product	21
	Picture of product	16
	Includes animals	10
	Stimulate cooperation	9
	Includes cartoon characters	7
Description	Comprehensive	24
	Educational	22
	Ethically acceptable	18
	Funny	16
	Trendy	15
	Bright colours	9
	Aesthetic	4
Response	Draws attention	28
	Child remembers it	26
	Desire to purchase	7
	Incorporates feelings	7
	Wins a prize	5

According to the results, parents would make an ad, which includes kids as same age as target group and shows usage and also benefits of having/using advertised product. Ad needs to be comprehensive to children, educational and ethically acceptable. They also pointed out that a good ad child remembers and draws his attention.

4 Conclusion

Results of the present study indicate, that according to creators opinion, the most important characteristic of a good ad is its ethical and moral acceptance. Advertising to children still receives a lot of critics, especially on the field of food marketing (Kenneth & Maas, 2005), that is why their worries about ethics and moral are understandable. Moreover, they are obligated by law to make ads that are appropriate for children of specific age group and maybe that is the reason why parents (according to this research) don't give so much attention to ethics in creating ads for children in comparison with creators. Other greater discrepancy between parents and creators opinion was in inclusion of cartoon characters, where creators estimated that feature as more important. Cartoon characters in children ads we can also see as mechanism that draws child's attention - characteristic that was also evaluated as important in parents opinion. Other studies also suggest that good ad should draw child's attention (Gunter & Furnham, 1998). Parents and creators both agreed that good ad draws child's attention and remembers it. As at least important characteristics was in both opinions winning the prize at advertising festivals.

Limitations of present study are small sample and thus difficulties generalizing data on population. Another limitation may present the incomplete list of baseline characteristics, where possible that we didn't consider all of characteristics. Future research is needed to further explore different views in defining good ad for children. Including experts opinion from relevant fields (e.g. education, child development) and opinion of children in defining a good ad is recommended.

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An explorative study of the role of “ally” and “rival” brand communities in forming consumer perceptions of brands

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An explorative study of the role of “ally” and “rival” brand communities in forming consumer perceptions of brands

In this paper, a holistic picture of interlocked brand communities’ networks is described by developing the view of the ecosystem of brand communities. It is argued, that brand communities could form “ally” or “rival” networks, or be neutral. Using ethnographic methods the ecosystem of brand communities is explored on the basis of three Russian comic-cons. This work aims to trace the liaisons between ecosystem participants and explore the rationale behind brand communities’ networks emergence. The possible implications of the constructed theoretical propositions for brand community research and brand management are discussed in the remainder of paper.

Keywords: *brand communities, consumption collectives, brand ecosystem, comic-cons.*

1. Introduction

Consumption collectives gained considerable attention in current marketing studies (Cova & White, 2010; Acosta & Devasagayam, 2010) with brand communities being the most popular stream of research (Muniz & O'Guinn, 2001; McAlexander, Shouten, and Koenig, 2002). Yet, various consumption collectives are typically studied as separate entities and not looking at their interrelation. This paper presents a view of the ecosystem of brand communities in an attempt to provide a holistic picture of interlocked brand communities' networks. It is argued, that brand communities could form "ally" or "rival" networks, or be neutral. Using ethnographic methods the ecosystem of brand communities is further explored on the basis of three Russian comic-cons. The authors aim to trace the liaisons between ecosystem participants, explore the rationale behind brand communities' networks emergence, and investigate what drives consumers' attitudes towards the brand community they belong to and others that they are exposed to through participation in brandfests. The possible implications of the constructed theoretical propositions for brand community research and brand management are discussed in the remainder of paper.

2. Theoretical Background

Research on brand communities is grounded in studies of consumption oriented collectives, which are groups of consumers who self-select into a group that shares a commitment to a product class, brand, consumption activity, or consumer-based ideology (Schau et al., 2011). Brand communities are characterized as groups of brand admirers (Muniz & O'Guinn, 2001) for which the ultimate basis for existence is interest in the focal brand. Managers are said to have a significant level of control over their brand's community, and the core brand values are preserved and interpreted by customers in an expected or "conservative" way (Fournier & Lee, 2009). As brand community members are inclined to collaborate with marketers (Fuller, Matzler, and Hoppe, 2008), the value of these communities could be captured by the firm more easily. Subcultures of consumption, which are considered as another type of consumption oriented collectives, share some characteristics with brand communities, although the extent to which managers can influence these collectives is considered to be smaller. This feature is attributed to the existence of strong bonds between members of a subculture (Schouten & McAlexander, 1995) based on shared consumption activity; that is, for subculture members the value is embedded also in the social network and inter-personal communications surrounding consumption.

In practice, however, various consumption collectives are often interlocked as consumers could be members of several collectives simultaneously (McAlexander, Schouten, and Koenig, 2002). This phenomenon is referred to as multi-brand loyalty (Thompson & Sinha, 2008; Heere et al., 2011) and is argued to be a more adequate model to describe consumer relationships with brands in the real world (Felix, 2012). Multi-brand loyalty within brand communities received limited attention from researchers so far. Heere et al. (2011) build a multicommunity model; however, they consider customers' identification with the community through associated communities (customer's self-association with state, city, university, and a sports team) and do not map potential intersections between rival communities or communities organized around complementing goods. Thompson and Sinha (2008) explored customers' loyalty under pressure of simultaneous association with multiple brand communities. They found that active members of multiple competing communities are more likely to change their preferences to rival brands in case of lack of comparable products

from preferring brand. However, there is still lack of theoretical guidance on how intersections between different types of consumption collectives could be mapped.

Taking this into account, this paper calls for adoption of a more holistic perspective. We argue that types of consumption collectives could be considered as layers compounding an overall picture of modern consumption centered on specific brands, product class or activity. Taking into consideration a more broad perspective will help to trace the interrelations between members of a subculture of consumption, their integration into different brand communities within this subculture, and the attitudes they have towards their particular group comparing to rival communities within one subculture of consumption.

3. Ecosystem of Brand Communities

The new economy context with its emphasis on networks and alliances (Kelly, 1998) and the crucial importance of interactions that the firm has in the surrounding complex environment was embraced by business ecosystems researchers (Moore, 1996; Power & Jerjian, 2001; Iansiti & Levien, 2004). Moore (1996) defines a business ecosystem as an economic community supported by a foundation of interacting organizations and individuals – the organisms of the business world. According to the author, the interactions between different actors form the basis for business ecosystem establishment, where firms operate in mutually supportive way. Thus, network participants co-evolve within business ecosystems by employing both competitive and cooperative processes simultaneously (Hearn & Pace, 2006). In line with the business ecosystem theory, Leitch and Richardson (2003) presented a multidimensional brand web model, which concentrates on the relationships both within and between organizations. The authors acknowledge that brands exist in a complex environment where they operate in a network of relationships caused by interactions with multiple parties. Competitors' brands are included in the "brand community" zone of this web as they interact with the focal brand in a particular way (Leitch & Richardson, 2003). However, they state that co-opetition between them could be possible and mutually beneficial only in the "extended brand family zone" – a bundle of interdependent or ally brands. Hence, it is argued that the success of a brand is determined by how effectively competitors' brands from the "brand community" zone could be transferred to the "extended brand family" zone. However, the authors do not specify how the focal brand can benefit from the zone itself.

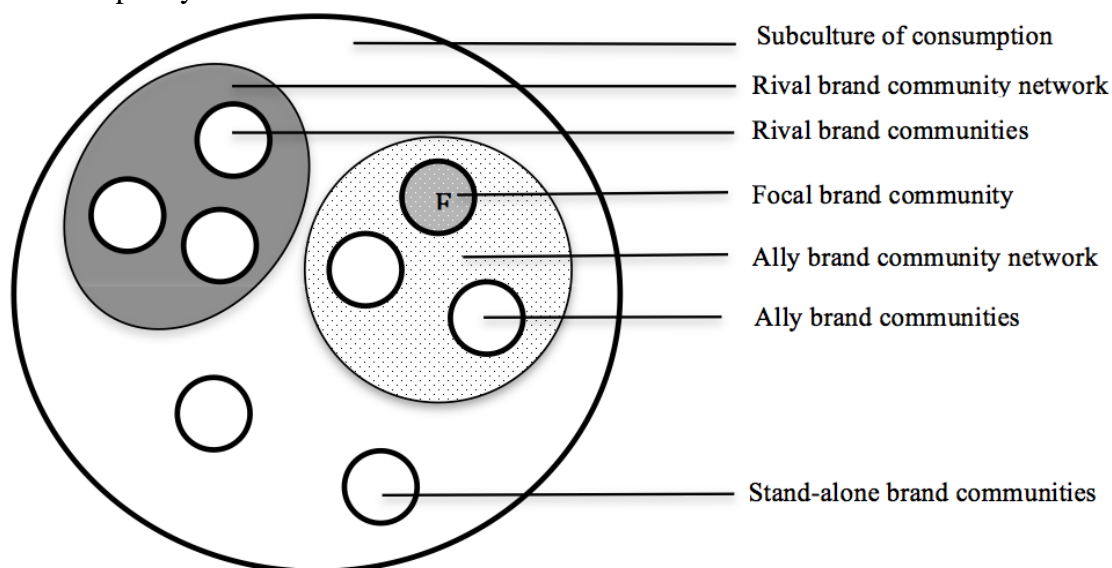


Figure 1. Ecosystem of brand communities (from the point of view of brand community F)

Based on the aforementioned concepts, we propose a view of the ecosystem of brand communities. As brands could share complementing values or represent accompanying products, a network of “allies” could be formed (e.g., Instagram and iPhone brand communities). Conversely, rival brand communities could compose “rival” brand community networks (e.g., Lomo and Holga photo cameras brand communities as a “rival” network to Canon photo cameras brand community). The stand-alone brand communities are not considered being neither “ally” nor “rival”. This view embraces a holistic perspective on consumption collectives. It acknowledges the network surrounding brand communities as well as multiple interactions between network participants (figure 1). The following ethnographic research explores the formation of an ecosystem of brand communities within comic art subculture of consumption to try to map the interrelationships between brand communities and to investigate the implications of attending brandfests for the focal brand community and the ecosystem as a whole.

4. Methodology

Brand communities are predominantly studied either in their “online” manifestation (Kozinets, 1997; Cova & Pace, 2006; Gummerus et al., 2012) or their “offline” manifestation, namely, brandfests (Schouten & McAlexander, 1995; McAlexander, Shouten, and Koenig, 2002; Ouwersloot & Odekerken-Schröder, 2008; Cova & White, 2010; Marzocchi et al., 2012). Brandfests are described as events that provide for geotemporal distillations of a brand community that afford normally dispersed member entities the opportunity for high-context interaction (McAlexander, Shouten, and Koenig, 2002). Brandfests could be an effective way of building up a sense of community (Bergkvist & Bech-Larsen 2010), strengthening customers’ loyalty through facilitating transcendent customer experiences (Schouten, McAlexander and Koenig, 2007), creating strong relationships with customers and increasing value for brand community members (Stockburger-Sauer, 2010). Typically, brandfests are organized around one focal brand. However, it is also possible to organize brandfests simultaneously around several brands on the basis of shared subculture of consumption, e.g., conventions, professional exhibitions and high-tech expositions. These events could be considered as brandfests since they unite dedicated brand community members in an event with the opportunity to interact, communicate, and share experiences.

A comic-con could be described as a convention of dedicated admirers of comic books, movies based on comic book characters, and science fiction devotees organized to provide the opportunity to interact both with other aficionados and with brand producers, share experiences and expand knowledge. Comic-cons enjoy high cultural influence and provide significant economic implications for various industries. For instance, the largest comic-con festival in San-Diego, USA, attracts hundreds of thousands of people to follow new product presentations, movie trailers, sneak peeks and advertising campaigns by television series producers, film makers, and toy manufacturers (Smith, 2010).

Consumption of comic books, science fiction literature, video games and television shows had attracted the attention of brand community researchers before (e.g., Kozinets, 1997; Kozinets, 2001; Bergkvist, 1989). It was shown that the hedonic and imagery elements of these brands help to create customer value through provision of transcendent customer experiences (TCEs) (Schouten, McAlexander, and Koenig, 2007). Such kind of experiences pulls customers out of their ordinary life and brings them joyful and extraordinary feelings. However, to our knowledge, there was no attempt to explore comic-cons as a physical manifestation of several brand communities at the same time.

Members of brand communities presented in comic-cons prefer to employ the term “fandom”, which Kozinets defines as a community with specific vocabulary, culture, and traditions (2001). The members of such communities could be described as people, who consume resistantly while physically gathered together into communities using creative and subcultural participatory acts rather than the consumption of mass-marketed objects (Kozinets, 2001). These creative acts are sometimes transformed into “cosplay” practice – reproduction in details of favorite characters from books, movies or games. Cosplay can give participants pleasurable experiences, meaningful memories, self-gratification, and personal fulfillment (Rahman, Wing-Sun, and Cheung, 2012).

The origin of the research set – Russian comic-cons – provides a significant opportunity to generalize results across hedonic services consumption. Historically, Russian consumers perceive comic books as a hedonic service (that is for leisure solely) with no additional meaning rooted into their cultural perception. Comparing to American culture of comic book consumption (Belk, 1989), Russians have no preconception towards comic books – they grew on other kinds of media. Thus, there are no associations with childhood or patterns of cultural values as it is for Americans or Europeans. Another important feature of the research set is the stage of development of comic-cons in Russia. Such kinds of events appeared recently and develop rapidly; however, they are still in the infancy stage comparing to USA conventions. It was, in particular, the ability to witness the birth of this phenomenon in Russia and at the same time to explore the possible future of this practice by looking at international events that made us choose this particular brandfest type as our research set.

As part of our research, we attended the three biggest comic conventions in Russia, which occurred in Moscow and Saint-Petersburg in the summer and early fall of 2012: Starkon in St. Petersburg (July 8-9); EveryCon in Moscow (September 8); and AVA EXPO in St. Petersburg (September 9). As a convention attendee, we were able to observe what the interviewees would call the “convention experience”, which varied depending on the size and location of the convention. Data collection included direct observation, nonparticipant and participant observation, personal interviews, life stories, and collective discussions. We selected informants purposefully according to the different fandoms that we identified in the course of the study. We also interviewed several of the organizers and business partners representatives which took part in the events. Personal interview duration varied widely, from 5 minutes to an hour. In total, 32 personal interviews were conducted. Additionally, series of interviews were taken online via the interface of the largest social network in Russia – “vk.com” immediately after the end of the festivals, resulting in 190 valid responses.

5. Conclusions

Our observations show that in all of the three comic-cons the brand communities when exposed to multiple other communities representing the same subculture of consumption indeed illustrated a tendency to form clusters, or brand community networks. According to existing theory, brand communities within a network should be highly homogeneous or at least share interest in the same consumption activities (e.g., playing video games, reading comic books, watching TV-shows). Yet, in our examples the community members identified their “ally” communities based on a different principle.

First, consumers identified their fandom or the one, which corresponded to their brand knowledge and interests the closest way. Afterward, they evaluated the number and range of all other brand communities to distinguish the biggest one in terms of size (e.g., Star Wars at Starkon), the strongest one in terms of sophistication and organization (e.g., Doctor Who at Starkon and AVA EXPO), or the one, which differed the most (e.g., My little pony at

EveryCon); those communities were later identified as rival communities. or a rival group of communities. Then, the remaining communities were ranged based on the degree of familiarity with the characters, and the overall similarities with their fandom; the most familiar and similar ones seem to communicate mostly amongst each other, support each other during contests, take pictures together, i.e., forming an ally network of communities.

This process can be referred to as self-organization based on known rivals. As a result, ecosystems of brand communities are formed, where each brand community would have its allies and rivals. According to our interviews, this distinction is in no way based on the desire for the focal brand to be presented alone in the event or a wish to eliminate competitive communities. On the contrary, the interviewees indicated that they are extremely happy and grateful to see other people, who like to express their love to various comic arts in the same way, whether or not they share the same interest in particular brands. Being exposed to rival communities based around brands that an individual dislikes or finds confusing appears to make the later appreciate his favorite brand more and form bonds with fellow members.

6. Discussion and Implications

Although more empirical research is required to conclude about the role of exposure to other brand community networks in the consumer's sense-making processes, brand preferences creation and overall value perceptions, it is safe to say that the ecosystem of brand communities is a factor worth considering, when creating and managing brand communities. Our examples show that once exposed to other brand communities within the realm of the same subculture of consumption, individuals tend to act differently to what one would have assumed otherwise. First, the presence of all the other communities enhances the linking value of brands by making the consumers feel they are a part of something bigger, a subculture, a lifestyle, a cult, etc. Then, by interacting with brand communities that share similar traits they get the chance to increase their value of consumption by learning about and trying complementary brands. Finally, the perception of both of the previously mentioned types of benefits seems to enhance, once exposed to rival brand communities in the same setting. We believe that further research is needed to estimate, whether self-organization of brand community networks based on the principle of known enemies is a pleasant bonus, interesting opportunity or a crucial antecedent to strong brand community formation.

As for the managerial implication of the findings, we see here a possibility to project the same conclusions onto managing product and corporate brands. It appears that strong brands tend to have known rivals (e.g., Apple and Samsung, Pepsi and Coca-Cola). Basing on the fact that brand communities seem to be created more often around corporate brands rather than product brands, we might infer that the later simply cannot provide enough linking value, otherwise known as brand symbolism. Hence, one step towards building a product brand's equity could be giving it known rivals and allies, a background story of a sort, to which a brand community could relate to and identify themselves within it; and a good way of doing so – is joining and initiating brandfests for a variety of brand communities.

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Socialising Consumers into Social Consciousness: Extending the Theory of Reasoned Action

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Socialising Consumers into Social Consciousness: Extending the Theory of Reasoned Action

Abstract

This paper empirically examines the effect that socialization and value co-creation have on recycling behaviors. Using the Theories of Reasoned Action and Planned Behavior, the study explored the effects of a number of influences of attitudinal and behavioral formation pertaining to recycling. Results showed a significant relationship between involvement, convenience, risk aversion, subjective knowledge, environmental concern and interpersonal influence upon attitudes and behaviors. The study found that value co-creation significantly moderates the relationship between attitudes and intentions. Youth socialization strengthened the relationship between environmental concern and attitudes. This was comparable to adult socialization. Organizations should therefore understand the role of these two variables and employ value co-creation and socialization tactics in order to assist with the increased adoption of recycling behaviors.

Keywords: Attitudes, Behaviours, Socialisation, Co-creation

Track: Consumer Behaviour

1.0 Introduction

Facilitating a change toward more environmentally sustainable consumption patterns has become an increasingly important trend in today's consumer-driven society (Thøgersen & Schrader, 2012; Schafer et al., 2011). Employing the use of conservation behaviours, such as recycling, promotes efficient and sustainable resource use (Datta, 2011; Chen & Chai, 2010). Research demonstrates the influence that attitudes have on behavioural change (Fishbein & Ajzen, 1980; Han & Kim, 2010). We are also aware that other factors extraneous to the Theory of Planned Behaviour (TPB), such as the strength of normative influences, impact attitudes (Hopper & Nielsen, 1991; Göckeritz et al., 2010). Socialisation is one such variable.

Socialisation is significant in developing subjective norms amongst consumers and is the process by which consumers acquire their skills, attitudes and knowledge (Moschis & Moore, 1979). As attitudes are developed partially by subjective norms, socialisation lends itself to being examined alongside behaviours. However, despite the importance of socialisation in understanding social norms, there is a lack of research that acknowledges this relationship. This study seeks to make an original contribution by assessing the role of socialisation in influencing (a) norms (b) attitudes and (c) behaviour.

Furthermore, we analyse the role of community involvement, via co-creation, in influencing the relationship between attitudes and behaviour. Understanding the role of consumer value co-creation and consumer socialisation in driving sustainable behavioural change provides us with a greater understanding of how these two constructs interact with the TPB (Ramaswamy & Guillard, 2010). The disparity between value co-creation and consumer socialisation in influencing consumer behaviour provides an opportunity to explore strategies most effective in influencing recycling. Therefore, this research will address the following objectives: (1) do attitudes, social influences and perceived behavioural control drive behavioural change, (2) what is the role of community involvement, via value co-creation, in influencing the relationship between recycling attitude and intentions and (3) what is the role of consumer socialisation in changing (a) social influences and intentions.

2.0 Literature Review and Hypotheses

Influencing attitudinal change in consumers is fundamental in transforming their behavioural tendencies (Fishbein & Ajzen, 2010; Anilkumar & Joseph, 2012). The theory of reasoned action (TRA) analyses the effect of an individual's beliefs and norms on their attitudes, intentions and consequently, behaviours (Ajzen & Fishbein, 1980). The aim is to understand and better predict behaviour (Peslak et al., 2010). The theory of planned behaviour (TPB) is an extension of the TRA as it incorporates perceived behavioural control (Ajzen, 1991). This theory provides a more useful analysis for managing and influencing behavioural changes (Yzer, 2012).

H1: An increase in the consumer's perceived behavioural control will lead to an increase in their recycling behaviour.

Attitudes refer to the consumer's favourable or unfavourable evaluations that influence their readiness to act (Ajzen, 1991).. We examine consumer's evaluation of recycling behaviours. Ajzen and Fishbein (1980) have warned that one must not use general attitudes to predict specific behaviours. Therefore, this study will assess specific recycling attitudes:

H2: A positive attitude toward recycling will lead to positive recycling intentions.

Ajzen and Fishbein (1975), indicate that the consumer's intention to behave determines their actual behaviour. A consumer's intention acts as a predictor for behaviour and as such have been used consistently in research to predict behaviours (Ajzen, 1991; Chintagunta & Lee, 2012; Ajzen & Fishbein, 1975) and as a proxy for behaviour (Pino et al., 2012).

H3: A strong level of recycling intentions will lead to recycling behaviour.

Subjective norms have been shown to influence attitudes, which subsequently influence the purchase behaviours (Ajzen, 1991; Ajzen, 2002; Badugu & Masih, 2011). Empirical evidence has suggested that consumers that have a positive attitude towards a product will influence the formation of attitudes of those who surround them (Tarkiainen & Sundqvist, 2005). Therefore, it is plausible that an increase in the individual's recycling advice from family, friends and colleagues will increase recycling attitudes.

H4: An increase in subjective norms will increase recycling attitudes.

While the TPB has demonstrated that attitudes, beliefs, subjective norms, intentions, attitudes and perceived behavioural control can influence consumers' behaviour (Miller, 2005; Manstead 2011), so can a collection of other psychographic constructs. The literature has also explored factors such as convenience, price consciousness, product involvement, risk aversion, environmental concern, environmental knowledge, interpersonal influence, value co-creation, and consumer socialisation in influencing consumer attitudes and behaviour (Tan, 2011; De Gregorio & Sung, 2010). Despite the significant influence of these measures, there are limited studies that explore these in context of conservation behaviours, such as recycling (Smith & Paladino, 2010). It is intuitive that community involvement, in local initiatives impacts the influence of norms on attitudes or behaviours. Despite this, there is almost no literature connecting value co-creation and consumer socialisation with the TPB. Thus, this study will address this. Convenience has been shown to influence attitudes in addition to intentions and behaviour (Colwell et al., 2008). Research indicates that the perceived ease of access to a particular behaviour is a primary motivation for consumers to perform certain acts (Izquierdo-Yusta & Schultz, 2011).

H5: An increase in the perceived convenience of recycling will lead to a positive increase of the consumer's (a) attitudes, (b) intentions and (c) recycling behaviours.

Involvement refers to the degree of commitment the consumer has in a product category (Laurent & Kampferer, 1985). The literature has indicated that when a consumer has a high level of involvement with a product, or the environment, this enhances the consumer's attitudes-behaviour consistency (Ghafelehbash et al., 2011). Thus those who have a high involvement with the environment, are expected to have strong attitudes towards recycling and are therefore, more likely to form intentions on the basis of their attitude.

H6: An increase in consumer involvement with the environment will have a positive increase on their recycling (a) attitudes, (b) intentions and (c) behaviour.

Risk aversion reflects the consumer's reluctance to behave in a way that is unfamiliar to them (Price & Ridgway, 1983). It has been used to explain consumer attitudes in decision-making processes (Kim, 2010). If a consumer perceives a particular behaviour is risky and they are risk averse, this will decrease the likelihood that they will engage in the behaviour.

H7: An increase in the willingness of the consumer to avert risk will decrease their recycling (a) intentions and (b) behaviour

Environmental concern refers to the extent to which consumers express a proactive desire to look after the environment, which fundamentally reflects the individual's values about the environment (Dunlap, 2008). The literature suggests that the more environmental concerned the consumer is, the more likely that they would participate in environmentally friendly behaviours (Pickett-Baker & Ozaki 2008). This study uses the New Ecological Paradigm (NEP) (Dunlap and Van Liere, 2008) which measures consumers' feelings regarding (a) the balance of nature and (b) man over nature (Wu, 2012; Kopnina, H. 2011). Consumer concern associated with the balance of nature will be labelled "NEP1" and those associated with issues regarding man over nature will be labelled "NEP2".

H8: An increase in NEP1, will lead to an increase in consumers (a) environmental attitudes and (b) intentions to recycle.

H9: An increase in NEP2, will lead to an increase in consumers (a) environmental attitudes and (b) intentions to recycle.

The more environmental knowledge the consumer has, the higher the likelihood that they will be concerned about the environment and thus, the more likely they will intend to make sustainable decisions (Yeoh & Paladino, 2007).

H10: An increase in an individual's environmental knowledge will result in an increase in their (a) positive recycling attitudes and (b) recycling intentions.

Interpersonal influence guides consumer behaviour due to the normative influences upon attitudes (Hirschfield, 2004). Social influences shape behaviour and have been described as a primary factor in influencing an individual's decisions (Yang & Allenby, 2003).

H11: The higher the level of interpersonal influence, the more consumers will (a) develop positive attitudes towards recycling and (b) intend to recycle.

Research suggests that consumers, who are highly price conscious will adjust their behaviour according to how expensive they perceive a product to be (Palazon & Delgado, 2009). However, the literature also indicates that although the consumer may be sensitive to price, significant environmental motivations, such as environmental concern, may entice consumers to pay a price premium (Tanner & Kast, 2003).

H12: The higher the consumer's willingness to pay a price premium, the more consumers will (a) develop positive recycling attitudes, (b) intend to recycle and (c) recycle

Socialisation provides a basis for understanding social origins and consumer learning processes (Moschis & Moore, 1979). Due to the growing problem of irresponsible consumption, it is necessary to understand consumer socialisation to better understand how to influence consumers to adopt more positive recycling attitudes. This study measures both youth and adult socialisation, using scales adapted from Kim, Lee and Tomiuk (2009), on the basis of three components: discussion, negative and opinion. The first, "discussion", involves measuring the significance of discussion-based learning processes. The second reflects the "negative" socialisation processes that consumers endured (Vargas, 2011). Lastly, "opinion" reflects the consumer's socialisation processes that invited them to actively contribute to the decisions made in their household. The discussion and opinion oriented socialisation measures share similar characteristics as they both revolve around sharing information. The mental and behavioural outcomes of these more nurturing socialisation processes indicate that they impact intentions (Ewig, 2001). However, consumer socialisation via "discussion" and "opinion" do differ. The latter requires the individual to actively play a part in forming important social decisions, whilst the former requires the consumer plays a more passive role. Research suggests that consumer's who are socialised in ways that involve actively contributing their "opinion" in an open family narrative are more likely to adopt those social norms that they have been brought up with (Marin et al., 2008; Fivush & Sales, 2006; Benmoyal-Bouzaglo, 2010).

H13: An increase in youth "discussion" will lead to an increase in recycling intentions

H14: An increase in youth "opinion" will lead to an increase in (a) reliance upon the consumers subjective norms and (b) the consumer's intentions to recycle.

H15: An increase in adult "discussion" will lead to an increase in the consumer's intentions to recycle.

H16: An increase in an adult "opinion" will lead to an increase in (a) reliance upon the consumers subjective norms and (b) the consumer's intentions to recycle.

The literature suggests that consumers who are socialised through more "negative" social learning processes are more susceptible to referent influences (Vargas, 2011). As such:

H17: An increase in a youth's "negative" socialisation processes will lead to an increase in their reliance upon their interpersonal influence.

H18: An increase in an adult's "negative" socialisation processes will lead to an increase in their reliance upon their interpersonal influence.

Co-creation is equally valuable in understanding attitudes and how to influence behaviour. Co-creating value with the customer involves a high level of interaction with the organisation that is likely to influence their perceptions of value (Ramaswamy & Gouillart, 2010). By changing value perceptions and increasing the level of engagement, it may improve the ability of organisations to influence consumer behaviour using value co-creation (Saarijärvi, 2012). Fuller, et al. (2009), claim that the feelings of empowerment and enjoyment gained from the value co-creation process has a strong influence on consumers' intentions to continually participate in such processes. Furthermore, Gagné (2009) indicates that these emotional motivations, derived from value co-creation, have a positive influence on volitional behaviours such as recycling. As such:

H19: A strong level of value co-creation will lead to an increase in consumers' recycling (a) intentions and (b) behaviour

A more recent study by Edvardsson, Tronvoll and Gruber (2011), examines value co-creation as influenced by social forces. They claim value co-creation occurs within our social systems, therefore, exists beyond individual settings and should be understood as a social construct. Therefore the significance of incorporating consumer socialisation with co-creating value becomes evident.

H19c: An increase in value co-creation will lead to an increase in dependency on subjective norms for decision-making

While socialisation has a direct effect on attitudinal formation, we also expect that if a consumer is environmentally concerned and has also been consistently socialised regarding environmental conservation (including recycling), this will further strengthen the relationship between environmental concern (here, NEP1 and NEP2) and the corresponding behaviour.

H20: An increase in youth socialisation (negative) will strengthen the relationship between NEP 2 and attitudes.

H21: An increase in youth socialisation (opinion) will strengthen the relationship between NEP 2 and attitudes.

H22: An increase in adult socialisation (opinion) will strengthen the relationship between NEP 2 and attitudes.

If a consumer intends to co-create value for a volitional behaviour, such as recycling, they are primarily doing so because of their personal interest or because the act fits in with their value system (Gagné, 2009). Both of these motivations imply the consumer has positive attitudes toward the behaviour due to the autonomous motivation needed to engage in a voluntary activity (Gagné, 2009). Therefore, the increased psychological benefits associated with value co-creation, strengthens the relationship between attitudes and intentions. As such:

H23: An increase in value co-creation strengthens the relationship between positive recycling attitudes and intentions.

3.0 Method

A two-wave survey design was employed to collect the data. The questionnaire was four-pages and was sent to a 1,200 randomly sampled individuals across Australia. After accounting for returned mail, a 26% response rate was attained. Established scales were employed to analyse the constructs in this study. All measures were examined using five point Likert-type scales. Outliers were removed and tests of validity and reliability satisfied. Moderated step-wise multiple regression was used to analyse the relationship between multiple predictors on dependent variables in regards to their strength and direction (Hair et al., 2003). Value co-creation and consumer socialisation were tested as moderators. Consumer socialisation was predicted to moderate the relationship between environmental concern and attitudes. Value co-creation, on the other hand, was predicted to moderate the relationship between attitudes and intentions. This tested H20, H21, H22 and H23.

4.0 Results

Two stages of regression analysis were run. Tables 1 and 2 list the results which supported 80% of the hypotheses posed. We do not list each here because of space constraints.

Table 1: Unmoderated Results

Dependent Variable	Attitudes		Intentions		Behaviour	
	B	t	B	t	B	t
<i>Independent Variables</i>						
Price Consciousness	.016	.374	.049	.942	.006	.109
Convenience	-.204	-4.142***	-.099	-1.670*	-.215	-3.511***
Involvement	.475	9.080***	.020	.289	.124	1.785*
Risk Aversion	-.056	-1.174	-.095	-1.670*	.008	.136
New Ecological Paradigm: 1	.124	2.361**	-.113	-1.822*	.067	1.051
New Ecological Paradigm:2	.143	2.869***	.006	.104	.030	.487
Subjective Knowledge	.073	1.577	.194	3.552***	.062	1.088
Subjective Norms	.119	2.544**	.084	1.491	.031	.535
Interpersonal Influence	.099	1.998**	-.166	-2.690***	-.096	-1.503
Value Co-creation	.041	.828	.146	2.500***	.131	2.180**
Youth Socialisation Opinion			-.098	-1.361	.081	1.077
Youth Socialisation: Discussion			.133	1.806*	.082	1.082
Youth Socialisation: Negative			-.019	-.307	.011	.181
Adult Socialisation: Opinion			.193	2.473**	.082	1.013
Adult Socialisation: Discussion			-.083	-1.068	.118	1.485
Adult Socialisation: Negative			-.098	-1.600	-.080	-1.264
Attitudes1	-	-	0.279	2.357**	-.271	-2.16**
Attitudes2			-.205	-1.735*	-.122	2.032
Intentions			-	-	.122	2.032**
R 2	0.467		0.294		0.272	

*** p 0.001; ** p 0.05; * p 0.1

Table 2: Moderated Results

β	Independent Variable:	t
Model 1a R = .000	NEP2	.004 .075
Model 1b R = .002	Independent Variables: NEP2 Youth Socialisation: Negative	-.002 .045 -.035 .777
Model 1c R = .015	Independent Variables: NEP2 Youth Socialisation: Negative Interaction Term NEP2 Youth Socialisation: Negative	-.245 .533 -1.808* 1.978* -1.713* -.384
Model 2a R = .000	Independent Variable: NEP2	.004 .075
Model 2b R = .003	Independent Variables: NEP2 Adult Socialisation: Opinion	-.006 .059 -.102 1.014
Model 2c R = .020	Independent Variables: NEP2 Adult Socialisation: Opinion Interaction Term NEP2 Adult Socialisation: Opinion	-.485 .747 -2.220** 2.273** -1.927* -.424
Model 3a R = .000	Independent Variable: NEP2	.004 .075
Model 3b R = .004	Independent Variables: NEP2 Youth Socialisation: Opinion	-.002 .060 -.040 1.039
Model 3c R = .054	Independent Variables: NEP2 Youth Socialisation: Opinion Interaction Term NEP2 Youth Socialisation: Opinion	-.685 1.192 -3.859*** 4.053*** -3.658*** -.819
Dependent Variable: Intentions		
Model 4a R = .059	Independent Variable: Value Co-Creation	0.244 4.407***
Model 4b R = .121	Independent Variables: Value Co-Creation Attitudes	.183 .255 3.303*** 4.628***
Model 4c R = .130	Independent Variables: Value Co-Creation Attitudes Interaction Term Attitudes Value Co-creation	.565 .558 2.563** 3.143** -1.794* -.551

5.0 Discussion

The primary objective of this study was to gain an insight into the role of value co-creation and consumer socialisation in influencing recycling behaviour. By exploring additional antecedents such as subjective knowledge, convenience, involvement, risk aversion,

price consciousness, environmental concern and interpersonal influence this study was able to provide a more comprehensive overview of what drives consumer's recycling behaviours. Furthermore, this study analysed the role of socialisation and value co-creation in influencing recycling behaviours, thus, addressing a critical research gap. This study not only found whether the consumer was most influenced to recycle in their adulthood or youth, but also whether they were most influenced to do so via socialisation processes of "discussion", "negative" or "opinion". This contribution provides a more specific analysis of socialisation in understanding consumer behaviour. Moreover, new opportunities for organisations to utilize consumers in the co-creation processes were identified. Additionally, this research identified the roles that value co-creation and consumer socialisation play in moderating the relationships between attitudes and intentions and environmental concern and attitudes, respectively. Furthermore, the results indicated that tactics such as community involvement that involve value co-creation processes should not be employed. Due to low level of involvement of recycling, overloading consumers with too much information can potentially cause them to disconnect and not recycle. Therefore, organisations should educate consumers, using short, sharp messages and tips. The results also indicated how different socialisation tactics at different stages of the consumer's life could impact their recycling intentions, reliance on interpersonal influences and subjective norms in forming positive attitudes towards recycling. Whilst this model was based on recycling behaviours, it could also extend to include other volitional, environmentally friendly behaviours such as tree planting.

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Selecting Target Tourists Groups for the Croatian Tourist Destination Dubrovnik

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Abstract

The purpose of this paper is to research how destination management can determine the groups of tourists to target, those whose needs can best be met with the resources and capabilities available at a given destination. To achieve this goal, author conducted the research in Dubrovnik about tourists perception of destination's offer, tourist perceived value, satisfaction and future behavioral intentions among the tourist divided by gender, age, income, frequency of travel, first and repeated visit and trip organization. According to the results of an empirical study, destination management of Dubrovnik should focus its marketing activities on tourists older than 55 years with higher personal incomes since Dubrovnik can best meet the needs and wishes of that target group.

Key words: target group, destination's offering, perceived value, Dubrovnik

1. Introduction

According to Boranić-Živoder (2009), features such as a destination's attractions, accessibility, tourist services, ancillary services, and activities are combined to be offered or marketed as a tourist destination or a tourism product. The importance of a destination's features and benefits can be expected to vary among individual tourists, although members of the same target groups can be expected to have similar behaviors and possess similar value scales, so that their perceptions of value will generally be similar. Associated with that, Gallarza and Gil (2008) concluded that perceived value is useful for segmentation, differentiation and positioning tourism product. A survey of tourists divided by gender, age, residence and frequency of travel has shown that there are significant differences in how tourists perceive value which vary according to these same characteristics (Gallarza & Gil, 2008). It is important to take such findings into account when segmenting the market and selecting groups to which marketing may be targeted. It is therefore also necessary to develop and implement marketing programs for tourist destinations which are shaped by the interests held by those targeted groups of tourists, whose wishes and needs can be best fulfilled by providing an excellent value to those who travel to that destination. In accordance with that, in this paper were analyzed differences in perception between different groups of tourists in Dubrovnik and selected the group which destination marketing may be targeted.

2. Theoretical framework

Murphy, Pritchard & Smith (2000) have emphasized the notion that perceived value represents a trade-off between the travel time and/or money invested on the one hand and the experience gained through a visit to the destination on the other. Tourists select a destination to visit based on their preferences and desired values (Woodruff, 1997), taking into account the factors of the expected benefits and expected costs. During the visit, tourists create the perception of the specific destination's value in their own mind (Seddighi & Theocharous, 2002), which results in either satisfaction or dissatisfaction with their visit. If the value as perceived during and after the visit is not less than the expected value prior to visiting and if the benefits received are higher than the actual costs incurred, then the overall result is satisfaction (Woodruff & Gardial, 1996), which in turn can lead the tourist to revisit the destination or to convey their satisfaction with their positive experiences to others (Gallarza & Gill Saura, 2006). The perceptions of value formed in the minds of consumers are affected by their experiences with other, competing products (Kotler & Keller, 2008) — in this context, other tourist destinations (Kozak & Rimmington, 1999). Since competition between destinations is high, a destination must offer those facilities and services which their targeted segment of the tourist population prefers and expects in order to strengthen and enhance its market position (Pandža Bajs, 2012).

3. Empirical research

Most studies that have investigated the perceived value of tourist destinations (e.g., Gallarza & Gil, 2008; Gallarza & Gil Saura, 2006; Moliner, Sanchez, Rodriguez & Callarisa, 2007; Sánchez, Callarisa, Rodríguez & Moliner, 2006; He & Song, 2008) have focused on questioning tourists about different tourist destinations; this research on the contrary examines various socio-demographic tourists groups that have visited a one destination. In order to plan and organize marketing activities related to a particular tourist destination, it is important to explore the existing perception of the destination and based on the results of such research, select target tourists groups and improve destination's offerings accordingly.

The subject of this study is the city of Dubrovnik. Due to its unique features, rich historical heritage and global reputation, Dubrovnik is an important tourist destination in Croatia. Accordingly the research for this paper was conducted in the Dubrovnik. The total number of collected questionnaires was 357 but, due to incomplete responses, 72 questionnaires were excluded from subsequent analyses, leaving a final sample of 285 questionnaires/respondents.

Analysis of the sample shows that the majority of the respondents in the research — about 80% — were from Europe. In total, those tourists included in the final sample were drawn from 38 separate countries, with most coming, in tiers, from Great Britain and Croatia, followed by Germany, the U.S., Ireland, Bosnia & Herzegovina, and France.

4. Research results

Based on the results of quantitative research conducted in Dubrovnik, it is possible to identify and isolate the tourists' groups whose wishes and needs best match with the current offer of Dubrovnik, the available resources and opportunities for improvement that offer. Differences between the gender, age and income groups, frequency of travel, number of visits to Dubrovnik and organizational type of travel were analyzed. To determine whether there are significant differences between different groups of tourists, author used the analysis of variance ANOVA. The significance level was $\alpha = 0.05$, which means that the possibility of making a wrong conclusion is 5%.

4.1. Differences between genders

Analysis of statistically significant differences between the gender shows that women have slightly higher expectations than men, and their entertainment experience was higher. Also, monetary costs were more important for women. The analysis of difference between the expected value, experienced value, satisfaction and future intentions shows no significant difference between the genders.

4.2. Differences between age groups

Analysis of different age groups shows a significant difference between the youngest and oldest age groups in the segment of the expected quality of accommodation (item era), expected emotional response (item eer) and the expected security (item esec) at the destination. In these aspects the age group of 55 years and over had significantly higher expectations than younger than 34 (Table 1).

Table 1.

Item	(I) age	(J) age	Mean Difference (I-J)	Std. Error	Sig.
Item eqa	55+	18-34	0,61	0,19	0,01
Item eer	55+	45-54	0,61	0,2	0,02
Item ese	55+	18-34	0,60	0,19	0,01

In the aspect of perceived quality of accommodation (item pqa) there is a significant difference in perception between the youngest and oldest age group, thus the older tourists perceived a much higher quality of accommodation than the young tourists. Also, tourists above 55 years perceived a higher level of security (item sec) in the destination compared with the tourists under the age of 34. On the other side, tourists under 34 perceived poorer offers of tourist attraction in Dubrovnik than older age groups, and the experience of the tourist attractions (item eta) and the availability of attractive tour in town (item aat) are also on the lower level (Table 2).

Table 2.

Item	(I) age	(J) age	Mean Difference (I-J)	Std. Error	Sig.
Item pqa	55+	18-34	0,62	0,17	0,00
Item sec	55+	18-34	0,53	0,16	0,01
		35-44	0,74	0,23	0,01
Item eta	35-44	18-34	0,64	0,21	0,02
Item aat	35-44	18-34	0,57	0,17	0,01

Analysis of the differences between the age groups shows that in comparison to young subjects, the oldest age group perceive significantly higher expected value of Dubrovnik (item ev), higher level of satisfaction (item sat) and better comparative value (item uv) – value of Dubrovnik compared with values of other visited destinations (Table 3).

Table 3.

Item	(I) age	(J) age	Mean Difference (I-J)	Std. Error	Sig.
Item ev	55+	18-34	0,47	0,16	0,02
Item sat	55+	18-34	0,56	0,17	0,01
Item uv	55+	18-34	0,68	0,25	0,04

The analysis also shows that for the older tourists much more important are the quality of accommodation (item iqa), the kindness of tourism personnel (item itp) and the good reputation of the destination (item irep), while the variety and quality of entertainment (item iqfun) are less important for them than for respondents younger than 34 (Table 4). The quality of accommodation is of minor importance for the youngest age group (average mark 5.23), and with increasing age group increases significantly importance of quality accommodation (average mark 6.00).

Table 4.

Item	(I) age	(J) age	Mean Difference (I-J)	Std. Error	Sig.
Item iqa	18-34	35-44	-0,62	0,21	0,02
		45-54	-0,65	0,18	0,00
		55+	-0,74	0,18	0,00
Item iqfun	55+	18-34	-0,72	0,25	0,03
Item itp	55+	18-34	0,58	0,19	0,02
Item irep	55+	18-34	0,77	0,20	0,00

The oldest observed age group (55+) has the highest level of perceived value and satisfaction with Dubrovnik's offerings in comparison to the younger age groups.

4.3. Differences between income groups

Respondents of lower income groups have significantly higher expectations about the appearance (item eapp) and security of Dubrovnik (item esec), while the perceived quality of accommodation (item pqa) and the comparative value (item cv) to other destinations increases significantly with increasing income classes (Table 5).

Item	(I) Eur	(J) Eur	Mean Difference (I-J)	Std. Error	Sig.
Item eapp	up to 1000	2000-3000	0,57	0,20	0,03
Item esec	up to 1000	more then 3000	0,60	0,21	0,03
Item pqa	more then 3000	up to 1000	0,57	0,19	0,02
		1000-2000	0,57	0,19	0,02
Item cv	more then 3000	1000-2000	0,72	0,24	0,02
		2000-3000	0,68	0,23	0,03

It is important to point out that tourists with higher incomes give more importance to the quality of accommodation (item iqa), and less importance to the quality of entertainment (iqfun) compared to tourists with income of up to € 1000 (Table 6).

Table 6.

Item	(I) Eur	(J) Eur	Mean Difference (I-J)	Std. Error	Sig.
Item iqa	more than 3000	up to 1000	0,86	0,22	0,00
		1000-2000	0,60	0,20	0,02
Item iqfun	more than 3000	up to 1000	-0,97	0,27	0,00

In accordance with the foregoing conclusions, analysis of different income groups also shows that the level of perceived value, satisfaction and future behavioral intentions rise with income rising.

4.4. *Difference in frequency of travels*

Analysis of frequency of travel during the year, showed significant differences between tourists who travel rarely in comparison with tourists who travel at least 4 times per year. The expected level of service quality in Dubrovnik was greater at tourists who travel frequently, unlike those who travel once a year or less. The most significant difference was in the aspect of expected quality of food and drinks. It is interesting to note that in some other aspects, such as expectations of emotional experience of destinations subjects who travel frequently had lower expectations.

Analysis of travel costs shows that tourists who travel rarely expected a higher monetary cost and higher costs of time and effort and they also perceived higher.

In the context of tourists' perceived value of Dubrovnik and destination's offer, the results show that the perception of tourists who travel rarely are better than those who travel at least 4 times a year. Thus it is possible to extract significant differences in perception of the quality of accommodation (item pqa), the number and variety of see sights, appearance and abundance of beaches, the weather and beauty of the natural environment (item env).

Analysis of frequency of travel shows that the respondents who travel rarely are significantly more satisfied (item sat) with trip to Dubrovnik in comparison with tourists who travel frequently throughout the year (Table 7). Such a result is expected since the tourists who travel more and more experienced and more demanding from the tourists who rarely travel.

Tourists' perceived value and future behavioral intentions are the lowest in tourists who travel the most. So, it can be concluded that tourists who travel less have a more positive experience of Dubrovnik, as well as higher level of overall perceived value and satisfaction, even though they, on the other hand, perceive a higher level of invested costs.

Item	(I) frequency	(J) frequency	Mean Difference (I-J)	Std. Error	Sig.
Item pqa	once a year	more then 4 times	0,56	0,18	0,02
Item env	once a year	more then 4 times	0,48	0,15	0,02
Item sat	less then once	more then 4 times	1,01	0,26	0,04

4.5. *Difference between first and repeated visit*

There are interesting results in terms of first and repeat visits to Dubrovnik. Tourists who revisit destination expected higher costs, but on the other side they perceive lower costs of arrival at the destination and lower costs of accommodation in comparison to tourists who visited Dubrovnik for the first time. Analysis of tourists' expectations show that tourists who revisit Dubrovnik have higher expectations in the aspects of costs, quality of accommodation, emotional experience, tourist attractions, beauty of the natural surroundings and the uniqueness of the city, attractiveness of destination, safety and hospitality. Also, tourists who revisit Dubrovnik perceive a higher reputation and have better intentions of re-arrival in comparison with tourists who visit the city for the first time.

4.6. *Trip organization*

Trip organization considers whether tourists used the services of a travel agency, organized a trip by themselves using the internet or used a business trip arrangement. Analysis of different modes of organization and also the different reasons of arrival shows that worse experience of Dubrovnik had tourists who come through a business trip arrangement. Tourists who used the services of the tourist agencies have significantly better experience of Dubrovnik: better perception of city appearance, attractions, quality of entertainment, emotional experience, and experience the beauty of the natural environment. Accordingly, the perceived value, satisfaction and intention of future behavior are at the highest level at tourists who come through travel agencies, followed by tourists who organized their own journey and the lowest for the tourists who come for business reasons (usually conference, symposium or etc.).

5. Discussion and conclusion

If as a starting point to define the primary target group we take the level of perceived value, satisfaction and intention of the future behavior, then the destination management of Dubrovnik is suggested to create and improve Dubrovnik offer according to the wishes and needs of people over 55 years, with higher personal income - more than 3,000 euros net a month. A more detailed analysis of tourists shows that this tourists' group give the higher importance to the quality of accommodation, quality of food and beverages, quality of tourism services (in the context of efficiency and kindness of tourism personnel), historical heritage and landmark destinations, security and reputation of the destination, and the effort and time expended to arrive at the destination in comparison with younger tourists with lower incomes. On the other side monetary cost of travel and the quality of entertainment were not so important. That is opposite to the younger age group with lower income, which these criteria considered as extremely important in the selection and evaluation of travel.

Overall analysis shows that Dubrovnik destination poses accommodation of high quality and a large number of exclusive hotels, has a good reputation in the world, and is perceived as a safe destination with a rich historical heritage and beautiful appearance of the city and the natural environment. On the other hand, there is the lack of entertainment facilities which are specifically

related to the nightlife offer and sports facilities, and lack of availability and diversity of traditional food.

Based on this study can be differentiated the tourist group of 55+ with higher incomes as a group to which Dubrovnik management organizations (DMOs) should focus their marketing efforts. Taking into account the characteristics of the Dubrovnik's offer on the one side and the desires and needs of different tourists' groups on the other side, can be concluded that the offer of Dubrovnik is most convenient for the selected group of tourists. Also, if destination management wants to attract some other tourists' segments, it is necessary to improve those aspects of the offer that are important to them in process of destination value assessment.

According to organization of travel can be distinguished group of tourists who use the services of a travel agency to organize a trip, since their experience, satisfaction and behavioral intentions significantly are much better than at the other forms of travel arrangements. Thus, the marketing activities of Dubrovnik - design and arrangement of tourist promotion activities - could be intensified for this channel of distribution. From the point of frequency of a travel a highest level of perceived value and customer satisfaction shows tourists who travel less than those who travel four or more times per year. So, this aspect of consumer behavior has to be taken in to consideration while selecting the target groups and creating marketing activities.

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An exploratory analysis of the combined effect of cause-related marketing and price discounts in purchase intention

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An exploratory analysis of the combined effect of cause-related marketing and price discounts in purchase intention

Abstract

Cause-related Marketing (CrM) is a vital source of fundraising for nonprofit organizations and, at the same time, among the most popular contemporary sales promotion strategies used by companies worldwide. In recent years, many companies are jointly using CrM with traditional sales promotions like price discounts in order to exploit the consumer's utility maximization and warm glow effects. Yet, a question arising is whether this latter practice is relatively more effective in terms of enhancing consumers' purchase intentions. The results of the present experimental study demonstrate that whereas, in the case of a practical product, CrM and discount exerted an additive effect on purchase intention, their effect was interactive when a frivolous product was examined. Our results have clear implications for brand managers as far as resource allocation in sales promotion is concerned.

Keywords: Sales promotion, cause-related marketing, donation, discount, purchase intention

1. Introduction

In today's difficult world economic situation, where poverty, hunger, homelessness, diseases and other social welfare issues are more than ever prevalent, the role of non-profit organizations that fight for relevant causes becomes imperative. Although such organisations might not be able to eliminate social problems, if they serve their cause properly, they can provide valuable help to people in need. Such a contribution requires considerable funds, which however are usually limited, hindering charities from effectively meeting their objectives.

An increasing number of brands donate part of their sales in good causes (Winterich and Barone, 2011). This form of cause-brand alliances is seen as an effective way for fundraising by charitable organizations, while at the same time it can establish long-term competitive advantages and add value to the corporate brand, by enhancing simultaneously societal welfare (Lafferty and Goldsmith, 2005). According to IEG (2009) the annual spending on this form of promotion raised from \$100 million in 1990 to \$1,5 billion in 2009. A recent report by Cone (2010) showed that such promotions seem to be very effective as 80% of consumers report that they would switch to a brand that supports a cause when it is equal in price and quality to other brands.

In their seminal work, Varadarajan and Menon (1988) describe such purchase-contingent donations to a social cause as Cause-related Marketing (CrM). Specifically, CrM involves the contribution of an amount by a firm (as a percentage of a brand's price or a fixed amount per unit purchased) to a designated cause when "customers engage in revenue-providing exchanges..." (Varadarajan and Menon, 1988, p. 60). More recently, Arora and Henderson (2007) coined the term "embedded premium" (EP) to describe "an enhancement that involves a social cause added on to a product or service". EPs are considered as a new form of sales promotion strategy.

Undoubtedly, economic recession coupled with the complex and competitive business world actuates marketers to find more efficient ways to attract markets. As a response to these conditions, an increasing number of companies combine CrM with traditional price discount promotion tactics, e.g., cents-off deals, in order to attract the attention of consumers and increase their sales volumes. Prior work has examined the effectiveness of CrM (also called donation-based promotions) compared to discount-based promotions for different types of products (Strahilevitz and Myers, 1998; Strahilevitz, 1999; Arora and Henderson, 2007; Henderson and Arora, 2010; Winterich and Barone, 2011). To the best of our knowledge, the combined effect of CrM and discount on purchase intention has not been empirically examined yet. In this paper, we attempt to address this void in the literature by providing an exploratory investigation of how the joint use of CrM and price discounts affects consumers' purchase intention in the case of frivolous and practical products.

2. Literature Review and Research Questions

The severe economic conditions in many countries call for a more detailed examination of the alternative sales promotion tools that companies may use in order to achieve sustainable results. Managers can use traditional sales promotions such as price discounts. Such promotional tools usually account for a large percentage of a company's promotional budgets which may well be more than 50% (Ailawadi et al., 2006). Despite the fact that such tools may

improve performance, e.g. sales (Aribarg and Arora, 2008), discounts can also adversely influence brand image and price sensitivity (Blattberg and Neslin, 1990).

CrM can be used as an alternative sales promotion tool which is free of the disadvantages inherent in discount promotions (Arora and Henderson, 2007; Henderson and Arora, 2010). In the last two decades several studies have focused on CrM, investigating the conditions under which it can be successful and they revealed the benefits for both companies and nonprofit organizations, such as brand differentiation (Lafferty et al., 2004), enhanced reputation (Dean, 2003), reduced purchase dissonance (Smith and Higgin, 2000), increased purchase intentions (Hajjat, 2003) and increased sales response (Krishna and Rajan, 2009). A clear difference between these two promotional tools is that price discounts reward the consumer by offering the utility of saving money, whereas donation-based promotions offer a rather selfless utility by generating favorable results for the 'cause' (Strahilevitz and Myers, 1998; Arora and Henderson, 2007).

The vast bulk of promotion research has traditionally focused on economic-based rather than affect-based strategies to stimulate behaviour (Wakefield and Barnes, 1996). Although there is some evidence indicating that consumer responses to promotion can comprise affective reactions, research in this vein is rather limited (Honea and Dahl, 2005).

A number of studies have focused on the comparison between traditional economic-based sales promotion strategies like price discount promotions and newer ones based on affect like donation-based or CrM. For example, Winterich and Barone (2011) posit that the selection between donation and discount depends on the consumer's willingness to support a good cause and the degree to which s/he identifies with a social group (Oyserman, 2009). Strahilevitz and Myers (1998) found that donation is more effective than discounts in the case of frivolous products rather than practical products. This result is attributed to the guilt associated with the consumption of such pleasure-oriented products (Lascu, 1991). The warm glow effect of charitable giving reduces this guilt (Strahilevitz and Myers, 1998; Strahilevitz, 1999). This phenomenon is referred to "affect-based complementarity because the emotions generated by hedonic products appear to complement the feelings generated from contributing to charity" (Strahilevitz and Myers, 1998).

Although the extant literature examine the alternative use of CrM and price discounts, a number of real-world examples, especially in countries facing economic recession, show that companies are increasingly combining them as a double incentive to consumers, hoping that such a sales promotion practice would lead to increased sales.

In this respect, we attempt to replicate and further extend the work of Strahilevitz and Myers (1998), Strahilevitz (1999) and Arora and Henderson (2007) by examining the combined effect of CrM and price discount promotion on purchase intention.

Against this background, the present study aims at providing exploratory answers to the following research questions:

1. What is the effect of the combined use of CrM and price discounts on purchase intention?
2. Is this effect qualified by the frivolous vs. practical nature of the product category?

3. Research Methodology

3.1 Participants

A total of 169 undergraduate students (112 female, $M_{age} = 21.16$, $SD = 1.98$) participated in this scenario-based study in exchange for extra course credit.

3.2 Design and manipulations

The study employed a 2 (product type: frivolous vs. practical) \times 2 (cause-related marketing: donation vs. no donation) \times 2 (price promotion: discount vs. no discount) between subjects design. Participants were randomly assigned to one of the eight experimental conditions. On the basis of a pretest, with a similar sample ($n=28$), the product categories of chocolate bars and alkaline batteries were selected as a hedonic and practical product category, respectively. One of four well-known charities (serving primary vs. secondary needs and with local vs. global activity and selected by means of the same pretest) were presented, in a counterbalanced order, to participants in the donation condition as recipient of the donation. Participants were asked to imagine that, in the context of a supermarket trip, they come across the experimental product [a pack of four AA alkaline batteries or a pack of four bars of milk chocolate (of a familiar brand X) with or without a donation-based and/or a discount-based promotion].

3.3 Measures and manipulation checks¹

Participants were asked to report the likelihood that they would buy the experimental product on a 9-point scale anchored by 1 (very unlikely) and 9 (very likely). A number of manipulation checks were also included in the study. Specifically, participants were asked to indicate whether the experimental product had a discounted price and/or whether part of the sales revenue would be donated to a charity. The frivolous vs. practical nature of the product was also assessed with 10 9-point items based on the scale developed by Voss, Spangenberg, & Grohmann (2003).

4. Results and Discussion

The combined effect of donation-based and discount-based promotions on purchase intention (PI) was examined by means of an ANOVA (see Tables 1 and 2 for descriptive statistics in each condition).

Table: 1: Mean purchase intention across conditions (practical product)

	CrM Yes				CrM No			
	Discount Yes		Discount No		Discount Yes		Discount No	
	M	SD	M	SD	M	SD	M	SD
Purchase intention	5,50	2,30	5,26	2,28	4,50	2,26	4,23	1,83

¹ The manipulation checks supported the effectiveness of the experimental manipulations. However, for brevity reasons, the pertinent results are available by the authors upon request.

Table 2: Mean purchase intention across conditions (frivolous product)

	CrM Yes				CrM No			
	Discount Yes		Discount No		Discount Yes		Discount No	
	M	SD	M	SD	M	SD	M	SD
Purchase intention	6,29	2,44	7,04	1,66	6,13	2,36	4,50	2,95

As can be seen in Tables 3 and 4 and Figure 1, donation had a main effect on PI. Specifically, in the case of the practical product, PI was higher in the donation ($M = 5,38$; $SD = 2,27$) than in the non-donation condition ($M = 4,41$; $SD = 2,10$). Similarly, for the chocolate bars, PI was higher in the CrM ($M = 6,66$; $SD = 2,11$) vs. the non CrM condition ($M = 5,53$; $SD = 2,68$). However, the discount-based promotion was not found to exert a significant main effect, neither in the case of the practical nor in the case of the frivolous product. This finding might be attributed to the low value of the products and the small absolute value of the discount (Arora and Henderson, 2007).

Table 3: Main and interaction effects on purchase intention for practical products

	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	21,067	3	7,022	1,423	,242
Intercept	1864,798	1	1864,798	377,927	,000
CrM	20,229	1	20,229	4,100	,046
Discount	1,268	1	1,268	,257	,614
CrM x Discount	,004	1	,004	,001	,976
Error	394,742	80	4,934		
Total	2476,000	84			
Corrected Total	415,810	83			

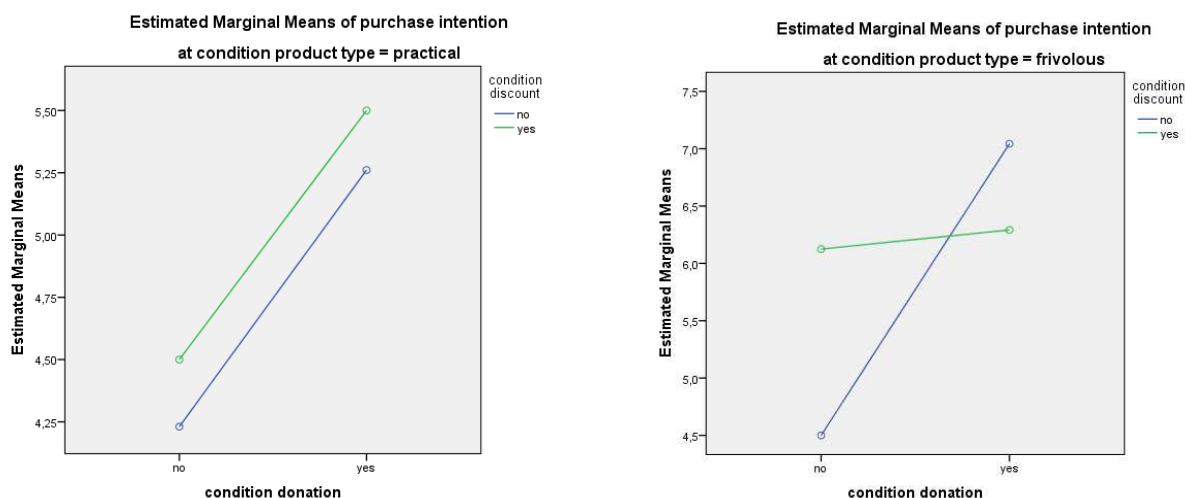
R Squared = ,051 (Adjusted R Squared = ,015)

Table 4: Main and interaction effects on purchase intention for frivolous products

	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	56,972	3	18,991	3,496	,019
Intercept	2895,924	1	2895,924	533,065	,000
CrM	37,050	1	37,050	6,820	,011
Discount	3,846	1	3,846	,708	,403
CrM x Discount	28,497	1	28,497	5,246	,025
Error	440,040	81	5,433		
Total	3715,000	85			
Corrected Total	497,012	84			

R Squared = ,115 (Adjusted R Squared = ,082)

Figure 1: Effect of CrM/donation x discount based promotion on purchase intention for the practical and frivolous product



Moreover, the results revealed that, whereas, in the case of the practical product, the two variables exerted an additive, effect on PI, in the case of the frivolous product, their effect was interactive. Breaking down this interaction for the latter product category (see Table 4), indicated that when there was a price-promotion the addition of a donation did not increase PI significantly (see Table 4). However, in the absence of a discount promotion, the donation promotion significantly enhanced PI ($t(18.10) = 2.49, p = .009$). A possible explanation for this result may be the existence of a psychological conflict in the consumer's mind among the pleasure-related consumption of a hedonic product like chocolate, the associated guilt and the selfish incentive of discount. In a sense, consumers' intention to purchase a brand with a joint donation and discount is decreased because they might feel that the altruistic act of giving to a charity is offset by the economic benefit raised from price reduction.

5. Conclusion

The present study extends existing literature by examining the complementary effect of two sales promotion strategies, namely cause-related marketing and price discounts on purchase intention. Despite its exploratory nature, the study's results may provide useful guidance to brand managers by elaborating on how product type influences the effectiveness of using these strategies jointly. This, in turn, can help them optimize their sales promotion plans. In addition, these results may attract researchers' interest in further investigating the factors which may affect the appropriateness of such decisions. Future research, which will attempt to probe the soundness of the study's claims, is mostly welcome and absolutely necessary before a solid body of knowledge can be produced.

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The Impact of Entrepreneurial Orientation on Business Performance: The Moderating Role of Environmental turbulence

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The Impact of Entrepreneurial Orientation on Business Performance: The Moderating Role of Environmental turbulence

Abstract

This study analyses the relationship between entrepreneurial orientation (EO) and performance with environmental turbulence as a moderating variable. We applied a *survey* to Brazilian managers and assessed the impact of EO on performance, considering environment technological turbulence and market turbulence as moderators. Results showed a non-significant direct relationship between EO and performance. Additionally findings supported the idea that technological turbulence moderates the relationship between EO and performance and market turbulence partially moderates the relationship between EO and performance. Limitations and avenues for future research are presented.

Keywords: entrepreneurial orientation, market turbulence, technological turbulence, business performance, Brazil.

1. Introduction

Over the last three decades entrepreneurial orientation (EO) has received increasing interest from academics, entrepreneurs and managers (Tang, Tang, Marino, Zhang, & Li, 2008). In particular, this area has been core to research in strategy and entrepreneurship (Slevin & Terjesen, 2011) originating a strong body of knowledge (Rauch, Wiklund, Lumpkin, & Frese, 2009). Yet, despite the attention given to EO, its impact on performance is still unclear as there have been contradicting results in previous research. For example, Wiklund & Shepherd, 2005 found a positive impact of EO on performance whereas Matsuno, Mentzer, & Özsomer(2002) found a negative impact. Other studies produced a non-linear relationship (Tang *et al.*, 2008) or non-significant (Renko, Carsrud, & Brännback, 2009). Such inconsistency led researchers to suggest that the relationship between EO and performance is context dependent (Walter, Auer, & Ritter, 2006) and environmental turbulence has been proposed as a moderating variable (Kraus, Rigtering, Hughes, & Hosman, 2012; Li, Guo, Liu, & Li, 2008).

This study analyses the relationship between EO and performance with environmental turbulence as a moderating variable. To the endeavour, we conducted an empirical study in Brazil. The Brazilian business environment is of particular interest as it features complexity caused by rapid social, political and economic transformations (Burgess e Steenkamp 2006), yet little is known about the topic in the country (Slevin & Terjesen, 2011) and in such context. We applied a *survey* to Brazilian managers and assessed the impact of EO on performance, considering environment technological turbulence and market turbulence as moderators.

2. Background

2.1 Entrepreneurial orientation

Despite the proliferation of studies in EO and the managerial relevance of the construct, there is not a consensual definition or measurement (Lyon, Lupkin, and Dess, 2000; Hakala, 2011). Overall EO may be considered a strategic orientation (Hughes and Morgan, 2007) entailing strategy-making processes and styles that make organizations engage in entrepreneurial decisions and actions (Lumpkin and Dess, 1996; 2001; Hakala, 2011) and that lead to a new market entry (Hult et al., 2004). An entrepreneurial oriented company is “one that engages in product market innovations, undertakes somewhat risky ventures and is first to come up with proactive innovations, beating competitors” (Miller 1983, p. 771). EO has been addressed as both a unidimensional and a multidimensional construct. Seminal studies addressed the construct as unidimensional but multifaceted, featuring items related to innovation, proactiveness and risk-taking (e.g., Miller, 1983). Recent works take a similar view to the measurement of EO (e.g., Baker and Sinkula, 2009). There are also studies addressing EO as multidimensional entailing dimensions, such as innovativeness, risk taking, proactiveness, competitive aggressiveness and autonomy (Lumpkin & Dess, 1996).

2.2 Environmental turbulence

A turbulent business environment reflects frequent and unpredictable changes in the market and technology. Such changes increase the level of risk and uncertainty in strategic planning and new product development. Calantone *et al.* (2003) divide the environmental turbulence construct into technological turbulence and market turbulence. *Technological turbulence* refers to the rate of technological progress within a particular industry (Zhou, Yim e Tse 2005). Technological turbulence may raise issues that are difficult for managers to deal with. For example, existing products become obsolete in a short period of time making new product development more uncertain as market forecast is more difficult (Rijsdijk, Langerak e Hultink 2011). *Market turbulence* relates to the “changes in the composition of customers and their preferences” (Kohli & Jaworski, 1990, p. 14). Such changes occur at the level of cost structure and price competition (Calantone *et al.* 2003), as well as under certain uncertain and

unstable market environment conditions (Rijsdijk *et al.*, 2011). Nonetheless, market turbulence may be beneficial as makes companies avoid routines that would hinder change (Paladino 2008).

2.3 *The impact of entrepreneurial orientation on performance*

EO has been useful in understanding the success of companies' new growth trajectories. Despite the abundance of empirical studies, it is still necessary to better understand nuances of the drivers and consequences of EO (Miller, 2011). In particular, in what concerns performance, studies reported inconsistent associations between EO and performance. For example, some studies revealed that EO positively and directly affects performance (e.g., Zahra and Covin, 1995; Li, Huang, & Tsai, 2009); and others found positive associations between EO and business performance (e.g., Covin *et al.*, 1994; Matsuno *et al.*, 2002). There is also research pointing out indirect effects between EO and performance through constructs, such as, learning orientation and marketing orientation (Hakala, 2011). Tang *et al.* (2008) emphasise the inconsistency in the EO-performance relationship and explained the relationship as non-linear. That is, EO is beneficial to performance up to a certain level, beyond which has a null or negative effect. By analyzing the state of the art of the relationship between EO and business performance, Rauch *et al.* (2009) concluded that the correlation between EO and performance is moderately large and that the strength may differ across industries and countries. Thus, despite the inconsistencies detected, and considering the prevailing positive associations between both constructs, we propose:

H1: EO is positively related to business performance.

2.4 *The moderating role of environmental turbulence*

Tang, Tang, Marino, Zhang, Li (2008) stress that the inconsistency on the findings of the impact of entrepreneurial strategic posture in performance is possibly explained by the fact that studies have not clearly considered the market context in which businesses operate. The relevance of EO has been leveraged by environmental conditions, such as, increasing competition and unstable business environments with short product-life-cycles (Morris, Kuratko and Covin, 2011). Yet, studies vary in their findings. Zahra (1991) specified the predictors and financial outcomes of corporate entrepreneurship and provided evidence for a positive relationship between corporate entrepreneurship and organisational financial performance. Companies tended to emphasise entrepreneurial behaviour when their environment was more hostile and dynamic. Zahra and Covin (1995) added that, in the long run, a hostile business environment moderates the effect of corporate entrepreneurship on performance. Matsuno *et al.* (2002) showed that entrepreneurial proclivity, mediated by market orientation, has a positive effect on performance measures and a direct negative effect on ROI. Keh *et al.* (2007) studied the effects of EO and marketing information on SME's performance. They found a relevant direct impact of EO on firm's performance, and an indirect impact through the mediation of marketing information acquisition and utilization (Keh *et al.*, 2007).

2.4.1 *The moderating role of technological turbulence*

Companies in technologically turbulent environments tend to be entrepreneurially oriented in order to identify and take advantage of opportunities (Calantone *et al.*, 2003). Li *et al.* (2008) highlight that companies with strong EO will have significant capabilities to explore the opportunities in the technological changes. Consequently, when there is a high technological turbulence, there will be a higher effect of EO on performance. As Rauch *et al.* (2009, p. 780) explain, "[g]iven the dynamism and rapid technological changes in high-tech industries, it appears logical that EO pays off more in such industries". Thus, we propose that:

H2: Technological turbulence moderates the relationship between EO and performance.

2.4.2 The moderating role of market turbulence

Companies operating in turbulent market environments need to make use of capabilities linked to EO that allow them to deal with uncertainty. For example, in highly turbulent markets, managers may need to re-think their business models to incorporate the capacity to innovate, tolerate risk, and anticipate market changes (Kraus *et al.* 2012). According to Li *et al.* (2008, p. 67), “[w]hen EO matches the market environment a firm faces, firms can be actively involved in commercialization activities and can introduce product into market earlier than their competitors”. Under high turbulent market conditions, companies with strong EO will better take advantage of the environment opportunities and, consequently, perform better (Kraus *et al.*, 2012). As a result we propose that:

H₃: Market turbulence moderates the relationship between EO and performance.

3. Research Design

A cross-sectional study was conducted in Brazil. A questionnaire was developed entailing the following scales: EO (Miller/Covin e Slevin 1989); technological and market turbulence (Jaworski e Kohli (1993). All items were assessed on a 7-point likert scale anchored in ‘1’- totally disagree and ‘7’ – totally agree. To measure performance we used the following objective financial indicators: Return on Assets (ROA) and Profitability. These indicators were withdrawn from a publication of the biggest and best companies in Brazil in 2012 (secondary data) (Editora Abril, 2012): The questionnaire was originally written in English and subsequently translated into Portuguese by following the back translation procedure (Dillon et al. 1994). The final questionnaire was validated amongst 3 managers and 2 academics in order to assess the scales content adequacy to the Brazilian context.

The final questionnaire was sent by e-mail to the top managers from 840 Brazilian industrial companies of a sampling frame formed by a crossed list from the BDM – Brazil 10.000 from *Dun & Bradstreet* and the publication from Editora Abril (2012) with the “biggest and best” companies in the country. The sample yielded 141 valid questionnaires representing a 16.8% response rate. The sample is predominantly formed by big private companies with the majority having national stock control. The companies operate in service and manufacturing industries.

To validate the measures, we conducted exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). EFA was applied separately to the EO dimensions and to the environmental turbulence dimensions. EFA yielded a 3 factor solution with *Eigen Values* greater than one, explaining 73,7% of the variance. Regarding the environmental turbulence, EFA produced 2 factors explaining 76,0% of the variance. CFA produced evidence of convergent validity by yielding significant loads on all items in each construct; acceptable values of composite reliability and average variance extracted. Convergent validity was further evidenced by highly acceptable model indexes ($\chi^2/df = 1,713$; GFI = 0,911; TLI = 0,918; CFI = 0,942; e, RMSEA = 0,071). Discriminant validity was also evidenced as all constructs presented squared extracted variances higher than shared variances (Fornell and Larcker, 1981). We further gauged the validity of a second order construct for the EO dimensions. Results suggested a good model fit ($\chi^2/df = 1,649$; GFI = 0,955; TLI = 0,950; CFI = 0,969; RMSEA = 0,068).

4. Findings

To test the research hypotheses we used hierarchical regression with the application of interaction terms. The interaction terms for the hierarchical regression, were created through

the mean centered independent variables to reduce multicollinearity (Aiken and West, 1991). Table 1 summarizes the results. The following variables were incorporate as control variables: industry, stock control, location, respondent position, number of workers and market turbulence, in case technological turbulence was being assessed as a moderator, and vice versa.

Table 1: Hierarchical regression analysis

Variables	Profitability				ROA			
	Equation 1		Equation 2		Equation 1		Equation 2	
	Beta	Sig.	Beta	Sig.	Beta	Sig.	Beta	Sig.
Moderator: technological turbulence								
(Constant)		0,897		0,619		0,608		0,868
Industry	-0,106	0,240	-0,113	0,202	-0,175	0,053	-0,182	0,042
Stock control	0,101	0,241	0,114	0,181	0,019	0,821	0,032	0,709
Location	-0,068	0,453	-0,090	0,315	-0,077	0,399	-0,098	0,279
Respondent position	0,117	0,173	0,111	0,192	-0,021	0,808	-0,027	0,752
Number of workers	0,040	0,645	0,024	0,774	0,035	0,683	0,021	0,807
EO	0,128	0,218	0,141	0,169	0,129	0,214	0,142	0,169
Market turbulence (MT)	-0,045	0,667	-0,035	0,732	0,054	0,603	0,063	0,540
Technological turbulence (TT)	-0,070	0,504	-0,007	0,949	-0,060	0,566	-0,001	0,994
Interaction term (EO x TT)			0,201	0,030			0,190	0,041
R ²		0,052		0,086		0,048		0,078
Change in R ²		0,052		0,034		0,048		0,030
Sig. F for change in R ²		0,511		0,030		0,584		0,041
Moderator: market turbulence								
(Constant)		0,897		0,540		0,608		0,703
Industry	-0,106	0,240	-0,109	0,219	-0,175	0,053	-0,176	0,053
Stock control	0,101	0,241	0,102	0,229	0,019	0,821	0,020	0,819
Location	-0,068	0,453	-0,053	0,557	-0,077	0,399	-0,073	0,425
Respondent position	0,117	0,173	0,107	0,210	-0,021	0,808	-0,024	0,785
Number of workers	0,040	0,645	0,028	0,745	0,035	0,683	0,032	0,709
EO	0,128	0,218	0,164	0,115	0,129	0,214	0,138	0,191
Market turbulence (MT)	-0,045	0,667	-0,040	0,694	0,054	0,603	0,055	0,596
Technological turbulence (TT)	-0,070	0,504	-0,034	0,742	-0,060	0,566	-0,051	0,629
Interaction term (EO x MT)			0,199	0,026			0,049	0,586
R ²		0,052		0,087		0,048		0,050
Change in R ²		0,052		0,035		0,048		0,002
Sig. F for change in R ²		0,511		0,026		0,584		0,586

When gauging the direct effect of EO in performance, results provide no direct significant relationship between EO and the performance measures. Thus, results did not support H1.

When considering the moderating effect of technological turbulence on the relationship between EO and performance, results produced significant effects on profitability ($\beta=0,201$; $p<0,05$) and ROA ($\beta=0,190$; $p<0,05$), supporting H2. Consequently, there is a moderating effect of technological turbulence on the relationship between EO and performance.

Regarding the moderating role of market turbulence on the effect of EO in performance, there is a positive and significant interaction effect on profitability ($\beta=0,199$; $p<0,05$) and a non-significant relationship in the case of ROA. Thus, H3 is partially supported.

5. Conclusion and Research Implications

This study has relevant implications for marketing. Firstly the study suggests that EO's behaviour on performance is context dependent. Our study reported a non-significant direct relationship between EO and performance, yet an overall positive effect of EO on business performance in more turbulent environments. Such finding highlights the relevance of strategic decisions, in particular, the relevance of EO in companies facing highly turbulent environments. Consequently, managers ought to stimulate an entrepreneurial business culture in order to attain sustainable competitive advantage. Secondly, different types of environmental turbulences will produce a distinct effect on the relationship between EO and performance. For example, in the

Brazilian context, technological turbulence seems to be the strongest moderator when compared with market turbulence. Such fact suggests that each company faces different types of market turbulence depending on aspects, such as, on-going working projects or the type of industry (Paladino, 2008). A parallel implication from this study stems from the measures used. The scales were adapted and validated in the Brazilian context. Such configuration suggests that in order to better reflect reality, measurements ought to be adapted to the context where they are being used. This has implications for the way the constructs' domain is specified and defined.

This study endures some limitations and opens avenues for future research. Although our survey entailed a probabilistic sampling procedure, the empirical study yielded a limited number of cases per industry. Future research ought to widen the analysis trying to capture nuances amongst the types of industries and other organizational characteristics and possibly considering multiple respondents. Such approach would allow for further reflection on the yielded negative effect of the company industry in performance. This finding is contrary to the one obtained in previous studies (Kumar, Jones, Venkatesan, & Leone, 2011). Finally, future studies could collect longitudinal data to allow better grasping the variables' behaviour and implications over time.

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Information-gathering patterns and the role of service quality in higher education

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Information-gathering patterns and the role of service quality in higher education

Students represent a body of consumers, available for educational institutions, which are becoming more diverse and competitive in nature, especially in CEE countries. Institutions provide students with a vast amount of information, with one goal—to attract as many students as possible. Our aim is to investigate information-gathering patterns of prospective students during the decision-making process, connecting it to the influence of college choice factors. The latter were derived from a set of tangible elements of educational service quality. The analysis results show that most participants got the information from university visits (66%), calls for enrollment (54%) and college web pages (52%) while the least desirable sources were those that the students listed as “other” (30%), cinema advertising (30%) and telephone calls to the institution (27%).

Key-words: *education marketing, information-gathering patterns, service quality*

1. Introduction

Higher education is facing a number of challenges, which are due to several factors: negative demographic trends have caused a drop in the number of prospective students; those who decide to take another step in their education are showing a significant shift in values and desires; and those studying are more inclined to drop out and not complete their studies. Other factors contributing to these changes include changes in societal expectations, increased competition within postsecondary institutions and yearly decreases in state funding.

For many reasons, marketing of higher education is essential. Among the most important is that potential students represent a body of consumers, available for competing educational institutions, which are becoming more diverse and competitive in nature (Stachowski, 2011). Stachowski also states that “education can be viewed as a unique professional service” and that past research has established the usefulness of marketing in education.

Kotler and Fox (1995) provide us with a widely accepted practical definition that describes educational marketing as:

The analysis, planning, implementation and control of carefully formulated programs designed to bring about voluntary exchanges of values with target markets to achieve institutional objectives. Marketing involves designing the institution’s offerings to meet the target markets’ needs and desires, and using effective pricing, communication and distribution to inform, motivate and serve these markets (Kotler and Fox, 1995).

Such a definition allows us to transfer marketing concepts to the field of education, including concepts such as the decision-making process and service quality assessment.

1.1. Understanding information-gathering patterns among prospective students

Higher education institutions provide students with a vast amount of information, with one clear purpose—to attract as many students as possible to study at their institution. Such a goal, however, requires thorough investigation and collection of data within the target group—the potential students.

Hoyt and Brown (2003) indicated that the typical information sought from surveys includes aspects of student perceptions about colleges, student characteristics, their interests, desires and needs and also the sources of information students use and search for when deciding which institution of higher education in which to enroll.

Information search is the second stage of the purchasing process, according to Solomon, Bamossy, Askegaard and Hogg (2010). In this stage, consumers have already identified a certain need/problem and now begin to gather the information that might help them meet the need. High school students, as mentioned, can be viewed as consumers that follow the same steps in the purchasing decision-making process. Chapman (1986) identified these steps as: pre-search, search, application decision, choice decision, and matriculation decision; whereas the “search” stage corresponds to the “information search” stage introduced by Solomon et al. (2010).

Prospective students search for information either actively or passively, with sources of information ranging from college staff visits to high schools, colleges’ web sites, to calling for enrollment in college. Past research shows that the most helpful or influential information

sources for potential students are student visits to universities, college web sites and college staff visits at high schools (Hoyt and Brown, 2003). Hoyt and Brown (2003) also listed several other possible sources, such as: college guides, brochures, college catalogues, events on campus, advertising in the newspapers, and radio/television advertising, with advertisements in media being the least influential source of information.

1.2. Quality of education serves as a factor in higher education institution choice

Service quality plays an important role, especially in industries with high customer involvement, such as the education sector. According to the majority of authors who have explored the subject, service quality is the result of customers' subjective judgment of the level of the service offering and its delivery, or as Vroeijenstijn (1991) states "It is a waste of time to try to define quality" because the quality is "stakeholder-relative." From that point of view, some authors (e.g., Grönroos, 2000) have proposed leaving the assessment of perceived quality to the customers themselves. Nevertheless, there are five general points of view in defining quality in relation to higher education (Harvey and Green, 1993): exceptional, perfection; fitness for purpose; value for money; transformative. Each of these views has its "pros and cons"; however, Harvey and Green (1993) suggest that in the light of this perspective, "we should define as clearly as possible the criteria that each stakeholder uses when judging quality and for these competing views to be taken into account when assessments of quality are undertaken." Nevertheless, other previous attempts at defining quality of educational services have focused on classifying such criteria based on different aspects. Snoj (1998) indicated several of them: time of quality assessment, perception (cognitive or affective), process (search stage or application stage) etc.

Furthermore, Snoj (1998) introduced a classification of criteria for evaluating educational service quality, which is based on objectivity of quality measures. He divided the criteria into "hard" tangible criteria—available to objective assessments; and "soft" intangible criteria—only available for subjective evaluations. This classification is also in a way comparable with dimensions of one of the most cited measurement scales for service quality, SERVQUAL (Parasuraman, Berry, and Zeithaml, 1988), which includes five dimensions: tangibles (e.g., the physical surroundings, interior design), reliability, responsiveness and assurance.

Snoj's classification also corresponds to some of the factors that influence students' decisions on which higher education institution to choose and that have been previously identified as greatly influential: academic reputation, location, availability of programs, quality of faculty, variety of courses offered, size of the institution, quality of social life, class size, etc. (Hoyt and Brown, 2003). Hoyt and Brown (2003) emphasized that a broader set of factors could result in improved prediction of student college choice and a more accurate set of information about what students believe to be the most important factors in their college choice.

The purpose of this research is to investigate information-gathering patterns of prospective students as a part of the decision-making process, connecting it to the assessments of influence of college choice factors. The latter were derived from a set of "hard" tangible elements of educational service quality as introduced by Snoj (1998). To our knowledge, this approach has not been used before and may offer a more comprehensive set of information on what prospective students get to know, need to know and what guides their decisions about choosing their postsecondary institution.

2. Method

2.1. Sample

The participants of the study were students from six secondary institutions ($n = 280$); among those, 206 were female. The participants of the study attended either a high school (61%), or a secondary vocational institution (39%). Their years of birth ranged from 1991 to 1995, with the majority having been born in 1993 (82%), and all were either in their junior or senior year of their studies.

2.2. Questionnaire

The data was collected using a structured questionnaire, which was divided into four subsets of questions: (1) demographics (gender, year of birth, institution and program), (2) information-gathering and usage, (3) decision factors, and (4) general survey.

The set of questions on information-gathering and usage (2) consisted of 17 information sources, (i.e. *advertisements, university visits, college web pages etc.*). The participants identified the sources that they consulted and later on the sources they used in the decision process. These data were later used for identification of students who were well informed and students who lacked information. The categorization was made based on the assumption that a well-informed student found and used at least 5 to 17 different information sources.

The next subset consisted of 26 decision factors adapted from Snoj's (1998) tangible service quality criteria (i.e. *elective courses available, reputation of the institution, class size, enrollment conditions etc.*). Participants assessed these factors on a scale from 1 (not at all) to 5 (very much), corresponding to their beliefs on how much the factors affected their college choice.

The general survey included statements on general topics regarding students' decisions about choosing the tertiary education institution, valued by participants on a 5-point Likert scale (1 – strongly disagree; 5 – strongly agree). Statements regarded the importance of college choice (*choice of institution is an important decision for me*); the evaluation of the information search process (*I made the decision very prudently*), and the general attitude toward the outcome (*I don't care where I study, as long as I graduate*).

3. Results and interpretation

We analyzed the students' responses on which information sources they searched for and which they used. The results of the analysis show that among the information sources that were available, more than half of the participants got their information from university visits (66%), official calls for enrollment (54%) and college web pages (52%). The least desirable sources of information were those that the students listed as "other" (30%), cinema advertising (30%) and telephone calls to the institution (27%). There were only a few significant differences between female and male participants of the study: females were more likely to search for information through institution staff visits to high schools, career counseling, advertisements in print media and advertisements on public transportation.

The analysis of what information sources students used to make their decisions shows slightly different results. The top three searched-for resources are evidently also the ones most used: university visits (53%), college web pages (47%) and official calls for enrollment (45%). Other

resources were used by less than one quarter of the students, but the least useful resources were articles in daily news (17%), cinema advertising (16%) and advertisements on public transportation (13%). Significant differences between males and females were found in only a few cases. Male students were more likely to use the college events and “other” resources, whereas the female students preferred used the college’s web page.

Results of the analysis further show that on average, female students gathered significantly more information sources (7.2) than male students (5.9) ($t = -2.1$; $p < 0.05$). On the other hand, the average number of sources used did not differ between female and male students.

In line with the criteria for determining the level of how well informed prospective students are, we divided the students into those who were well informed, and those who were not well informed. The analysis revealed that only 39% of the students meet the criteria of well informed, which was explained above. Among male participants, there were 45% who fell into that category, while among the female participants the percentage descends to 37%. However, the analysis using Pearson’s Chi Square test showed that this difference is not significant ($p > 0.05$).

Our results partially correspond to the findings of Hoyt and Brown (2003), who identified the most useful sources of information to be student visits to universities, college web sites and college staff visits at high schools. The latter was used by only 24% of students from our sample. Of special concern are the results for the small percentage of students who could be considered well informed. In our opinion, such findings could be due to several possible reasons: lack of effort from students and/or institutions, lack of cooperation between secondary and tertiary educational institutions or possible lack of interest on behalf of our study’s participants. Nevertheless, further research is suggested.

Furthermore, we explored several factors in college choice, which we derived from Snoj’s (1998) set of tangible service quality criteria. The analysis of the mean values of their influence, graded by the study’s participants, shows that the most influential factors are *the study program’s content* (3.9), *the program of study (under-, postgraduate)* (3.7), and *the electives available* (3.6). The least influential factors according to the participants of our study are *lecturers’ reputation* (2.9), *institution size* (2.8) and *CD presentation* (2.6). The only significant differences between female and male students occur at factors *simple access to library* and *personal safety*, which were both graded as more influential by female students ($p < 0.05$). The comparison of these results between the well-informed students and less-informed students also revealed some significant dissimilarities. Students who were categorized as well informed rated the factor *study program’s content* as less influential than the rest did, while the factor *access to the institution* was rated by well-informed students as more influential ($p < 0.05$).

The results show that the tangible service quality criteria identified by Snoj (1998) could be relevant and influential factors in college choice decision making for prospective students. The most influential factors derive from primary educational services, such as program content, available study programs and other program-related specifics. Interestingly, well-informed secondary students do not attribute the study program’s content to be as influential as to those who were not categorized as well informed. The results presented suggest that better knowledge of institutions could greatly affect prospective students’ decisions on where to enroll.

The last part of our research focused on students’ general views on college choice, tertiary educational institutions and the evaluation of their information-gathering process. We present the average ratings of level of agreement with provided statements in table 1.

Table 1:

Average levels of agreement with statements on college choice, higher education institutions and the evaluation of students' information-gathering process.

	<i>M</i> (male)	<i>M</i> (female)	<i>M</i> (total)
Choice of the institution is an important decision	4.2	4.4	4.4
I don't care where I study, as long as I graduate	3.6	3.9	3.8
I picked the desired institution very carefully	3.8	3.7	3.7
I knew where to find the required information	3.7	3.6	3.6
The decision took a lot of time and effort	3.5	3.7	3.6
I knew which information was important for my decision	3.6	3.5	3.6
I'm not worried about the possibility of choosing the wrong institution	2.9	3.1	3.1
All institutions are similar	2.7	2.7	2.7

The results show that most students consider the choice of the institution as a very important life decision, although the main reason to enroll in college seems to be the higher degree of education. The results also show that on average, the students are confident about their information-gathering process and that they do differentiate between different institutions.

We used t-test analysis for two independent samples to indicate whether these results differ between well-informed students and students who did not meet the criteria of being well informed. The analysis shows that such differences existed only in one case: well-informed students showed higher levels of agreement with the statement that *all institutions are similar* than did students who were not well informed ($p < 0.05$). We also found a surprising result, though not significant, which showed that students who were less informed agreed more that college choice is an important decision than did those who were well informed.

These findings also support our proposition that students should be encouraged to explore different college opportunities and to investigate several information resources that are available to them. The decision of which college in which to enroll is important and certainly affects the students' further personal and professional development. Well-informed students are more likely to be confident about their decision and have a better perspective on what different institutions might offer.

4. Conclusion

Stachowski (2011) states that marketing in tertiary education has been an interesting field of research for many years now. In the wider tertiary education context, the research literature has focused on the demand side of marketing educational services, with an apparent lack of reports on systematic marketing practices (Stachowski, 2011).

The present study is of practical use as well as of research value. Our main findings provide several valuable insights into how students get information during the decision-making process and what factors influence their decisions, as well as identifies their point of view concerning such decisions and towards higher education institutions.

However, this study should be regarded in light of some limitations and preliminary foundations that it was based on. The data were collected from a limited sample of secondary students, which enabled us to give only an introductory overview of the field that requires further research. Despite those shortcomings, we have managed to apply one of many classifications

of service quality criteria to be used as investigative factors of the decision-making process as well as raising concern about how well-informed are our prospective students.

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THE CASE STUDY IN FAMILY BUSINESS: A REVIEW OF RESEARCH PRACTICE

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THE CASE STUDY IN FAMILY BUSINESS: A REVIEW OF RESEARCH PRACTICE

ABSTRACT

In this study, the usage of case studies in family business research has been reviewed and analysed. The family business discipline started with case studies, but in the recent years authors have mainly applied quantitative research methods. Our analysis on 68 articles revealed that the 'positivistic' case study introduced by Yin and Eisenhardt is the disciplinary convention of family business. The article concludes by presenting the potential of critical realist and interpretative case studies for family business research. Our distinct aim is to provide the researchers with alternative approaches in the favour of scientific pluralism

Keywords: case study; family business; philosophy of science; qualitative positivism; critical realism; interpretivism

INTRODUCTION

Research methods such as the case study are not universal or unvarying techniques, but need to be understood within the context of particular disciplinary tradition (Piekkari, Welch & Paavilainen, 2009). The current article investigates case study practices in family business research. Family business is an important part of what is being published on entrepreneurship in the leading journals (Zahra & Sharma, 2004). Interestingly, the research field of family business started with case studies, which was criticized by Handler (1989): she saw that case studies based on surveys and in-depth interviews were overused and he called for broadening the range of research methods. Viewed in this light, case study method is still approached with skepticism (see Debicki et al., 2009). Therefore, the disciplinary perspective on case studies is currently missing in family business.

The research question we pose is: *How has the case study been practiced in family business discipline? We discuss this especially from the perspective of the theoretical purpose, presentation and quality criteria utilized in the case studies analyzed.* The current paper provides a state-of-art review of case study practice in the area of family business by 68 case articles in family business research. Our source of inspiration is Chenail (2009), who recently discussed the usage of case studies in family business field. He urges family business researchers to concentrate on the following details in relation to case studies: (i) Firstly, the theoretical purpose of case research in relation to its philosophical foundations. (ii) Secondly, the reporting of qualitative case study papers. (iii) Thirdly, the potential of case study research to provide results that can be replicated in multiple settings. Chenail (2009) initiates a dialogue regarding the place of case study in family business research, yet he appears to ascribe to a form of “qualitative positivism” by viewing the case under the lenses of traditional positivistic assumptions (see Prasad & Prasad 2002).

Our analysis shows that the case study approach endorsed by Eisenhardt and Yin is the disciplinary convention of family business field. This convention can become limiting and constrain the possibilities open to researchers when conducting their studies. Based on our findings, we highlight the potential of critical realist and interpretative paradigms that are likely to advance the usage of case study methodology among the scholars of family business.

THE CASE STUDY UNDER DIFFERENT PHILOSOPHICAL ORIENTATIONS

The use of case research under different philosophical orientations has been discussed to a limited extent (Perren & Ram, 2004; Welch et al., 2011). Herein, we want to initiate a discussion on case studies by introducing three differing philosophical positions: qualitative positivism, interpretivism and critical realism.

Theoretical purposes of case studies. The most well-known methodology authors falling into the group of qualitative positivists are Eisenhardt (1989), Yin (1991) and Bonoma (1985). The methodological treatments by Eisenhardt and Yin are prescriptive in nature, advocating particular approaches to design, data collection and analysis. Eisenhardt concentrates on developing case research for theory building in management research, whereas Yin focuses on more practical view for producing applications to policy making and consulting. The emphasis of Eisenhardt’s (1989) thinking lies on the potential of the case study to induce new theory from empirical data and to generate theoretical propositions upon which large-scale quantitative testing can be based. Hence, it refers to the development of inductive theories that form “bridges from rich evidence to mainstream deductive research” (Eisenhardt & Graebner, 2007: 25). Stake (1995) represents the *constructionist/interpretive* side of case study research. This alternative case study stream seeks to develop understanding of the case by appreciating the uniqueness and complexity of the case and its embeddedness and interaction with contexts (Stake, 1995). Stake (1995: p. 38) insists on “the difference

between case studies seeking to identify cause and effect relationships and those seeking to understand the human experience". In contrast to researchers aiming to "nullify the context" and to "eliminate the merely situational", researchers in the interpretative tradition embrace context, narratives and personal engagement on the part of the researcher (Stake 2005: p. 449). According to Stake (1995), particularization is the aim of case studies instead of generalization. The *critical realist* paradigm is an emerging approach in case study research. Bhaskar (1998) regards the explanation of social phenomena as being both causal (matching the positivist view) and interpretive (matching the constructivist/interpretive view). Hence, Bhaskar (1998) emphasizes the importance of both explanation (erklären) and understanding (verstehen) in the conduct of research. Based on this, critical realist case studies serve to identify causal mechanisms and explain causality. However, this causal explanation is not on a general level, but it takes advantage of deep descriptions, too, unlike the explanatory case studies by Yin (1991). Enquiries into causes (as opposed to regularities) – typified by questions such as "What produces a certain change?" – require an "intensive" research strategy, typically involving a qualitative, in-depth study of "individual agents in their causal contexts" (Sayer, 1992: p. 243). Hence, causation does not mean merely a search for event regularities: scholars "need to go beyond the events to understand the nature of objects, and cause-effect relationships do not consistently produce regularities in an open system" (Welch et al., 2011: p. 17).

Presentation of case studies. Eisenhardt (1989), *qualitative positivist*, gives very clear guidelines about writing up case studies, forming propositions, etc. Scholars following Eisenhardt (1989) might even use the third person as authors to ensure objectivity. The danger in qualitative positivist case studies is related to the rhetoric tactics of making qualitative data seem quantitative, the mixing of inductive and deductive strategies, and (Pratt, 2009). Case study papers reported in this way are rather deductive, imposing a priori concepts and alienated from the processes of iteration and abduction that inform theorising in case study research (Dubois & Gadde, 2002).

Scholars of *interpretivism* write very personal accounts. The authors use the case study to understand what is going on in a socially constructed world and do not seek a single template in reporting evidence (Stake, 1995). The concept of exploration in this context can be reinterpreted as means of gaining in-depth understanding of local, emic meanings and remaining open to alternative perspectives. These authors generally do not claim that the process of research and their representations of the field are objective or that other researchers would end up with similar findings. They are not apologetic for their personal involvement in the field and the role of the researcher as a research instrument in data collection and analysis. *Critical realists* use the case for theory building, but also theory testing as they highlight its explanatory potential. They also endorse implicitly a more dynamic view in studies, embedded events and the relationships in between them. According to Easton (2010), critical realists consciously use causal language to uncover mechanisms and procedures of events and create explanations. Critical realist accounts employ retroduction, namely a "mode of inference in which events are explained by postulating (and identifying) mechanisms which are capable of producing them" (Sayer, 1992: p. 107). Retroduction, i.e. moving backwards captures not only the research process but also the desirable way for reporting research evidence.

Quality criteria of case studies. Depending on the theoretical purpose and philosophical orientation of case study research, we can have different evaluation criteria (Johnson, Buehring, Cassell & Symon, 2006; Prasad & Prasad, 2002). *Qualitative positivists* tend to import criteria of positivistic research when evaluating the appropriateness of the case studies. Positivism still dominates science and, hence, there continues to be the possibility that evaluation criteria relevant to positivism have gained the status of common sense

benchmarks (Johnson et al., 2006). Positivists have tried to ensure their rigour by deploying particular conceptions of *validity* and *reliability*.

The interpretivists tend to be sceptical about using objectivity as a quality criterion. They see that what we take to be reality is an output of human cognitive processes (Johnson et al., 2006). Interpretivists go beyond objectivity and discuss the social construction of evaluation criteria. Their evaluation criteria are described by heteroglossia, which means that they give voice to previously silenced textual domains and articulate the incommensurable plurality of discourses, narratives, etc. which de-centre the author through multivocality (Johnson et al., 2006). A *realist* view assumes that social reality has an independent existence prior to human cognition (Sayer, 1992). Healy and Perry (2000) have listed the following criteria to analyze the quality of a critical realist case study: (i) Ontological appropriateness, (ii) contingent validity, (iii) multiple perceptions, (iv) methodological trustworthiness, (v) analytic generalization, and (vi) construct validity. They give detailed instructions how each of these dimensions can be assessed.

OUR ANALYSIS

In order to understand the use of the case study approach in family business studies, we conducted an in-depth literature review. The articles for the review were searched from the main journals of family business and entrepreneurship, namely: *Entrepreneurship and Regional Development (E&RD)*, *Entrepreneurship Theory & Practice (ET&P)*, *Family Business Review (FBR)*, *International Small Business Journal (ISBJ)*, *Journal of Business Venturing (JBV)*, *Journal of Small Business Management (JSBM)*, and *Small Business Economics (SBE)*. These journals (see table 1) were selected because family business studies are closest to the entrepreneurship research as approximately 69% of the family business articles that does not appear in the FBR are published in entrepreneurship journals (Chrisman et al., 2005). Case studies published within a 13-year period were included in the review (2000-2012). This was seen as an appropriate time period since we wanted to offer an up-to-date understanding of case study practice in the area of family business. This time span is also in line with several earlier methodological reviews (e.g. Welch et al., 2011).

“Insert Table 1 here”

We used qualitative content analysis in analyzing the articles. Following Welch et al. (2011), we call it “directed”: the analysis started with an initial coding scheme (Hsieh & Shannon, 2005). Each article found was analysed and double-checked by the three authors of the paper in order to ensure the accuracy of the findings. Any differences in opinion were discussed among authors. In conducting the analysis, we identified the following aspects as critical: topic of research, rationale for a case study, sampling strategy, data collection and analysis, sources of evidence, theoretical purpose, presentation of findings, integration of theory etc. Unlike in a quantitative content analysis, we refined the codes through successive iterations between theory and data (Berelson, 1971), when we noticed that new insights arose as interesting.

OUR FINDINGS IN FAMILY BUSINESS RESEARCH

The theoretical purpose of case studies. The theoretical purpose of the cases was explicitly discussed in very few articles in the examined journals. However, the philosophical assumptions of the case study authors as well as information collected from the methodology section of the paper allowed us to come up with 6 categories. Table 2 below represents the authors ascribing to different theoretical objectives and hence, methods of theorising from case study research. *Exploration* was the most common theoretical purpose with 34 studies. It is the method of theorising represented by Yin (1991). Theory-building was the second most common category with 17 studies.

However, it needs to be noted that sometimes it was hard to define whether a study was explorative, theory-testing or theory-building, which, since several authors referenced both Eisenhardt (1989) and Yin (1991, 2009).

In addition to referring to mixed authors representing differing theoretical objectives, the authors who ascribed to a single author, frequently Eisenhardt (1989) were not consistent in terms of following her recommendations throughout their article. Namely, Eisenhardt (1989) guides to end the study with propositions, but propositions were present only in 10 articles. An example of an article where propositions have been formed is Cater and Schwab (2008: p. 39), who ended with three propositions.

"Insert table 2 about here"

Like stated above, the philosophical orientation as such was actually discussed in very few articles, but the case authors referred in their articles Yin (1991, 2009) and Eisenhardt (1989), who represent the qualitative positivist stance of case study approach. Yin was referred to in 34 out of 71 papers and Eisenhardt was used as a reference in 30 manuscripts (see Table 4). Glaser and Strauss (1967) was utilised in 10 studies and Miles and Huberman (1994) in 11 studies. Strauss and Corbin (1990) with the grounded theory approach were referred to in 6 studies. Pettigrew (1990) had references in 8 studies and Patton (1990) in six studies. All the remaining authors, such as Creswell (2007), Denzin and Lincoln (2005), and Burrell and Morgan (1979) were used in just three papers or less. For instance Stake (1995) was used as a reference in only three studies and Easton (1995) in just one study. This indicates the limited usage of critical realist and interpretivist stances of case study among FB scholars.

Presentation of the case studies. The majority of the articles had a separate methodology section, in which they explained why they used the case study method, how they selected the cases, how they collected data and in some of them, how data was analysed. It seems that this reporting is the disciplinary convention of family business field.

The findings of the case studies were reported in the majority (78%) of the articles *under themes*. Discussion of the case study findings in relation to the theories (presented in the beginning of the manuscript) was the most common way of integrating theory with the empirical findings, but there were few examples of studies in which the empirical findings were not discussed in relation to existing theories or knowledge at all. In 10 articles, propositions were formed on the basis of the empirical findings for further quantitative testing. Interestingly, the majority of the reviewed cases were structured in a deductive manner despite their exploratory or theory building theoretical purpose. In addition, the absence of iteration or abduction manifested that case study authors largely relied on a single template for reporting evidence. Generally, the authors in the reviewed articles reported on a very general level how they arrived at their findings. One third of the authors told hardly anything about their process of analysis and a second third of the authors put forward generic claims about data analysis. The authors who reported about their data analysis generally referred to prolific methodological authorities (e.g. Miles & Huberman, 1994; Yin, 1991, 2009; Strauss & Corbin, 1990 etc.) and said that their findings were arrived at based on the guidelines of these authors. In other words, they did not give examples from their own data.

Quality criteria followed by case study authors. The majority of case authors did not discuss the quality criteria of their case studies. The authors who referred to this issue mentioned that the analysis of data was conducted by several team members (n=10) (see Table 5). Other common means were presentation of findings to informants (n=4), triangulation (n=4), double processing of data (n=3), sharing of material to outsiders (n=2), enfolding of the findings with the literature.

"Insert Table 3 here"

In relation to quality criteria of these studies, we can, however, observe a clear relationship to qualitative positivist stream, when we study the limitations presented by the authors in

relation to case study. The inability to generalise was discussed as the most significant, and often as the only, limitation in the majority of studies. Other limitations discussed in the manuscripts were too few cases, limited number of informants and case selection criteria, which are also related to the inability to generalise. For instance Miller et al. (2003: p. 528) state the following: “*Although the findings from this qualitative study are suggestive, they require significant follow-up work to establish their range, reliability, and validity.*”

CONCLUSIONS

Our review of 68 case study articles in family business research revealed that the qualitative positivist case study introduced by Yin and Eisenhardt is the disciplinary convention of the field. However, it has not always been practiced in its purest form, according to the recommendations of Yin and Eisenhardt, but has been mixed with other philosophical traditions in a large amount of articles in our review. Based on our analysis, we emphasise the potential of critical realist and interpretative case studies for family business scholars. Interpretive case studies are able to capture a rich story of a phenomenon in its context. In the words of Dawson and Hjorth (2012: p. 350-351), they can reveal "a densely storied and tightly relational social reality" and offer novel approaches for the study of succession phenomena in family businesses. The interpretive perspective is appropriate for family business studies, which address multifaceted and complex social constructs that are performed by different actors in multiple contexts.

Critical realism, on the other hand, offers a unique opportunity to search subjectively for causes and take advantage of some of the features of interpretivism, but to simultaneously discover and explain the causal mechanisms behind the phenomenon. Since dynamic phenomena, such as succession, internationalisation or the management of a family business, need to be both explained (matching the positivist view) and understood (matching the constructivist/interpretive view), the method of critical realism (Bhaskar, 1998; Sayer, 1992) will provide the scholars with new views to understanding the uniqueness of family businesses. In other words, the scholars can look at discernible events and simultaneously ask what causes them to happen (Easton, 2010). Using case studies, family business scholars could get more nuanced understanding of succession, by using an in-depth study of “individual agents in their causal contexts” (Sayer, 1992).

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Journal	Case studies	Qualitative ¹ Studies	Quantitative studies	Mixed	Non-empirical ²	Total
FBR	45	10	127	6	66	254
E&RD	3	0	8	0	3	19
ET&P	2	2	35	0	45	84
JBV	4	2	18	0	4	28
JSBM	3	0	25	0	1	29
SBE	1	0	15	1	2	19
ISBJ	10	2	7	0	3	22
Total	68	16	235	6	124	449

Table 1: Investigated articles across different journals

Theoretical purpose	
Theory building n = 17	Andersson et al. (2005); Cadieux et al. (2007); Chirico (2008); Denoble et al. (2007); Dyer & Mortens (2009); Garcia-Alvarez et al. (2002); Graves & Thomas (2008); Haberman & Danes (2007); Howorth et al. (2004); Karra et al. (2006); Lambrecht (2006); Lambrecht & Lievens (2008); Niemelä (2004); Parada et al. (2010); Steier (2001a), Steier (2001b); Yeung (2000)
Theory testing n = 4	King et al. (2001); Paglirussi & Rapozo (2011); Salvato & Melin (2008); Tokarczyk et al. (2007); Tokarczyk et al. (2007)
Explorative n = 34	Bhalla et al. (2006); Bchkaniwala et al. (2001); Blumentritt et al. (2007); Cater & Schwab (2008); Cater III & Justis (2009); Chittoor & Das (2007); Cole & Johnson (2007); Curimbaba (2002); Gilding (2000); Howorth & Ali (2007); Ibrahim et al. (2001); Janjura-Jivraj & Woods (2002); Johannisson & Huse (2000); Jones & Craven (2001); Kenyon-Rouvinez (2001); Khavul et al (2009); Litz & Kleysen (2001); Manikutty (2000); Marchisio et al. (2010); Mazzola et al (2008); Mickelsson & Worley (2003); Miller et al. (2003); Murray (2003); Ng & Keasey (2010); Poza & Messer (2001); Salvato et al. (2010); Santiago (2000); Steen & Welch (2006); Tan & Fock (2001); Thomas (2002); Tsang (2001); Tsang (2002); Vera & Dean (2005); Zellweger & Sieger (2012)
Explanatory n = 4	Giovannino et al. (2011); Kontinen & Ojala (2011); Lee & Tan (2001)
Understanding n = 8	Cadieux et al. (2002); Chirico & Nordqvist (2010); Hall & Nordqvist (2008); Hall et al. (2001); Hamilton (2006); Hatum & Pettigrew (2004); Nordqvist (2012); Parmentier (2011)
Theory development n = 2	Dyck et al. (2002); Watson (2009)

Table 2. Theoretical purpose of case studies in family business research.

Team member check / analysis by several team members	10
Material given to outsiders	2
Presentation of findings to informants (respondent validation)	4
Double processing of data / reinterpretation	3
Triangulation	4
Significance test	1
Theoretical saturation	1
Enfolding findings with the literature	2
Cross-case analysis	1
Finding of replication patterns	1
Usage of data processing program	1

Table 3. Quality criteria employed by case authors in family business research.

¹ Excluding case studies

² Literature reviews and conceptual papers



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**THE IMPACT OF NETWORK SPILLOVER EFFECTS ON THE ANTECEDENTS AND DETERMINANTS OF
TRANSNATIONAL BUYER-SUPPLIER RELATIONSHIP COMPETITIVENESS**

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THE IMPACT OF NETWORK SPILLOVER EFFECTS ON THE ANTECEDENTS AND DETERMINANTS OF TRANSNATIONAL BUYER-SUPPLIER RELATIONSHIP COMPETITIVENESS

Abstract:

The purpose of this paper is to test the impact of network spillover effects on the relational and transactional antecedents and determinants of buyer-supplier relationship competitiveness, with the further objective of providing clear implications for marketing managers. We test this impact within a variance-based structural equation model on a sample of 130 transnational company buyer-supplier relationships. The results confirm an important impact of network spillover effects. This impact is considerably stronger for transaction-specific investments (transactional antecedent) and less for trust (relational antecedent). Several mechanisms are discussed which marketing managers ought to consider in their management.

Key words: Buyer-supplier relationships, transnational companies, network spillover effects, competence development, performance, competitiveness, variance-based structural equation modeling, managerial implications

1. INTRODUCTION

The purpose of this paper is to test the impact of network spillover effects on the relational and transactional antecedents and determinants of dyadic buyer-supplier relationship competitiveness. In terms of Blakenburg Holm, Eriksson & Johanson's (1999, p. 482) context-consequence typology of business network relationships we follow the perspective of network-relationship analysis by analyzing the network context and its consequence on buyer-supplier relationships. An important objective of the paper is to further outline implications relevant to transnational B2B marketing managers in terms of the impact of network spillover effects on dyadic buyer-supplier relationship competitiveness and the possible mechanisms behind these effects which managers ought to consider.

We test the impact of network spillover effects on the antecedents and determinants of buyer-supplier relationship competitiveness within a variance-based structural equation model (SEM) on a sample of 130 transnational company (TNC) buyer-supplier relationships. In doing so, network spillover effects are included in the SEM as an additional exogenous reflective latent construct, operationalized based on the adaptation of Anderson, Håkansson & Johanson's (1994) scale for anticipated positive constructive effects of network identity. By focusing on the managerial perspective, not the structural one, Anderson, Håkansson & Johanson (1994) tested a series of business network constructs centered on network identity (Håkansson & Johanson, 1988), which relates to "perceived attractiveness (or repulsiveness) of a firm as an exchange partner" (Anderson, Håkansson & Johanson, 1994, p. 4). The authors summarized it also as the actors' self-perception and the perception by the other actors, acting as a reference point to judgment of one ones actions, as well as the actions of other actors within the network horizon (Ring & Van de Ven, 1994).

2. THEORY

TNCs have been described as differentiated interorganizational networks (Ghoshal & Bartlett, 1990), due to their strong reliance on outsourcing and focus on internalization activities which build their core competitive advantage. TNCs have been also described as the most efficient organizational form for international exchanges (Hymer, 1960/1976), thus the study of potential network spillover effects in TNC buyer-supplier relationships is particularly relevant for marketing managers.

Seeing supplier development as an integral part of their performance Li, Zhou & Yang (2012, p. 353) emphasized how "manufacturing firms increasingly realize that supplier performance is crucial to their establishing and maintaining competitive advantage". In this process suppliers and buyers "interrelate the use of idiosyncratic investments [TSIs], knowledge-sharing processes [relationship-based information], complementary capabilities and effective governance [trust, joint actions, flexibility] to create competitive advantages" (Jap, 2001, p. 19; cf. Dyer & Singh, 1998). This perspective directly corresponds to our model presented in Figure 1 to which we have further added the aspect of network spillover effects.

With regards to the latter, Anderson, Håkansson & Johanson (1994, p. 3) place network spillovers within the so called secondary or network function of dyadic buyer-supplier relationships. They describe this function as the totality of "indirect positive and negative effects of a relationship" which is equally or even more important than the primary function related to the focal dyadic relationship. Linking this secondary function to the ARA interaction model, potential network spillover effects influence activity chains, resource constellations and perhaps most importantly shared network perceptions (Ford & Mouzas, 2010). According to Anderson, Håkansson & Johanson (1994, p. 4) "each identity communicates a certain orientation toward other actors; it conveys a certain competence,

because it is based on each actor's perceived capability to perform certain activities [...]; and it has a certain power content, because it is based on the particular resources each actor possesses". Based on this, the following research proposition was formulated:

Research proposition #1: Network spillover effects will have a strong and positive impact on the relational antecedents and determinants of buyer-supplier relationship competitiveness.

Research proposition #2: Network spillover effects will have a strong and positive impact on the transactional antecedents and determinants of buyer-supplier relationship competitiveness.

3. DATA & METHODOLOGY

Our data set includes as sample of 130 international suppliers (30 % response rate) connected to a TNC headquartered in Slovenia, with manufacturing operations in Slovenia, Serbia, Russia and United Arab Emirates. The TNC produces metal constructions and components, and is considered a leading developer of unique and complete solutions related to steel constructions. In 2011 the TNC employed over 1,000 people world-wide and generated revenues in excess of 178 million EUR. Data was collected using a web-based questionnaire in Slovenian, English, Serbian and Russian language in the summer of 2011.

We employ variance-base SEM due the limited size of our sample, fairly complex model, as well as the confirmatory model testing approach with further emphasis on the estimation of the predictive power of the model. Additionally, the construct of network spillover effects in particular is a network-type construct, and thus subject to a higher degree of interdependency between observation units for which variance-based SEM was shown to be more suitable (Hensler, Ringle & Sinkovics, 2009).

Since network identity is unique and subjective by nature (Anderson, Håkansson & Johanson, 1994) our study was based on the suppliers' perceptions regarding both network spillover effects, as well as buyer-supplier relationship competitiveness. This is particularly relevant to TNC managers. We believe the only major limitation of our research lies in using single respondents (potential for common method bias). However, it also has to be stressed that since 80 % of our surveyed suppliers were micro companies and SMEs, these respondents may actually be the only people involved in the management of the relationship with the TNC.

4. OPERATIONALIZATION AND BASIC STATISTICS

Table 1 summarizes the operationalization of our constructs. In it we specifically described the operationalization of relationship-based information, network spillover effects and competitiveness constructs, given that they present extensions to a conceptual model of buyer-supplier relationship management by Claro (2004) which formed the basis of our model.

Table 1: Construct operationalizations

CONSTRUCT	INDICATORS	NUMBER OF INDICATORS	THEORETICAL BACKGROUND
Relationship-based information	Shared information related to: (1) prices, (2) quantities, (3) logistic operations, (4) production process, (5) future actions	5 indicators	Adapted from Claro, 2004
Network spillover effects	(1) transferability of know-how and expertise to other relationships, (2) attractiveness to other partners, (3) better productivity in other relationships due to developed competencies, (4) increased competitiveness in other relationships due to developed competencies	4 indicators	Adapted from Anderson, Håkansson & Johanson, 1994
Transaction-specific investment	People-based and physical asset-based TSI	6 indicators	Heide & John, 1992; Bensaou & Venkatraman, 1995
Trust	Interpersonal and interorganizational trust	6 indicators	Zaheer, McEvily & Perrone, 1998
Joint actions	Joint planning and joint problem solving	6 indicators	Heide & John, 1990 & 1992; Heide & Miner, 1992; Lush & Brown, 1996
Flexibility	Relational flexibility connected with efficient response to operational, tactical and strategic changes	3 indicators	Golden & Powel, 2000
Performance	Satisfaction, growth and profitability	6 indicators	Bensaou & Venkatraman, 1995; Doney & Cannon, 1997; Zaheer, McEvily & Perrone, 1998; Mohr & Speckman, 1994; Lush & Brown, 1996
Competitiveness	(1) SCM as an important source of TNC competitive advantage, (2) increased competitiveness of supplier due to relationship with TNC, (3) efficient SCM leading to dyadic supplier-buyer higher competitiveness	3 indicators	Scales developed from work by Veludo, Macbeth & Purchase, 2006; Dyer & Singh, 1998; Harland, 1996

Source: Suppliers' survey, 2011 (n=130). Note: All indicators were measured on 7-point Likert-type scales (1- Completely disagree, 7-Completely agree).

Next, Table 2 provides an overview of key descriptive statistics and the constructs' correlation matrix from which we can see that our constructs display satisfactory internal reliability statistics, as well as convergent and discriminant validity.

Table 2: Construct descriptive statistics and correlation matrix

Construct	Mean	SD	CR	1	2	3	4	5	6	7	8
(1) Relationship-based information	5.07	1.32	0.88	0.77							
(2) Network spillovers	4.50	1.46	0.94	0.67	0.89						
(3) TSI	4.33	1.40	0.90	0.22	0.58	0.80					
(4) Trust	5.37	1.39	0.99	0.51	0.52	0.18	0.88				
(5) Joint actions	4.58	1.25	0.88	0.48	0.48	0.38	0.71	0.75			
(6) Flexibility	4.98	1.32	0.93	0.37	0.53	0.46	0.45	0.36	0.90		
(7) Performance	4.96	1.06	0.92	0.51	0.57	0.28	0.76	0.70	0.52	0.82	
(8) Competitiveness	4.40	1.19	0.88	0.40	0.66	0.60	0.64	0.71	0.47	0.76	0.84

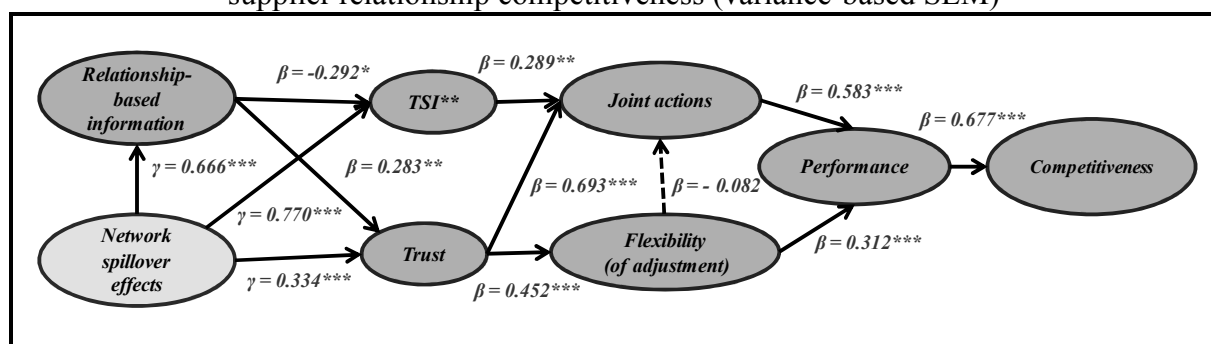
Source: Suppliers' survey, 2011 (n=130). Note: TSI=transaction-specific investments. SD=standard deviation. CR=composite reliability. Square roots of AVE displayed on the diagonal (discriminant validity check).

In terms of the characteristics of the surveyed suppliers the average supply relationship to the TNC was 6.2 years (SD=4.83). 22.2 % of suppliers were micro companies (0-9 employees), while an additional 55.5 % were either small or medium-sized (10-50 employees). Suppliers are quite independent from the TNC, since 80 % of them generated only up to 5 % of their revenues from the TNC. 45.3 % of suppliers were Slovenian, 22.6 % from EU and Switzerland, with the rest from Russia (18.9 %) and Serbia (13.2 %).

5. KEY RESULTS

Figure 1 displays the final results of our variance-based SEM. We can see that network spillover effects have a very strong and positive direct effect on transaction-specific investments ($\gamma=0.770$; $p\leq 0.001$), and a moderately strong and positive direct effect on trust ($\gamma=0.334$; $p\leq 0.001$). Further, network spillover effects have also an indirect effect on transaction-specific investments as a moderator, since their impact on relationship-based information is highly strong and positive ($\gamma=0.666$; $p\leq 0.001$), while the impact of the latter on transaction-specific investments is negative ($\beta = -0.292$; $p\leq 0.01$).

Figure 1: Impact of network spillover effects on the antecedents and determinants of buyer-supplier relationship competitiveness (variance-based SEM)



Source: Suppliers' survey, 2011 (n=130). Note: TSI=transaction-specific investments. SEM results based on a full model with several control variables (relationship length, supplier size, country, % of revenues generated from the TNC, supply type etc.). External influences (error terms) for endogenous constructs have been deliberately omitted from the figure to simplify it. * $p\leq 0.05$; ** $p\leq 0.01$; *** $p\leq 0.001$.

With regards to Claro's (2004) original model, which did not include network spillover effects, nor competitiveness (but only performance), his exogenous business network context (comparable to our relationship-based information construct, but with many different actors up- and downstream in the supply chain) had a positive impact on both transaction-specific investments ($\gamma=0.59$) and trust ($\gamma=0.22$). In order to estimate the importance of network spillover effects we tested our model without the spillover construct and estimated the effect size changes, based on Cohen's (1988) f effect size statistic. Table 3 displays the results.

Table 3: R^2 effect size changes related to TSI and trust after introduction of the second exogenous latent construct of network spillover effects

Construct	R^2 with relationship-based info as a single exogenous latent construct	R^2 after inclusion of network spillover effects	Cohen's (1988) effect size statistic*
TSI	0.076	0.379	0.49
Trust	0.264	0.322	0.09

Source: Suppliers' survey, 2011 (n=130). Note: strong effect size: $f^2 > 0.35$; moderate effect size: $f^2 > 0.15$.
Effect size: $f = (R^2_{\text{included}} - R^2_{\text{excluded}}) / (1 - R^2_{\text{included}})$

We can see that the R^2 effect size change was very strong for TSI (0.49) and small for trust (0.09). Thus, the presented results in Table 3 may highlight the existence of a possible specification error in Claro's (2004) original model. In the next section we briefly discuss why and outline possible implications of our results for B2B marketing managers.

6. IMPLICATIONS AND CONCLUSION

The important impact of network spillover effects on both transaction-specific investments (transactional antecedent of competitiveness) and trust (relational antecedent) has confirmed the role of identity-based network spillover effects on buyer-supplier relationship competitiveness. It has pointed to a need to incorporate a network-relationship perspective into the study of buyer-supplier relationship management outcomes.

Further, based on our results we can see that network spillover effects are more closely connected to the transactional antecedents of competitiveness and less with the relational ones. While in terms of competitiveness the relational aspect around trust is a central driver of buyer-supplier relationship competitiveness (see again results in Figure 1), the actual impact of network spillover effects seems to impact more strongly the transactional aspect. This is consistent with the association-related nature of network identity, which manifests itself in attraction between network actors. Hald, Córdón & Vollmann (2009) see such attraction as a function of the perceived expected relationship value which is very closely linked to the development of specific competencies and signaling effects to other potential partners.

In relating these theoretical implications to practice, managers should understand and use three underlying mechanisms behind the impact of network spillover effects on competitiveness. First, by focusing on the development, management and communication of specific competencies the TNC can positively influence perceived expected relationship value for a supplier, which the supplier can “capitalize” in its network through increased attraction to other actors. Actor identity in this regard acts as a sort of capital and option, which can be called upon within the network at present or the future. In this regard, managers should not only measure the performance of their suppliers, as suggested already by Li, Zhou & Yang, (2012), but specific competencies (activities, capabilities, resources etc.) in order to assess and communicate all the benefits a supplier may actually receive. This will motivate the suppliers and make them less sensitive to financial issues or stringent controls.

Second, network spillover effects should be used as a management tool, since “transactions with firms of known reputation and capabilities imply that social bonds guards against trouble” (Claro & Claro, 2011, p. 515). Specific supply relationships should be managed in order to develop appropriate spillover effects and competencies with consequences for the whole network, again creating options (Ritter, Wilkinson & Johnston, 2004). This also corresponds to Blakenburg Holm, Eriksson & Johanson’s (1994) network building analysis perspective. Specific buyer-supplier relationships should be managed in order to maximize system “equilibrium” outcomes, not “local” dyadic equilibriums.

Third, attraction can be “capitalized” through different types of signaling effects. In this regard, Ritter & Gemünden (2003) outline the so-called (1) market function of signaling (formation of new relationship due to affiliation as quality seal of approval), (2) the scout function (reaching other partners through shared connectedness), and (3) the access function (tapping their resources and capabilities). TNC managers should be aware of these different functions and develop and manage a balanced portfolio of supplier relationships accordingly.

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Rethinking Customer Portfolio Models: Customer Interconnectedness in Russian B2B Market

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Abstract

The purpose of the paper is to rethink current view of customer portfolio models by including the notion of customer interconnectedness. This issue is addressed for the first time for Russian b2b market. The analysis of customer portfolio building in Russian b2b context shows that customer independence assumption, on which most of customer portfolio models are based, may not fit Russian market and should be replaced with customer interconnectedness approach. Customer interconnectedness is studied on the example of large Russian b2b company. The results of participative inquiry research within the company and the insights from five in-depth interviews are presented.

Keywords: *Relationship marketing, customer portfolio management, customer interconnectedness, Russia*

1. Introduction

There are specific factors in Russian emerging economy, determining potential differences in establishing relationship marketing strategies, such as higher instability of relationships in the market, lack of reliable information about potential partners, low information disclosure, higher readiness for opportunistic behavior and higher time pressure (Jansson, Johanson, Ramström, 2007; Halinen, Salmi, 2001, Smirnova et al., 2011). The current culture of business relationships is combining newly acquired competences and rules, with the “part preference for network-based business relationship using old ties and informal activities” (Ayios, 2004, p. 220) that also results in the customers interconnectedness through informal networks.

In this approach, customer interconnectedness can be defined as the influence of one customer’s opinion on the buying behaviour of another customer through the existence of subordinate relationship, vertical integration, horizontal contracts or managers relying on each other’s recommendations. Customers can be interconnected by a number of ways, for example, belonging to corporate groups, holding structures, strategic alliances, vertical integration, industrial clusters and others.

This paper aims to incorporate some evidence from Russian business practices – namely, the interconnection between customers in a portfolio – in the body of research on customer relationships, thereby addressing an important issue which is only superficially discussed in research literature.

2. Overview of existing customer portfolio management models assumptions

Significant contribution to the relationship marketing research is provided by customer portfolio management (CPM) approach. Developed by Markowitz in early 1950s (Markowitz, 1952), the portfolio approach was initially used in financial management for selection of security portfolio based on risk and return. Then the concept was adopted as a tool for corporate strategists, and later – for customer management (Fiocca, 1982). The main focus of portfolio approach is to enable managers to refocus from a product orientation towards a relationship focus and thus to invest their resources in the most efficient and effective way (Zolkiewski and Turnbull 2002).

Advocates of existing CPM models generally follow a standard rule. At first they present an appealing notion that is either new or contains model verification/development, then reflect it and define matrix axes and steps necessary to formalize the model and finally outline the resulting conclusions and/or recommendations on the basis of their findings as well as directions for future research. This algorithm allows classifying most of researches according to their underlying assumptions by looking into properties of matrices suggested.

General criticism of customer portfolio management models outlined by some authors relates to the limited number of criteria that can be used in the model and leads to its narrowness, subjectivity of dimensions and their interpretation, difficulty in obtaining data, and lack of practical testing and practical recommendations (Terho and Halinen, 2007; Zolkiewski and Turnbull 2002). These remarks are reasonable, but they are focus on the limitations of the portfolio approach rather than on their underlying assumptions. On the other hand, the assumptions themselves are not fully consistent with business practice. This paper contributes to the development of CPM models by addressing primarily the assumptions the models reviewed are based on:

- independence of customers in a portfolio;
- customer acquisition, exclusion and migration along matrix or chart axes (either as a natural course or as a result of seller-applied effort).

Customer independence assumption should be examined more precisely. According to this assumption, every customer can be easily acquired, moved along axes or totally removed from the portfolio without any serious consequences for other customers.

3. Customer interconnectedness: analysis of existing research

The problem of interconnectedness of actors has been in sight of relationship marketing researchers for quite a while (Håkansson, Östberg, 1975). But from the very beginning it was widely addressed by the advocates of network approach to relationship marketing (Ford and McDowell, 1999; Eng, 2005). Levels of relationship management have also been discussed in (Ritter et al., 2004), but the analysis suggested relates to power balance and therefore is more similar to the model of Bensaou (1991). One more article supporting the four-level approach is (Möller and Halinen, 1999), describing business issues and managerial challenges on every level of interaction.

The first customer portfolio model directly indicating that customers/suppliers depend on each other (or on other stakeholders) is that of Olsen and Ellram (1997). A substantial step towards the merger of two viewpoints is taken by Zolkievsky and Turnbull (2002). The authors highlight the lack of synergies between the network and the portfolio perspectives and approach the interconnectedness through a closer look at units of analysis and different types of interactions (buyer interactions, supplier interactions, indirect interactions, e.g. interactions with competitors). The suggestion of the model is to view relationships as an interconnection of customers within portfolios and of the three portfolios, where some customers could at the same time be suppliers of other products or purchase from competitors. A similar perspective is presented by Ritter (2000) who shows the reasons that constitute the need for managing customers as interconnected. According to the study, there can be a number of effects between suppliers or customers in a portfolio, ranging from neutral to substantial positive or negative (e.g. neutrality, assistance, synergy, initiation, hindrance, lack, competition or hierarchy). Further, Terho and Halinen (2007) mention customer interconnectedness as a part of their summary on CPM models, but refer to this as a limitation rather than an assumption.

Research based on European practice, such as surveys and longitudinal studies of customer relationships (Terho, 2009), shows that customer interconnectedness is recognized by practitioners, but this recognition has an intuitive form and hasn't been subject to formalisation. It is clear, however, that decisions made about one customer are closely watched by others and can lead to unanticipated changes in the whole portfolio (Bocconcelli et al., 2006), investigating the outcomes of post-acquisition supplier and customer policy changes).

Analysis of existing research literature leads to the finding, that there have been very limited research efforts in the field of relationship portfolio building regarding Russian context (Uldasheva, Ivanov, 2004). Existing research provides only one empirical paper about customer portfolio analysis that includes the notion of customer interconnectedness embedded to the concept of customer strategic importance (Kouchth, Rebiazina, 2011).

4. Portfolio of interconnected customers: evidence from Russian b2b market

Customer interconnectedness as a criterion to build customer portfolios is studied on the example of large Russian b2b company. This particular company (according to the agreement with the company its name cannot be disclosed) was chosen as the object of the research devoted to customer interconnectedness because of several reasons: it is a large successful innovative industrial company with Russian origin operating in b2b production market in Russia and abroad; its customers in Russia include a lot of corporate groups as the company

produces equipment for oil and gas construction industry; in Russia this industry is widely known to consist of a set corporate groups and vertically integrated oil companies with lots of subsidiaries (for example, Surgutneftegas, Gazprom, Lukoil, Rosneft, Sibneft, Transneft and a lot of others).

The company investigated is one of Russia's largest manufacturers and exporters of equipment for oil and gas construction industry. The company has production plants in Russia and abroad competing mostly on the CIS market with limited presence overseas. The high quality of the products manufactured enables the company to play a successful role in the implementation of many large-scale Russian and international projects in the oil and gas construction sector. The company has gained the reputation of a reliable supplier while successfully implementing a lot of construction projects in the oil and gas industry.

The methodology of the research includes two successive approaches: at first the participative inquiry research within the company was conducted to observe the customer interconnectedness phenomenon from inside of the company and to understand how it results on the day-to-day customer portfolio management; and after five in-depth interviews with managers of the company were conducted to gain a deeper understanding of customer interconnectedness.

Participative inquiry research as an a recognized form of experimental research that focuses on the effects of the researcher's direct observation of practice within the company was chosen as a main method to investigate the problem of customer interconnectedness. It had lasted for two months in March and April, 2011 and resulted in set of author observations of daily customer management routine.

The company sells the equipment through a separate sales division which is responsible for account management and related functions such as formulation of customer policies. It coordinates sales of the products to the clients and has about 5000 regular clients. Customers are managed through sales departments working with a specific product, such as equipment for oil and gas transportation or stainless steel products for oil and gas construction industry. 20 people are working within the sales department dealing with oil and gas construction products as full-time employees. The author was involved in its day-to-day practice and customer management operations.

4.1. Results from the participative inquiry research

The results gained from the participative inquiry research can be presented in two parts: the general overview of the sales activities and the specifics of customer interconnectedness observed. Customer base of the company is highly diversified and includes big oil and gas producers as well as small businesses. Despite a significant number of customers, sales are highly concentrated, top five accounts contribute to about 45% of sales. This leads to the creation of substantial power on the part of key accounts because of their relationship power and subsequent necessity of special attention to them. This includes close monitoring of current situation with orders as well as frequent meetings with the customers to anticipate potential changes in equipment needs. Smaller customers fall into two groups: they are either served on a single purchase basis without additional customer service provided or enjoy a level of customer service similar to the big customers receive depending on their role in the customer base. This issue was observed on a constant basis and had no logical explanation at first sight as small businesses treated with high level of service in fact ordered in small amount both in volume and in money.

Observation of sales representatives' behaviour and the internal documents also showed that sometimes high emphasis was placed on relatively small buyers. A more detailed observation allowed making a supposition that the company did not regard customers as independent, but viewed them in the context of their corporate group network and the ability

to impact buying decisions of current and prospective buyers. Further observation got an insight that this small buyers treated as key accounts belong to huge corporate groups where they are interconnected with another companies from the group. Involvement in the day-to-day business practice of the sales department resulted in the number of facts and notices about the benefits the interconnected customers could gain:

- the orders coming from the interconnected customers received priority treatment as interconnected customers were the first in the waiting list for manufacturing and shipment;
- all negotiations about the orders were held faster and they could negotiate better prices;
- even when volume of order was significantly below than of some independent customers, interconnected customers enjoyed a better level of customer service and had an access to an assigned account manager;
- the conflicts were resolved in a shorter manner and could go to the level of the head of the sales department if the key account manager could not find a solution;
- some discounts offered to small interconnected accounts were similar to volume discounts offered to high-value but independent customers.

To develop deeper understanding of the customer management practices in case of customer interconnectedness in-depth qualitative research was needed. Five semi-structured interviews were conducted with the representatives of the company's sales division: with the vice-CEO, with the heads of sales departments and with two key account managers. The interviews took up to 40-50 minutes each. Respondents were asked to describe how they and their subordinates defined high-value customers, how customer portfolio was built and more precisely about the customer interconnectedness approach.

4.2. Results from in-depth interviews

The major variable impacting the strategic importance of the customer as mentioned by all the respondents is the annual revenue, depending on the volume of production or transportation. Both current and potential production is used as the main forecast of revenues from the customer. The second important factor is cost-to-serve criterion which is calculated in working hours dedicated to negotiating the sales, treating complaints and the frequency of travelling to the customers' facilities. Although no exact calculations are available for the heads of departments, they have an approximate estimation of which customers are "easy" and which are "difficult".

All respondents indicate that they do not perceive customers as independent buyers and try to identify their position within a customer base. Respondents mention that «When a small customer turns out to be closely connected to a bigger one, it is automatically assigned to the big customer's "affiliates"». Respondents also state that every enterprise in a similar position should be included in the customer portfolio and managed with regard to its position in relation with the rest of the holding. For instance, a small subsidiary or a unit of a big buyer is supported by the same key account manager and usually receives similar customer service level and discounts from the seller if it is known to have some impact on the parent company buying decisions, while an affiliated enterprise that is less influential in its corporate group will be in the responsibility of the same account manager, but can receive less support and attention. There is no general rule on how these connections are identified, but each head of the department indicates that the experience of their sales representatives and their personal knowledge allows to spot substantial changes in the network of major accounts.

Therefore, the policy of the corporation was built around two major lines: the first was the customer's individual profit margin while the second was its position in a network and interconnectedness.

Although there is a number of ways in which customers can be connected (belonging to corporate groups, holding structures, strategic alliances, vertical integration, industrial

clusters, others), the present model addresses the most common situation in Russian upstream industry – the interconnectedness through belonging to the same corporate group. This doesn't mean vertical governance and intervention in units' procurement and operations, but it is important to note that in the majority of situations businesses remain related on the management personal level even if they are not forced to this connection. The tools for managing relationships are context-specific, so the study doesn't explicitly state which CPM approach should be used. The model describing a portfolio of interrelated customers can be similar to those mentioned above, the difference is in the change of its configuration. The model includes two steps of analysis:

1) *Identify customer's connectedness with a corporate group* (specify subsidiaries' places in the business portfolio of a customer according to their present and potential importance in the corporate group);

2) *Map the portfolio and adjust* (having identified the relative position of customers in a customer group, the seller should specify their places in a buyer portfolio using one of the existing portfolio models, for example, the matrix of purchase value and cost-to-serve will be used as the one preferred by the company representatives. The horizontal axis represents annual inflation-adjusted value of purchase by a customer as if it were separate. The cost-to-serve displayed by the vertical axis is more difficult to measure due to non-financial components of sales and marketing costs).

5. Managerial implications and conclusion

The suggested model has a number of theoretical and practical implications. It contributes theoretically to the customer management, specifically, the portfolio approach by developing new perspective of customer interconnectedness.

The first and the most substantial practical finding of this article is that in Russia marketers believe that customers have an impact on each other's purchasing behaviour, and treat them accordingly. Another implication relates to potential positive results of such management – word-of-mouth and recommendations one subsidiary can provide to others are noticed to increase the amount of products purchased from the vendor. Usage the suggested approach in practice is quite difficult. It requires deep knowledge of key customers and full understanding of the processes that happen both inside the customer groups and between the customer and the market. But practical evidence supports the assumption that such management techniques are possible – the number of key accounts is usually limited and modern software assists in keeping and renewing their information.

To sum up, in the paper the common assumption of customer isolation is changed for that of customer interconnectedness. The management of such customers can be done through two steps, the first step intended to define relative account impact on its customer group and thereby – on other accounts' buying behaviour, and the second step – using this perspective to evaluate the seller's portfolio of customers. As this is a paper in a relatively early stage of research, much needs to be tested and formalised, for example, seller dependence on buyers' connections and what is the right balance between having an unprofitable, but well-connected customer and not having such a customer and associated profitable buyers.

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4th EMAC CEE REGIONAL CONFERENCE
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Customer Orientation of Sales Representatives: Insights from Russian Direct Sales Industry

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Abstract

Customer orientation is among the most important marketing concepts and it is traditionally researched on several levels: personal, business and interfirm. The present paper shares the results of customer orientation research in direct sales industry. Basing on a solid sample of 6380 sales representatives from 74 Russian regions we build a model of individual customer orientation using factor analysis and structural equation modeling tools. As the result we find that customer orientation can be divided into two main components: behavioral and relational affecting both actions and perception of the sales employees.

Keywords: *Customer Orientation, Personal Level Relations, Direct Sales, Russia*

1. Introduction

Modern companies are aimed at building and sustaining competitive advantages and tend to switch from short-term thinking (sales volume achievement) to establishing long-term relations with key stakeholders, especially customers. Successful customer relations require complex coordination, as well as business process integration and wide information exchange on both organizational and personal levels. Rapid change of technology and market uncertainty increase makes customers the main source of competitive advantage and value creation [Narver et al. 2004]. Moreover business success is defined by the position of a company in the relationship system with its customers, rather than by resource control or personal competency.

2. Theoretical background

2.1. Customer orientation construct as a part of market orientation

First research papers on customer orientation can be found back in 1950-s initially integrated with the market orientation (MO) concept (P. Drucker, J. McKitterick, T. Levitt). Trying to develop the MO concept B.Darden, R.Hiz, R.Larch, evaluated the degree of MO practical applicability. A.Felton, F. Webster explored determinants of MO implementation and effectiveness in business organizations. In early 1990-es customer and market orientation became quite popular, many 'classic' papers were published that time (J. Narver, S.Slater, A.Kohli, B.Jaworski, R.Deshpande). During this period researchers proposed basic models of market orientation and main approaches to it measurement (for ex. MARKOR, MTKOR, CUSTOR scales). In those papers customer orientation is defined as the major component of market orientation. Reviewing these papers helped us to distinguish basic elements and processes, enabling a company to become customer oriented.

Table 1. Customer orientation and market orientation

Author, year	Customer orientation	Terms used
Saxe, Weitz, 1982	Help people making purchases meeting their needs	Customer-oriented selling
Peters, Waterman, 1982	The increased attention to service and quality, adaptation of the product to the requirements of the client, active listening clients.	close to customer
Shapiro, 1988	The ability of business units to provide: <ol style="list-style-type: none"> 1. Penetration of information on all consumer preferences in every corporate function 2. Making strategic and tactical decisions and cross-functional interdivision 3. Adoption divisions and functional units well-coordinated decisions and execute them on the basis of the relevant obligations 	market orientation

Kohli, Jaworski, 1990	Data collection regarding the current and future needs of customers disseminating this knowledge in all departments, as well as organization-wide response and adaptation.	market orientation
Narver, Slater ¹ , 1990	Organizational culture that most effectively and efficiently support the creation of additional value for buyers and thus allows a business to demonstrate the outstanding performance. Customer Orientation - understanding the current and future goals and objectives of the client, sufficient to keep creating value for him.	Customer orientation as a part of market orientation
Ruekert, 1992	The ability to collect and use information from customers, to develop a strategy that meets the needs of customers, to implement this strategy in response to the needs and requirements of customers.	market orientation
Deshpande et al. 1993	A set of beliefs, according to which the client's interests are the highest priority, without excluding other stakeholders, such as owners, employees, managers, and to create conditions for ensuring the profitability of the company in the long run.	customer orientation
Deshpande, Farley, 1996	A set of cross-functional processes and activities aimed at attracting and satisfying customers through continuous assessment of their needs.	market orientation
Hennig-Thurau T., 2004	Orientation of service personnel to the client, to provide technical and social skills, motivation and decision-making powers.	customer orientation
Lambert, 2006	The company's efforts to assess the needs of consumers, create value for them. In this case the product or service is considered from the point of view of the person for whom it is intended, and is defined as a solution to some problems.	customer orientation

2.2. Levels of customer orientation in a company

If we analyse the history customer orientation research we should distinguish three parallel perspectives that are quite independent. They are: customer orientation on the personal level [Saxe, Weitz, 1982], customer orientation on the business level [Kohli, Jaworski, 1993, Farley, Webster 1993; Shapiro, 1988] customer orientation for interfirm structures [Grunert et al., 2005, Elg, 2002, Juttner, Christopher, Baker, 2007]. While business unit customer or market orientation is most discussed at the present time, initial research projects and first attempts to design measurement tools were connected with the sales personnel analysis. The main goal was to analyse the connection between individual performance and customer satisfaction [Saxe, Weitz, 1982]. The researches discussed how to combine goal orientation (sales) and customer orientation (customer needs) for the front-office employees. Service marketing also emphasised the role of the employees in consumer

value creation [Bateson, 1992; Berry, 1980; Lovelock, 1981]. Besides that researches emphasise front office employees' role in new product development [Joshi, 2010].

The concepts of customer orientation on the business unit level were developed within more broad market orientation concept [Farley, Webster 1993; Shapiro, 1988]. There are certain business processes responsible for the customer orientation: collecting and analyzing data on customer needs, data dissemination and efficient response on the company level [Kohli, Jaworski, 1993]. Further research in this area allowed to explore connections between customer orientation and business performance [Kohli, Jaworski, 1993, Deshpande and Farley, 1998 etc.] Modern research projects explore how customer orientation improve innovation capabilities of a company [Narver, Slater, MacLachlan, 2004]

2.3. Customer orientation in direct sales

Researchers usually recognize the importance of person-to-person customer relations in various contexts: both business-to-consumer [Saxe, Weitz 1982, Beatty et al., 1996, Verbeke et al. 2011] and business-to-business [Singh, Koshy 2011]. Traditionally relational aspects are outlined for front-office employees in consumer markets [Weitz, Bradford 1999]. Nevertheless such direct selling agents are much closer to the entrepreneurs than to the sales representatives considering their decisions and motivation. In this respect we regard an additional perspective of the research referring to business skills and business management.

3. Research design

3.1 Sample description

Empirical data for the study was collected in 2011 with the help of the Russian Direct Selling Association. The total sample included 6380 respondents from 74 regions of Russia and representing 16 companies. The sample was stratified with regard to the following criteria – region and size of the company. The data was collected with standardized survey distributed in the printed form.

3.2 Operationalization and key findings

The study was initially based on the operationalization of sales personnel customer orientation (COSE) by T. Hennig-Thurau (2004) with some additional questions from the annual Direct Selling Assoc. survey. We suggested additional hypothesis of how the key elements interact. On the first stage we used LISREL 8.8 to conduct factor analysis and calculated Cronbach Alpha for the factors that represented skills of the distributors as well as customer orientation. On the second stage we used LISREL 8.8 to perform SEM analysis. Normalised factor loadings ranged from 0,71 to 0,83. Cronbach Alpha for separate constructs ranged from 0,774 to 0,805, that ensures high conformity.

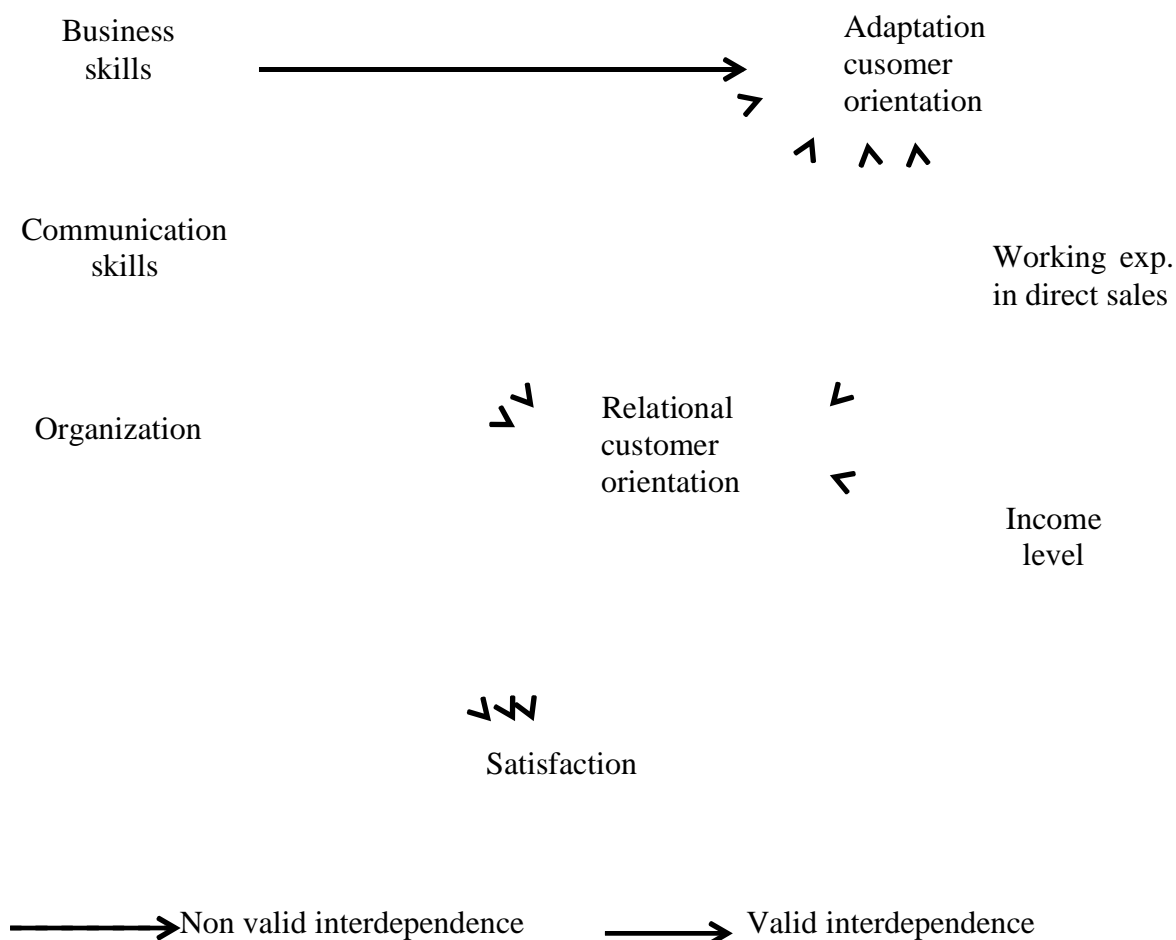


Fig.1 Factors of customer orientation in direct sales

Overall model characteristics are good (RMSEA 0,043; PCLOSE 0,999) and some of the suggested connections were found non-significant.

4. Contribution

Our findings provide some additional insight for customer orientation in direct sales showing significant differences from the existing models and suggesting two-component customer orientation construct.

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Marketing Paradigms and the Measurement of the Latent Variables

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Marketing Paradigms and the Measurement of the Latent Variables

Abstract:

The purpose of this article is to present frameworks of measurement models with latent variables in the context of three basic marketing paradigms: 1 / cognitive, associated with the "transactional" marketing, 2 / behavioral, relating to predictive CRM and 3 / relational and network paradigm in marketing. The evolution of structural modeling and its applications in marketing research four basic classes of measurement models are developed and discussed on the bases of empirical study: 1 / common factor model, 2 / multidimensional item response theory model, 3/ component model with formative indicators and 4 / multilevel random loadings model.

Key words: Measurement, SEM, PLS

1. Introduction

Structural equation models with latent variables are one of the mainstream trends in marketing research. Their use is associated with specific statistical model underlying the assumptions related to the distribution of variables, linearity of the relationship between the variables and the distribution of errors (residuals) of the model as well as problems of specification, testing and model respecification (Bollen 1989).

The purpose of this article is to outline the third dimension in the model construction, which is the defined paradigm underlying the theory in question. In the case of marketing, structural modeling is most often used to test the theory of consumer behavior in the three basic paradigms: 1 / cognitive, associated with the "transactional" mainstream (paradigm) of marketing, 2 / behavioral related to predictive models of CRM and relationship marketing and 3 / relational, network-based paradigm in consumer and B2B marketing

The development of these paradigms has consequences both for the adoption of appropriate measurement model of latent variables within each of them, and the specification of the structural model and the interpretation of fit indices. The evolution of structural modeling and its applications in marketing research come to existence three basic classes of models developed in the last two decades: 1/confirmatory SEM and multidimensional IRT (methodological realism), 2 / predictive LVPLS (operationism) and 3 / multilevel random loadings model (constructionism).

2. Specifications of measurement models for latent variables in marketing

The three traditions are important to the specification and construction of empirical models with latent variables. This is particularly important because of the strong relationship between the specification of statistical model with latent variables in the current SEM approaches and the underlying substantial theory and related theoretical conceptual model. In the process of a measurement model building, the theoretical three perspectives should be included. One of the problems of the appropriate application of structural models in marketing is the lack of considering the role of the paradigm in which the measurement model is built (as well as underlying theory that corresponds to structural model). Regarding these traditions in marketing to the specification of latent variable models, three basic types of measurement model building strategies can be recognized: a realistic, operational and constructionist.

In terms of methodological realism, the latent variable specification is based on common factor model (common factor latent variable). This view is associated with G. Churchill popular psychometric approach and the use of confirmatory factor analysis measurement model for identification and measurement of latent variable. In common factor model, the extraction of common variance assumes homogeneity of indicators, that are often redundant (they represent a random sample from a specific indicators' population or item bank). In the framework of factor model and classical test theory the parallel items are used (equal error variances and factor loadings), whereas in the IRT measurement models - the cumulative indicators characterized by varying degrees of difficulty. This results in a slightly different interpretation of the concept of latent variable in both models. In the common factor model, the principal factor is interpreted in analogy to "lens" extracting the communalities for the given set of indicators. The IRT model the latent variable, in "prism" analogy, that differentiates the reactions of respondents (theirs abilities) to the items with certain levels of difficulties.

The predictive and managerial approaches use the latent variable models with formative indicators (component latent variable). In marketing research it is most influential proposition is given by J. Rossiter (2002) marked as C-OAR-SE approach. The latent

variables are defined as the weighted linear combination of indicators. These indicators do not meet the principles of the common factor (lack of indicators colinearity), they are non-redundant in its nature (removing or adding indicator modifies the content, meaning and measurement validity of the construct). The importance of the measured constructs stems from the operationist perspective follows the tradition of being merely a convenient tool for synthetic description of the phenomena under study.

In latent variable models with formative indicators the problem of latent variable identification exists. The identification is carried out by incorporating these variables into a broader analytical system. So called 2+ rule is used for the identification, that says that the model is identifiable if: 1 / latent variable expels at least two paths to other latent uncorrelated variables (with reflective indicators), 2/ latent variable is linked to two other own reflective indicators (so-called MIMIC model) or 3/ contains one path with latent variable with reflective indicators and one second path with one own reflective indicator. An interesting proposition for identification the latent variable with formative items is given by Treiblmaier, Bentler and Mair [2012]. They present a two-step identification of formative latent variable using a common factor model. In the first stage latent variable is represented as decomposed principal component (P), so that $P = P1 + P2$. In the second stage, P1 and P2 components are regarded as reflective indicators of common factor latent variable.

The third, social constructionist approach emphasizes the contextual and hierarchical aspects of latent variable in analytical model. It puts the emphasis, according to the principle of methodological holism, on the mutual interdependence of market actors (nonindependence assumption), measurement model of variables that are interactive or relational (i.e. joint action, mutual trust, loyalty, asymmetry of information, etc.), the analysis of the processes in the formation of social and structural bonds, interaction and the relationship between multiple entities creating dyadic or network structure in a given context and situations of interaction. The nested nature of the data is causing the random effects for the parameters (factor loadings) in the measurement models. The respondents belong to specific clusters (groups) resulting from the hierarchical structure of the data, research context or environments.

They can result from the generalizability theory of measurement and random nature of the items, generated from a population (Asparouhov and Muthen 2012). Measurement models of latent variables variables can apply the generalized multilevel confirmatory factor analysis models with random loadings. Models in social constructionism combine the classical SEM models with reflective indicators and operational models with formative manifest variables. Multilevel nature of the data and the interdependence of observations and population heterogeneity allow the use of both multilevel models with random loadings, as well as models with formative indicators for heterogeneous population (eg FIMIX-PLS models or REBUS-PLS). They allow estimate more flexible models, even with small but significant differences between the factor loadings in the cross-sectional study for group or situation comparisons. They are used in both the modeling of means and variance of indicators in the measurement models. However, they require a large sample sizes on the both group and individual level - within the group.

3. Measurement models of latent variables – the comparisons of the four approaches

3.1. The data and items

The importance of ontological assumption for latent variable definition and modeling is illustrated with analysis of sacrifice-benefit scale in measurement model of value for the customer in resource allocation strategy. The data comes from representative sample of 1100

Polish respondents from 410 households, controlled for gender, age and the living area. Likert-type, five-point scale were developed to measure the sacrifice-benefit relationships with respect to money, time and personal reputation as a means to achieve selected personal goals (security, material wealth and pleasure). The item statements are as follows:

P1. "The material sources for satisfying wants and pleasures is the key matter – event at the expense of free, leisure time" (money-time trade off => pleasure).

P2. "The use of any free time to earn money makes sense, if enables the financial security in the distant future" (money-time trade off => security).

P3. "Sacrifices in leisure time should be done only for the expansion of real property ownership" (money-time trade off => wealth).

P4. "The end justifies the means - it's worth even to lose the reputation in order to gain money and satisfy own wants and pleasures" (money-reputation trade off => pleasure).

P5. "Damage to its own image does not matter, if in return you get a sense of greater financial security" (money-reputation trade off => security).

P6. "Reputation and honor is more valuable than the wealth" (money-reputation trade off => wealth).

Four measurement models were developed: 1/common factor measurement model based on confirmatory factor analysis, 2 / multidimensional IRT model with reflective binary and 3/ predictive partial least squares model with formative indicators and 4/ multilevel random loadings model with unobserved heterogeneity.

3. 2. Common – factor ESEM model

Exploratory structural equation model (ESEM) was used for dimensionality analysis. Two-factor model has the appropriate fit and the results are depicted in Table 1.

Table 1. Goodness of fit the common factor measurement models

Number of factors	Chi-square/df/p-level	RMSEA	CFI/TLI
1	320.569/9/0,00	0,177	0,755/0,592
2	6.007/4/0,199	0,021	0,998/0,994
3	Heywood case	-	-
4	Not identified	-	-

Source: own based on Mplus 7.0

Table 2. Factor loadings and reliability coefficients

Factors and indicators	Estimate	S.E.	Est./S.E.	P-value
F1-	Alpha=0.67, rho=0.68. BLB=0.68, SLB=0.71			
P1	0.51	0.046	11.10	0.00
P2	0.85	0.056	16.63	0.00
P3	0.43	0.042	10.23	0.00
P4	0.10	0.037	2.73	0.01
P5	-0,00	0.001	-2.70	0.01
P6	-0.06	0.035	-1.61	0.11
F2 -	Alpha=0.71, rho=0.75. BLB=0.75, SLB=0.83			
P1	0.03	0.042	0.81	0.42
P2	-0.01	0.002	-3.15	0.00
P3	0.18	0.038	4.87	0.00
P4	0.76	0.046	16.60	0.00
P5	0.87	0.043	20.30	0.00
P6	0.28	0.032	8.35	0.00

Source: estimation based on Mplus 7.0

The reliability analysis, based on common factor model with parallel indicators is shown in Table 2. Comparison unrestricted model (with free factor loadings) and restricted CFA model (with loadings set as equal) shows that the Chi-Square test for difference is 549.453, with 4 degrees of freedom and p -level=0.00. So, the restricted model with parallel indicators should be rejected and therefore common factor model violates the τ -equivalence assumption of CTT-based measurement model. However, congeneric model of measurement holds and dimension-free reliabilities Bentler's and Shapiro lower bounds (BLB and SLB respectively) suggest reliable two-factor model of sacrifices-benefits (S-B) relationships.

3.3. MIRT model

The second model is based on Multidimensional Item Response Theory (MIRT) analysis. With respect to this model we assume cumulative ordering of the items with respect to difficulty and different items' discrimination along the continuum of the latent trait (ability). Table 3 summarizes the goodness of fits of unidimensional and two-dimensional Rasch and Birnbaum models. One-parameter models assume differences between items with respect to difficulty parameters only (and set loadings as equal). Two-parameter models one can estimate both difficulty and discrimination parameters. The last, two-factor Birnbaum model with two parameters, were selected on the basis of superior AIC and Chi-square/df indices¹.

Table 3. Goodness of fit IRT models

Model	Chi-square/df/p-level	AIC	RMSEA
1 factor – 1 parameter	244.79/41/0.00	6189.052	0.067
1 factor – 2 parameters	201.38/35/0.00	6155.387	0.066
2 factor – 1 parameter	198.60/54/0.00	6149.946	0.055
2 factor – 2 parameters	84.38/30/0.00	6048.184	0.041

Source: estimation based on Mplus 7.0 and R package (*mirt*)

Table 4 presents the difficulty and discrimination parameters of two-factor (M)IRT model. The ranking of items with respects to difficulty parameters show the following ordering P6 (most difficult) – P4 – P5 – P3 - P2 – P1 (the easiest item).

Table 4. Parameters of two-dimensional Birnbaum IRT model

Factors and indicators	Difficulty	Discrimination
F1		
P1	0.37	-0.01
P2	0.49	-0.01
P3	0.81	0.16
P4	1.78	0.79
P5	1.50	0.94
P6	16.83	0.29

¹ The difference ANOVA test of the last two models also shows that 2F-2P model has significantly better fit in comparison to 2F-1P model.

F2		
P1	0.37	-0.44
P2	0.49	-0.93
P3	0.81	-0.37
P4	1.78	0.03
P5	1.50	-0.02
P6	16.83	0.11

Source: estimation based on Mplus 7.0 and R package (*mirt*)

In general, for Polish households' members, the money-time trade off is "easier" way to obtain pleasure, security or wealth goals than money-reputation trade offs. The first dimension better discriminates "money-time" trade off seekers, and the second dimension shows the higher discrimination with respect to "money-reputation" criterion.

The noticeable differences in difficulty parameters IRT model and the structure of factor loadings (discrimination) provide better understanding the factorial structure of MIRT model in comparison to classical CTT two-factor model (ESEM).

3.4. LVPLS model

The LVPLS model concerns the latent variable with both formative and reflective indicators. The S-B scale may be conceptualized as 3-factor model (pleasure, security and wealth) with formative indicators of "money-time" and "money-reputation" trade off. According to the findings in MIRT analysis one should expected hierarchical value structure based on Maslow's hierarchy of needs (pleasure – security – wealth sequence of the relationship). The structure of path PLS-PM model is depicted in Figure 1.

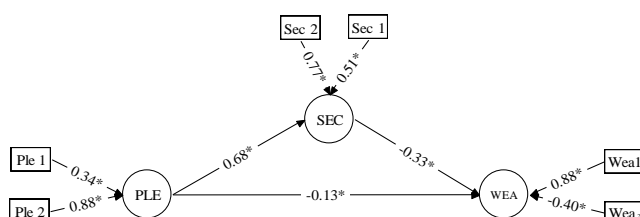


Fig.1. PLS-Path Model

Source: estimation based on R package (*plspm*)

The model on Figure 1 shows significant regression weights of outer (measurement) models and path coefficients in inner (structural) model. Predictive oriented GoF indices are presented in Table 5.

Table 5. Goodness of fit indices

Variables	R.square	Av. Communality	Av. Redundancy
PLE	0.00	0.57	0.00
SEC	0.47	0.58	0.27
WEA	0.18	0.53	0.10
GoF	Absolute/Relative	Outer model	Inner model
	0.43/0.95	0.99	0.96

Source: estimation based on Mplus 7.0 and R package (*plspm*)

The Table 5 shows relative good predictive fit of the PLS model. Average communality may help to check if the block variability is reproducible by the latent variable. Average redundancy shows the percentage of variance in endogenous factors that is predicted by independent latent variables (redundancy is rather low and therefore low ability to predict).

Pseudo goodness of fit (GoF) indices show relatively good overall quality of the model. The GoF is calculated as a geometric mean of the average communality and the average R^2 value (Sanchez 2013).

3.5. Multilevel random loadings model

The measurement of social constructs takes place in highly institutionalized context. In measurement model the factor loadings may vary across higher level clusters (i.e. families, social groups, cultural areas etc). In the presented S-B scale, all of the family members were interrogated during the interviews. The random factor loadings were estimated on „within“ (individual) level and „between“ factor is specified in the between part of the model using the random intercepts as factors indicators. In the „between“ part of the model (family level) S-B factors are specified using the random intercepts as the factor indicators. Factor loadings on „between“ level are equal to the means of random factor loadings estimated on „within“ level. The result of bayesian estimation of multilevel measurement model of „money-time“ factor with random loadings is depicted in Figure 2.

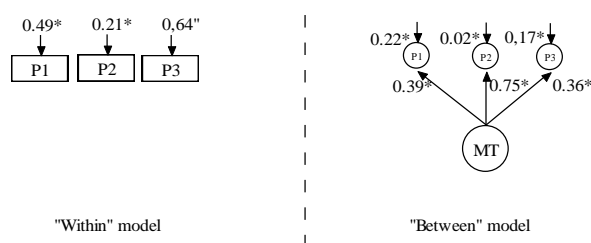


Fig.2. Multilevel model with random loadings

Source: estimation based on Mplus 7.0

On the first level in within part, only variances of latent variables and residual variances are estimated. The residual variances are significant and the unobserved heterogeneity of loadings is explained by family-level loadings with (smaller) residual variances.

Final remarks

The measurement models are strongly related to theoretical assumptions and paradigms concern the phenomena under investigation. In marketing research, the measurement models usually take form the common factor model (CFA). It is worth to underline that measurement models can be influenced by relationship between items that define underlying dimension (CTT vs. IRT models), causal indicator – construct relationship (SEM vs. PLS-PM models) or homogeneity of population (fixed vs. random loadings).

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Factors Influencing E-commerce Adoption Behavior of Internet Users

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Abstract:

The emergence of Internet technology had extensive and profound effects on everyday/business communication and commerce. One of its effects was the rapid spread of e-commerce channels which are becoming important and popular ways of shopping in today's society. As the rate of Internet penetration can be different by country, so can be e-commerce adoption rate. The adoption of e-commerce as a new technology can be influenced by several factors. Based on an extensive literature review we propose a conceptual model that includes key antecedents and consequences of e-commerce adoption through the lens of the Technology Acceptance Model (TAM). By integrating several models we include factors that offer a broader and detailed look on e-commerce adoption. The model is about to be tested on a Romanian sample of Internet users.

Keywords:

technology acceptance model, TAM, e-commerce adoption, trust, Eastern Europe

1. Internet Usage, Technology Adoption, E-commerce Adoption

1.1 *Emerging Role of the Internet in commerce and communication: Facts and trends*

Internet technology is probably the innovation with the highest impact on today's modern society. Its extensive and profound effects on everyday/business communication and commerce are commonly known facts and they are also regularly covered by specialized academic researchers.

Starting from the 80's with the advent of personal computers, traditional ways of commerce have also been affected and have been undergoing a major change starting from enhanced customer knowledge (Johnson, 2008) to the dynamization of the value chain of companies (Porter, 2001), and boosting the efficiency of commerce (Varadarajan & Yadav, 2009). Globally one third (32.77%) of the population is connected to the Internet with the highest percentages in North America (78.68%), followed by Europe and Central Asia with 42.16%. Regarding Europe, Western and Northern countries generally have a greater percent of Internet penetration than Eastern and Southern countries (The World Bank, 2011). A new and important metric regarding Internet usage is the rate of broadband¹ internet penetration. Broadband Internet and its possibilities represent a newer challenge for the population in the process of technology adoption.

It is not mandatory that Internet penetration and e-commerce usage level to be interdependent and positively correlated. However, developed countries seem to have a higher level of e-commerce usage rate. In Europe's case Nordic countries, such as Sweden, Denmark, Finland but also the United Kingdom have the one of the highest percentages (higher than 70%). Eastern European countries have relatively lower levels of e-commerce adoption rate among the population using the Internet in everyday life. There is however a bigger dispersion: ex. Slovakia has a 45% rate and Romania has only a rate of 5% which is the lowest amongst EU member countries (Eurostat, 2012).

E-commerce adoption has a growing tendency in almost all countries. Meanwhile new technologies also begin to emerge, such as m-commerce² (Siau & Shen, 2003).

E-commerce adoption by consumers strongly depends on their level of technology adoption and it is influenced (both negatively and positively) by a variety of factors starting from governmental policies, distribution channel structure and low level disintermediation (Damaskopoulos & Evgeniou, 2003), lack of e-business know-how (Johnson, 2008) to user-centric antecedents, such as trust issues (Seer, Beracs, & Pop, 2012; Urban, Amyx, & Lorenzon, 2009; Pavlou & Fygenson, 2006).

1.2 *Technology adoption through the lens of the Technology Acceptance Model (TAM)*

In order to better understand e-commerce adoption we must first find a framework for technology adoption which fits into a broader context and which can be applied not only to e-commerce adoption but the adoption of other technologies, as well. A commonly known and validated framework for this purpose is the Technology Acceptance Model or TAM.

The TAM is directly derived from Fishbein and Ajzen's (1975) *Theory of Planned Behavior* and *Theory of Reasoned Action* which can be used for prediction of both behavioral intention and behavior.

The Technology Acceptance Model (TAM) is the most widely used theoretical framework for the study of technology acceptance. The foundations and the first model were developed by

¹ technologies supporting wide bandwidth data transfer

² e-commerce through mobile devices

Davis in 1989 as an extension of Fishbein and Ajzen's (1975) Theory of Reasoned Action, specifically for the study of the user adoption of information technology and information systems. The Technology Acceptance Model was originally designed to reveal and understand the use and acceptance of personal computers and software in a work environment (Nyíró, 2011).

TAM suggests the belief-attitude-intention-behavior causal relationship for explaining and predicting technology acceptance among potential users. For this matter, TAM proposes that two beliefs about a new technology, perceived usefulness and perceived ease of use, determine a person's attitude toward using that technology, which in turn determine their intention to use it. Perceived usefulness is the degree to which one believes that using the technology will enhance his/her performance (Davis & Buchanan-Oliver, 1999). Perceived ease of use is the degree to which one believes that the technology will be free of effort (Ha & Stoel, 2009).

TAM has several adapted versions which are serving as research models for different information technology environments such as e-commerce, mobile commerce, digital television and other environments.

As applied to electronic channels, the TAM holds that consumers' perception of the usefulness and ease-of-use of a website determines their behavioral intentions. Using the TAM as a building block, researchers have developed models that integrate technology attributes and consumer experiences to explain consumer usage behavior toward electronic channels (Johnson, 2008).

The adapted TAM models often include various antecedents and consequences. Two of the most important concepts which can also be viewed as antecedents of technology adoption are trust and risk which seem to be also interconnected.

Because of the unique characteristics of the virtual shopping environment (ex. the inability to directly see and touch a product, absence of face-to-face interaction), consumers feel greater uncertainty and heightened risk in their online buying decisions (Pavlou, 2002).

Consequently, it's logical to assume that trust and risk can emerge as important factors in influencing technology adoption.

Related empirical studies incorporate trust into TAM in several ways. Results support trust as an antecedent of ease of use, usefulness, attitude, and behavioral intention. This is how researchers could develop a trust-enhanced Technology Acceptance Model and assert that the model provides a better explanation of consumer technology adoption than the basic TAM (Ha & Stoel, 2009).

Online trust is influenced and determined by several factors in the case of e-commerce websites and seem to be different across site categories and consumers. For example privacy and order fulfillment are the most influential determinants of trust for sites in which both information risk and involvement are high, such as travel sites. Navigation is strongest for information-intensive sites, such as sports, portal, and community sites. Brand strength is critical for high-involvement categories, such as automobile and financial services sites (Bart, Shankar, Sultan, & Urban, 2005).

Until today the Technology Acceptance Model (TAM) remains one of the most influential theories in Information Systems research. Benbasat and Barki (2007) however, consider that despite the model's significant contributions, the intense focus on TAM has diverted researchers attention away from other important research issues and has created an illusion of progress in knowledge accumulation. They also conclude, that the independent attempts by several researchers to expand model in order to adapt it to the constantly changing information technology environments has lead to a state of theoretical chaos and confusion in which it is not clear which version of the many iterations of TAM is the commonly accepted one (Benbasat & Barki, 2007).

1.3 The place of e-commerce adoption in the Technology Acceptance Model

In order to better understand e-commerce adoption we can turn to the Technology Acceptance Model adapted for e-commerce adoption (Koufaris, 2002; Koufaris & Hampton-Sosa, 2002; Gefen, Karahana, & Straub, 2003).

Consumer trust has also been incorporated into the TAM framework by research demonstrating that trust in e-commerce reduces perceived risk and enhances perceived usefulness, ease-of-use, and usage intention (Johnson, 2008; Koufaris, 2002; Koufaris & Hampton-Sosa, 2002).

The original TAM model was modified and extended by Koufaris (2002) and it became a suitable theoretical framework for online e-purchase acceptance (Nyíró, 2011).

Since then several other novelties have been included into the model but without any major modifications related to its role and explanatory power.

In another empirical study conducted by Koufaris & Hampton-Sosa (2002) an expanded model was tested that included the effect of the customers' experience with and beliefs regarding a company's web site on their trust in the company itself. They found that a positive experience with a website that provides customers with enjoyment and perceived control leads to greater trust in the company itself through the customers' perceptions about the web site's usefulness and ease of use. They also confirmed a positive relationship between customer trust in a company and customer retention and intention to buy (Koufaris & Hampton-Sosa, 2002)

2. Factors Influencing E-commerce Adoption Behavior of Internet Users: a Conceptual Model

2.1 Factors as antecedents and consequences of e-commerce adoption

As we already stipulated, e-commerce adoption which, in our case, can be viewed as a narrower interpretation of technology acceptance, can be influenced by a variety of factors depending on what we put our main research focus. Based on above presented considerations and the literature review that we conducted, we built a conceptual model (Figure 1) which incorporates several factors that serve as antecedents and consequences of e-commerce adoption.

As we conducted the literature review, we found that TAM-adapted models were built by two different logics. Some of the models have a central concept, such as the main components of TAM (perceived usefulness, perceived ease of use and behavioral intention to use) (Nyíró, 2011). Other researchers put the concept of trust into the center of the model (Koufaris & Hampton-Sosa, 2002; Sultan, Urban, Shankar, & Bart, 2002).

The other way of constructing models based on TAM was to put nothing into focus. Without centralizing any of the factors involved, every factor gains the same importance from the researcher's point of view. A model without central factors was developed by Palvia (2009) but can be found more in the literature review of Beldad, De Jong and Steehouder (2010). Regarding the factors that can have an influence on e-commerce adoption of Internet users, the literature is diversified. We can talk about contextual factors, such as gender, culture and technology characteristics. Contextual factors have a direct link to the main components of the TAM and can have moderator effects (King & He, 2006).

There are some prior factors, as well, which also can be seen as antecedents of TAM.

Situational involvement, prior experience, personal computer self efficacy and technology anxiety can be put into this category (Beldad et al., 2010; King & He, 2006).

Based on our literature review we can also suggest factors from other theories, such as trust, subjective norm, expectation, task-technology fit and risk. The antecedents of trust can be important components of a unified model: belief in integrity, belief in competence, belief in benevolence, cognition-based antecedents, affect-based antecedents and propensity to trust (Palvia, 2009; P.A. Pavlou & Fygenson, 2006). There are factors which serve as consequences, as well. TAM-study findings suggest that the TAM triad (perceived usefulness, perceived ease of use and behavioral intention to use) has an effect on the attitudes of the consumers regarding online shopping and the perceptual/actual usage of an online store (Beldad et al., 2010).

2.2 Conceptual model based on literature and future research sample specificities

Based on the literature review we built a conceptual model (Figure 1) which includes the TAM triad (consisting of perceived usefulness, behavioral intention and perceived ease of use), as a central concept and all the factors which could have an influence, around it.

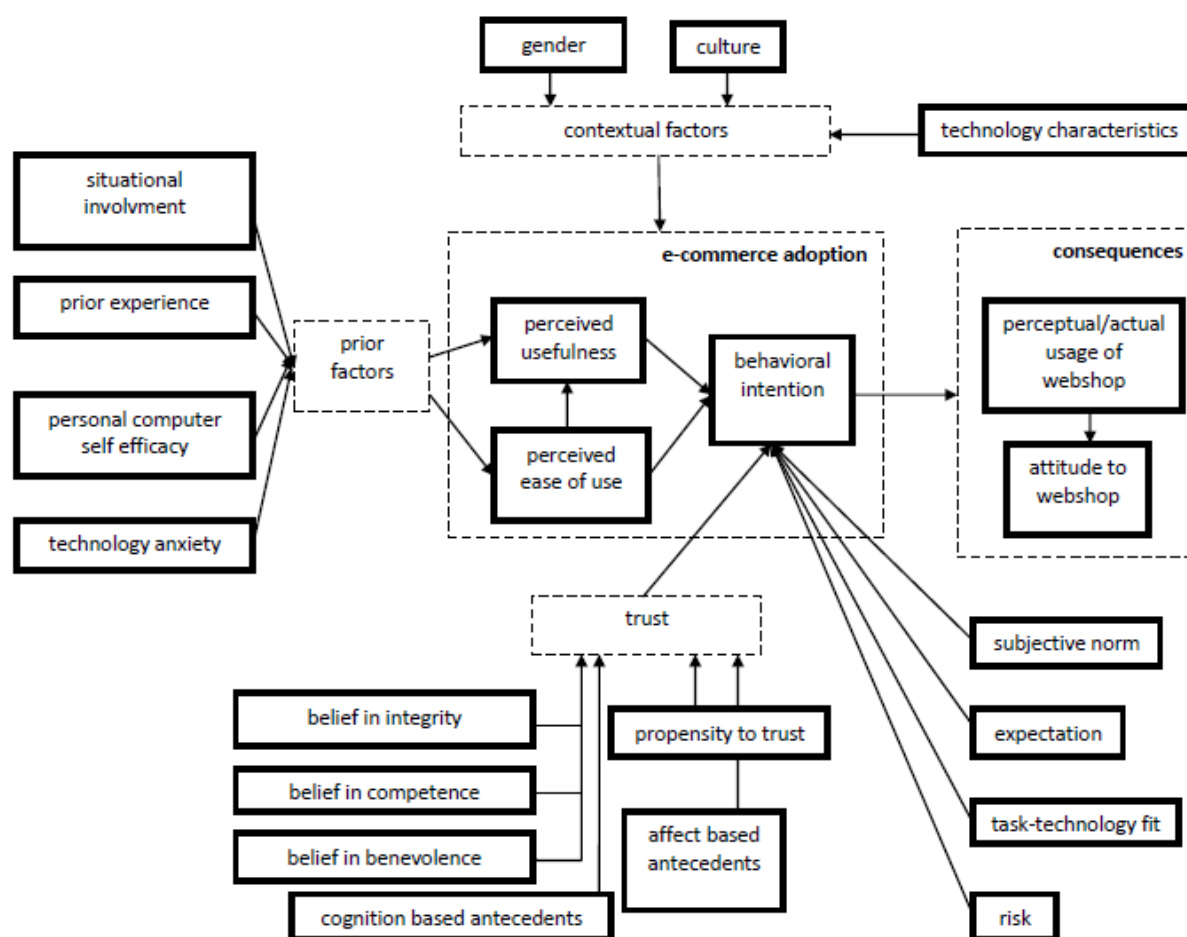


Figure 1 – Conceptual model of the factors influencing e-commerce adoption

The main consequences of the effect are also shown in the conceptual model.

Based on qualitative data we gathered, we already have a detailed knowledge about the Romanian Internet user population. We believe that the factors presented above, and the connections between them, will bring valuable results as soon as the research is completed.

In our research which currently is in the pre-research stage, we plan to gather data on a Romanian sample of Internet users. According to Eurostat (2012), Romanian Internet users are the most reticent regarding e-commerce adoption among EU countries which means that the factors influencing e-commerce adoption seem to produce a greater effect.

2.3 Research expectations and implications

Based on the fact that Romanian Internet users have the lowest rate of e-commerce adoption in the EU (Eurostat, 2012), we believe that the factors influencing e-commerce adoption will gain a greater importance in the course of the research and, consequently, the results will have a greater explanatory power. Therefore, on one hand, findings can explain the chronic reticency of Romanian (and Eastern European) Internet users regarding e-commerce channels, but on the other hand they can contribute in several important ways to the current literature about e-commerce adoption and especially the role of trust.

By the time of the conference most of the results will already be available for presentation and discussion.

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Multi-attribute products' utility: an approach to measuring for the real estate market

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Multi-attribute products' utility: an approach to measuring for the real estate market

Abstract

Real estate housing market is the market of differentiated product, where consumers' preferences are distributed among a large number of product attributes. The structure of the preferences forms product utility, which could be measured by using decompositional methods. We implement hierarchical information integration approach that let us represent the real estate housing object utility as a sum of part-worth utilities of various attributes. Using special research design we obtain the estimates and apply them to measure the utility of current market offer. The results highlight that the reason of poor sales performance could underlie in the gap between consumers' preferences and real estate housing items configuration.

Keywords: conjoint analysis, part-worth utility, real estate housing market, concept evaluation.

1. Introduction

Real estate housing concepts' development, differentiation and positioning may be problematic when developers lack a complete picture of consumers' preferences. It is important not only to measure the affordable price of the accommodation – a house or an apartment – but the full range of preferred attributes (Iman, Pieng and Gan, 2008). The gap between what is provided by developers and expected by consumers may lead to the developers' profit loss and even more harmful market consequences, as far as real-estate housing market may be the driver of corresponding markets like home improvement and repairing services, construction materials etc.

Since 2006 regional real estate housing market in Russia has gone through several stages – from active growth and saturation through recession and currently to slight growth (according to Federal Statistics approx. 6% per year [15]) – due to the both macroeconomic trends and federal support program. At the same time the sales performance has been different within different segments and especially poor in the high-price housing segment (for instance, the in the example which we use in this paper only 10% of apartments were sold by the end of construction in comparison with on average 40% of apartments typically for the segment). Many reasons could be given to explain the low sales (location, unreasonable high price, apartment design etc.) – that evidently makes market research of consumers' preferences crucial. Our brief search has shown that less is done on the topic in Russia – we failed to find out whether regional developers use different research techniques to estimate preferences for the multi-attribute products like real estate items. Moreover, we revealed that the methods, which are practically used to measure consumers' preferences for real estate items, are limited to the compositional methods, whilst most researcher consider decompositional methods more appropriate to study complex decision making and consumers' preferences for multi-attribute products (Fiedler, 1972; Louviere & Timmermans, 1990).

We argue the complicated decision-making process could be viewed from integration information theory perspective. According to Louviere and Timmermans (1990) information integration theory: “assumes that individuals respond to multi-attribute alternatives, such as residential opportunities, by first valuing the levels of the attributes that describe the alternatives, and then cognitively integrating the values (part-worth utilities) associated with the levels of each descriptive attribute into some overall measure of utility or preference”. Therefore, there is a need for assessing consumers' preferences and part-worth utilities towards certain attributes of properties in order to develop the housing concepts, which maximize the total utility.

The purpose of this paper is to implement the hierarchical information integration as the method of consumers' preferences measurement and relate the obtained results to the current market offer at the high-price segment of real estate housing market.

The paper is structured in the following way: first, we briefly describe the method of hierarchical information integration and its application for the real estate housing market; second, we present the research methodology and procedure and finally illustrate how the calculated results (part-worth utilities) could be applied to access the real estate housing items and make some conclusions. Research limitations and key references are listed at the end.

2. Literature review

Since the early 1970's, conjoint analysis and its applications has received considerable academic and industry attention as a major set of techniques for measuring buyer's trade-offs among multi-attribute products and services (Green & Srinivasan, 1990). The principle types of its application are the problems of new product or concept evaluation, positioning and repositioning and market segmentation (Wittnik & Cattin, 1989). The purpose of different sub-methods, united under the conjoint analysis 'umbrella', is to predict consumers' reaction

to the new products and services, which is difficult to measure by other methods of marketing research when we handle a large number of product attributes. In case of multi-attribute products we deal with the multi-level characteristics of the product, which differently contribute into the value of the product perceived by a consumer, called total utility (Lang, 2011). Therefore, the accurate measurement of different attributes' preferences could provide the managerial and marketing decisions on positioning and marketing-mix adjustment with information, which enhance company's market position.

Residential real estate choice is a trade-off process influenced by different attributes. Several researches applied conjoint analysis methods to solve the problems of pricing and apartment design (Fiedler, 1972), utility assessment and land use policy evaluation (Knight & Menchik, 1974; Lerman & Louviere, 1978), individual preferences' study (Findikaki-Tsamaouritz, 1982), consumer choice of residential property depending on the developer (Levy, 1995) and suburban real estate choice (Louviere & Timmermans, 1990). Louviere and Timmermans (1990) examined the methods used for preferences analysis and argued that major research techniques were not relevant to reflect and study of the decision-making process of such a multi-attribute product like an apartment or other residential real estate item. Given that, they proposed the hierarchical information integration method (HII), which allows one to study a large number of potentially influential attributes without greatly restrictive assumptions.

HII is the conjoint-based method, which reconstructs the double staged decision making process: individuals simplify choices by grouping the attributes into subsets. Such categorization allows individual to range product attributes within these subsets first and then rank the subsets being familiar with the attributes, which are combined into the subset. Using regression analysis, we could define the relative contribution of the subsets and the attributes within each subset to the total real estate item utility. Based on these estimations, the developers could possibly configure the real estate item's concept in order to increase the potential consumers' perceived value of the apartment and adjust the real estate item positioning to the preferences of target segment.

The primary focus of our study is the structure of preferences and their estimations for the various attributes of an apartment in the newly built apartment block at the high-price segment of real estate. This type of residential real estate property currently forms a large market share of the regional market and, what is more important, is characterized in some cases with the poor sales performance.

Based on the previous researches on consumer preferences for residential real estate market we have defined more than 25 product attributes which were be grouped into 5 subsets: location attributes, apartment block attributes, apartment attributes, building company attributes and price attributes (Louviere & Timmermans, 1992; Noortwijk, 1994; Vande & Vijvere, 1998; Oppewal & Klabbbers, 2003; Leishman, Aspinall, Munro and Warren, 2004; Oldham / Rochdale Partners, 2006; Hamid, Pieng and Gan, 2008). The logical grouping of attributes was done in accordance to the structure of factors, which defined the real estate item price in Russia (Sternik & Sternik, 2009). For the purpose of our study, which is focused on the attributes' utility in application to the concept of the apartment block, we excluded the group of price attributes: according to the previous researches, price could cause the substantial bias (Orme, 1996; Voelckner, 2006).

3. Research methodology and design

We assume that individuals simplify the choice process by categorizing the many attributes into logical subsets. Therefore we use hierarchical information integration as a basic method, which allows us to measure preferences by deducing the utility at the level of each attribute. To implement the hierarchical information integration we follow the research steps

proposed by Louviere and Timmermans (1990) with the modification of attributes and their levels. To provide the relevancy of attributes and levels for Russian real estate housing market we start from the series of expert interview, than develop conjoint cards called profiles (the main research instrument for HII) and after that proceed to the data collection an analysis. The received estimations we apply to evaluate the total utility of three apartment blocks offered in the high-price segment.

The steps of the research procedure are listed in the Table 1.

Table 1

Research procedure steps		
Step	Research procedure	Result
Definition of the list of attributes and their levels	The series of expert interviews with 9 representatives of the development and building companies. Everyone has individually ranged the list of attributes grouped into logically untied subsets “Location”, “Apartment Block”, “Apartment”, “Building Company”.	The final list of 14 attributes, each having 2-4 levels, grouped into 4 subsets (see Table 4 in the Appendix 1).
Conjoint profiles (conjoint cards) development	For every subset a number of conjoint analysis cards, called profiles, was created. The profiles were created using orthogonal array method to minimize correlation between attributes and levels. According to Hugh (quoted by Yun, 2009) ten to twenty cards for one subset are generally considered to be appropriate for conjoint design.	16 conjoint cards for each subset (total – 64 cards) combining the attributes within the group at the level of quality, chosen randomly; 25 cards combining subsets at different levels.
Data collection	The purposive sample of 58 potential buyers (on the base of real estate agency) was created, 24% of the sample – the targeted segment of customers interested in high-price apartments. Respondents were to rank the profiles first within the subsets and then in-between subsets.	Individual preferences for the attributes and the subsets of attributes.
Data analysis	Data analysis was produced using Marketing Engineering add-ins for MS Excel. The estimations of various levels of attributes are calculated using the two-step linear regression analysis: first for the attributes within the subsets and them in-between the subsets.	Part-worth utilities of all the levels of each attribute. The sum of the ‘best’ level of all attributes gives 100.

The defined part-worth utilities are applied to three apartment blocks offered in the market to access their potential attractiveness for the target customers. The total utility estimations are compared with the current sales performance.

4. Findings

The purposive sample consisted of 58 respondents: these were potential customers, which enquired to the real-estate agency at the moment of research (April – May, 2012). All of them were looking for the apartment in a newly built apartment block. 24% of the respondents with monthly income more than 70 000 roubles were interested in the apartments of the high-price segment and thus were considered the target customers “apriori”. The ‘ideal’ housing concept for this segment, consisting of the levels of attributes with the highest part-worth utility, is represented in Table 3.

Table 2

The ideal housing concept at the high-price segment based on consumer preferences of attributes characteristics

Attribute	Level	Level
Subset «Location»		34,0
Proximity to the city centre	central	24,6
Social infrastructure	plenty of objects of social infrastructure	4,9
Public transport availability	high	4,5
Subset «Aparment Block»		15,6
Building technology	brick	8,3
Building surrounding grounds	spacious	7,3
Subset «Apartment»		34,4
Apartment area	3 and more rooms, 100 or more sq.meters	23,7
Kitchen area	12 sq. meters and more	2,0
Design and finish	individual design and full-finish	8,7
Subset « Building Company»		16,0
Building company reputation	trustworthy company	3,2
Timeline	meet the construction timeline	2,0
Type of property contract	share equity contract	4,0
Type of payment	partial compensation by secondary housing	1,0
Building stage	finishing stage	5,8
TOTAL UTILITY		100,0

Two subsets – “Location” and “Apartment” – contribute 68,8% to the total utility of the apartment; 31,4% of utility is influenced by the attributes of “Apartment Block” and “Building Company”. In line with proximity to the city center and apartment area the attributes that adds significant value to the market offer are brick building technology, spacious apartment block surroundings and individual design and full finish of the apartment.

Along with the estimations of the most preferred attributes hierarchical information integration method gives the estimations for all the levels of each attribute. This gives us the possibility to relate consumer references to the current market offer. To illustrate this we have chosen three newly built apartment blocks (which are named AB_1, AB_2, AB_3 in the Table 3) and estimate their total utility applying the calculated part-worth utilities:

Table 3

Total utility of the housing objects offered at the high-price segment

Attribute	AB_1	AB_2	AB_3
Proximity to the city centre	24,6	24,1	24,6
Social infrastructure	3,5	4,9	3,6
Public transport availability	4,5	4,5	4,5
Building technology	6,6	8,3	8,3
Building surrounding grounds	2,4	7,3	7,3
Apartment area	23,7	23,7	19,6
Kitchen area	2,0	2,0	2,0
Design and finish	1,0	8,7	5,2
Building company reputation	3,2	3,2	3,2
Timeline	2,0	2,0	2,0
Type of property contract	4,0	4,0	0,6
Type of payment	0,2	0,2	1,0
Building stage	5,8	5,8	5,8
TOTAL UTILITY	83,5	98,7	87,7
Number of flats sold by 2008 (before crisis)	12 (10%)	67 (45%)	85 (43%)

None of the real estate housing objects offered to the market meet customers preferences' ideally. All the apartment blocks were constructed by the end of 2008 and offered at the high-price segment at the same price level. Measuring their utility as a multi-attribute product we see that different level of attributes adds different value. Consequently market demand reacts to the multi-attribute 'configuration' – this is evident when we compare the total utility to the sales performance indicators.

5. Discussion

The illustrative character of the example of information integration implementation provides the fruitful ground for further examination. The method could be helpful to solve the problems of market positioning, consumer segmentation and marketing mix adjustment. Our research faces some strong limitations like small sample size and lack of the R-square characteristics (which are not provided in the software we use). But the principal contribution of the approach we developed is the possibility of the attributes' estimations at the different stages of multi-attribute products development. In application to the real estate market this could give the developers the more accurate measures of consumer references thus improving their market offer and sales performance.

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Appendix 1

Subsets, attributes and their levels

Subset “Location”	
Attribute	Levels
Proximity to the city centre	Central
	Not far from centre
	Far from centre
	Suburb
Social infrastructure (schools, kindergarten, hospitals etc.) nearby	No social infrastructure
	Some social infrastructure objects
	Plenty of social infrastructure objects
Public transport availability	High
	Medium
	Low
Subset “Apartment Block”	
Building technology	Brick
	Panel
	Monolith concrete
	Other
Building surrounding grounds	Lack of building surrounding grounds
	Minimal surroundings
	Children playground and parking place
	Spacious building surrounding grounds
Subset “Apartment”	
Floor	Low
	Medium
	High
Apartment area	1 – 2 rooms, 45 sq. meters of less
	1 – 2 rooms, 45 – 65 sq. meters
	2 – 3 rooms, 66 – 99 sq. meters
	3 and more rooms, 100 or more sq. meters
Kitchen area	Less than 12 sq. meters
	12 sq. meters and more
Design and finish	Unfinished
	Standard design and half-finish
	Standard design and full-finish
	Individual design and full-finish
Subset “Building Company”	
Building company reputation	Trustworthy building company
	New to market building company
	Non-reliable building company
Timeline	Meet the construction timeline
	Do not meet the construction timeline
Type of property contract	Share equity contract
	Share accumulating contract
Type of payment	Money
	Partial compensation by previous housing
Building stage	“Ditch” – stage (initial)
	Construction stage
	Finishing stage
	Fully finalized house



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Senior tourism in Russia: How to excite elderly people to travel?

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Senior tourism in Russia: How to excite elderly people to travel?

Abstract

The purpose of the paper is to identify the main impediments which prevent growth of senior tourism in Russia and to find out the ways to entice local seniors to travel. The study presented in the paper aims to examine the key determinants that should be taken into account in senior tourism marketing, as well as the specifics of consumer behavior in the consumption of tourism on the Russian emergent market. The anticipated results should fill the research gap by identifying the current travel motivations of Russian seniors.

Keywords: *senior tourism, consumer behavior, Russia*

1. Introduction

Nowadays, numerous attempts have been made to prove the fact that population of the world is ageing very fast, and this trend has a great impact on all markets and businesses (Kotlikoff, Burns, 2004). Population aging, also called "the demographic transition", can be defined as a process of increasing percentage of older people in proportion to the total population. In accordance with the world population statistics, increase in older adults is unprecedented in human history and is forecasted to result in prevailing of seniors in the world population by 2050 (United Nations, 2009).

The high potential of the senior market has already captured the attention of the tourism industry which is one of the fastest growing services industries. The World Tourism Organization (2000) has called the senior market "an opportunity for growth for the twenty-first century".

Russian tourism industry has been experiencing an impressive growth since the beginning of the last decade. Currently, there are 6.500 travel agencies (in 2002 – 3.300) operating in Russia; the number of tourists served by travel agencies increased from 2.8 million in 2002 to 7.7 million in 2008 (Balaeva et al, 2012). But there is still little, if any, attention to the senior segment of the market.

The study presented in the paper aims to fill the gap and to examine the key determinants that should be taken into account in the senior tourism marketing, as well as the specifics of consumer behavior in the consumption of tourism on the Russian emergent market. It is important to identify the main impediments which prevent growth of senior tourism in Russia, and to find out the ways to excite local seniors to travel.

The paper is organized around the following topics. Firstly, we focus on the literature on the subject, including papers the influence of population ageing on tourism market, senior tourism and senior travel motivations, as well as the role and specifics of emerging markets. Secondly, we give a brief overview of the methodology and research design. Thirdly, the preliminary results are presented of the study conducted in order to highlight attitudes of Russian seniors to the existing and potential opportunities to travel. In particular, the main preferences and factors preventing aged people to travel are discussed. The results of the study contribute to understanding older consumer behavior concerning tourism services and can be useful as a first step leading to further research of marketing strategy on the Russian senior tourism market.

2. Literature review

There is a wide range of different kind of studies on tourism. In the last two decades, an increasing amount of publication touches upon the issues of senior tourism (Leitner & Leitner, 1996; Shoemaker, 2000; Mak et al, 2005; Möller et al, 2007; Le Serre & Chevalier, 2012).

As Le Serre and Chevalier (2012) underline, no one can deny that, from a market viewpoint, this target is highly attractive in regards to the tourism consumption. The size of this population is significant and will continue to rise; they have enough free time and financial resources required for tourism activities; on average, they are better educated, more lively and ready to travel than the previous generation; and they stay on vacation longer than the others (Lavery, 1999; World Tourism Organization, 2000; Avcikurt, 2009).

This makes necessary for tourism businesses to adapt their proposition in accordance with the changes of the average age of tourists.

All the recent investigations propose a strong incentive for paying attention on older adults as tourism consumers and taking into account travel propensities of the elderly people (Backman et al, 1999; Muller & O’Cass, 2001; Pennington-Gray & Lane, 2001; Lawson, 2004; Le Serre & Chevalier, 2012). The major senior travel motivations, including self-actualization’s need, are pointed out (Pearce, 1982; Cohen, 1988; Cleaver, 2004), as well as impeding factors like health, financial issues, personal preferences, and external threats like terrorism and crime, which might affect the travel decision of the elderly, are discussed (Möller et al, 2007). Age-related lifecycles are investigated (Collins, Tisdell, 2002), segmentation models of senior consumers are proposed (Hsu & Lee, 2002; Sudbury & Simcock, 2009).

The main stream of research in the field is done on the example of advanced economies, while emerging markets are still not well examined. The number of papers investigating specifics of older tourism consumers’ behavior in emergent societies is relatively small. This is a gap which needed to be filled, because emerging markets represent a significant part of the world economy and tend to expand their share. It is estimated that by 2035, the gross domestic product of emerging markets will permanently surpass that of all advanced markets. This century is likely to be about marketing in the emerging markets, and the firms which have ambitions to succeed have to adapt their marketing practices (Bauer & Agardi, 2010; Sheth, 2011; Burrill, 2012). According to Sheth (2011), emerging markets should be considered as natural laboratories for marketing researchers, in which theories and assumptions can be tested, new generalizations derived, and new elements of theories are operationalized in specific settings.

Russia as an emerging market also seems to be avoided in the academic discussion on senior tourism marketing. Existing research on Russia can be described as fragmentary, and there is almost nothing to tell about peculiarities of adults as tourism consumers and marketing tourism services for seniors.

Russian senior market appears to have demographic characteristics which are congruent with those for the global ageing population. In accordance with Rosstat data, contemporary Russia is home for around 50 million people 50 years old and over (that means, one third of the entire population). Moreover, citizens aged 65+ make up about 13 % of the Russian population (Russia, 2012), while, by international standards, 7% is enough to consider the population as an “old” one.

Senior tourists in Russia are not numerous, as compared to other ages, and the last decade witnessed only a slight increase of the tourism consumption in this group (Russia, 2012).

Tourism is clearly not among priorities of Russian old people, unlike many European countries where senior consumers tend to place travel and leisure before housing and clothes (Le Serre & Chevalier, 2012).

It is partially due to the fact that Russian old adults are considering mostly internal travel opportunities, and the weak tourism infrastructure and poor marketing in the tourist sector make it difficult for tourists to learn about and visit local attractions (Balaeva et al, 2012). Still that is not the only impediment to senior tourism growth. There is a need to understand Russian seniors’ behavior and motivations more deeply, and to encourage them not only to consume but to co-create tourism products.

3. Research design and methodology

The research design combines both qualitative and quantitative methodologies as part of the study.

The desk-based investigation method was used for understanding the current trends in senior tourism marketing in Russia and abroad. A wide range of both foreign and Russian literature,

the results of a number of relevant studies as well as statistics, had to be examined to define the current situation on the market and to reveal the key factors that help to motivate older adults to travel.

A number of in-depth interviews with open-ended questions were held with experts, from both academic and business fields of tourism marketing in Russia.

Empirical data for the study was collected in the first half of 2013 and resulted in a sample of 200 respondents aged 50 years and over. The study was designed on a basis of face-to-face structured interviews. A survey using structured questionnaire was conducted in three Russian federal districts (FD): Siberian FD, Volga FD, and Central FD. Two cities in every district were selected, one with population of over 1,000,000 citizens, another with population not exceeding 500,000 people. This helps to compare the patterns of committed travel under different conditions of older people life in the biggest Russian cities, with much higher standards of living, and small Russian towns. Krasnoyarsk and Abakan were selected in Siberian FD, Kazan and Naberezhnye Chelny in Volga FD, Moscow and Kolomna were representing Central FD.

4. Preliminary findings

The data analysis is not yet finished. Still, some preliminary findings based on data gathered in 6 cities can be discussed here

Our survey has revealed that most respondents 50 years old and over are not intended to travel much. The most active travelers are citizens of the large cities aged 50-60 years (Fig.1).

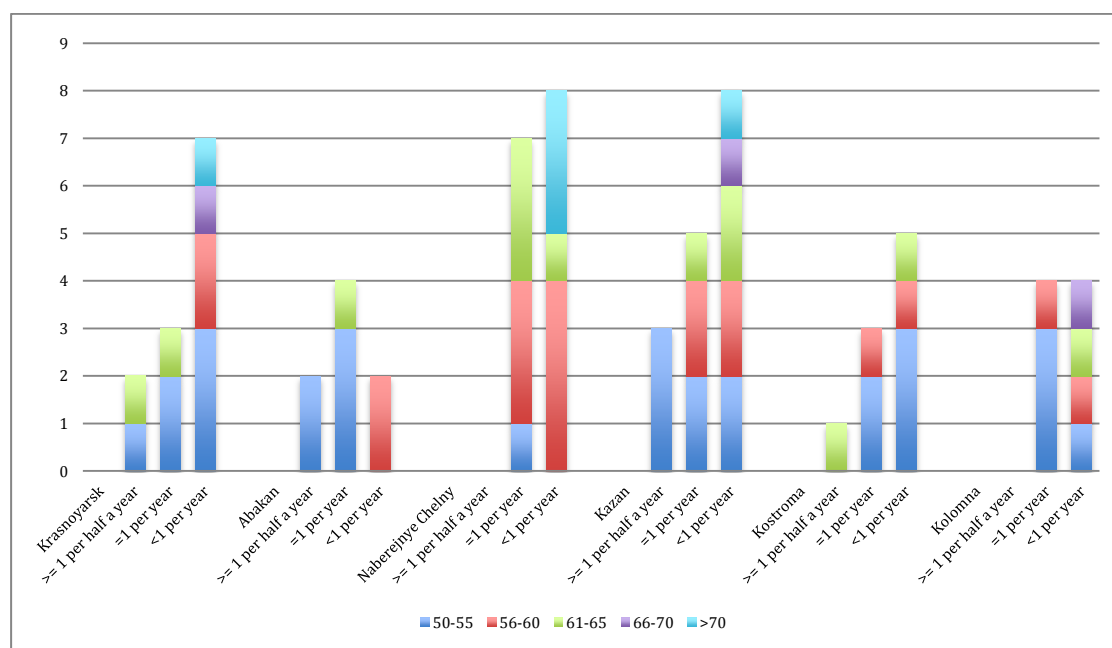


Figure1. Frequency of travel, by age

It should be noted that most respondents prefer to choose local destinations, there is vast minority of seniors who dare to travel abroad (Fig. 2). It is noteworthy that older people living in smaller cities prefer to have holidays abroad but do it very rarely. On average, they can afford not more than 1 trip per year. They admitted that they need to profoundly prepare for a trip abroad, both from financial and moral point of view.

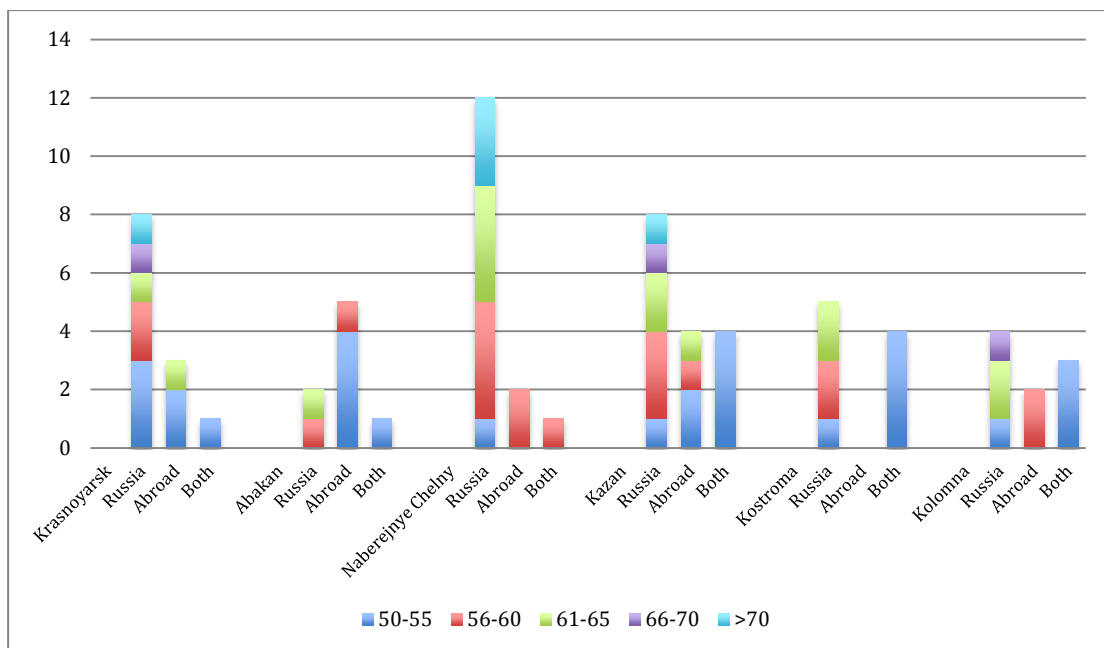


Figure 2. Preferences for domestic or foreign destinations, by age

Further, it was important to understand why older people are hesitant to travel, and to reveal the main difficulties they face as tourists. Most of the respondents have chosen the answer "I cannot afford the amount of money needed for a journey". Less frequent were the answers that age or poor health of respondent prevents him or her from travel (Figure 3). Still, personal health concern remains an important factor for older travelers. Another important factor appeared to be the trip toward chosen destination, since many respondents underlined that "the process of travel is a challenge". Foreign language is also important, in case of traveling abroad.

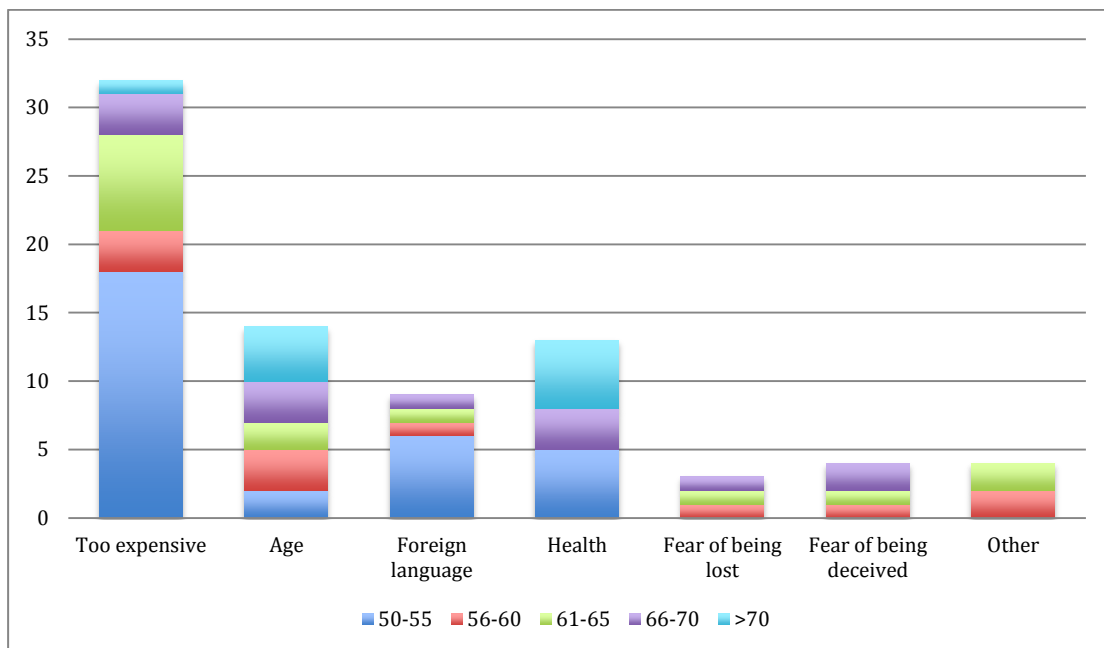


Figure 3. Main obstacles to travel, by age

Most seniors in the survey reported to prefer sightseeing (Figure 4), it is especially relevant for “young seniors” aged 50-55 but also older groups tend to choose this kind of trips.

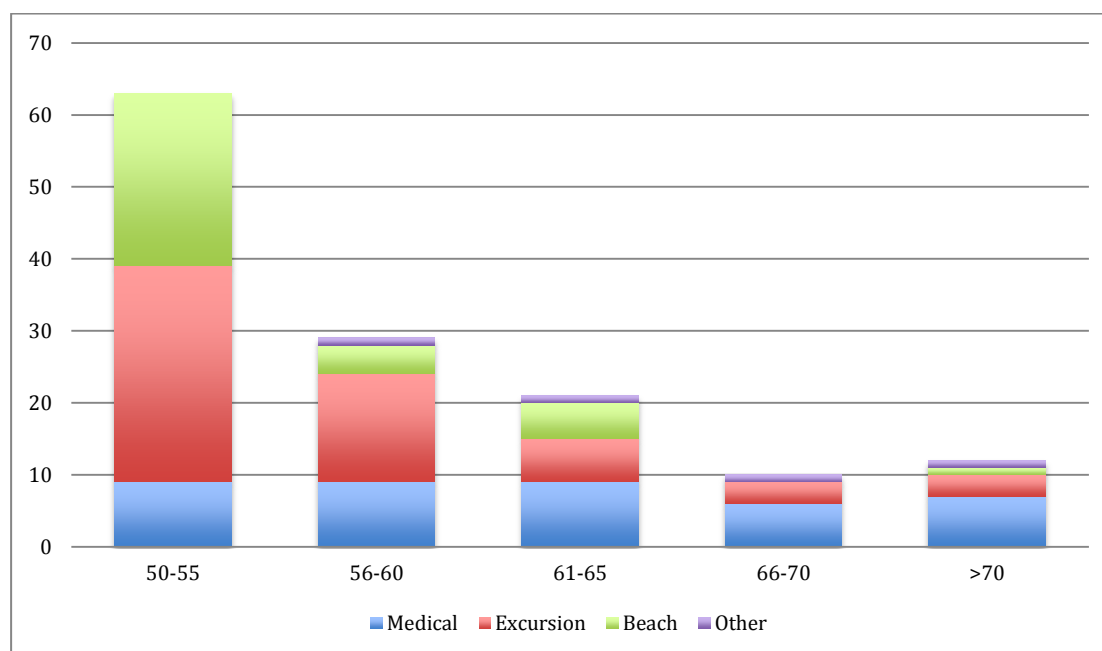


Figure 4. Preferred kind of tour, by age

The last but not least was to examine older travelers' preferences concerning companions on the trip.

All the respondents divided into two groups from the “average companion age” point of view. Some prefer to travel with people of the same age as their own; others expressed their preference for traveling with people of different ages.

Respondents aged 50-55 years prefer to go for vacations with friends or spouses. With increasing age, preferences tend to change towards family trips; an opportunity to enjoy a trip with grandchildren during their holidays is especially important for Russian seniors.

For most seniors who took part in our survey, it is of high importance to be accompanied by professional guide throughout the trip. At the same time, even those who were cautious about their own health voted against the idea that tourist group should be accompanied by doctor.

5. Conclusions and future research

The study presented in the paper focuses on the Russian senior market. In the study an attempt was made to bridge the gap in understanding preferences of senior consumers and to lay the initial foundation for relevant marketing decisions of Russian tourism organizations operating in this important segment of tourism market.

According to the preliminary results of our study, some features in the behavior and preferences of Russian seniors similar to those of seniors all over the world. At the same time, there are peculiarities in main motivations of Russian seniors and in factors preventing them from traveling due to the cultural and historical context. As Russian seniors seem to show a different travel behavior and travel motivation, further research in this area is vital to be able to better anticipate the preferences and adequate tourism products for this important target group. The data obtained should be further analyzed and compared with the results obtained by the researchers from other countries. There is also an obvious need for a comprehensive, empirically based segmentation model of the older consumer market in Russia.

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Typology of Market-oriented companies: an empirical study of St.-Petersburg companies

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Typology of Market-oriented companies: an empirical study of St.-Petersburg companies

In this paper we study the nature of the market orientation of the companies of St. Petersburg region. We propose the typology of the market orientation, based on the empirical study, as the element of Strategic Management System.

***Keywords:** market orientation, marketing competences*

1. Introduction

From 90s of the 20th century the practice of marketing became regular for many Russian companies. However, until now the marketing is not always an important strategic function of the company.

It should be noted that a similar situation take place abroad. Thus, recent studies of Webster, Malter and Ganesan (2005) confirmed that many large corporations (with a turnover of more than \$ 2 billion a year) still are not market-oriented and are skeptical about the development of marketing competences.

Insufficient dissemination of market orientation in business in today's global world is confirmed by many other researchers in the field of marketing. Thus, according to Meffert (2000), only in the 90's of the last century there was a change of corporate management phase –moving from competitor to customer orientation, which required to develop marketing skills.¹

The aim of the research is to create the typology of market-oriented companies. There is a huge difference between the dissemination of marketing skills in companies of Russian regions. This situation exists because of the high degree of differentiation in income of Russian regions which influences on the development of the company's market orientation. We limited our research by Saint-Petersburg region.

2. Market orientation: construct

The conception of market-oriented companies was created in the 90s. The following authors have contributed to the development of this concept: Shapiro (1988), Kohli and Jaworski (1990), Narver and Slater (1990), Ruckert (1992), Deshpande et al. (1993), Kohli, Jaworski and Kumar (1993), Day (1994), Narver, Slater and Tietje (1998), Homburg & Pflesser (2000), Webster, Malter and Ganesan (2005), Kirca, Bearden and Hult (2011).

We identified three different approaches to understand the market orientation (figure 1).

Speaking about the concept of market orientation should note three papers established it into the academic research of marketing theory. The first paper (Kohli and Jaworski, 1990) considered the market orientation as the implementation of the marketing concept. The model they presented emphasize the collection of marketing data, the dissemination of this data across functions within the organization and the action that is taken based on this intelligence. Kohli and Jaworski (1990) defined market orientation as "the organization-wide generation of market intelligence, dissemination of the intelligence across departments and organization-wide responsiveness to it". They said, that "a market orientation appears to provide a unifying focus for the efforts and projects of individuals and departments within the organization."²

The second paper by Narver and Slater (1990), defined market orientation as an organizational culture of three behavioral components: customer orientation, competitor orientation and interfunctional coordination.³

The third research (Webster, Malter and Ganesan, 2005) is focused on the dispersion of Corporate Marketing's Traditional Competence. The authors claim that "today marketing in many large companies is less of a department and more a diaspora of skills and capabilities spread across and even outside the organization" (Webster, Malter and Ganesan, 2005, P.40). They identified two types of corporate: when the marketing doesn't make an effect or effects

¹ Meffert, H. (2000). Marketing: Grundlagen marktorientierter Unternehmensführung. Konzepte – instrumente – Praxisbeispiele.- Betriebswirtschaftlicher Verlag Dr. Th. Gabler GmbH, Wiesbaden.

² Kohli, A. K. and Jaworski, B.J. (1990). Market Orientation: The Construct, Research Propositions, and Managerial Implications. The Journal of Marketing, 54(2),1-18.

³ Narver, J.C. and Slater, S.F. (1990). The effect of a market orientation on business profitability. Journal of Marketing, 54(4), 20-34.

on corporate decision. Companies with high influence of marketing are characterized by clear and shared understanding of the role of marketing; strong customer orientation in the corporate culture, focused on long-term growth in revenue, profitability, EPS and cash flow; compelling vision of customer value, advocate for the customer (Webster, Malter and Ganesan, 2005).⁴



Figure 1. Nature of market Orientation

When we speak about measuring of market orientation we should refer to Kohli and Jaworski (1993)⁵ and Narver and Slater (1990)⁶ proposed two scales MARKOR and MKTOR, respectively. We also use Webster, Malter and Ganesan (2005) approach and consider the influence of marketing on the corporate decision.

3. Conceptual Model of Research

Business practice shows that the Russian companies significantly differ in the degree of market orientation and level of marketing skills development. Obviously, the type of company's market orientation depends on the various factors of external and internal environment.

The aim of our empirical research is to develop a typology of company-respondents in terms of the specifics their market orientation. We understand Market Orientation as organizational culture: the dominant type of marketing concept, the impact of marketing on strategic decision-making, the development of companies' marketing competences.

At first we interviewed 16 respondents (CEOs, Chiefs of Marketing and Sales Department) to concrete nature of Market Orientation, role of marketing in company and its influence on the strategic making-decision process.

⁴ Webster, F.E., Malter, A.J. and Ganesan, S. (2005). The decline and disperse of marketing competence. MIT SLOAN Management Review. Reprint. Vol.46 No.4, 2005.- p.35-43.

⁵ Kohli A.K., Jaworski B.J. & Kumar A. (1993). MARKOR: A measure of market Orientation. Journal of Marketing Research, 30(4), 467-477.

⁶ Narver, J.C. and Slater, S.F. (1990). The effect of a market orientation on business profitability. Journal of Marketing, 54(4), 20-34.

Our interviews indicated that there are two ways of the marketing understanding in the companies: the marketing as a sales activity support and as a strategic function (the element of the Strategic Management System). We have tested the market orientation factors and focused on the 10 factors divided in two groups (table 1).

Table 1. Measuring of Market Orientation

1. Attitude to Strategic Planning	2. Marketing Competence Development
<ul style="list-style-type: none"> • dominant strategic objectives; • using of strategic planning; • dominant type of marketing concept 	<ul style="list-style-type: none"> • level of customer orientation (marketing culture); • using of marketing research; • using of marketing planning; • dominant marketing competences; • organizational form of marketing; • level of marketing costs; • using of marketing control.

The main hypothesis of the study is that the type of the Market Orientation influences on the Marketing Competence Development.

Particular research hypotheses:

the type of market orientation effects on: 1) the level of customer orientation (marketing culture); 2) the using of marketing research; 3) the using of marketing planning; 4) the dominant marketing competences; 5) the organizational form of marketing; 6) the level of marketing costs; 7) the using of marketing control.

In 2010-2013 authors surveyed 103 respondents (for the moment). Most of the companies surveyed are SME. However, the sample also represented a sufficient number of large companies.

The survey was conducted using a 34 question questionnaire. Questionnaires were filled with the company's CEOs, Commercial Directors / Sales Directors, Heads of Marketing Departments, Marketing Directors.

The study found that in 38% of respondent companies marketing function performs the Marketing Department, 20% - just one Marketer, 20% - CEO, 9% - Sales Department, 6% of companies have no one performs this function.

15% of respondents have strategic (more than 1 year) and current marketing plan, 30% have only current marketing plan and 55% have no any plan.

20% of respondents conduct market research regularly, 48% - as needed and fragmentarily, 32% - don't conduct ones.

70% of respondents spend on marketing not more than 5% of sales, 16% of respondents - 5-10% of sales, the rest – more than 10% of sales.

The average level of Marketing Competence Development of respondents is presented in figure 2.

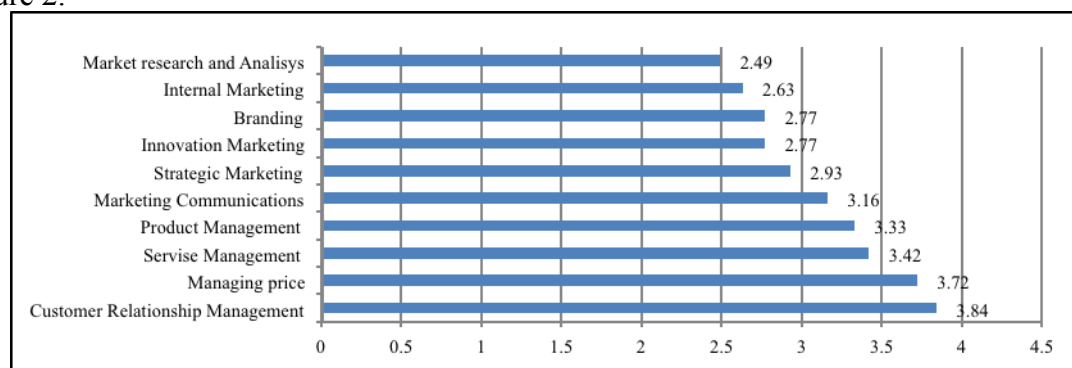


Figure 2. Level of Marketing Competence Development

As you can see no one marketing competence didn't get maximal score (5). It's explained

by low common level of Marketing Development in companies of Saint-Petersburg. The most developed marketing competences are Customer Relationship management (3,84) and Managing price (3,72). The low level of Strategic Marketing, Innovation Marketing and Branding Development are explained by the lack of motivation to invest in long-term project because unstable external environment.

Further factor analysis was conducted in SPSS. As observed variables we used three (dominant strategic objectives; using of strategic planning; dominant type of marketing concept). Using orthogonal rotations (varimax) we got Rotated Component Matrix (table 2).

Table 2. Rotated Component Matrix^a

	Component					
	1	2	3	4	5	6
obj1	-.095	.769	-.146	-.057	.022	.263
obj2	-.070	-.033	-.061	.790	.041	.179
obj3	.068	-.074	.056	.775	-.002	-.126
obj4	.069	.831	.044	.066	.049	-.073
obj5	-.100	.064	.209	.420	.743	-.070
obj6	.570	.137	.220	-.071	.526	-.081
concept1	-.066	.195	.831	.024	-.049	-.231
concept2	.115	.342	.265	.215	-.665	-.185
concept3	.356	.563	.011	-.240	-.203	-.147
concept4	.795	-.029	-.225	-.165	.104	.268
concept5	.208	.072	-.020	.082	.027	.892
plan1	.870	.026	.167	.017	-.042	.042
plan2	.741	-.088	.066	.243	-.368	.007
plan3	-.183	.522	.215	-.265	-.063	.397
plan4	.166	-.290	.717	-.001	.096	.285
plan5	-.368	.508	-.470	.052	-.191	-.155

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 11 iterations.

Preliminary factor analysis identified the four types of companies that implement the various market orientation types (table 3).

Table 3. Typology of Market-oriented companies (preliminary)

Characteristics	Type №1 – Adherents of traditional marketing (22,3%)	Type №2 – Competitor-oriented companies (24,4%)	Type №3 – Technology and Product Development Oriented Companies (33,3%)	Type №4 – Marketing Relationship Oriented Companies (20%)
Dominant strategic objectives	Max market value (stock price)	Max turnover (sales) or market share growth	No unity in objectives. Exactly no reduction of costs	Max Sales and Profit
Dominant type of Marketing Conception	Traditional Marketing	Marketing as sales activity support	Marketing oriented on Product	Relationship Marketing
Using of strategic planning	Have clear objectives and strategic plan on 3 and more years	No any formal plans, oriented on current situation		Have current plan, no strategic plan
Level of customer orientation (marketing culture)	Strong and shared all personal customer orientation	Only sales personal share philosophy of customer orientation	Strong and shared all personal customer orientation	The most personal share philosophy of customer orientation
Using of marketing research	43% respondents conduct market research regularly. The rest - only as needed.	45% respondents don't conduct market research, the rest – fragmentarily	Fragmentarily	As needed
Using of marketing planning	Realize long and short-term marketing planning	No marketing plans, irregular marketing activity	No marketing plans	Have current marketing plan
Dominant marketing competences	Strategic Marketing, Managing price	Managing price, marketing communications, service management	Managing price, Marketing Relationship Management, service management	Marketing Relationship Management, Innovation marketing
Organizational form of marketing	74% respondents have Marketing Department more than 3 years	45% respondents have Marketing Department	36% respondents have Marketing Department more than 3 years	18% respondents have Marketing Department

4. Conclusion

The Market Orientation is the important element of Strategic Management System of the company. It determines how the company adapts to the market. The type of Marketing Orientation depends on external and internal factors.

In the study revealed that type of Market Orientation depends on company's objectives and attitude to strategic planning. These factors determine the choice of dominant marketing strategy. All these (strategic objectives, attitude to strategic planning and dominant marketing concept) influence on Characteristics of Marketing Management System and development of Marketing Competences (figure 3).

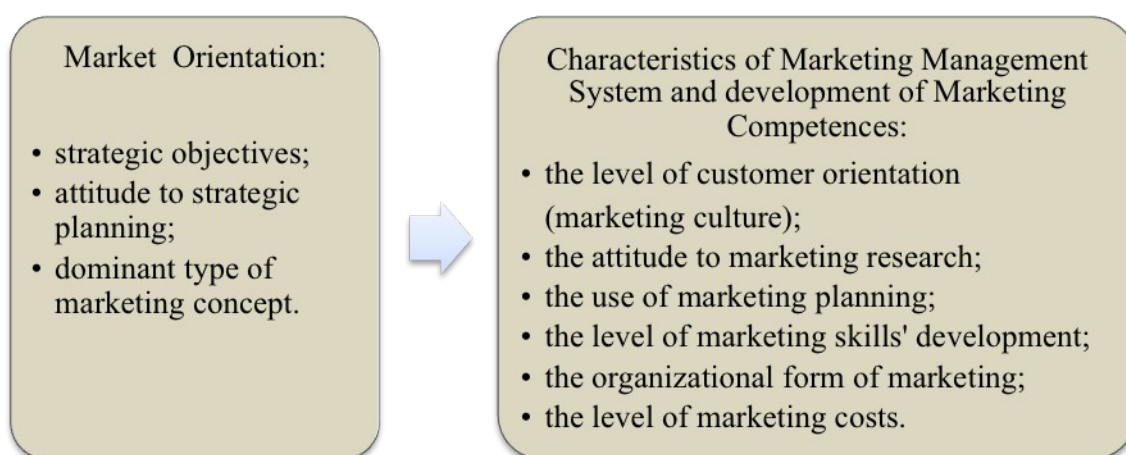


Figure 3. Conceptual model of research

The main hypothesis of the study is about that the type of Marketing Orientation influence on the Marketing Competence Development was confirmed. The particular hypothesis about the type of market orientation effects on:

- 1) the level of customer orientation (marketing culture) was confirmed;
- 2) the using of marketing research was confirmed;
- 3) the using of marketing planning was confirmed;
- 4) the dominant marketing competences was confirmed;
- 5) the organizational form of marketing was confirmed;
- 6) the level of marketing costs was not confirmed;
- 7) the using of marketing control was not confirmed .

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Customers' gender differences as a basis for communication CSR politics' construction (example of food-retail in Italy)

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**Graduate
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**Customers' gender differences as a basis for communication CSR politics' construction
(example of food-retail in Italy)**

Abstract: The aim of the research is to enhance the knowledge about consumers' attitude towards corporate social responsibility (CSR) in food retail sector in Italy. The article discloses the existence of differences in male and female perception of three parts of CSR company activities – economic, social and environmental. The main informational sources of company's CSR politics are determined and the level of the trust in them is measured according to questionnaire responses. The results of the research might be used to develop the method to diversify more effective and precise communication with customers depending on their gender.

Keywords: consumers' perception of CSR, gender, communication.

1. Introduction

Corporate social responsibility (CSR) is a business philosophy aimed to “contribute to sustainable economic development, working with employees, their families, the local communities and society at large to improve the quality of life” (World Business Council for Sustainable Development, 2004). In order to achieve long-term business success, enterprises should focus not only on the economic value that they add, but also on the environmental and social value.

As a result of the profound changes in the market, the transition from the seller’s market to the consumer’s market, the role of consumers has increased in recent years. Customers are making “an effort to support socially responsible business and punish irresponsible organizations” (Maignan, 2001).

The survey is based on the food retail sector. The policy of CSR in this industry is the most important in connection with such factors as high impact and direct dependence on natural, human and physical resources (Hartmann, 2011). Also food is a basic human need; consumers (both men and women) pay special attention to the performance of sale points. However, due to their gender roles, men and women perceive the same phenomenon differently. According to the data from the EU report (Flash Eurobarometer 363, 2013), enterprises throughout Europe have difficulties with distribution of the information about CSR – “just over one third of Europeans (36%) says they feel informed about what companies do to behave in a responsible way towards society, and 62% say they do not feel informed”.

On the basis of present premises the purposes of our research are: 1) identification of gender differences in perception of socially responsible activities of enterprises, or more precisely the three main components of it – economic, environment and social ones; 2) awareness analysis of socially oriented activity of retail points of sales in Italy; 3) definition of men’s and women’s trust degree to the sources of information about CSR.

2. Theoretical development and hypotheses

The concept of corporate social responsibility was tried to be specified for a long period, but still is not clearly identified (Oberseder, Schlegelmilch and Gruber 2011). According to the latest definition provided by European Commission CSR is “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (Green Paper, 2001). Business voluntarily engages in responsible behavior, in the meantime it is initiated as a reaction of public to issues that companies probably do not consider as a part of business responsibilities at all (Vogel, 2005; Porter & Kramer, 2006).

We concentrate our research on the food retailer companies - the sector with significant dependence on the economy, on the environment and on society, in which corporate social responsibility has a strong impact (Hartmann, 2011).

Several researchers declare discrepancy in attitudes to CSR between men and women (Moosmayer & Filjahn, 2010; Luchs & Mooradian, 2012). Surveys show that gender differences can significantly affect the consumers’ decision. Atakan, Burnaz and Topcu (2008) found that men’s consumption decisions are more rationally based on the economic side, while Oumil and Balloun (2009) argue that women tend to be more caring so they are more sensitive to the ethical component.

Corporate social responsibility is reflected in the economic, environmental and social performance of sustainable development (Green Paper, 2001). Concentrating on these three components and differences in gender perception we suggest a hypothesis:

H1: Men are more concerned about economical part of responsibility of the company while women are more sensitive to social component. Both genders are equally anxious about ecological behavior of the business.

The numerous researches consider that CSR has a positive relationship with consumer’ attitude to organization and its products (Creyer & Ross, 1997; Sen & Battacharaya, 2001; Konrad, Steurer, Langer and Martinuzzi, 2006). Consumers require more information “and use their power to reward ‘good’ companies and punish the ‘bad’ ones”

(Lewis, 2001). At the same time many studies emphasize the presence of poor awareness of the customers, lack of knowledge, incomplete information about products and services and CSR politics, carried out by the enterprises (Pomeroy & Dolnicar, 2009; Sen, Bhattacharya and Korschun, 2006). Mostly enterprises still do not have an effective communication policy about their socially responsible initiatives (Tencati, Perrini and Pogutz, 2004). For building communication strategy trust is a fundamental attribute (Maignan & Ferrell, 2001).

H2: The degree of women's and men's trust to the same source of information differs.

3. Data and methods

The empirical analysis was based on the data collected by means of written questionnaire with open and closed questions. The final sample consisted of 150 respondents and had balanced gender ratio. The majority of respondents were from 18 to 49 years old. The study was carried out by means of social network and e-mail with 41% response rate (62 people responded out of 150 ones invited to participate). The second bunch of responses was formed by groups of university students from Sapienza University of Rome.

The survey is divided into two sections. The aim of the first part is to reveal the peculiarities of the gender attitude to CSR and its three fundamental parts – economic, social and environmental. The second part describes consumer awareness about socially responsible behavior of the food retail enterprises, as well as the usage of different channels of communication and trust degree in dependence of customer's gender.

The questions intended to distinguish the customers' understanding of the main CSR aspects (nine components from three CSR parts) and amended by real examples of responsible and irresponsible companies provided by customers in open question. The following question was used for reliability control of the data. Respondents choose four food products' points of sales, which had the same prices. We did not involve the money factor directly because of the difficult economic situation in Italy.

The closest one did not have CSR politics, the other three required 25-30 minutes more to come, but the respondents knew them as eco-friendly, treating well the workers from economical point of view and supporting the local community by means of charity and sponsorship.

The respondents were asked to name the sources from which they receive the news about socially responsible initiatives of the enterprises. Because trust plays the major role in building strategy for optimal communication, we asked the respondents to indicate the degree of trust (the 5-step Likert scale) to different sources of information about food retail's CSR performance.

The last block of questions was demographics data (age, gender, education and type of employment), which allowed to balance the groups of respondents according to these indicators.

4. Results

Customers expect companies to be socially responsible to society - 100% respondents replied positively to the question "Do you think company has social responsibility to society?"

Summarized results from each category (social, economic, environmental) showed a slight difference between male and female perception with insignificant differences. However, on closer examination it proved that in some particular questions of CSR we managed to distinguish differences between men and women perception (Figure 1). Answering the question "What food retail company should do to be responsible?" both genders put in the first four positions the following company's action: treat employees well, provide fair pay/benefits/perks and equipment for safe working conditions; ethical conduct of business, fighting against corruption; reduce water and energy consumption, increase energy efficiency and use of renewable energy; protect and restore habitats and ecosystem.

The most significant differences were noticed in the first and last positions – 3,4% and 2,4%, which shows that men are more involved in problems of environment protection and women – in treating employees well.

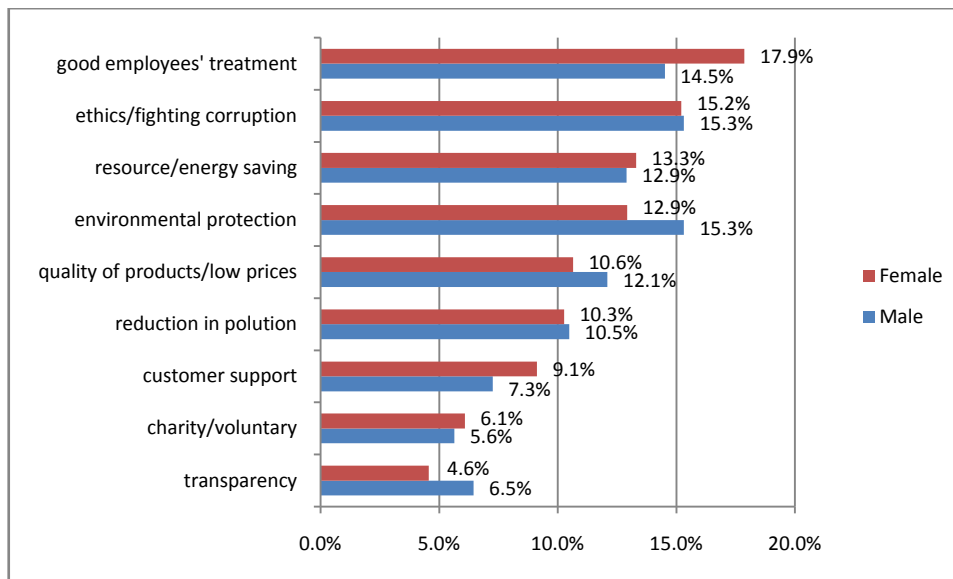


Figure 1. What food retail company should do to be responsible?

The controlling question shows customers' attitude when they face a real situation of choosing the company based on their awareness about the company's CSR politics. Customers know that the first company does not use CSR principles; the others are famous for their good economic treatment of the personnel, helping society by means of charity and using eco-friendly packaging. The result shows that men prefer to buy food in the company highly involved in economic part of CSR more than women (28% of men against 15% of women), and women on the contrary prefer to buy products in eco-friendly shops (39% of women against 28% of men). Men would give preference in buying products in the shop without CSR activities only over "social" company, and women – only over "economic". Consequently customers are willing to spend their recourses to reach a shop that is using CSR, male are more economic, female – environmental, both of them social.

To the question "Have you guided the choice of point of sale products, based on the company's participation in CSR?" 35% answered yes, 22% abstained, while 40% of respondents were negative because of absence of sufficient information on CSR in the companies.

Using open answers, we succeeded in learning which retail places could form a favorable reputation due to their socially-responsible behavior. The most common responses were so-called "fair trade shops", "COOP" and "Eataly". As regards the negative practices and unethical behavior of sales points, the situation can be described in the following way: for the majority of women unacceptable and incorrect behavior is actions in relation to the employees "unfair treatment of employees, unsafe working conditions", while men pay more attention to the origin and quality of the goods and unacceptable for them is "expired products". The most common examples of «bad» companies are Nike, Nestle and Findus, we suppose it's linked to massive scandals of the firms.

The results of the sources analysis for obtaining information about the initiatives of the socially responsible enterprises we have presented in the form of a bar graph (Figure 2). As for women, most of the information is derived from four main sources: television, newspapers and journals, social networks, and packages. For men the most common informative sources are social networks, web sites as well as family and friends.

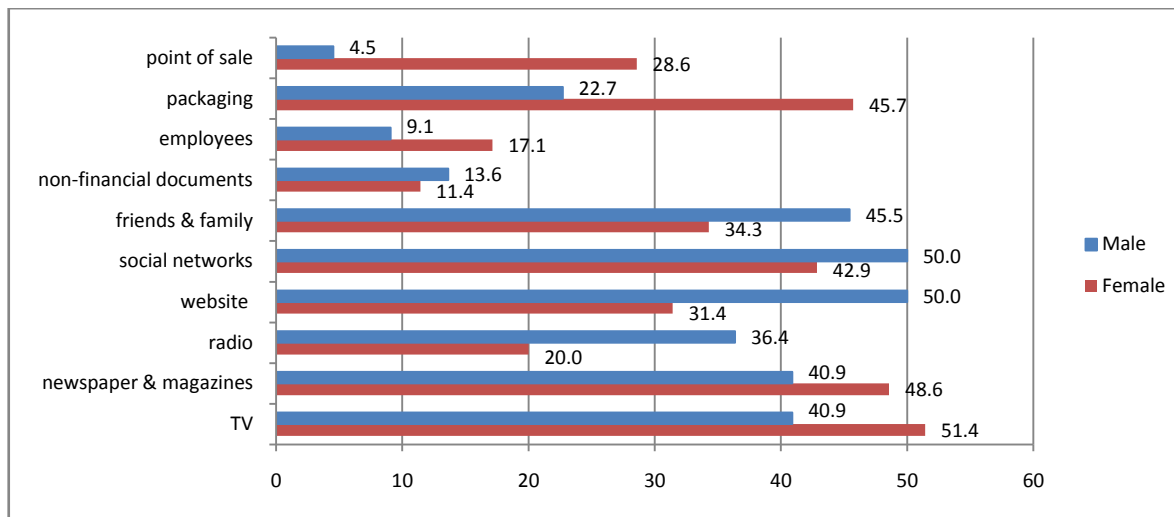


Figure 2. From which sources did you find out about CSR activity of the company?

The level of trust also varies based on the gender. Men trust more radio, social networks and family and friends, while women consider the information on the packaging and in the point of sale more reliable and trustworthy to a greater extent than men (Figure 3).

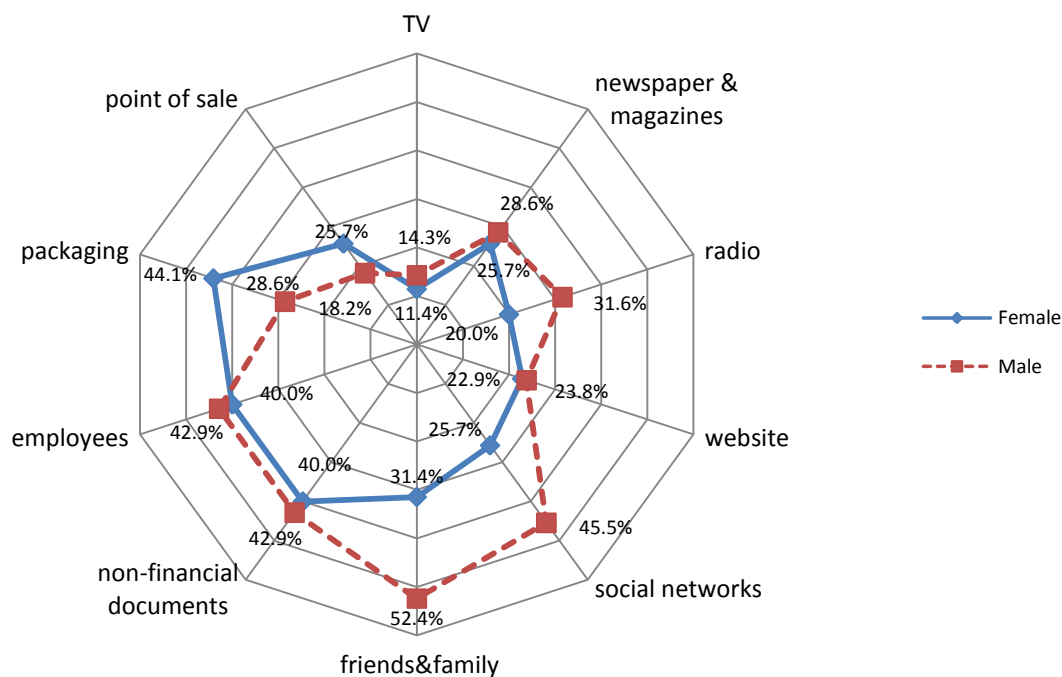


Figure 3. Trust of men and women in information sources.

The answers of the respondents were presented in the form of Likert scale. In order to evaluate the degree of trust/distrust, we have joined the answers “very much” with “somewhat” to determine the trust, and “not really” with “not at all” to evaluate the mistrust. Intermediate response “undecided” on the reason of its neutral character was not included in the assessment. This answer, however, has relatively large weight in the overall distribution, which testifies the fact that many consumers have not yet formed a finalized assessment of one particular source, by means of the correct interaction policy with the consumers their trust degree can be increased.

It should be noted that the distrust of men and women is almost equal in relation to television, despite the fact that at the present time, a large part of the information (40.9% of men and 51.4% of women) about the socially responsible actions of the enterprises consumers receive from this source.

The trust degree to web-sites, newspapers and magazines are equally weak. The trust in relation to the employees and non- financial documents, on the contrary, it seems to be quite high as among men (42.9 %), as from the side of women (40%).

5. Conclusion

This study investigated the attitude of Italian consumers to CSR, namely the differences in the male and female perception of the three basic components of this policy, as well as gender peculiarities in relation to the sources of information and the trust degree. We checked two hypotheses. The results of the study showed that gender differences really affect the perception of CSR policies. The first hypothesis has been partially confirmed, but with some contradictions. Therefore, men talking about the need for social and environmental responsibility of the company, in practice, choose a retail store, which is more concerned about the economic part of responsibility. Women, in turn, are more concentrated on the social dimension of responsibility, and a little less on the environment, but choosing a location for shopping they pay more attention to the environment behavior of the company.

Regarding the second hypothesis we have confirmed that for men and women the degree of confidence on the information channels differs and they have different trust levels to the sources of information (point of sale, packaging, social networks, radio, family and friends). Therefore, the managers of the enterprises have to be aware about these differences in building relationships and interaction with clients.

In addition, in the course of the study it was found that the level of consumers awareness about the initiatives of the socially responsible points of sales is relatively low (40% of consumers do not have information in order to prefer a «good» point of sales over a «bad» and 15% of the respondents do not trust the information received). Thus, we can draw the conclusion that the communication policy of the enterprises aimed at disseminating information about CSR is not effective and retail trade enterprises should reconsider its communication policy on the basis of gender differences (paying attention to the diverse areas of CSR, different preferences communication channels) identified in this work in order to strengthen its reputation, to increase the attractiveness of the company in the eyes of customers when making consumer decisions about the place of purchase, and to be more competitive in the market.

Our findings are limited in the following ways: 1) the study was restricted to Italian consumers in the sector of food retail, 2) the sample was no rather wide, neither random, and were not represented all age categories, 3) were involved only two data collection source: social networks and academic groups of Sapienza's students. Replication studies in other countries and industries, which will represent all age groups of consumers, would be valuable in order to increase the understanding of differences between men and women in relation to CSR and to help business managers create effective policy of interaction with consumers based on sex perception peculiarities.

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Conspicuous consumption in the consumer behavior research – where is the social status and actual behaviors?

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**Conspicuous consumption in the consumer behavior research –
where is the social status and actual behaviors?**

The article attempts to present conceptual relationships between symbolic behavior, symbolic consumption, conspicuous consumption and status consumption (consumption of status-laden products). The author indicates that the empirical research concerning this concept conducted in the domain of consumer behavior seems to concentrate on attitudes towards conspicuous consumption while neglecting the study of actual behaviors and their consequences. One specific T. Veblen's contribution to the conspicuous consumption theory, i.e. an assertion about public display of status symbols (mainly prestige or luxury products) in order to raise or maintain social status has not been clearly taken into account. Other unresearched and under-researched areas concerning conspicuous consumption are also presented.

Keywords: consumer behavior, symbolic consumption, conspicuous consumption, social status, status symbols

1. Introduction

The main purpose of this article is to review the present state of empirical research (survey studies) concerning conspicuous consumption in the domain of consumer behavior, to discuss the areas of conceptual confusion concerning the definition of conspicuous consumption and status consumption. Methodological imperfections of some recently published studies are being analyzed, as well as further research recommendations are being proposed through indication of unresearched and under-researched areas in this domain.

The importance of conspicuous consumption is due to the fact that it is hypothesized to be the main driver for the acquisition and consumption of goods which are status symbols (prestige goods or status-laden goods). The most prominent category of status symbols are luxury products. The worldwide sales of luxury products (goods and services) were estimated by Bain & Co at €607 bn in 2010, at €700 bn in 2011 and at €750 bn in 2012 (C. D'Arpizio, 2012, p. 42). According to BCG their sales reached €960 bn in 2010 (J.-M. Bellaiche, A. Meipochler and D. Hanisch, p. 2); thus, they would exceed by far a €1 trillion level in 2011 if the growth rate from Bain & Co data is applied. Since in less developed countries upmarket brands, particularly those which are linked to fashion, play a role of status symbols, purchasing motivations activated by conspicuous consumption may apply to a much larger market.

2. Symbolic behavior, symbolic consumption, conspicuous consumption

Before presenting the author's view on conspicuous consumption, two broader concepts will be discussed briefly: symbolic behavior and symbolic consumption. Symbolic behavior is the most general of these three concepts, because in its "purest" form it may not consist in consuming. One may symbolically speak (with a specific accent), move her/his body, communicate using other non-verbal signals, participate in symbolic public gatherings (demonstrations against something) etc. This behavior may be performed publicly or privately (with the exception of communicating with others and public gatherings). Symbolic consumption consists of consuming, publicly and/or privately, products (goods and services) having symbolic meaning to the consumer and/or to other participants in the consumption activity and/or to observers.

Looking from various angles, it is possible to distinguish the following forms of symbolic behavior and symbolic consumption (most of them apply to the conspicuous consumption):

1. External (performed in social settings) – internal (performed without observers), leading to either "external" or "internal" symbolic behavior or consumption,
2. Performed personally – performed *per procura* (by other people or even animals associated with or belonging to the performer; they may or may not appear simultaneously with the performer: the possibility of making such an association in observers' minds is important),
3. Aimed at attaining objectives related to the performer (for oneself) – aimed at attaining objectives also related to other people which may be associated with the performer (family members, friends etc.),
4. Noticed – unnoticed (when the consumption symbolism is not recognized by observers),
5. Intended (purposeful) - unintended (accidental, when a non symbolic behavior in the mind of the performer gains unexpectedly symbolic meaning for the social milieu),
6. Voluntary - forced (by peers, by higher and/or lower social classes).

The objectives of the symbolic behavior and consumption are:

- personal (private) like complying with or enhancing or changing one's self-image or self-esteem, self-rewarding for a success (or without reason) by consuming privately a luxury product, "exercising" new behaviors before displaying them in public etc.,
- interpersonal (social) like provoking admiration, envy, fear or other emotions, offending, striving for social recognition, maintaining or improving one's social status (or also the status of friends or relatives in the case of some behaviors *per procura*), expressing conformity or non-conformism, facilitating a new role adoption or gaining acceptance in a new social milieu, increasing the chances of success in mating competition etc.

Conspicuous consumption would be a sub-category of "external" symbolic consumption.

3. Conspicuous consumption in theory and research

Paragraphs concerning conspicuous consumption may be found in works of B. de Mandeville, J. Locke, A. Smith, J. Rae and A. Marshall, but it is T. Veblen who is considered to have elaborated the first theory of conspicuous consumption in his *Theory of the leisure class* (Veblen, 1899); he also described the phenomenon of upward-sloping demand curve, later called the Veblen effect. R. Mason in his presentation of pre-Veblenian thought on conspicuous consumption stated that while J. Rae and A. Marshall attributed this phenomenon to vanity (which is a psychological motivation), it was A. Smith who added individual's social considerations (Mason, 1981). Veblen did not neglect psychological motivations, nonetheless, he claimed that the willingness to raise and maintain the social status was a primary drive for conspicuous consumption. Apart from typical conspicuous consumption Veblen also described conspicuous leisure and conspicuous waste and he also presented conspicuous consumption *per procura*, performed by other family members, servants, animals etc. as an alternative or supplement to each of these three forms of "typical" conspicuous consumption. H. Leibenstein (1950) added snob and bandwagon effects to the Veblen effect. Conspicuous consumption theory has been further developed in economics by R. Mason. Mason (1981) made a distinction, among others, between horizontal and vertical conspicuous consumption and he also indicated that individuals might be "forced" to consume conspicuously by their social milieu. Survey studies on conspicuous consumption in economics are rare. Work by O. Heffetz (2010) on the "visibility index" may be given as a recent example.

In the domain of consumer behavior F. Vigneron and L.W. Johnson (1999) proposed a model concerning prestige-seeking consumer behavior consisting of three interpersonal motivations (snob, bandwagon and Veblenian, leading in fact to different ways of practicing conspicuous consumption) and two personal motivations (hedonism and perfectionism), but they mostly integrated what had already been written on this subject before. Empirical research on conspicuous consumption in this domain may be divided in two groups: elaborating scales of conspicuous consumption and analyzing conspicuous consumption with the use of existing multi-item scales (or without using them).

J.-S. Marcoux, P. Filiatrault and E. Chéron (1997) elaborated a scale of "attitudes towards the meanings of conspicuous consumption suggested by goods" for the purpose of a research in Poland. This scale consists of 18 items grouped in 5 dimensions: materialistic hedonism, communication of belonging to/dissociation from a group, status demonstration, interpersonal mediation and ostentation. Although hedonism does not exclude ostentation or status demonstration, it is not necessary in the scale concerning conspicuous consumption.

Moreover, items of this scale should be modified for further research: they contain words “Western goods” which have been considered as sufficient designation for status symbols (they are to be replaced by “luxury goods”, “prestige goods” or “status symbols”) and the item wording: “people buy...”, “people want...”, etc. does not involve respondents at all; thus, it is not certain that they give account of their own attitudes or actions.

J. K. Eastman, R. E. Goldsmith and L. R. Flynn (1999) developed a self-report scale to measure status consumption (considered as synonymous to conspicuous consumption); this scale aimed at reflecting the tendency to purchase goods and services for the status or prestige (also considered as synonyms) they confer to their owners. This 5-item scale measures respondents’ interest in and willingness to buy products “with status” or “snob appeal”, but we do not know from answers if individuals are really going to use and publicly display these products for raising or maintaining their own social status.

A. O’Cass and H. McEven (2004) made a distinction between status consumption and conspicuous consumption. They elaborated two distinct short (and unclearly presented) scales for each of the two concepts: 7 items for status consumption (3 out of 7 are related to interest in status) and 6 items for conspicuous consumption. They define conspicuous consumption as “the tendency for individuals to enhance their image, through overt consumption of possessions, which communicate status to others”, and they consider that status consumption is “the behavioral tendency to value status and acquire and consume products that provide status to the individual” (having stated previously that “status consumption tendencies emphasize the personal nature of owning status-laden possessions, which may or may not be publicly demonstrated). For this reason status consumption appears either as a broader concept than conspicuous consumption in the way that individuals buy status goods (status consumption) without or before displaying them (if they display, they engage in conspicuous consumption), or alternately, the status consumption is simply not defined properly. Since social status “management” is a publicly performed activity (also referred to as “status game”), goods, even status-laden goods cannot provide any status to an individual if they are not publicly displayed. Personal, private enjoyment of status goods may bolster the ego of consumers, provide them with pleasurable consumption experiences, but not improve their social status.

H. R. Chaudhuri, S. Mazumdar and A. Ghoshal (2011) developed an 11-item scale of conspicuous consumption orientation described as “a deliberate engagement in symbolic and visible purchase, possession and usage of products and services imbued with scarce economic and cultural capital with the motivation to communicate a distinctive self-image to others”. With such a definition the only item concerning social status: “I feel by having a piece of a rare antique I can get respect from others” has been dropped from the scale. Thus, the conspicuous consumption became a very broad concept almost undistinguishable from “external” symbolic consumption.

The only authors who verified correlations of their scales with actual purchases of various luxury goods (considered as an operationalization of conspicuous consumption behaviors) were J. K. Eastman et al. (1999). They obtained very weak or weak correlations ranging from values close to 0 up to 0.37.

Some of the above-mentioned scales (and also other scales) have been used in the research. A. Lertwannawit and R. Mandhachitara (2012) or M. N. Kastanakis and G. Balabanis (2012) adopted status consumption scale from J. K. Eastman et al. (1990). B. Segal and J. S.

Podoshen (2012) used the conspicuous consumption scale from E. Chung and E. Fisher (2001). This scale has not been discussed earlier, because its development procedure has not been clearly presented. Items of this scale make no reference to social status, but only to “making a good impression on others” or to “knowing what others/friends think of brands/products I am considering to buy”. N. Henning et al. (2012) measured “social value dimension” of the value of luxury (products) also focusing on “making good impression on others”. J. Chen et al. (2005) used both the scale elaborated by J.-S. Marcoux et al. (1997) and the one by J. K. Eastman et al. (1999).

The author’s view on the relationship between non-symbolic consumption, symbolic consumption, consumption of status-laden products and conspicuous consumption is presented below (figure 1). Symbolic consumption is divided into “internal” (private) and “external” (performed publicly). Status consumption, i.e. consumption of products which are symbols of status has been divided into the “private” one and the conspicuous consumption.

Figure 1. Categories of consumption based on the relation with product symbolism

Non-symbolic consumption (public and private)

“Internal” or private symbolic consumption

 Status consumption, i.e. private consumption of status-laden products

 Private consumption of other symbolic products, i.e. symbolic non-status consumption

“External” or public symbolic consumption

 Conspicuous consumption, i.e. public consumption of status symbols

 Public consumption of other symbolic products

It is proposed that public consumption of products which are status-symbols is not “public status consumption”, but that it is simply “conspicuous consumption”. If conspicuous consumption is not restricted to the display of status symbols, it becomes indistinguishable from public symbolic consumption.

4. Taking into account the status concern

Even in the recently published articles analyzing conspicuous consumption in the domain of consumer behavior (some papers based on surveys will be discussed only) attention has not been paid to its Veblenian “basis”: status concern of individuals and their readiness to “manage” it has not been fully taken into account (i.e. directly measured). It is like some researchers, when they write about “status consumption”, they do not distinguish between status-laden products consumption and status concern, i.e. social status concern of individuals (and their activities aimed at raising or maintaining it). Products which are status symbols may be used not for raising social status, but for more “trivial” or short-lived actions like stirring up emotions of admiration or envy among observers, lowering their self-esteem, etc.

Y. J. Han, J. C. Nunes and X. Drèze (2010) found that preference for conspicuously or inconspicuously branded luxury goods corresponded with people’s desire to associate or

dissociate with members of their own and other groups. But they used J. K. Eastman et al. (1999) status consumption scale which measured attitudes towards product “with status”. No measure of social status concern of respondents has been included.

J. Berger and M. Ward (2010) examined the utility of subtle signals (inconspicuously branded luxury goods) in comparison to explicitly branded luxury goods. They found that while less explicit branding increased the likelihood of misidentification (e.g., observers confusing a high-end purchase for a cheaper alternative), people with more cultural capital in a particular domain preferred subtle signals because they provided differentiation from the mainstream (or lower-status groups). No measure, however, of status concern has been applied: maybe people with high cultural capital but low social status concern would not have wanted to differentiate from the mainstream?

It might have happened that raising or maintaining the social status has not been a salient life goal for the respondents or that it has been salient but totally unimportant. The answer cannot be provided, because the authors did not measure status concern thus “ignoring” Veblen’s contribution to the theory of conspicuous consumption.

It should be stated that, unfortunately, measuring social status concern is not evident. W. C. Kaufman’s (1957) “vintage” 10-item status concern scale is not applicable in its original form at least in a non-American context (author of this article had to modify three items to use it and remove the remaining 7 as irrelevant). Status consumption scale proposed by A. O’Cass and H. McEven (2004) contains 3 items expressing interest in status (probably social status), but some items would require more elaborate wording, because “I’m interested in status” may appear trivial to more sophisticated respondents.

Another problem with the all above-mentioned studies is that none of them (with the exception of J. K. Eastman et al., 1999) included measures of actual purchases of products that may be used for conspicuous consumption. These measures (number of status/luxury brands bought in a given period, sums of money spent on products of prestige/luxury brands etc.) should be more frequently included into questionnaires (instead of only brand attitudes or preferences).

5. Future research

As far as unresearched or under-researched areas in this domain are concerned, the following points may be raised:

- no empirical research addressed the phenomenon of conspicuous consumption *per procura* (which is another specific Veblen’s contribution to the theory of conspicuous consumption),
- conspicuous leisure and conspicuous waste attracted researchers’ weak attention,
- measures of social status importance in survey studies (and not only those of need for product prestige or for status-laden products) are another lacking element,
- another problem is that conspicuous consumption research should also take into account a broad range of actual behaviors other than the purchase of products; a typology of behaviors based on an actual public display of goods is needed together with measures of frequency with which such behaviors are performed,
- ways of consuming status-laden goods in the “social status game” are also worth researching (i.e. empirical studies aimed at analyzing conspicuous consumption as a process),
- if the conspicuous consumption processes are studied, measures of outcomes of these activities will have to be elaborated.

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Location-based mobile marketing: current insights and future research opportunities

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Location-based mobile marketing: current insights and future research opportunities

Abstract

Since the early days of location-tracking functionalities of mobile phones, location-based marketing (LBM) is constantly highlighted as one of the most lucrative areas of mobile marketing. Location-based services (LBS) are evolving substantially in recent years due the vast diffusion of the smartphones and tablet devices. Marketing academicians and practitioners are both struggling to keep pace with the development of location-based services and their marketing potential. The purpose of the paper is to present the current insights in location-based marketing research and to propose topics that require further research attention. Current evidence mostly has dealt with facets of consumer behavior, prior the appearance of current location-based marketing tactics. In many cases, the respondents had no prior experience with location-based marketing.

Keywords: location-based marketing, location-based services, mobile marketing

1. Introduction

The demand for mobile devices such as smartphones and tablets is growing rapidly worldwide. This has put mobile marketing in the focus of interest of digital marketing researchers and practitioners. Mobile marketing research is growing rapidly, covering topics in different marketing areas, from general theory, strategy and business models, consumer behavior, and legal issues and public policy (Leppaniemi, Sinisalo, & Karjaluo, 2006; Shankar & Balasubramanian, 2009, Varnali & Toker, 2010; Smutkupt, Krairit, & Esichaikul, 2010).

Location-specificity is the most distinguishing feature of mobile marketing, since digital marketing in general lacks location-specificity. Location-tracking and other new functionalities of mobile devices induced the development of location-based services (LBS). In the early days (beginning of the 2000's), location-tracking functionalities of mobile phones have offered very limited marketing potential. In a course of several years, location-based services evolved dramatically, opening completely new marketing landscape. Therefore, Varnali and Toker (2010) stress that mobile marketing applications and business models can quickly become obsolete due to introductions of novel technologies and consumer trends.

Marketing academicians and practitioners are both struggling to keep pace with the development of location-based services and their marketing potential. The opportunity to interact with customers in the time- and location-specific context inspired many researchers to start investigating the nature of location-based mobile marketing, although its application was still very rudimental. Nevertheless, location-based marketing (LBM) research is still scarce and fragmented.

The purpose of the paper is to present the current insights in location-based marketing research and to propose topics that require further research attention. The paper is organized as follows. First, we discuss the scope of location-based marketing as a subset of mobile marketing. Then, we present current insights in location-based marketing research, based on the current scientific evidence. Finally, we conclude our insights by proposing future research opportunities.

2. Location-based Marketing as a Subset of Mobile Marketing

The field of mobile marketing emerged as a result of an explosion of mobile phones acceptance since the beginning of the 2000s. Although it has attracted a considerable body of knowledge in the last decade, the scope of mobile marketing is still vague and there is no agreement on an explicit definition of mobile marketing that captures the true nature of the phenomenon (Varnali & Toker, 2010). Earlier definitions considered mobile marketing as the use of mobile medium as a means of marketing communication (Leppaniemi, Sinisalo, & Karjaluo, 2006). Similar approach was used by Shankar and Balasubramanian (2009), who have defined mobile marketing as two-way or multi-way communication and promotion of an offer between a firm and its customers using a mobile medium, device or technology. This includes mobile advertising, promotion, customers support, and other relation-building activities. Nevertheless, new areas within mobile marketing emerge very quickly, such as mobile commerce and mobile social network management (Shankar, Venkatesh, Hofacker, & Naik, 2010). Therefore, Smutkupt, Krairit, and Esichaikul (2010) conclude that mobile devices should no longer be used as just a channel for advertising, but they should be seen as a virtual one-to-one marketing channel where marketers engage customers in personalized relationships.

Location-specificity is one of the properties of mobile devices that have key marketing implications, along with portability/ubiquity, untethered/wireless feature, personalization, and two-way communication (Shankar & Balasubramanian, 2009; Smutkupt, Krairit, & Esichaikul, 2010). Based on location-specificity as the unique property of mobile devices, location-based services (LBS) have emerged. Location-based services are defined as services that depend on and are enhanced by positional information of the mobile device. They are the key enabler for numerous applications across different domains, from tracking and navigation systems, information/directory services, entertainment services, emergency services, and various mobile commerce applications (Dhar & Varshney, 2011). One of the first marketing applications of location-based services was mobile advertising (such as promotional SMS and MMS messages sent to customers) which were based on the current location of the receiver (e.g. information about the special offer in the nearby store). This form of mobile advertising was named location-based advertising (LBA) and defined as marketer-controlled information customized for recipients' geographic positions and received on mobile communication devices (Bruner II & Kumar, 2007). Following the advancements of the mobile technologies and location-based services, other forms of location-based marketing communication evolved, such as sales promotion (location-based couponing) and customer interaction through location-based social networks (e.g. Foursqare). Since it is obvious that location-specificity will be applicable beyond the context of mobile advertising, we adopt the recent trend of naming all location-specific mobile marketing activities as location-based marketing (LBM). Location-based marketing is more advanced, intrusive and contextual form of mobile marketing and if it is done correctly, it can provide customers with just-in-time, in-context, personalized marketing offers and services (Persaud & Azhar, 2012).

Location-based marketing research is building up on mobile marketing research and follows the similar streams of research. In the next section, we identify current insights within the domain of location-based marketing research and propose topics that require further research attention.

3. Current Insights in Location-based Marketing Research

Several overviews of mobile marketing research exist, structuring the key issues into several streams of research. Leppaniemi, Sinisalo, and Karjaluoto (2006) identified three major streams of mobile marketing research, naming them as follows: consumer (acceptance, perception, attitude, responsiveness, effectiveness); business and management (value chain, performance management, business models, branding, operations); and general (antecedents and consequences, legal and political issues, adoption and diffusion). In another synthesis of mobile marketing research, Shankar and Balasubramanian (2009) identified four key issues of mobile marketing research: customer adoption of mobile devices and services; the impact of mobile marketing on customer preferences and decision-making; formulation of a mobile marketing strategy and choice of mobile marketing methods; and mobile marketing in the global context. While defining state-of-the-art of mobile marketing research, Varnali and Toker (2010) divided the current scientific evidence into four groups: theory; strategy; consumer behavior; and legal and public policy. Finally, Shankar, Venkatesh, Hofacker, and Naik (2010) proposed a conceptual framework of mobile marketing in the retail environment, focusing on three entities: the mobile media (applications and properties); the consumer (behavior, segments, enablers and inhibitors of mobile usage); and the retailer (practices, competition).

In order to present current insights in location-based marketing research, we have followed the abovementioned streams of mobile marketing research, focusing on the scientific

evidence that primarily addresses location-based mobile marketing issues. We have found that scientific knowledge on location-based marketing is still scarce and it is mainly focused on consumer behavior in the context of location-based marketing. Nevertheless, we first address several contributions on location-based marketing strategy and tactics, as the rapid change and the evolvement of location-based services influences all topics in location-based marketing research. Then, we summarize the current evidence on consumer behavior research in the context of location-based marketing.

3.1. Location-based Marketing Strategy and Tactics

Location-based marketing research was triggered by appearance of the first location-based services in the early 2000s. Rao and Minakakis (2003) identified several business opportunities that location-based services offer, depending on the underlying customer need and the type of information that can be delivered in given space-time configuration: “Where am I?” queries (maps, driving directions, directory services); point of need information delivery (usable personalized information about product and services); niche consumer applications (specialized applications for certain concentrated segments); and industrial and corporate applications (tracking services). One of the first more widely accepted location-based marketing tactic was point of need information delivery in form of time- and space-targeted SMS messages with the promotional content. This tactic, along with commercial MMS messages (as they evolved later on), were the focal context of many location-based marketing studies (Pura, 2005; Bruner II & Kumar, 2007; Okazaki & Taylor, 2008; Unni & Harmon, 2007; Banerjee & Dholakia, 2008; Andrews, Drennan, & Russell-Bennet, 2008; Xu, Oh, & Teo, 2009; Xu, Luo, Carroll, & Rosson, 2011). Investigation of location-based marketing issues in the context of other tactics, such as downloading content via Bluetooth technology (Persaud & Azhar, 2012) and usage of location-based social networks (Wells, Kleshinski, & Lau, 2012) is very rare. One possible reason for this is the fact that many challenges have slowed down the deployment, offering, and wide-scale adoption of location-based services, such as emerging technologies, suitable applications, and business models (Dhar & Varshney, 2011).

Nowadays, the significance of SMS and MMS services is diminishing in comparison to other mobile device features (e.g. mobile applications). Smartphones and tablets are connected to the Internet 24/7 and equipped with GPS (Global Positioning System) technology, meaning the network service providers neither own nor control the location data anymore. This puts the location-based service providers in much better position and leads to the development of new location-based marketing applications. The evidence of this trend is seen already, since many mobile applications on smartphones are already requesting users to enable the location-tracking option on their devices in order to improve their user experience. Meanwhile, major social networks (e.g. Facebook and Twitter) introduced location-specificity features, and even new location-based social networks emerged (e.g. Forsquare). Social networks became important stakeholders in location-based marketing business models, as an intermediary and the platform which defines new forms of tactics.

Recent developments in mobile and location-based technologies, services and stakeholders, call for the new insight in the role of location-based marketing in mobile marketing strategy. Future research should explore if mobile marketing strategy frameworks needs updating according to the emerging trend of location-specificity across mobile marketing initiatives and what are the possible location-based services’ business models nowadays.

Next, a comprehensive location-based marketing tactics overview is needed. Smutkupt, Krairit, & Esichaikul (2010) provided an assessment of the potential impact of mobile devices

on marketing practices in general, using the familiar frameworks of 4Ps and 4Cs. They have identified the growing importance of location-specificity features in digital offerings (mobile applications and social networks; core vs. augmented products) and marketing communications (advertising, sales promotion through couponing). Shankar, Venkatesh, Hofacker, and Naik (2010) stress that due to the time- and location-sensitive nature of the mobile medium and devices, mobile marketing has the potential to change the paradigm of retailing. Location of a potential customer even becomes one of the price discrimination criteria used in dynamic pricing. Therefore, a detailed overview of all current location-based marketing tactics would give a solid background for numerous research topics in this field.

Finally, there is little evidence on adoption and diffusion of location-based marketing among companies. Okazaki and Taylor (2008) found out that the possibility to use location-specificity positively influences multinational corporations' to implement SMS advertising. Further evidence on firm-level adoption of location-based marketing is needed.

3.2. Consumer behavior in the location-based marketing context

Most scientific papers on location-based marketing have dealt with facets of consumer behavior: perceptions, willingness to participate, attitudes, and behavioral intentions. Pura (2005) was one of the first to examine how perceived value dimensions influence attitudes and behavioral intentions to use location-based services (location identification services based on SMS). Behavioral intentions were influenced by conditional value (context), commitment and to some extent monetary value (functional value). Commitment was also influenced by conditional value, but also by emotional value. Significant influences of social and epistemic value were not found. Author stress that more developed location-based services may yield different results, possibly increasing the influence of emotional and social value.

Bruner II and Kumar (2007) developed a scale for measuring consumers' attitudes towards location-based advertising. They have identified different facets of attitudes towards location-based advertising and constructed a 9-item scale (which is unidimensional and with very high internal consistency). In general, the respondents were slightly negative about the prospects of receiving location-based advertising. Authors call for future scale validation, because the items used in the scale were stated hypothetically and most people were unlikely to have experienced location-based advertising at the time when the survey was constructed.

Unni and Harmon (2007) used an experimental setting to test the effects of location-based advertising characteristics (pull vs. push messages; advertising vs. sales promotion content) on privacy concerns about location-tracking, perceived benefits, value and intentions to participate in location-based advertising. Although pull location-based marketing (permission-based) fared better than push (intrusive), value perceptions of location-based advertising and intentions to try this service were found to be rather low. Furthermore, privacy concerns relating location data were high and perceived benefits were low. Significant differences in benefits and trial intentions between advertising and sales promotional messages were not found. However, sales promotions were perceived to have greater value than advertising when messages were pushed, and perceived value of advertising dropped significantly. The research was conducted in a scenario-based laboratory setting and respondents had no prior experience with location-based advertising.

The study done by Banerjee and Dholakia (2008) revealed interesting findings about consumers' perceptions about usefulness of location-based advertisements and their behavioral intentions to the advertisements. For instance, location-specificity did not have a main effect on the overall perception of usefulness of location-based advertisements, but positively affected behavioral intentions when location-based advertising was received in the public place.

Xu, Oh and Teo (2009) examined antecedents and consequences of attitude towards location-based advertising via SMS and MMS messages. They have found that attitude towards location-based marketing is a significant predictor for intention to use and purchase intention as well, while the predictors of attitude are value and perceived entertainment of location-based advertising messages. Positive predictors of value are entertainment and informativeness of location-based advertising messages, and their irritation is a negative predictor of value. Finally, authors have examined the effects of location-based advertising formats (SMS vs. MMS) on entertainment, informativeness and irritation. Results show that MMS messages are more entertaining and informative, but also more irritating.

Shankar, Venkatesh, Hofacker, and Naik (2010) stress that location-based services enhance consumer utility and lead to fast adoption by a large number of consumers.

In their cross-cultural study (done in the United States, France and China), Wells, Kleshinski, and Lau (2012) examined attitudes toward and behavioral intentions to adopt mobile marketing among members of Generation Y. Scale used in the research included items that refer to location-based marketing tactics, such as location-based advertising, location-based couponing and location-based social networking. Results show that all respondent groups are receptive to receive location-based coupons and read location-based advertisements, but also less receptive to participate in location-based social networking.

Persaud and Azhar (2012) examined the intentions of Canadian consumers to adopt innovative marketing services via smartphones, including location-based marketing. They have found that mobile marketing employing location-based techniques have a greater chance of being accepted than general marketing messages. Predictors of consumers' intention to participate in location-based marketing are perceived value, shopping style, brand trust, age and education.

Almost all of consumer behavior research in the field of location-based marketing was conducted in the era of so-called feature mobile phones (classic mobile phones), when location-based marketing was limited to the use of location-specific SMS/MMS messages. But Persaud and Azhar (2012) point out that smartphones are seen as another stage in the evolution of mobile marketing technology and practices because they have the capability to seamlessly integrate Bluetooth, location-based marketing, and other technologies with web-based and physical store marketing to produce superior consumer experiences.

Another characteristic of many of presented studies is the fact that they were conducted on samples of consumers who had none of the prior experience with location-based marketing.

Therefore, future consumer behavior research should validate current evidence on perceptions of and attitudes toward location-based marketing, and their links with behavioral intentions. For example, although Persaud & Azhar (2012) confirmed the relevance of some factors that were identified in previous studies conducted in the context of SMS advertising (namely permission, trust, age, education), the stability of these factors in nowadays location-based marketing context should be examined.

4. Conclusion

Mobile marketing researchers very early recognized the importance of location-based marketing and offered some scientific evidence, mostly related to the consumer behavior field. Recent trends, such as: fast development of new mobile platforms (smartphones and tablets); introduction of different location-based services in form of mobile applications; and emergence of new stakeholders, require research attention in terms of location-based marketing strategy and tactics. This includes: updating of mobile marketing strategy frameworks; investigating new business models; offering location-based marketing tactics

overview and investigating level of adoption and diffusion of location-based marketing among companies. Almost all scientific studies on consumer behavior in regard of location-based marketing were done in the era of feature (classic) mobile phones and one dominant tactics: location-based SMS messages with advertising or sales promotional content. Respondents in most cases did not have any prior experience with location-based marketing tactics. Endeavors should be made in order to understand location-based marketing adoption and acceptance, attitude towards location-based marketing, and especially the role of trust.

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On Consumer Skepticism toward Eco-Friendly Products

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On Consumer Skepticism toward Eco-Friendly Products

Abstract

In an attempt to contribute to social well-being or to achieve their business goals, numerous firms market eco-friendly products. However, as there is an overabundance of green product claims, many people question the extent to which green products are truly eco-friendly or just pure ‘greenwashing’. This study develops a model that investigates sources and outcomes of consumer skepticism toward eco-friendly products. The results show that attributions of values-driven motives decrease consumer skepticism; egoistic- and stakeholder-driven attributions increase skepticism; skepticism stimulates negative word-of-mouth; and skepticism has no effect on purchase intentions.

Keywords: *Attributions; Skepticism, Sustainability, Word-of-mouth.*

1. Introduction

Recent decades have witnessed an extraordinary surge in environmental consciousness worldwide (Kilbourne & Pickett, 2008; Schlegelmilch, Bohlen, and Diamantopoulos, 1996). Public interest in ecological issues have risen dramatically and the protection of the environment has assumed great importance for governments, firms, consumers, and society as a whole (Banerjee, Iyer, and Kashyap, 2003; Cronin, Smith, Gleim, Ramirez, and Martinez, 2011). A growing number of consumers have expressed interest in corporate sustainability efforts and many corporations have engaged in eco-friendly merchandise production, spent lots of money on green marketing, and integrated green issues into their corporate strategy (Menguc, Auh, and Ozanne, 2011; Menon & Menon, 1997). Marketing theory has timely embraced this trend and a great deal of research has focused on profiling green consumers and understanding their beliefs and attitudes toward the environment in general and green products in particular (for a recent review see Leonidou and Leonidou, 2011).

However, despite increasing social, scholarly and managerial interest in this area, a key issue that has escaped adequate research attention until now is green skepticism (for an exception see Mohr, Eroglu, and Ellen, 1998). This research gap is surprising for at least four reasons: (i) skepticism—an individual's tendency toward disbelief and overall propensity to question—is one of the most interesting and intriguing individual psychological traits (Okasha, 2003); (ii) consumer skepticism toward advertising in general has been the focus of significant research interest (e.g., Forehand & Grier, 2003; Obermiller & Spangenberg, 2005); (iii) a recent line of research investigates the role of negative consumer feelings such as skepticism (e.g., Vanhamme & Grobбен, 2009), cynicism (e.g., Chyllinski & Chu, 2010), and perceptions of corporate hypocrisy (e.g., Wagner et al., 2009) in the related context of CSR; and (vi) as reported incidents of corporate misconduct abound, there is widespread societal concern that firms often disseminate false/incomplete information to create a positive environmental image and many consumers doubt whether green products are truly eco-friendly or just pure 'greenwashing' (e.g., Mohr et al., 1998; Saha & Darnton, 2005).

Against this background, this study examines the role of consumer skepticism in the context of eco-friendly products—those that have and/or claim environmental performance improvements in their production, use, and disposal in comparison to conventional/competitive ones. For present purposes, green skepticism refers to the consumer's tendency to doubt the environmental claims made by firms on product packages/advertisements (cf. Mohr et al., 1998; Obermiller & Spangenberg, 2005). Drawing on attribution theory, we develop and empirically test a theoretical model that investigates sources and outcomes of consumer skepticism toward eco-friendly (i.e., green) products. The study findings can advance theory development in the field by enhancing understanding of (i) the ways in which consumers explain the green marketing activities of firms; (ii) how such cognitive perceptions influence green skepticism; and (iii) the consequences of green skepticism in terms of negative word-of-mouth (WOM) and purchase intentions. Further, the results can provide valuable insights to business practitioners who seek a truthful green positioning for their offerings and offer guidance to public policy makers on the design of successful green campaigns.

2. Conceptual framework and hypotheses development

Attribution theory suggests that, when faced with an event, individuals have an innate tendency to seek to determine the locus of causality for that event (Kelley, 1971). It is particularly appropriate for the purposes of this study because it addresses the processes by which individuals attribute motives to firms' actions and how these perceived motives affect

subsequent attitudes and behavior. Consumers were traditionally believed to attribute two primary types of explanations for firms' actions: firm- and public-serving motives (Forehand & Grier, 2003; Webb & Mohr, 1998). Recent writings suggest that, rather than the simple self- versus other-centered attributions, four different types of explanations for firms' actions can occur: egoistic-driven, values-driven, strategic-driven, and stakeholder-driven motives (Ellen, Webb, and Mohr, 2006; Vlachos, Tsamakos, Vrechopoulos, and Avramidis, 2009). This study follows this classification and argues that consumers' explanation for the reasons why a firm engages in green practices and markets green products is likely to influence consumers' skepticism toward the green products.

Egoistic-driven motives refer to the firm taking advantage of the environmental cause, rather than helping it. Egoistic-driven motives and environmental causes are not reciprocal—such motives are germane to excessive profiteering (Mohr et al., 1998; Vlachos et al., 2009). By their very nature, they solely serve firm needs and are likely to trigger green skepticism.

H1. Egoistic-driven motives are related positively to green skepticism.

In contrast, values-driven motives are positively accepted by the public as they relate to the moral, ethical, and environmental ideals and standards of the firm. Values-driven motives signify a behavior that is in accord with the genuine philosophy of the firm (Becker-Olsen, Cudmore, and Hill, 2006; Vlachos et al., 2009). Such attributions are expected to cultivate consumer trust and eliminate green skepticism.

H2. Values-driven motives are related negatively to green skepticism.

Strategic-driven motives concern the goals inherent to the firm's survival, such as market share, customer retention, and profitability. Strategic-driven motives can be viewed as legitimate because the firm needs to retain and attract customers at a profit in order to survive and play its role as a social actor (Barone, Miyazaki, and Taylor, 2000; Ellen et al., 2006). Nonetheless, strategic-driven attributions can be viewed as emblematic of the fact that green products are not valuable per se, but simply a means to performance attainment. Therefore, they are expected to elicit green skepticism among consumers.

H3. Strategic-driven motives are related positively to green skepticism.

Finally, stakeholder-driven motives refer to the need of the firm to satisfy and balance the demands of different stakeholder groups. As such, they represent a behavior that can be in disharmony with the true beliefs, values, and dispositions of the firm and can be seen as another means for receiving external rewards (Ellen et al., 2000; Swanson, 1995). Hence, stakeholder-driven attributions are likely to engender green skepticism.

H4. Stakeholder-driven motives are related positively to green skepticism.

Consumers often engage in WOM behaviors about products that are associated with positive or negative experiences/emotions. Negative WOM is defined as the interpersonal communication among consumers concerning eco-friendly products that denigrates the object of the communication (Laczniak, DeCarlo, and Ramaswami, 2001). Providing negative information about products in social situations is mainly triggered by consumers' unfavorable product judgments (Herr, Kardes, and Kim, 1991). Thus, consumers that mistrust green products and question their eco-friendly attributes are likely to state their negative opinion and depreciate them and in discussions they have with friends, family, and acquaintances.

H5. Green skepticism is related positively to negative word of mouth.

Prior research suggests that consumers are increasingly interested in purchasing genuinely beneficial or less harmful to the environment products in an attempt to contribute to a solution to the environmental problem (Cronin et al., 2011; Mohr et al., 1998). In the presence of green skepticism however, consumers doubt the environmental and societal qualities of such products. Thus, they are likely to evaluate them as inferior to conventional products, which means that they are less inclined to buy them.

H6. Green skepticism is related negatively to purchase intentions.

3. Research methodology

Measures of all constructs were developed following guidelines recommended by Nunnally and Bernstein (1994). Existing scales from prior research were adapted to suit the research purpose and particular study context and refined on the basis of ten personal interviews with consumers. Further, prior to the execution of the main study, a large-scale pilot study with business students was carried out. With the exception of the purchase intentions measures (anchored by (1) “very low” to (7) “very high”), the response formats for the scales of the study variables, ranged from (1) “strongly disagree” to (7) “strongly agree.”

Egoistic-, values-, strategic-, and stakeholder-driven motives were measured using items adapted from Vlachos et al. (2009). Respondents expressed their opinion on why firms in the identified product sector modify existing and/or introduce new products that are friendlier to the natural environment. Four items were used per each type of attributions. Sample items include: they want to improve their environmental image; they are trying to capitalize on the growing green movement (egoistic); they feel morally obligated to help protect the natural environment; they have an ethical responsibility to help preserve the natural environment (values); they want to keep their existing customers; they hope to increase their profits (strategic); they feel their stockholders expect it; they feel their employees expect it (stakeholder). Green skepticism was measured through four items based on Mohr et al.’s (1998) and Obermiller & Spangenberg’s (2005) work in combination with insights from our personal interviews with consumers. Sample items include: I question most environmental claims made on product packages/advertisements; I have doubts about most environmental claims made on product packages/advertisements. Negative WOM was measured through three items derived from Arnett et al. (2003). Sample items include: I bring up most eco-friendly products in a negative way in conversations I have with friends; in social situations, I often speak unfavorably about most eco-friendly products. Purchase intentions were measured through three items adapted from Dodds, Monroe, and Grewal (1991). Sample items include: likelihood of buying eco-friendly products (compared to conventional ones); willingness to buy eco-friendly products (compared to conventional ones).

Using a mall-intercept method, questionnaire responses from 219 consumers aged 18 and above were obtained. Specifically, mall shoppers in a European metropolitan area were randomly intercepted and requested to take part in a survey that examines firm attributions and environmentally related attitudes and behaviors. If the respondents showed interest and agreed to participate, they were asked to complete a short questionnaire. Researchers kept a discrete distance from respondents when they were answering the questionnaire. To ensure meaningful findings, every questionnaire was handed out accompanied with a brief explanation of the notion of eco-friendly products (i.e., those with environmental performance improvements in their production, use, and disposal in comparison with conventional / competitive ones). Informants were randomly assigned to answer the part of the questionnaire that referred to eco-friendly products with respect to one of the following product categories: detergents and cleaning goods; paper products; organic food and drinks; and cosmetics and toiletries. These categories represent a variety of regularly shopped products. To guarantee anonymity to the respondents and help avoid social desirability bias, the ‘ballot box’ technique (e.g., after filling in the questionnaire, respondents put it into an envelope, sealed it, and placed it in a box) was used to collect questionnaires (e.g., Mitchell et al., 2009). Twelve out of a total of 219 questionnaires were dropped due to missing data, leaving a final sample of 207 eligible responses. The study’s sample was close to representing the country’s actual adult population in terms of gender, age group, and education distribution.

4. Research findings

Initial assessment and purification of all other scales was achieved through a combination of item-to-total correlations and exploratory factor analysis. Then, confirmatory factor analysis (EQS 6.1) was employed. Using maximum likelihood as the estimation procedure, a measurement model was produced. The results of this model provide evidence of a good fit ($\chi^2_{(278)} = 348.72$, $p < .001$, NNFI = .97, CFI = .98, IFI = .98, and RMSEA = .035). The factor loadings of the items on their posited indicators all exceed .72 and have t-values greater than 11.02, thus demonstrating convergent validity (Gerbing & Anderson, 1988). Discriminant validity was also met as the confidence interval (plus/minus two standard errors) around the correlation estimate for each pair of constructs examined never included 1.0 (Gerbing & Anderson, 1988). Also, the Cronbach's alpha scores of the study constructs ranged from .85 (values-driven motives) to .92 (negative WOM), denoting satisfactory levels of internal consistency. Further, Harman's one factor test was used to check for common method bias. The results indicated that the first factor accounted for only 24% of the total variance.

In order to test the hypothesized links among the study constructs, a full-information structural model was subsequently estimated. The model results suggest an acceptable fit ($\chi^2_{(293)} = 551.36$, $p < .001$; NNFI = .91; CFI = .92; IFI = .92; and RMSEA = .065). Four of the six hypotheses were supported. Specifically, egoistic-driven ($\beta = .21$, $t = 2.80$, $p < .01$) and stakeholder-driven ($\beta = .22$, $t = 2.73$, $p < .01$) attributions are related positively to green skepticism, while values-driven motives are associated negatively with green skepticism ($\beta = -.26$, $t = -3.26$, $p < .01$). Thus, support is provided for H1, H4, and H2, respectively. Contrary to H3, strategic-driven motives were not related to green skepticism ($\beta = .11$, $t = 1.43$, $p > .05$). In line with H5, green skepticism is related positively to negative word-of-mouth ($\beta = .24$, $t = 3.07$, $p < .01$). Further, H6 was not supported as no direct link was established between green skepticism and willingness to buy green products ($\beta = -.07$, $t = -.83$, $p > .05$).

6. Discussion and conclusions

Green skepticism constitutes a very important phenomenon that has received scant empirical attention in the green marketing literature (Mohr et al., 1998). The study findings show that skeptical consumers feed their negative perceptions about green products based on egoistic- and stakeholder-driven attributions for firms' motives, while values-driven motives eradicate green skepticism. The fact that strategic-driven attributions were a non-significant predictor of green skepticism provides evidence that consumers accept and understand that profit-related motives are not necessarily bad; they turn out to be a win-win-win scenario for firms, consumers, and society as a whole. The study results are consistent with Vlachos et al.'s (2009) conclusions in the CSR literature. The study findings also highlight the important role of green skepticism in generating negative WOM for green products. Given that negative information tends to influence consumers more strongly than positive information (e.g., Herr et al., 1991), negative WOM can have deleterious consequences for green products (cf., Chyllinski & Chu, 2010). However, the study findings suggest that green skepticism is not directly related to purchase intentions for green products. Past research findings suggest that consumers usually have lower tendencies to buy products that view with suspicion (Obermiller & Spangenberg, 2005). It appears that consumers who doubt the green attributes of eco-friendly products tend not to boycott them; they may be willing to consider them on a case-by-case basis, seeking more information and assurance.

These findings have various implications for business practitioners. Managers should take into consideration the presence of green skepticism among consumers and try to adjust the product offerings of their firms on the basis of values-related arguments. Cultivating strong corporate values regarding sustainability and then clearly communicating these values to consumers through product packaging, advertisements, and other promotional material (e.g., Banerjee et al., 2003) may be advantageous in this regard. Further, firms should encourage consumers to try environmentally friendly products in an attempt to come up with their own evaluation about the benefits or problems associated with such products.

Our results should be interpreted in light of certain limitations. *First*, this study adopted a cross-sectional research design. Future studies should consider gathering longitudinal data that can offer valuable insights into the dynamics of connectedness among the study constructs. *Second*, this study was conducted within a specific country context. Replication of this research in other countries, with different economic, sociocultural, and political-legal conditions would test its external validity. *Third*, investigation of additional factors that can serve as drivers of green skepticism such as cynicism, sentiment, ethics and personal philosophies can be an interesting avenue of future research. *Finally*, examination of green skepticism through the lenses of other theoretical frameworks, such as the theory of information economics and the theory of planned behavior can certainly advance theory development and management practice in the field. To the best of the authors' knowledge this study is the first to apply attribution theory to investigate antecedents and consequences of green skepticism. It is hoped that this study will stimulate further discussion and inquiry on the critically important issue of green skepticism. Research along these lines is sorely needed.

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How should we continue studying customer orientation in emerging economies? Empirical evidence from Russian market

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How should we continue studying customer orientation in emerging economies? Empirical evidence from Russian market

Abstract

One of the central marketing concepts is market orientation (MO). Innumerable studies exist testing the impact of MO in different industries and countries. However, virtually no research exists on understanding how MO works in non-Western environments, e.g. on Russian market. We have conducted two empirical studies (2008 and 2010) on Russian companies aiming to assess their MO level resulted in the cross-sectional sample of 213 and 206 companies. In our research we test the level of MO developed by Russian companies over the period of transition in order to understand the level of customer orientation of Russian companies.

Keywords: *Market orientation, Customer orientation, Emerging markets, Russia*

1. Introduction

Transformation in emerging markets can be analyzed through the lenses of changes in the firms' management perception and development of strategic orientations and capabilities. Market orientation (MO) concept has been widely discussed as an important organizational antecedent of business success (Narver & Slater, 1990; Kohli & Jaworski, 1990; Han et al., 1999), with innumerable studies testing the impact of market orientation in different industries and countries (Akimova, 2000; Greenley, 1995; Chan & Ellis, 1998; Kwon & Hu, 2000).

While MO concept has been widely tested in multiple markets, its validity for transforming context of transition economies can still be seen as agenda for research. Emerging markets are radically different from the traditional industrialized capitalist society, and they require rethinking the core assumptions of marketing, such as market orientation, market segmentation, and differential advantage (Sheth, 2011). With some exceptions there is hardly enough evidence on how MO works in emerging and transition economies, including Russia (Akimova, 2000; Greenley, 1995). Marketing function development in emerging economies can posit certain limitations on development of understanding of MO role in driving firm performance (Golden et al., 1995).

Besides the role of MO in the whole, perception and the role of separate dimensions of MO provide another potential direction of research (Smirnova et al, 2011). From the MO perspective, one of the first steps should be made on studying the key component of MO construct – the level of customer orientation of the firm (Kohli and Jaworski, 1990; Narver and Slater, 1990). The topicality of this question for Russian companies can hardly be overestimated. Thus, existing research points out that firms in Russia had to develop a change from supplier orientation to the customer orientation (Farley and Deshpandé, 2005). As Slater and Narver (1994) are pointing out “the heart of the market orientation is its customer focus” (Slater and Narver, 1994, p. 22) and its development should be one of the vital transformations in order to achieve better competitiveness.

Based on this research gap we aim to investigate the role of customer orientation in Russian companies. During the pre-crisis (2008) and post-crisis (2010) period we have conducted two empirical studies on Russian companies, aiming to assess their strategies capabilities and orientations and to test the level of market orientation developed by Russian companies over the period of transition. When working with the data from the studies we have discovered that there is a trend, confirmed by our results, that the theory on customer orientation seem to be not fully confirmed on results received from Russian businesses. Thus the paper aims to sum up our findings and set agenda for further research on customer orientation of Russian companies and potentially in other transition economies.

2. Literature review

2.1. Market orientation construct and its role in Russian emerging economy context

The concept of MO reflects implementation of marketing concept and long-term orientation within a firm. MO is a business philosophy which is aimed to identify and satisfy customer needs and integrate the marketing concept throughout the organization. MO is a central construct in a theory developed to explain firm performance (Jaworski and Kohli, 1993; Kohli and Jaworski, 1990; Kohli et al., 1993; Narver and Slater, 1990; Deshpande' and Farley, 1998) and creating customer value (Cadogan & Diamantopoulos, 1995; Greenley,

1995; Kohli and Jaworski, 1990; Narver and Slater, 1990). Numerous empirical studies have researched and supported the role that market orientation and its components play in improving firm performance, fostering innovativeness, and contributing to the creation of market-driven organizations (Day, 1994; Vorhies et al., 1999; Pelham, 1997). However, some contradictory research exists which shows only weak links between the constructs of MO and certain performance constructs (Greenley, 1995, Singh, 2003). However, the positive role of MO has been generally confirmed across different industries and countries, including some work undertaken in transitional economies (Hooley et al., 2000; Farley & Deshpande, 2005; Bathgate et al., 2006).

Although the transition of the Russian economy from centrally planned to open market had its specifics and was unique in many aspects, by the end of 1990s market organization had characteristics similar to those in other transition economies emerged.

Deshpandé and Farley (2005) using a modified “Competing Values” model studied a sample of 100 Moscow-based b2b firms in 1997 and came to a conclusion that better performing firms had more competitive and less consensual organisational cultures, more open and participative organisational climates and higher levels of market orientation.

The results of the meta-analysis of MO concept on the Russian context are presented in Table 1.

Table 1. Results of meta-analysis of market orientation concept on the Russian context

Author(s), year	Focus of the study	Method and data	Contribution
Golden et al., 1995 <i>Journal of International Marketing</i>	MO in transition economy where the task environment becomes increasingly turbulent as demand generation moves from government regulated to market generated	Cross-sectional data collection in four Russian cities. Structured interviews were conducted with 200 owner/managers of Russian firms	The model generally followed Western trends, but there are differences in price effectiveness and promotional strategies used in Russia
Akimova, 2000 <i>European Journal of Marketing</i>	Development of MO in the transitional economies under conditions of economic decline and greater systemic change	Personal interviews conducted with 221 managers of Ukrainian enterprises	The level of a firm's competitiveness in the turbulent environment of a transitional economy is associated with the level of the development of MO
Deshpande & Farley, 2005 <i>Journal of Global Marketing</i>	Characteristics of Russian marketing management during this period including MO, innovation and aspects of organizational culture closely related to marketing management	Interviews with one hundred large Moscow firms in the late 1990-s	Firms that perform well were more market oriented, more competitive and less consensual in terms of corporate cultures, and more open in terms of organizational climates
Smirnova et al., 2011 <i>Industrial Marketing Management</i>	Role of MO as an antecedent for the development of relational capabilities and performance in Russian industrial firms	Personal interviews with 158 companies from 34 regions of Russia	In Russian B2B markets competitor orientation directly, positively impacts on performance, while the other components of MO have only a mediated effect via the development of relational capabilities

In the first decade of the years 2000 Russian economy showed significant improvement in terms of stability and growth. Nowadays marketing is familiar to almost all local companies and increasing competition from foreign markets increases its importance. Therefore the research on market orientation becomes of very high interest.

2.2. *The role of customer orientation construct*

The demand for the analysis of customer orientation appeared in the field of marketing in 1950s. Customer orientation requires that a seller understands a buyer's entire value chain (Day and Wensley, 1988). The common aim of these efforts is customer satisfaction, as satisfied customers remain faithful to the company (Hansen, Jeschke, 1992), and are its capital. Since winning over new customers is far more expensive than cultivating existing ones, customer orientation and customer satisfaction also have an immediate financial effect (Anderson et al., 1994).

Both perspectives on MO (Kohli and Jaworski, 1990; Naver and Slater, 1990) reflect the key role of customer orientation, and some approaches highlight customer orientation as synonymous to MO (Deshpandé and Farley, 1998): MO also referred to as "customer orientation" or "customer focus" is "the set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs assessment" (Deshpandé and Farley, 1998, p. 213).

As to Narver and Slater (1990, p. 21) approach customer orientation "*is the sufficient understanding of one's target buyers to be able to create superior value for them continuously*". Moreover, the firms though should not only be able to understand own buyers, but also to understand a wider network of interactions in the market – "a customer orientation requires that a seller understand a buyer's entire value chain" (Narver and Slater, 1990, p.21). From the transition economies context perspective, this requirement is linked to the transition process and development of "plan matching capabilities" (Johanson, 2007). These capabilities are meant to compensate for the heritage of the planning economy by establishing understanding of the environment and market oriented approach in companies. Previously existing planning economy was rather causing orientation towards the planned criteria and supplier side with "customer absorbing almost all risk as well as tolerating poor quality and irregular delivery" (Farley and Deshpandé, 2005, p. 7).

Existing theory and research results provide evidence that market orientated, and more specifically customer oriented companies help companies achieve better performance results. Thus for companies in transition economies there is an urgency in developing customer orientation in order to achieve better competitiveness.

3. Research design and sample description

Empirical data for the study was collected in 2008 and in 2010 and resulted in a sample of 213 and 206 Russian firms from 17 and 15 Russian regions respectively. The sample is cross-sectional and includes a number of key industries (Table 2).

Table 2. Sample description

Industries		Study 1 (2008)	Study 2 (2010)
		n=213, %	n=206, %
1	Metallurgy	5,7	17,5
2	Chemical industry	8,2	10,2
3	Mechanical engineering	19,4	13,6

4	Telecommunications	6,8	10,2
5	Production of construction materials and plastics	11,7	10,1
6	Food industry	14,8	16
7	Other	33,4	22,4

Both samples were stratified with regard to the following criteria – region, industry and size of the company. The data was collected in personal interviews with key respondents from marketing department with an average duration of an interview of 1 hour.

The companies in the both samples are mostly medium and large (more than 500 employees). The relationship between products and services in firms' portfolio is varying from 0% to 100% with an average of 73% products and 27% services. The relationship between serving industrial and consumer markets is also varying from 0% to 100% and an average of 56% firms serving industrial markets and 44% consumer markets.

4. Operationalization and key findings

The study was based on the operationalization of customer orientation by Narver and Slater (1990) in their MTKOR scale. The six items were used in their original formulation, translated and back translated to ensure proper version in Russian language. Original study was using a 7-point Likert-scale. Since 5-point scale is more widely used in Russia, we have used this scale in both studies (2008 and 2010). To analyze the data we have checked the descriptive results, reliability and validity of the data both using EFA and CFA to check the unidimensionality of the construct (Table3).

Table 3. Descriptive results

Items (Narver and Slater, 1990)		Study 1 (2008)		Study 2 (2010)	
		Mean	St.dev.	Mean	St.dev.
co1	Customer commitment	4,36	,85	4,39	,76
co2	Create customer value	4,41	,83	4,31	,79
co3	Understand customer needs	4,41	,80	4,43	,78
co4	Customer satisfaction objectives	4,41	,85	4,41	,81
co5	Measure customer satisfaction	3,88	1,20	4,16	,95
co6	After-sales service	3,91	1,16	4,13	,98

From the results we see that there is difference in the way Russian companies in a sample 1 (2008) assess their orientation towards customers based on commitment and understanding the needs (co1-co4); while the answers for the last 2 questions (co5-co6) are different: first of all, the means are lower; secondly the standard deviation is larger. The reliability of the scale is high (0,880). In study 2 the descriptive results are different. There is less deviation in means within the scale, as well as the standard deviation is more unified. The T test for mean differences between both studies has revealed significant differences only in the mean for co5 and co6 – these values have increased after the crisis.

The results of the EFA on both studies have revealed different results: in study 1 there was 1 factor identified, explaining 65,7% of variance (factor loadings 0,71-0,88); in study 2 we were able to identify 2 factors, explaining together 69,7% of variance and including factor 1 (co1-co4, 42% of variance, factor loadings 0,65-0,87) and factor 2 (co5-co6, 27,6% of

variance, factor loadings 0,80-0,85). Thus despite more similarity between the means for separate items in study 2, the results reveal a 2-dimensional structure.

Finally, to check the results we have run CFA with AMOS 7.0. In total 9 models were tested, including 4 models for study 1 and 5 models for study 2. Initially we were testing the CO construct as 1 factor with 6 items. The fit was unsatisfactory for study 1 (2008) with CMIN/df = 17,069 (0,000), RMSEA = 0,196, GFI = 0,894 and for study 2 (2010) with CMIN/df = 6,974 (0,000), RMSEA = 0,171, CFI = 0,874; TLI = 0,790. Following modification indices goodness-of-fit could be improved, resulting in a 4-items solution (co1-co4) after deleting items co5 and co6 for both studies: study 1 (2008) with CMIN/df = 0,056 (0,813), RMSEA = 0,000, GFI = 1,000 and study 2 (2010) with CMIN/df = 0,670 (0,413), RMSEA = 0,000, GFI = 0,998. Thus to improve the fit in both studies we had to delete items 5 and 6 from the original MKTOR scale. These results confirm the initial descriptive results we received based on both studies with mean difference between the items for study 1 (2008) and 2-factors solution for study 2 (2010). The 1-factor solutions for both studies (2008/2010) demonstrate acceptable construct reliability (0,90/0,81) and AVE (0,69/0,53).

The next step was testing the alternative model with 2-factors solution for both samples (2008 and 2010). Factor one was based on items 1-4 and factor two on items (5-6). After testing and modifying the models we could achieve the best fit in the model modification with two-factor solution: factor 1 (items 1, 2, 3) and factor 2 (items 5, 6). Item 4 was deleted based on the modification indices analysis. Results fit for the 2-factor model was for study 1 (2008): CMIN/df = 2,852 (0,022), RMSEA = 0,067 (0,224), GFI = 0,989 and for study 2 (2010): CMIN/df = 1,299 (0,268), RMSEA = 0,038, GFI = 0,990. The results of 2-factor alternative model reveal an adequate fit with better results for study 2). This is in line with the EFA results. At the same time, even for study 1 there was a 2-factor solution possible, indicating existence of a second factor in CFA. While the 1-factor solution has demonstrated good construct reliability (CR) and AVE, and 2-factor approach worked well for study 1 (2008), but has revealed problems with both CR (0,63<0,7) and AVE (0,46<0,5) for factor 2 (co5, 6). At the same time, based on Fornell-Larcker (1981) criterion, we may conclude that the discriminant validity is present both for study 1 and study 2 and 2-factor solution can be supported.

5. Results discussion and conclusion

The results of the studies provide us with insights for understanding of customer orientation in Russian market.

First of all, we see the difference in responses of companies to questions, measuring overall commitment and devotion to understanding customers and creating customer value (CO items 1-4) and those questions, focusing on post-purchase analysis, monitoring and service (CO items 5 and 6). These results were indicated both by descriptive results for study 1 (2008), EFA for study 2 (2010) and CFA analysis for both studies.

The two items, revealing potential problems in both studies are both focused at the after-sales customer relationships (“We pay close attention to after-sales service” and “We frequently measure customer satisfaction”) (Narver and Slater, 1990). The results of both studies do also reveal problematic level of customer orientation as a construct in the mindset of local managers, with particular lack of attention to the after-sales interaction, monitoring and customer retention.

The results of the studies have helped us generate agenda on further study of customer orientation construct in the context of Russian economy. Does the lack of attention to after-sale customer satisfaction monitoring and service have relation to the level of marketing competences and knowledge level in Russia? The test for differences in means has revealed potential impact of crisis on manager's attention to the post-purchase customer retention (in study 2 mean values for co5 and co6 are significantly higher).

Further research is required to support the assumption, generated by our data analysis. In order to re-test and validate our results another data set, collected in 2011, will be analyzed and interviews with managers will be conducted. The aim of the next steps will be to focus on the construct structure and dimensionality, as well as potential development of a scale to capture the overall customer orientation and post-purchase customer orientation to address specific issues of the transition economy on example of Russia.

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Relationships between the Networking, Innovativeness and Internationalisation of Firms. Empirical Research Findings.

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Relationships between the Networking, Innovativeness and Internationalisation of Firms. Empirical Research Findings.

Abstract

Networks and networking are nowadays perceived as means of improving firms' performance in the field of innovativeness and internationalisation. There are many studies confirming the positive relationship between the pairs of these phenomena but there is a lack of studies on interconnections between the three of them simultaneously and the research results presented in this paper fill in that gap. The survey is based on direct interviews carried out in 274 companies located in Poland. The degree of networking (NET), innovativeness (INN) and internationalisation (INT) of the surveyed firms was assessed and the statistical analysis proved a positive though weak correlation between the NET, INN and INT indices. Further in-depth studies showed the interrelationships between networking, inward and outward innovativeness as well as inward and outward internationalisation.

Keywords: *networking, innovativeness, internationalisation, measurement, interrelations*

1. Introduction

Many theoretical and empirical studies confirm the positive relationships between the participation in networks and the innovativeness or internationalisation of firms. Most of the empirical research on relationships between these phenomena focuses on interconnections between pairs of them and use rather simple indicators to measure the degree of internationalisation or innovativeness of firms. As the relationship between the networking, innovativeness and internationalisation may depend on the degree of the firms' involvement with these fields, the concept of measuring the degree of them is an important methodological issue. Development of composite indices for the measuring of the degree of networking, innovativeness and internationalisation of firms based on relevant theoretical background is a prerequisite of further analyses of the interrelations between them, which was the aim of study presented in this paper.

2. Theoretical Framework and Methodological Assumptions

Networking, referring to the relationships established and maintained by firms within business network, is nowadays perceived as a source of the firms' competitive advantage. The advantage results from a better use of distinctive resources of the networked firms, their access to the resources of network partners and the enhanced process of learning and knowledge sharing within networks. Participation in business networks and networking are therefore considered a way to improve firms' performance reflected by a higher innovativeness or internationalisation of the networked firms (e.g. Häkansson and Snehota, 1995; Jarillo, 1993; Dyer and Singh, 1998; Häkansson, Ford, Gadde, Snehota, and Waluszewski, 2009). Consequently, the innovation model dominating in advanced economies is described as an integrated, networked model of innovation (Rothwell, 1992). It is characterized by an increasing degree of networking, manifesting itself in various forms of innovative cooperation between multiple, geographically dispersed entities. It is assumed that innovation is nowadays created within networks of different stakeholders engaged in innovation processes conducted on an international scale. It is agreed that the networking stimulates innovation and creativity by shared learning leading to the creation of new knowledge, in particular, technological one as well as the configuration and adoption of ideas developed elsewhere (e.g. Rothwell, 1992; Ahmed, 2000; Pyka and Koppers, 2002; Häkansson and Waluszewski, 2003; Tidd, Bessant and Pavitt, 2005). Besides, the parallel development of the network approach in the theory of firm's internationalisation confirms that the internationalisation of a firm may result from its commitment to international business networks and be expressed in the network forms of internationalisation. The network approach to the internationalisation theory is based on an assumption that relationships established by a firm within an international business network may help to speed up the process of learning, in particular, giving access to the market knowledge of network partners needed to increase that firm's international commitment (e.g. Johanson and Mattsson, 1988; Forsgren and Johanson, 1994; Sharma and Blomstrom, 2003; Johanson and Vahlne, 2009).

Assuming that the possible positive outcomes of the networking, innovativeness and internationalisation depend on the level of the firms' involvement in these fields, one must consider the concept of measuring the degree of them achieved by individual firms. The need for a rigorous research methodology commonly implies here an application of only simple measures of selected variables constituting the studied phenomena and searching for correlations between them. However, there are many empirical studies including attempts at the measurement of the degree of internationalisation, innovativeness or certain forms of networking of firms with the use of complex indices. In the field of internationalisation, the

experience of measuring the degree of internationalisation comes from the use of composite indices of the internationalisation degree of transnational corporations (Sullivan, 1994; Letto-Gillies, 1998; Dörrenbächer, 2000). To measuring the degree of innovativeness, a reference may be made to the methodology employed by EU Commission to assess the level of innovativeness of the EU economies by synthetic indicators (e.g. European Innovation Scoreboard 2009, 2010). In the case of networking, such a practice is widespread in the theory of industrial networks represented by the IMP Group researcher measuring the characteristics of the relationships connecting a firm with its partners in the network. Variables subjected to the measurement are the strength of the relationship, quality of the relationship and its closeness (e.g. Hallén, Johanson and Mohamed, 1987; Barnes, 1997; Barry, Dion and Johnson, 2008). A similar approach may be used to measure the degree of networking but at a more aggregated level as it is done in this research.

3. Research Objectives and Hypothesis

The main objectives of the research presented in this paper are the assessment of the degree of networking NET, innovativeness INN and internationalisation INT of the surveyed firms and the description of interrelationships between them. Assumptions derived from the literature studies led to formulation of a general research hypothesis, as follows:

H0: There is a positive relationship between the degree of networking, innovativeness and internationalisation of firms.

Detailed hypotheses referring to relationships between the networking degree of a firm and the type of innovativeness (inward and outward) and between the networking degree and the form of internationalisation (outward and inward) were also formulated, as follows:

H1a: The strength of the relationship between the networking and the outward innovativeness is greater than between the networking and inward innovativeness.

H1b: The strength of the relationship link between the networking and the outward internationalisation is greater than between the networking and inward internationalisation.

Referring to the discussion carried on in the literature as regards relationships between the type of innovativeness and the forms of internationalisation of a firm, two next hypotheses were also formulated:

H2a: The strength of the relationship between the outward internationalisation and outward innovativeness is greater than between the outward internationalisation and inward innovativeness

H2b: The strength of the relationship between the inward internationalisation and inward innovativeness is greater than between the inward internationalisation and outward innovativeness.

3. Research Methodology, Data Collection and Sampling

The research presented here is a part of a larger research project funded by the Polish National Science Centre (NCN). The findings are results of the first stage of empirical research carried out at the beginning of 2012. Empirical data were collected by way of a direct interview conducted by a specialist research agency. The instrument used in this study was a structured questionnaire containing questions of varying degrees of complexity relating to three areas of activity of the surveyed companies: networking, innovativeness and internationalisation. In a significant number of questions, particularly those related to networking and innovativeness, simple and complex scales were used, mostly Likert-type in

the range of 1-7. The method used for the selection of firms for the research was non-probability purposive sampling. According to the research objectives, firms chosen for the survey were involved in international markets both in a passive (e.g. imports – inward internationalisation) and active way (e.g. exports – outward internationalisation). Irrespectively of or simultaneously with their international commitment, the firms were expected to demonstrate an innovative activity. The firms subjected to the study (N = 274) varied in size (small, medium, large), type of ownership (private, public, mixed), origin of capital (Polish, foreign, mixed) and an industry.

4. Data Analysis and Research Results

The collected empirical material made it possible, in the first place, to define the basic forms of networking, innovativeness, and internationalisation of the surveyed firms and the scope and intensity of those phenomena. This was reflected in the detailed descriptive statistics showing the mean values and frequencies of the variables in the entire sample as well as in its division by sector, industry, company size, ownership, origin of capital and affiliation with capital groups. The next step of the analyses was to calculate synthetic indices of the individual firms' networking, innovativeness and internationalisation degrees based on the relevant methodological assumptions concerning their construction. The final value of each index was then normalised to take the value from 0 to 1. This method of calculation of the networking, innovativeness and internationalisation indices allowed for their relatively simple interpretation consisting in the assumption that the higher the index, the higher the degree of networking, innovativeness, and internationalisation of a firm. It also enabled the comparison of the indices with one other and across different sections of the sample within the intended value range.

4.1. *Networking index NET*

In the construction of the networking index NET, an assumption was made that the degree of networking of a firm depends jointly on six variables: the dominant nature of business relationships (competition – cooperation), the nature of relations in a supply chain (single transactions – capital cooperation), forms of cooperation in a business network (loose and occasional – strategic and capital), forms of coordination of primary and support activities in the value chain (integration within a firm - outsourcing to partner firms) and the type of linkages with business partners (economic, informational, structural). The assumption underlying the calculation of the NET index was that the more often the firm establishes privileged business relationships based on network forms of coordination of activities conducted by the firm and its business partners, customers and even competitors, the higher the degree of networking of the firm. The above assumption was then reflected in different weights given to particular forms of networking employed by a firm and served in calculating of the networking index NET.

4.2. *Innovativeness index INN*

In designing the innovativeness index INN, it was assumed that the firm's degree of innovativeness depends on the number of implemented product, process, marketing and organizational innovations and on the related innovation expenditure. Because of the potential impact of the industry specificity on the number of innovations and innovation expenditure, the variables were referred to competitors. It was also presumed that the innovativeness of a firm should be assessed by the degree of innovation newness (new to a firm, new to a domestic market or new to an international market), the share of revenues from the new product sales and the share of the innovation expenditure in the total firm's expenditure. On

the basis of the above-mentioned five indicators, the overall innovativeness index (INN) was calculated and, after that, partial indices referring to outward innovativeness (INN OUT) covering product and marketing innovativeness were calculated along with inward innovativeness (INN IN) consisting of process and organizational innovativeness.

4.3. Internationalisation index INT

The construction of the internationalisation index INT was based on a assumption that the internationalisation degree of a firm increases with the evolution towards more advanced forms of the firm's commitment to foreign markets: beginning with the international exchange to intermediate forms of inward and outward internationalisation based on cooperation to direct foreign investment. Other components of the index included the share of exports and imports in the total sales and the firm's experience on international markets. When calculating the value of the INT index, greater weight was given to outward internationalisation forms than to inward ones. It was also presumed that the internationalisation degree of a firm grows with the physical and psychic distance separating foreign markets from the home market in Poland. It was assumed that the closest markets in this respect are the EU ones, then - other European markets outside the EU and, finally, the non-European markets. Subsequently, the overall internationalisation index INT and partial indices: outward internationalisation index (INT OUT) and inward internationalisation index (INT IN) were calculated on the basis of these five variables.

The reliability of the calculated indices of networking, innovativeness and internationalisation degrees measured with the Cronbach alpha coefficient and the descriptive statistics of NET, INN and INT indices are presented in Table 1.

Table 1. Descriptive statistics for NET, INN, INT indices (N=274)

	Cronbach alpha	Mean	Median	Range	Standard deviation
NET	0.91	0.443	0.475	0.812	0.185
INN	0,75	0.284	0.281	0.808	0.130
INN OUT	0.72	0.319	0.326	0.910	0.154
INN IN	0.73	0.281	0.295	0.800	0.148
INT	0.65	0.128	0.118	0.644	0.111
INT OUT	0.63	0.125	0.109	0.713	0.125
INT IN	0.44	0.123	0.105	0.663	0.118

Legend:

NET – networking index

INN – overall innovativeness index

INN OUT – outward innovativeness index

INN IN – inward innovativeness index

INT – overall internationalisation index

INT OUT – outward internationalisation index

INT IN – inward internationalisation index

Summing up, all of the calculated indices were reliable with the Cornbach alpha within the range (0.63-0.91), with the exception of the inward internationalisation index INT IN, which was therefore rejected for the purpose of further analyses. The mean value of the networking index NET (0.443) attained a relatively high value within the range of (0.4-0.6). The innovativeness index INN (0.284) was at a moderate level (0.2-0.4) with a slightly higher degree of outward innovativeness (INN IN) then the inward innovativeness (INN IN). The internationalisation index INT (0.128) of surveyed firms was low, located within the range of

(0.0-0.2) with the outward internationalisation degree (INT OUT) a bit lower than the overall internationalisation degree (INT).

4.4. Relationships between the NET, INN and INT indices

The second aim of the research was to determine the relationship between the indices of networking, innovativeness and internationalisation degree of the surveyed firms. The statistical analysis was performed with the use of the Pearson correlation coefficient r and showed a positive though weak correlation between the indices. All correlation coefficients in the sample were statistically significant ($p < 0.001$) and the correlation matrix is shown in Table 2.

Table 2. Correlation matrix for NET, INN, INT indices (N=274), $p < 0.001$

	NET	INN	INN OUT	INN IN	INT	INT OUT
NET	1.					
INN	.299	1.				
INN OUT	.178	.869	1.			
INN IN	.312	.833	.590	1.		
INT	.251	.302	.200	.296	1.	
INT OUT	.282	.315	.217	.312	.944	1.

Legend:

NET – networking index

INN – overall innovativeness index

INN OUT – outward innovativeness index

INN IN – inward innovativeness index

INT – overall internationalisation index

INT OUT – outward internationalisation index

Summarising, the correlation analysis results presented in table 2 made it possible to confirm the hypothesis H0 stating that there is a positive relationship between the degrees of networking NET, innovativeness INN and internationalisation INT of firms. Hypothesis H1a assuming a stronger relationship between the networking degree (NET) and the degree of outward innovativeness (INN OUT) rather than inward innovativeness (INN IN) was not corroborated. It turned out that the relationship is stronger in the case of the inward innovativeness covering process and organizational innovations. The conducted analyses were also indicative of the need to reject hypothesis H2a assuming a stronger relationship between the outward internationalisation INT OUT and outward innovativeness INN OUT consisting of product and marketing innovations rather than the inward innovativeness INN IN. The situation also opposes the assumptions here. Due to the defectiveness of the inward internationalisation ratio INT IN, it was not possible to verify hypotheses H1b and H2b directly. However, after the comparison of the strength of relationships between NET and INN IN with internationalisation degree indices – higher for INT OUT than for the overall INT in both cases – it is possible to reformulate the above-mentioned hypotheses and state that the strength of the relationship between the networking degree NET and INN IN is higher when compared with the degree of outward internationalisation INT OUT than for overall internationalisation INT, which can be indicative of a relatively low importance of inward internationalisation in these processes.

6. Discussion

The conducted analyses confirmed the main hypothesis adopted in the research. The relationship found between the networking, innovativeness and internationalisation of studies

companies is positive albeit not very strong. The strongest link exists between the innovativeness and internationalisation of a firm, in particular, between the inward innovativeness (process and organizational) and outward internationalisation. That result can seem surprising as the majority of studies indicate a stronger relation between the internationalisation and product innovativeness rather than process innovativeness. That result can be interpreted as corresponding to the situation of the surveyed firms being at an early stage of the internationalisation and characterised by a relatively low degree of innovativeness. Such firms compete on the international market offering products on a relatively low degree of newness at relatively low prices and the corresponding quality attained thanks to process and organisational innovations. The stronger relationship between the networking and the inward innovativeness rather than outward innovativeness can be interpreted in a similar way: relations in a business network are mainly used for the implementation of process and organisational innovations that enable access not to new markets but rather to resources and knowledge of network partners necessary for the purpose of internal innovation processes.

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**Graduate
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Determinants of Service Quality and their influence on Customers of Internet Service Providers in Thailand

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Determinants of Service Quality and their influence on Customers of Internet Service Providers in Thailand

Abstract

This study aims to investigate the antecedents to service quality and their relationship with affective evaluation of customers of Internet Service Providers (ISPs) in Thailand. The endogenous constructs include customers' trust, overall satisfaction, commitment and value. The findings reveal that service quality is determined by network quality, customer service, information support, privacy and security. Additionally, the positive relationships between service quality determinants and relevant constructs relating to customers were established. The findings provide important marketing implications for ISPs in Thailand and elsewhere.

Key words: service quality, customers' overall satisfaction, customers' commitment, customers' value, Internet Service Providers (ISP), Thailand.

1. Introduction

This study aims to investigate the antecedents to service quality and to understand the relationship between cognitive (i.e. service quality) and affective (i.e. customer satisfaction, value, trust and commitment) evaluation of Internet Service Providers' (ISPs) customers in Thailand. Previous research in marketing has demonstrated that improvements in service quality (Parasuraman, Zeithaml & Berry, 1985), perceived value (Wang, Lo, & Yang, 2004), customer satisfaction (Ojo, 2010), trust (Deng et al., 2010) and commitment (Zehir et al., 2011) are all critical factors of business success and competitive advantage. Although the ISP market in Thailand is growing exponentially with an increase in the number of Internet users of 13.7% between 2008 and 2009, and 84.68% between 2005 and 2009 (TNSO, 2010; NECTEC, 2010), there is limited research about service quality and its measurements. Hence, this study attempts to establish a model for measuring the service quality of ISP providers and further assesses how service quality is related to customers' perceived value, satisfaction, trust, and commitment. The results provide valuable reference information for ISPs to manage their services and enhance their performance. The overarching research questions are "What are the antecedents to service quality within the home Internet services market in Thailand?" and "How is service quality as a cognitive valuation of customers related to the affective evaluations, which include customers' overall satisfaction, trust, value, and commitment in the home Internet services market in Thailand?".

2. Literature Review and Development of Hypotheses

Given the importance of service quality, improvement in service quality is vital for the success of service-based businesses, as service quality is considered as the main determinant of customer satisfaction, which in turn influences customer retention (Spiller, Vlastic & Yetton, 2007; Spyridakos et al., 2007; Ojo, 2010). Additionally, by understanding the dimensions of service quality, organizations can effectively focus on area of improvement. Extant literature was reviewed to develop a conceptual model for this study.

The antecedents to the latent construct of service quality were identified as network quality, customer service, website support, security and value. Network quality includes the number of errors, downloading and uploading speed and system response time (Vlachos & Vrechopoulos, 2008). In fact, Lai, Griffin & Babin's (2009) research confirms that network quality is one of the most important drivers of overall service quality and customer satisfaction in the Chinese telecommunications market. Abdolvand, Charkari and Mohammadi (2006) suggest that businesses should not only focus on network quality, but also pay attention to customer support in order to enhance overall service quality perception. A study in the Turkish telecommunication industry confirms this view by proving that customer complaints handling is an important factor in determining service quality (Aydin & Ozer, 2005). Additionally, websites provide an effective communication and information channel between companies and their customers (Grigoroudis et al., 2008). Since websites act as an important point of contact between companies and customers, it is important to provide the right type and quality of information and interactions in order to satisfy customers (Kim & Stoel, 2004). In addition, security and privacy are associated with customers' feelings of protection and safety during their transactions and usage (Vlachos & Vrechopoulos, 2008). Roca, García & Vega (2009) report that when service providers possess good reputation with regards to their security practice, consumers tend to believe that purchasing with them is safe.

The endogenous constructs of the conceptual framework explore the underlying relationships between overall service quality and customers' evaluations of trust, overall satisfaction, value and commitment. Essentially, consumers are motivated by overall service quality, which emanates from a stable and fast Internet network quality, a quick response and ready to serve customer support team, and a high level security and privacy that is trusted by customers (Vlachos & Vrehopoulos, 2008). Positive overall service quality impacts on commitment that customers have toward a particular brand and the associated service provider (Jahanzeb, Fatima & Khan, 2011). A study by Morgan and Hunt (1994) reports that overall service quality is a direct antecedent of affective commitment in a retail services context. Moreover, once consumers try the service and, if the initial expectations of the overall service quality are exceeded, they would be satisfied (Parasuraman, Zeithaml & Berry, 1985) or even better delighted and then build trust with the brand (Chiou, 2004). Service quality is also found to have a strong relationship with customer satisfaction in mainland China (Deng et al., 2010). On the other hand, in various contexts researchers contend that perceived product /service quality is positively related to perceived value (Chen & Dubinsky, 2003). In order to increase customer value, companies can either add more benefits to their services, for instance, quality enhancement (Lai, Griffin & Babin, 2009); or reduce the costs associated with the service itself as well as the use of the service (Tam, 2012; Wang & Wu, 2012). Based on extant literature the following relationships were hypothesised:

- H₁: Network quality is positively associated with service quality
- H₂: Customer service and technical support is positively associated with service quality
- H₃: Information and website support is positively associated with service quality
- H₄: Security and privacy is positively associated with service quality
- H₅: Service quality leads to customer trust
- H₆: Service quality leads to overall customer satisfaction
- H₇: Service quality leads to customer commitment
- H₈: Service quality leads to customer value

3. Methodology

This study used a quantitative methodology which reflects the scientific realism paradigm. An online survey was used to obtain data on the nine constructs of the proposed conceptual model. There were three sections in the survey. The first section included 20 items which investigated the experience of customers with their ISP provider. The second section, which consisted of 24 statements, aimed to examine interactions and relationship between customers and their service provider. All of the items originated from reliable and valid scales. The final section collected demographic information and some other general information about the respondents. The survey instrument was pre-tested to evaluate for clarity of items, flow of the structure, ease of answering and time taken to complete. Two focus groups, each comprising of six participants (who were familiar with the area of study) were used to provide meaningful feedback. Following the pre-testing, the instrument was modified and refined. Some minor problems were found in the Thai version of the survey, formatting and layout, which were addressed.

The survey was only administered to person over 18 years of age who used an Internet service. The web link of the online survey was sent to an ISP provider, who then forwarded it to selected customers in all the regions of Thailand. The participants were randomly chosen from the ISP provider's database of existing customers. These included customers who had

recently switched from other ISP providers. The online survey was made available via the university's Opinio platform. We estimated that the representative sample of Thailand's population was a number exceeding 700 (using a confidence level of 95%). However, owing to the large number of variables included in the survey, plus the fact that this study intended to undertake advanced statistical analysis using Structural Equation Modeling, the ideal sample size was 2000. Of the 8000 surveys distributed for this study, 3803 were returned but 1708 incomplete ones were then disregarded. Hence, the final usable sample size was 2095. In terms of respondents' profiles, 65.5% of the total respondents were male, and 34.5% female. The age group of 18 to 28 made up 22.6% of the total respondents; 38.7% were 29 to 39 years old; 24.8% belongs to the 39 to 49 age group; and 13.9% were 50 years or older.

4. Results

As the scales used in this study were validated in previous research studies, exploratory factor analysis was not necessary. Instead, confirmatory factor analysis was performed to test whether theoretical relationship between items and their hypothesized factors were supported by the data (Cunningham, 2010). The multi-scale nature of the data and the use of ordinal scales require the use of polychoric correlation matrices of software programs (Hair et al., 1998). Therefore, AMOS Version 20 (Analysis of Moment Structures) was used in constructing measurement models for each of the nine constructs. Subsequently, the measurement models were assembled using Structural Equation Modelling (SEM). Structural Equation Modelling is commonly used in management research, especially in areas of marketing associated with consumer buyer behaviour. Moreover, SEM is appropriate as it allows testing of theoretical models, specifically those which consist of latent constructs (Anderson & Gerbing, 1988). Also, SEM is the best choice for analysing the confirmatory nature of the research question and simultaneous nature of multiple relationships between the key constructs (Hair et al., 1998). This model was then used to test the hypotheses and the results are shown in Figure 1 and Table 1. Fundamentally, a version of 't' test is employed which uses critical ratios from the SEM. The direction and significance of the relationship is determined by the magnitude of Beta. In general the results show that all of the hypotheses were accepted.

Figure 1: Hypotheses testing using structural equation model

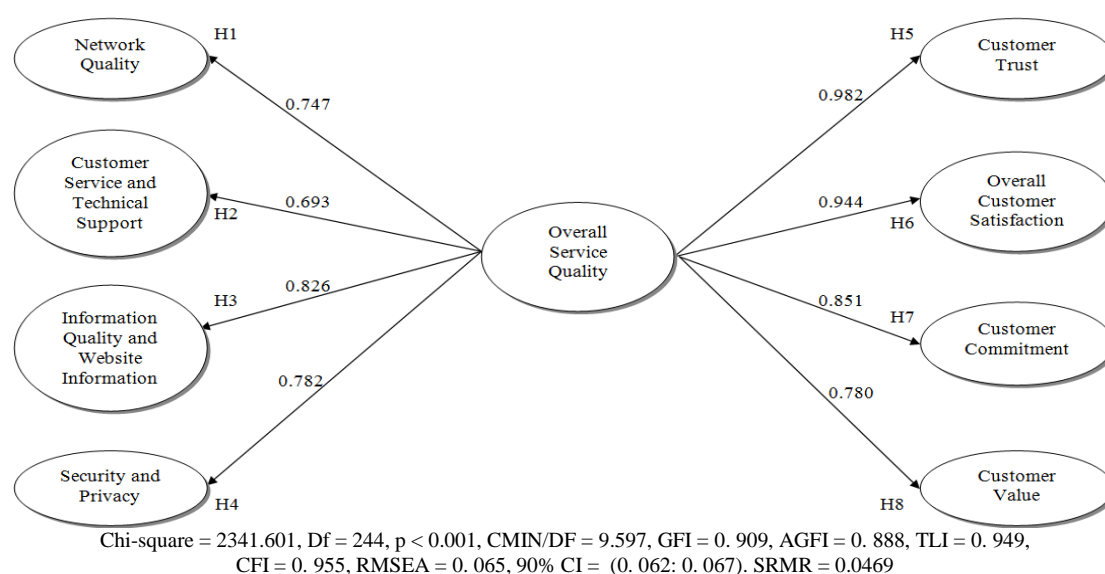


Table 1: Results of hypotheses testing

Hypothesis	Estimate	S.E.	C.R.	p	Support for hypotheses	β
Network_Quality <--- Service_Quality	.708	.024	29.985	***	Strong support	.747
Customer_Service <--- Service_Quality	.545	.019	28.808	***	Moderate support	.693
Information <--- Service_Quality	.667	.019	35.184	***	Strong support	.826
Security <--- Service_Quality	.685	.018	37.109	***	Strong support	.782
Trust <--- Service_Quality	.916	.017	52.928	***	Strong support	.982
Satisfaction <--- Service_Quality	.918	.018	50.630	***	Strong support	.944
Commitment <--- Service_Quality	.764	.023	33.275	***	Strong support	.851
Value <--- Service_Quality	.846	.022	39.271	***	Strong support	.780

*** p values are statistical significant at 0.001 levels

5. Discussion and Managerial Implications

The results revealed that network quality was positively associated with service quality. Evidently this supports previous works conducted by the likes of Lai, Griffin and Babin (2009). In addition, customer service and technical support had a significant association with service quality. This industry is characterized by heavy technical terms and complex specialised problems, which makes customer services more vital. Previous research by Abdolvand, Charkari and Mohammadi (2006) reported similar findings. Moreover, there was strong support for the hypotheses regarding information quality and website support with service quality. In fact, the influence of this construct proved to be the strongest amongst all the antecedents of service quality. It can be explained by the fact that Internet users are information hungry and tend to visit websites to look for what they need. The results shown in Table 1 indicate that the security and privacy construct also had a significant relationship with overall service quality. This result is easy to understand because nowadays privacy and security are extremely important issues, especially in the online environment. In the second half of the framework, it was found that service quality was strongly related to customer trust. This result is not surprising considering the amount of research conducted in this area which predominantly concurs that service quality is significantly associated with customer trust (Chiou, 2004). The results also revealed that service quality was associated with overall customer satisfaction. Previous research by Parasuraman, Zeithaml and Berry (1985) reported similar findings. The service quality construct had a significant influence on customer commitment. Finally, service quality was positively associated with customer value. Therefore, it can be seen that ISP customers in Thailand plainly possesses some similar characteristics as those in other contexts reported in previous research.

This study provides valuable insights into service quality in the home Internet services of Thailand. In addition, this research contributes towards a new body of knowledge with regards to the future potential of the ISPs in Thailand and for other ISPs in similar developing countries. Additionally, the proposed research developed an understanding about consumer buyer behaviour of services in Thailand, and will create an ideal model for service quality. Beneficiaries of this study are various stakeholders in Thailand, including consumers of ISPs, ISPs themselves, the government, and other commercial interests. In terms of practical implications, in order to improve service quality, ISPs need to consider other factors apart from network quality, especially information and website support. In addition, by enhancing service quality, the firms can influence customer satisfaction, trust, commitment and value, which are critical for an ISP success and survival. Moreover applying the results from this study, companies can come up with strategies of making customers more central in company

operations, which would create competitive advantage for them. The findings of this study will also benefit ISPs in countries with similar market characteristics as in Thailand, for example in Malaysia, Vietnam, the Philippines and India (Jahanzeb, Fatima & Khan, 2011).

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Contemporary marketing practices and metrics in Russia

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Contemporary marketing practices and metrics in Russia

Abstract

Emerging markets represent a significant part of the world economy and tend to expand their share, but they are still not well examined. Specifically, one of the BRIC economies, Russia seems to be avoided in the overall marketing strategy academic discussion. Market orientation and relationship marketing are marketing strategies that have become mainstream for empirical research in marketing. But existing research on studies of such major marketing strategies in Russian context have hardly been investigated in-depth for the last twenty years. Thus, the purpose of this paper is to analyze and develop a typology of the contemporary marketing practices in Russia with the use of meta-analysis of previous academic and empirical research based on the Russian context and empirical data collection and analysis.

Keywords: *Marketing Metrics, Contemporary Marketing Practices, Relationship Marketing, Emerging Markets, Russia*

1. Introduction

Just as the last century was all about marketing in the advanced economies, this century is likely to be about marketing in the emerging markets (Sheth, 2011, p. 1). Nowadays emerging markets represent a significant part of the world economy and tend to expand their share. It is estimated that by 2035, the gross domestic product of emerging markets will permanently surpass that of all advanced markets (Wilson & Purushothaman, 2003). On a purchasing power parity index, China is already equivalent in market power to the United States, and India is the third largest market, according to International Monetary Fund 2008 data. Thus marketing research is more and more aimed at emerging markets (Engardio, 2007; Sheth, 2008; Sheth & Sisodia, 2006).

According to Sheth (Sheth, 2011, p. 7) there are three marketing strategies that have become mainstream for empirical research in marketing: market orientation, relationship marketing, and customer satisfaction. In emerging markets these strategies differ a lot from developed markets. The role of relationship marketing and interfirm relationships in enhancing competitiveness of the firms and national economy has been highlighted in existing literature (Anderson et al., 1994; Achrol, 1997; Uzzi, 1997; Achrol, Kotler, 1999; Håkansson, Ford, 2002). But emerging markets are still not well examined, specifically, one of the BRIC economies, Russia seems to be avoided in the overall academic discussion and stays “enigma” (Economist, 2008) for both researchers and practitioners. Existing research on Russia can be described as fragmentary and capturing just some aspects of transformation process. Moreover, studies of such major marketing strategies as business relationships in Russian context have hardly been undertaken and investigated in-depth for the last twenty years.

Thus, the purpose of this paper is to analyze the contemporary marketing practices and metrics in Russia.

2. Theoretical background

2.1. *Relationship marketing: evidence from Russian market*

Modern marketing concept is mostly oriented on the interaction processes with clients, customers, suppliers and value chain is describes in a certain body of theoretical works and referred to as relationship marketing (RM). The pleas to change existing foundations of modern marketing from transactions (Transactional Marketing – TM) to the customer value co-creation are becoming more and more frequent nowadays (Brodie et al, 2008). Meanwhile there is huge gap between theory and practice in managerial science. It demands research mapping broad marketing practice landscape and their correspondence to the marketing theory development trends. These conditions brought up CMP research program with the goals to reproduce basic profiles (characteristics) of the marketing practices in the modern environment and the analysis of the RM correspondence in various organizational, economic and cultural contexts (Coviello et al, 2002). With the development of the research program unified methodology was developed, that was based on simultaneous examination of the different development vectors of marketing and TM & RM models combination to approve theoretical constructs with the evidence from practice.

In this paper the transformation of RM is analyzed with the use of meta-analysis of previous academic and empirical research based on the Russian context. The results of the meta-analysis of RM concept on the Russian context (Ayios, 2003; Salmi, 2004; Wagner, 2004; Farley, Deshpandé, 2005; Jansson et al., 2007; Johanson, 2007; Smirnova et al, 2011; Belaya, Hanf, 2011; Puffer, McCarthy, 2011) are presented in Table 1.

Table 1. Results of meta-analysis of relationship marketing concept on the Russian context

Author(s), year	Focus of the study	Method and data	Contribution
Ayios, 2003 Business Ethics: A European Review	Trust and personal level relations in western-invested strategic alliances in Russia	Semi-structured interviews of western and Russian staff (17 western organizations) 1996; case study in western company operating in Russia 1997	In strategic alliances developed in Russia trust is increased by functional competence transfer, interpersonal relations rather than monitoring and responsibility transfer. The competence determinants and motives are positively correlated with trust, while outgroup and monitoring are negatively correlated
Salmi, 2004 Proceedings of the 20 th IMP Conference	Institutional change forces (i.e. formal and informal rules) and their influence on network structures	Conceptual paper	New economical paradigm led to enhancing social relations in business along with corruption increase. Institutional rules for behaviour evolve in business networks
Wagner, 2005 European Journal of Marketing	Contemporary marketing practice research	Standardized CMP questionnaire 72 companies within 3 samples Moscow, St.Petersburg and Yaroslavl 2002	Marketing practices in Russia heavily underdeveloped compared to the international benchmarks, transactional approach is of high frequency and relevance for the Russian market. New possibilities and tools are not utilised.
Jansson, 2007 Industrial Marketing Management	Institutional influence on major characteristics	Conceptual paper	Different institutional context defines business strategy design and implementation. Different aspects of strategic orientation such as performance, suspicion and patience are prioritised due to institutional influence
Belaya, Hanf, 2011 International Business and Management	Power and coordination in supply chain management	40 telephone semi-structured in-depth interviews lasting from 15 to 60 minutes per respondent	Relations in supply chain are affected by variety of problems: quality of agricultural supplies; Russian management style and mentality; opportunism and absence of trust; administrative barriers, transport, logistics and infrastructure problems. Coercive or reward power might

			have superb effects on coordination
Puffer&McCarthy, 2011 Academy of Management Perspectives	Formal and informal institution development as the driver of business development	Conceptual paper	Present persistence of informal institutions and in the context of a formal institutional void could dramatically slow down economical development of Russia and remain source of some time as an unbalanced, corruption-ridden, natural resource-based economy
Komissarova, 2012 International Studies of Management & Organization	Business adaptation in crisis environment	A series of surveys, 500 companies sample in total	In crisis environment companies tend to cut their cost, with simultaneous transition to advanced thus more efficient marketing techniques. Existing relations are leveraged to hold competitive position, but it is a situational decision rather than strategic relationship management.

The first midterm results of transformation (Salmi, 2004; Ayios, 2003, etc) were represented in some studies, and finally the latest studies focus on the most recent changes in Russian management and interfirm relationships practices (Smirnova et al, 2011; Belaya, Hanf, 2011; Puffer, McCarthy, 2011).

New relationship building, instead of previously existing planning economy, has required substantial investments of time, resources and efforts, resulting in mutual learning and development of decentralized and mutually adjusted planning capabilities (Johanson, 2007). Besides the very fact that transition has supported building stronger managerial competences, existing research on Russian relationships and networks suggests switching from supplier to customer orientation (Farley, Deshpandé, 2005). At the same time, there are hardly any studies looking in-depth to the transformation of interfirm relationships. Based on existing literature, a general assumption is made that there are accumulated competences, knowledge and development of new capabilities.

2.2. Marketing practices research on Russian market

This is quite a limited number of research papers focused on marketing practices in the Russian market. The researchers outline rather poor level of marketing overall with its simultaneous re-enforcement in business practice in general (Lehtinen 1996, Shifrin 1996, Wagner 2005). Besides marketing practices are the main topic of the papers reviewed they are not usually the primary research object. Significant attention is devoted to the impact of the external factors, such as economic crisis (Komissarova 2012), relationship marketing development and expansion (Lehtinen 1996), institutional environment and company internal capabilities development (Molz et al. 2009) etc. Authors are primarily focused on business adaptation opportunities to the changing environment and corresponding change in the marketing toolkit both in the strategic and tactical level.

There is also some significant transformation observed in the practice of interaction with other market participants. Earlier, in a stable environment, the relational approach is considered only as a supplement, not an alternative to the transactional marketing (Wagner 2005). According to the study the use of the relational approach has been the frequent among newly established companies as well as foreign businesses and joint ventures.

Review of the works, despite their limited number, are very important for understanding the formation of marketing in Russia. However, these studies are fragmentary. Research findings are based on a fairly small sample and / or focus solely on the Moscow region, which greatly limits the interpretation and use of the results. Therefore, the papers reviewed illustrate the features of adaptation to external conditions of companies using a variety of marketing tools and techniques, but do not give a complete picture of the status of marketing practices. In addition, the lack of consistent marketing practices research methodology, which is clearly seen in these studies does not allow a fully assess and discuss the results.

3. Research methodology

Classification scheme of marketing practices used in the project is based on "Contemporary marketing practices – CMP" methodology (Coviello et al, 2002). We use 9 metrics to evaluate with what marketing practices firms respond to their market (5 of them are characterize relational exchange and 4 – management activities). Following Coviello et al marketing practices are presented with different types of practices - TM, DM (database marketing), IM (Interactive Marketing), NM (network marketing) and RM.

3.1. Empirical research and sample description

The empirical phase of the research involves the use of both qualitative and quantitative methods, and consists of three main stages.

First, based on the analysis of the theoretical and methodological framework, seven in-depth interviews with representatives of Russian companies were conducted to test the CMP questionnaire and highlight the key factors in the model. As a result, the managerial metrics as well as key factors influencing the market orientation, the main characteristics and types of marketing practices were clarified. The questionnaire development was carried out in strict accordance with the generally accepted procedures [Churchill, 1979] and Russian law, in addition, back-translation of the questionnaire was carried out.

Second, after clarification of the model and questionnaire refinement we conducted quantitative research. The research sample includes 329 managers from cross-sectional sample (15 industries) of Russian companies from 10 regions of the Russian Federation. The respondents were chosen from the marketing department, sales department or top-management of the companies. The data collection process started in September, 2012 and finished in March, 2013. The response rate was about 10%. The sample includes both b2b and b2c companies producing both products and goods.

And finally an additional set of in-depth interviews would be carried out (20-30 companies) in order to clarify results of the qualitative study and get some insights for the data analysis.

3.2. Testing the questionnaire "Contemporary marketing practices"

Prior to the quantitative survey questionnaire was tested on seven respondents, representing the marketing department of Russian companies. In general, the participants agreed

that the questionnaire can be used to describe the marketing activities of Russian companies. However, respondents noted that some concepts need to be clarified (ex, networks).

Based on the experience of conducting research on a sample of Russian companies working group modified the questionnaire in order to improve the information component of the data collection. So, in the beginning of the questionnaire section we added the basic information about the respondent companies - "company profile". The main purpose of "company profile" is systematization and structuring of basic data on the respondent companies and the person responsible for completing the questionnaire.

To check the quality of the final version of the questionnaire we used back-translation procedure, which is a common form of equivalence check for the measurement tools in the socio-economic research. The clarifications in research methodology performed, on the one hand, let the CMP methodology reflect adequately the Russian marketing practice and on the other – can facilitate in future cross-country comparison research.

4. Research findings

The data collection was finished in the end of March 2013 and resulted in 329 responses, so this is still work in progress. In order to illustrate to what extent marketing practices are developed in Russian companies we evaluated the actual use of performance measures by the companies from the sample. The preliminary results are presented in the Table 2.

Table 2. Actual use of performance measures by the companies from the sample (N=329)

№	Measures of performance	Almost never use		Sometimes use		Almost always use	
		N	%	N	%	N	%
1	Sales growth	22	6,7	28	8,5	279	84,8
2	New customers gained	28	8,5	49	14,9	252	76,6
3	Market share	78	23,7	63	19,1	188	57,1
4	Customer retention	78	23,7	69	21	182	55,3
5	Profitability	22	6,7	38	11,6	269	81,7
6	Customer satisfaction	82	24,9	65	19,8	182	55,3
7	Friends, follower, or likes in social media	225	68,4	34	10,3	70	21,3

As it is seen from the table 2 not all Russian companies evaluate marketing activities even using traditional marketing metrics (sales growth, new customers gained, market share, profitability), while marketing metrics that are associated with relational marketing (Customer retention and Customer satisfaction) are not used by 24% and 25% of the Russian companies from the sample.

More detailed results of Russian marketing practices analysis including cluster analysis that can be compared with other countries where the research was already conducted will be presented at the presentation of the paper.

5. Contribution

In our study we made an attempt to bridge the gap in understanding fundamental marketing concepts in Russian emerging economy. Relationship marketing is an important concept in

Russian market nevertheless due to certain cultural aspects and institutional underdevelopment relations in business environment are marked by significant negative effects. Business parties intend to use relations to avoid institutional regulations rather than extend institutional capabilities.

Basic marketing concepts are widely found in emerging Russian market though their impact on business environment as well as underlying mechanisms differ dramatically from those on developed markets. It implies that further conceptual research of Relationship Marketing in Russian market and metrics redesign are to be conducted.

Proper understanding of the marketing practice and experience of companies in emerging markets gives a multidimensional picture of the trends in the development of marketing, its main development stages, and evaluation criteria of the marketing activities that create incentives for the development of new customer-oriented business models. Therefore, investigation of contemporary marketing practices and metrics in Russia is in line with current trends in the development and marketing is a systematic increment of new knowledge in developing management technologies and adaptation them to emerging markets.

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Towards a model of Consumer Engagement with Celebrity Brands

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Towards a model of Consumer Engagement with Celebrity Brands

Abstract: Celebrities are an object as well as an instrument of marketing yet the consumer behaviour literature is focused on brands and organizations as creators of value. Despite the recent academic interest in personal branding there still is no coherent theoretical framework to explain consumer engagement with celebrities.

Utilizing a cross-disciplinary review of the psychology, sociology, media, advertising and marketing literature, this paper identifies internal influences on consumer behaviour and proposes a two-dimensional approach to celebrity brands.

It contributes to understanding the consumer behaviour mechanisms that elevate celebrities to role models and behaviour or attitude influencers.

Keywords: *Celebrities, Branding, Consumers*

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1. Introduction

“A successful brand is an identifiable product, service, person or place augmented in such a way that the buyer or user perceives relevant, unique, sustainable added values which match their need most closely”(de Chernatony & McDonald, 2003, p. 25).

The use of the term ‘human / personal brand’ was strengthened by its inclusion in Solomon’s (2006) list of consumption items which consists of many untraditional concepts, such as democracy, and reflects the expansion of the ontology and epistemology of marketing to humans as exchange offerings and has already been accepted into mainstream marketing (Kotler, Keller, Brady, Goodman, & Hansen, 2009) as “one of several operationalisations of the broader concept of brand” (Thomson, 2006, p. 104).

The theoretical foundations behind it rely on the ‘people commodification’ notion which is present already from the beginning of the 20th century (Hoskins, 2013) and on the emergence of ‘the worker as entrepreneur notion’ already present in the 1980’s; a notion blamed for the individualisation of workers (Lair, Sullivan, & Cheney, 2005) and the erosion of labour protection schemes.

Even though there have been criticism of personal branding as unethical (c.f. Hearn, 2008; Lair, et al., 2005; Shepherd, 2005), we hereby argue that as long as an individual consciously makes a career choice to work in an industry where self-commodification and/or self marketisation is demanded - as is the case with show business or professional sports - it is the role of the marketing discipline “to create communicate, deliver, and exchange” (American Marketing Association, 2007) this type of offering in the most efficient and effective way possible. The conceptualisation presented here aims to contribute to this objective by identifying the consumer side of the celebrity brand value co-creation mechanism.

2. Review of the Literature on Celebrities as Brands

Although present since the 1980’s (c.f. Rein, Kotler, Hamlin, & Stoller, 1987/2005) the personal branding commercial literature has been dismissed on grounds such as low quality, lack of conceptual rigour and heavy ideological biases (Zarkada, 2011) and only began to gain academic ground by the 2000’s. Since then, not only have the relevant publications multiplied, but the focus has shifted away from skepticism and towards the theoretical and empirical exploration of the phenomenon.

So far there have emerged two academic streams of studying humans as brands distinguished by the extent to which the objects of the study are known to a wide audience, namely celebrities and professionals. This paper focuses on the former, celebrity brands, one of the largest global industries (Kerrigan, Brownlie, Hower, & Daza-LeTouze, 2011) as they are akin to enterprises, often global ones, in the sense that they are creators of value through multiple simultaneous offerings (e.g. sport skills, endorsements, gossip etc.), support a variety of suppliers (personal trainers, hairdressers, ergophysiologicalists etc.), and are highly dependent on the number of clients (ticket, endorsed products and gossip magazine buyers) they serve and need to manage a multitude of stakeholders (e.g. media, sports federations). What is of particular interest to the work presented here they target multiple and diverse audiences (B2B: advertisers, franchisors and B2C: fans, consumers) and are extremely powerful in creating consumer attachment rarely found in other exchange encounters where the value for the consumer is hard to pinpoint.

Celebrity brands have so far been examined using a narrow advertising logic in the endorsement context (Keel & Natarajan, 2012) thus failing to provide the understanding of

the processes by which consumers partake of this rather complex mode of consumption needed for the development of a coherent celebrity branding theory. The consumer behaviour literature is all about products, services and organizations as creators of value whilst people have been largely ignored (Shepherd, 2005) despite, we would argue, their being both a product and an instrument of marketing. It is our objective to address this research gap by looking for theoretical insights on the consumers' relationship with celebrity brands in disciplines other than marketing in order to build the solid consumer behaviour foundations for the study of this multi billion dollar industry and its immense social repercussions that are sorely missing (Noble, Bentley, Campbell, & Singh, 2010; Shepherd, 2005).

2.1 Defining the celebrity brand

What is common across the definitions of celebrity from the various disciplines that have studied them (law, psychology, neurobiology, sociology, management, marketing, advertising and media) is the high level of attention and public awareness they attract, irrespective of how this celebrity status was generated. Both conceptual (Bendisch, Larsen, & Trueman, 2013; Parmentier & Fischer, 2012) and empirical (Chuang & Ding, 2013; Luo, Chen, Han, & Whan Park, 2010) studies on human brands separate professional and mainstream media mediated image. It is hereby proposed that there exist two dimensions of a celebrity brand:

(1) *What he/she does*: The achievements for which a person is known for, the level of competence exhibited in the field i.e. the virtuosic skill that motivates admirers to reward the object of their admiration and incites them to become skillful themselves (Immordino-Yang, McColl, Damasio, & Damasio, 2009).

(2) *Who he/she is*: The personality and social stature of the celebrity communicated to broad audiences through words, deeds and behaviours outside the field of expertise, i.e. the virtuous behaviour that motivates admiration and incites the admirers own desire to be virtuous (Immordino-Yang, et al., 2009). This dimension has been found to be perceived as increasingly more influential by audiences (Henderson, 2009).

2.2 Cognitive and affective antecedents of consumer behaviour in the celebrity brand context

For people to become celebrities, they have to be perceived by audiences to outshine others on both dimensions. Social influence and opinion change theory (Friedman & Friedman, 1979), one that has been successfully applied to celebrity endorsement effectiveness studies and it is here proposed that it can be applied to all celebrity branding activities, posits that this entails two processes, namely (a) *identification*: the condition "when an individual adopts behaviour derived from another person or a group because this behaviour is associated with a satisfying self-defining relationship to this person or group." (Kelman, 1961, p. 63) and (b) *internalization*: when audiences (admirers) adopt the celebrity's behaviours that express the audience's existing value system.

Fraser and Brown (2002) also stress the importance of the integration of the admirer's values and beliefs with the ones of the celebrity which can extend from the celebrity as a person, to his/her work, for example in the case of actors with the celebrity's soap opera character. Such attachment can be strong enough for the viewer "to experience the text as if he or she were inside the text" (Cohen, 2001, p. 253) but the reverse can also take place. The audience can internalise the character's values and assign them to the celebrity as well.

Whether relating to a celebrity is called "homophily", "liking", "similarity" or "affinity" (Cohen, 2001; Giles, 2002) it is but a process of identification defined (Carlson & Donovan, 2008; Carlson & Donovan, in press; Carlson, Donovan, & Cumiskey, 2009) as the degree to which the consumer's self-image overlaps with the image of celebrity which has been found to be related to the celebrity's prestige and distinctiveness and has been measured schematically as the cognitive side of self-schema distinct from attachment. Attachment is the

emotional side and can take a variety of forms such as modeling, parasocial interaction, fandom and celebrity worship.

Modeling – also called observational learning – is a social psychology term denoting the “tendency for a person to reproduce the actions, attitudes and emotional responses exhibited by a real-life or symbolic model.” (Hogg & Vaughan, 2008, p. 172). Bandura (2001) posits that because of mass media dominance in everyday life, people rely on electronic media and their protagonists for acculturation regarding values, actions and overall behavioral patterns to varying degrees. Media influence can even become stronger than real life experience and, in the case of vulnerable individuals who are heavily exposed to media, it “may eventually make the televised images appear to be the authentic state of human affair” (Bandura, 2001, p. 281).

Audiences adopt celebrity brands as role models to satisfy intense psychological needs on the basis of the celebrities’ achievements, often regardless of their being in the limelight, but also, the celebrities becoming role models is dependent on the imitation of their example by many others (Fraser & Brown, 2002). We hereby argue that displaying virtuosic skill turns a celebrity into a role model and virtuous behaviours assign them with the heroic dimension (Sullivan & Venter, 2010). Heroism, then leads to stronger emotional attachment than mere celebrity (North, Bland, & Ellis, 2005) and the celebrity brand becomes akin to a Lovemark (Roberts, 2005) in the product literature.

When celebrity admirers act upon their emotion they reach the state of fandom, defined as when an individual “seeks out the fan base for social reasons and meets the celebrity in a respectful way” (Stever, 2009). Being a fan of a celebrity brand is not only related to the celebrity but to the wider socialization opportunities that are provided to a fan through fan club membership and is driven more from a possible need for socialization beyond a personal reality of disconnectedness from traditional social environments (e.g. family, neighborhood etc.).

The high visibility of a celebrity on the supply side combined with high levels of media usage and overall positive attitude towards the media on the demand side can even cause and strengthen parasocial interaction effects (Auter & Palmgreen, 2000; Bandura, 2001) with parasocial relationships defined as an imaginary (Caughey, 1984) interaction between mass media users and media protagonists - be they anything, from celebrities to cartoon characters - experienced by the admirer as an extension of normal social activity (Giles, 2002) that holds the meaning of a social relationship, intimacy or even friendship.

One method for estimating the degree and quality of the consumers’ attraction to celebrity brands is the Celebrity Attitude Scale (McCutcheon, Lange, & Houran, 2002) that distinguishes between three levels that correspond to different behaviours as well as motivations, i.e. the Entertainment- Social (ES) level that reflects the entertainment and socialization with one’s social circle value of the celebrity brand, the Intense- Personal (IP) where signs of worship start to show and which, we argue here, is akin to parasocial interaction and, finally, the Borderline-Pathological (BP) where attachment to the celebrity brand becomes a syndrome manifested in extreme levels of parasocial relationship effects and even induce anti-social behaviours, erotomania and absorption-addiction (Maltby et al., 2004; Maltby, Houran, & McCutcheon, 2003).

2.3 A note on the consequences of celebrity brand consumption

From a marketing management perspective, celebrities that have achieved role model status enhance attachment to the service provider they work for (Woo, Trail, Kwon, & Anderson, 2009) increase sales (Woo, et al., 2009) and positive word of mouth for an endorsed product (Bush, Martin, & Bush, 2004) and induce celebrity-driven purchases (Martin & Bush, 2000). The effect of parasocial relationships has not yet been tested in the marketing context. Fandom is also missing from the marketing literature but it is here proposed that it could enhance and compliment the study of brand communities (as described

in Muniz & O'Guinn, 2001) that in celebrity case can lead to “greater consumer agency of the brand” (Hamilton & Hewer, 2010, p. 283) due to their fans affiliation strength.

3. Contribution of the research

Further to the purely academic drivers of the research there are social reasons underlying the necessity of this study. With average TV viewing per day reaching five hours in the US, and approximately four hours in the UK, Poland and Italy (Ofcom, 2011) and the average household viewing time in the US having almost doubled since the 1950's (TVB, 2012) the mass media environment has increased its influence on society.

Considering the present circumstances, the significance of fame as an individual's top priority (Pew Research Center, 2007; YouGov, 2006) and the rise of celebrity as a status system (Kurzman et al., 2007; Milner, 2010), the protagonists of the mass media spectacle can indeed function “as tutors, motivators, inhibitors, disinhibitors, social prompters, emotion arousers, and shapers of values and conceptions of reality” (Bandura, 2001, p. 283). These are greatly enhanced in the presence of consumer vulnerability factors such as young age, poor psychological health, low income, education level and social exclusion.

Therefore what is of maximum importance is to understand the mechanisms that strengthen their celebrity brand equity/ value to the point they can actually influence consumer behaviour, not within the limited perspective of monetary exchange but holistically as defined by the American Marketing Association (1995) as “*all activities associated with receiving something from someone by giving something voluntarily in re-turn*” implying either the consumers' attention, attachment, or the viewership in the spectacle they star, the imitation of their hair-cut, the buying of their CD/DVD/podcast or even their vote for a seat in the parliament.

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Self-criticism of an experimental research design developed for the analysis of preferences

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Self-criticism of an experimental research design developed for the analysis of preferences

Abstract

The goal of our research is to identify the decision mechanisms during the purchase from the aspect of transitivity; in a narrow context we examine the contextual dysfunctions of the transitive preferences. The primary axiom of the concerning marketing research projects is that underlying preferences related to product attributes are valid under all circumstances. Our assumption says that the more complex the product becomes the less transitive the preferences are. We are planning to conduct a multi-stage research in the near future, in which our main criterion is to simulate close to lifelike conditions of the buying situation. In this paper we describe and critically analyze an experimental design, which was developed to verify this subject.

Keywords: *marketing research, preferences, experimental research design*

1. A new-old question of marketing

According to a basic presumption of marketing theory the consumer has different relations to product attributes, which refer the subsistence of an unconscious underlying preference system. Notwithstanding that this varies on individual level; its well-known operating mechanism makes the consumer's behaviour predictable.

However we have an idea that as the product complexity rises, neither the expression of the preferences, nor the evaluation of the attributes function self-consistent, which questions its suitability for modeling the buying decision. This makes at the same time usage of classical marketing tools designed for attribute preference measurement – like conjoint analysis, self-explicated method or other similar experiments – difficult.

1.1. Description of the traditional experimental designs used in preference research

In the self-explicated method respondents are directly asked to evaluate certain features and characteristics, from which researchers calculate utility. In the conjoint analysis questions are asked in an indirect way, and researchers draw conclusions about the features and utility based on particular preferences.

A significant critic of the self-explicated method is that consumers do not know or they are hardly able to define the relative importance of an attribute (Hlédik, 2012). Furthermore, respondents never have to consider for decision all of the preferences at one time (Green & Srinivasan, 1990). By understanding consumer preferences in the case of complex products with lots of attributes the application of the traditional conjoint analysis is adequate (Lakatos, 1999), at the same time it has some deficiencies: it can handle a sample with maximum 9 attributes and the involved characteristics assume homogeneous consumers (assuming that every consumer use the same routine to define the preference order). The retractable number of the attributes depends on the way researchers show the profiles. Hair et al.¹ (2010) emphasizes that while in the full profile method there are six or less factors can be involved in the case of the trade-off method this number is between seven and ten. If the number of the attributes is more than ten, the suitable technique is the alternative or so-called adaptive conjoint analysis.

The revealed preference method – similar to the conjoint analysis – has many versions. One of the most common is developed by Green and Srinivasan (1990), which consists of two steps. In the first step respondents assign the unacceptable level of characteristics to each attribute. The rest of the attributes will be evaluated on a scale between ten and zero, where zero means the less desirable and ten the most desirable value. In the second step participants share 100 points among these attributes, depending on their importance. A part of utility is based on the product of the importance weights and the desirability order of the attribute levels. Netzer and Srinivasan (2011) converted the self-explicated to a so-called adaptive self-explicated method, while Scholz, Meissner and Decker (2010) introduced a paired comparison-based preference measurement (PCPM), which was developed from the AHP aspect. In the adaptive self-explicated method instead of ranking the attributes based on their importance, instead of dividing the constant sum among the attributes the requirement is to share the serial constant sum out among pairs, between two-two attributes.

The original conjoint method helps measuring the relative importance of those product attributes, which were taken into consideration in the decision process, so as the utility which belongs to particular attribute levels (Malhotra & Simon, 2008). Many different version of the conjoint analysis has been developed through the years. The popular ones are choice-based

¹ We heavily rely on Hair et al.'s work (2010) in this section.

conjoint analysis and the adaptive or hybrid conjoint analysis. The most well-known method is the adaptive conjoint analysis, which is suitable for handling big samples with even 30 attributes! During the computer assisted version the respondent first evaluate the characteristics of each attribute – with the help of the self-explicated method. This technique is called adaptive, because during the application the computer's decisions depend on the current answer (preferences) which characteristics should be compared. Netzer et al. (2008) developed a web-based upgrade method combining the conjoint analysis with the self-explicated method, which unites the advantages both models and eliminate their disadvantages.

All the above described methods however visibly or in a latent way suppose transitivity of the attribute preferences and also neglect the moderating effects of the environment.

2. Experimental research design

Our experimental design runs in a computer assisted Excel program. The application was developed by a team of marketing researchers, psychologists, mathematicians and IT experts, heavily relying on the conclusions derived from the literature review.

2.1. Description of the experiment – step by step

This experiment differentiates between three types of products according to the level of their complexity. It starts from the least complex (bakery), goes through the moderately complex (yoghurt) and ends with the complex (smartphone) products. First, a Q-grid has to be filled with attributes (see Table 1) accordingly their judged importance. The structure of the Q-grid changes depending on the complexity of the product. In the case of least and moderately complex products the dimensions are the same; it can be important – neutral – not important; regarding the complex product the options are extended to a scale of very important – rather important – neutral – rather not important – not important (see Table 2). Similar to the Multi Attribute Utility Theory this research puts psychological value into the focus, which is based on the subjective evaluation of the individual.

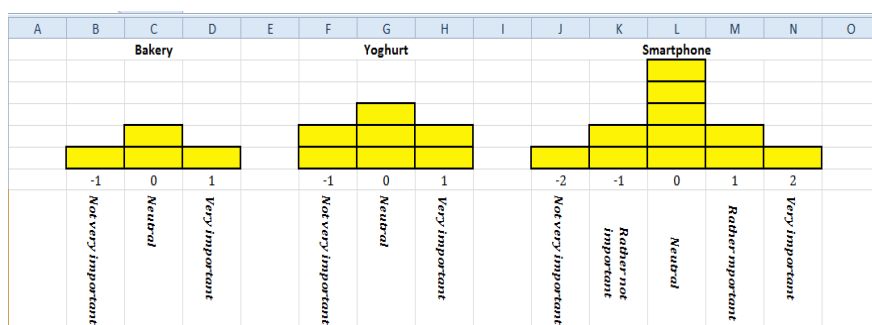
Due to the form of Q-grid reduction of the most and least important values is enabled. This strengthens the possibility of preference intransitivity, because those neutral values are transmitted to the next level, whose place is unsure on the preference list – though one should bear in mind that there is still no rank among these preferences. The application operates in the following order: after filling the Q-grid the program cuts the columns with values of “+” and “-“ [the so-called inherent preferences as discussed at Simonson (2008)], and generates a pair-based comparison in random sequence using only the neutral features. The program calculates the maximal number of options and tests the respondent until the first inconsistent answer. The participants can only finish the test, if their response remains transitive. It is not a criterion to give a fast response – which is mostly based on an emotional or random decision. In the meantime they usually talk to themselves and with the help of such discussions the researcher gains insights into the current decision-making process.

The experiment of Bond, Carlson and Keeney (2008) proved that decision makers tend to leave out – according to their evaluation – relevant viewpoints even if it is about an important decision. The expectation of the authors is to observe a narrower cross-section as compared to that of Bond, Carlos and Keeney. Our goal is to get an insight into the direct antecedent of the purchase and analyze the closest preference-order in time to the decision.

Table 1 Attributes and examples (Source: authors' research, 2012)

Bakery		Yoghurt		Smartphone	
Attribute	Example	Attribute	Example	Attribute	Example
A. Ingredients	grain, whole wheat	A. Taste	apple , peach	A. Form	slider, classic layout
B. Form	bagel, roll, other	B. Fat content	0,01%, 1,5%	B. Brand	Apple, Samsung
C. Taste	salty, with cheese	C. Taste fusion	creamy, light	C. Thickness	slim, normal, thick
D. Method of production	handmade, industrial	D. Consistency	fruity, with muesli	D. Colour	metal. black, bright
		E. Healthiness	bio, probiotic	E. Style	flashy, elegant
		F. Method of production	(inter)national brand	F. Usage	easy, practical
		G. Brand	Danone, Cserpes	G. Camera	0-2 megapixel, 2-3 mp
				H. Interface	touchscreen, QUERTY
				I. Entertainment	MP3, apps
				J. Internet	WIFI, 3G
				K. Connectivity	USB, Bluetooth

Table 2 Q-grid technique (Source: authors' research, 2012)



3. Self-criticism of the experimental design

In the fall of 2012 a small-sample pilot research was conducted among full-time students in order to reveal the operational dysfunctions of the research design and to get to know its technical characteristics (how long does it take, whether it can be handled alone, etc.). The experiences of the test and the literature review helped the authors to discover some anomalies in the research design. The next subchapters contain our raisings of issue.

3.1. (Ir)rationality

Mérő (2007) emphasizes the similarity of people's decision making structures, explaining why they behave predictable(!). Goldstein and Hogarth (1997) have already refined that our decision making seems to be irrational, but it is descriptive in a rational way, by understanding its specificities. Harman (1995) says one shall differentiate between theoretical and practical rationality, so as psychological and logical functions have to be separated. In this research rationality means sure consumer decisions, which are constructed in the situation and they are realized in actions. This context follows Samuelson's (1947) preference manifestation idea. The expressed preferences can be observed in the buying situation. According to Kovács (2009) to economize is to choose. This softer aspect supposes only a foreseeability link to the theoretical preferences (see Richter, 1966).

3.2. *Competence asymmetry*

The technological development boundlessly increases product complexity causing competence asymmetry in usage; because the technological knowledge diffuses slowly among end-consumers (Veres, 2008). The gap especially can be experienced between the laic consumers and the professional producers, i.e. in consumer goods' market. The lack of required technological skills causes deficits: the consumer can not enjoy all the benefits which the product offers, because s/he does not recognize them. S/he is also unable to judge the real value of such products, consequently competence asymmetry weakens the correct judgment of product attributes.

3.3. *Attribute levels*

Referring to Kano's model (1984) product features must be differentiated. The threshold attributes are basic requirements; every product variant has these characteristics. E.g.: thinking of the cell phone it is sending SMS. The wider range and higher quality of performance attributes the product has, the more satisfied the consumer becomes. E.g.: the speed of the Internet. The excitement attributes are not expected, it often makes consumers surprise. Following the logic of development if the features from the excitement attributes do not churn, they mostly get to the performance attribute category. The threshold category is of a binary nature, so if this category extends that involves a birth of a new product. E.g.: since we can surf on the Internet with our cell phones we call them smartphones.

3.4. *Preference interval*

When the 'very important' and the 'not important' columns are cut from the Q-grid only the neutral attributes left. They quasi fluctuate in a – sometime - wide interval, consequently their preference level cannot be handled as a discrete value. These neutral attributes are not stable, they are rather context dependents as compared to the inherent preferences, and their rank is defined on the scale through the decision – not earlier! –, which can be ad absurdum random (Veres, Tarján & Platz, 2012).

Chen and Risen (2010) conducted research on such attributes, which stand close to each other. In their research however for the identification of these neutral attributes they applied another methodology. The position of the 'not relevant' attributes compared to one another is not stable, which can result the change of the preference order (Hlédik, 2012). The level of the preferences is unstable: the difference between the level of two attributes, and even its measures are not equal in each case: there are overlaps or unequal distances, which enhance the change in the preference order (i.e. turn of preferences).

3.5. *Intransitivity by nature*

The transitivity assumption is only relevant if the elements of product pairs are considered to be superior or inferior only by one product attribute (or more, but harmonious and consistent to each other). As in the old example: suppose John prefers (A), a Ferrari to (B), a Mercedes, in the dimension of superior elegance, and (B) to (C), a Buick, in the same dimension, but C to A in a different dimension: durability. Of course, such an empirical finding would be inconsistent with the above transitivity axiom. (Since here $A > B$ & $B > C$ & $C > A$ holds.). Nevertheless - because of the limited mental capacity - smaller number of products and attributes to take into consideration leads to a more conscious and reliable

decision. Bettman, Luce and Payne (1998) stress the outcomes: uncertainty in the value of attributes increases in case of more complex products.

3.6. *Other factors which were not built in the experimental research design*

During the pair-wise comparison the ranking-choice process has to be done more times about irrelevant attributes, which is not a lifelike decision. Another distorting factor is the exhaustion. If respondents get tired they start giving schematic answers, and we face intransitivity earlier than it would be natural. During the improvement of the design there are several factors which cannot be taken into consideration:

- There is no stake or risk in this design, which moderates risk perception of imaginary buyers.
- This design does not measure how much the consumer yearns for the product – the literature calls it transaction utility (Thaler, 2003).
- Context always influences the preferences (as discussed by Warren, McGraw & Van Boven, 2010).
- According to Lehrer (2012) different parts of the brain are responsible for an emotional and for rational decisions. He proves that in cases, when our emotions influence us, we are excited, and there is not enough time left to measure the rational arguments, there are also outside effects, which should be worked-up – just like during the purchase.
- The effect of other environmental circumstances (as explored by environmental psychology) are not built in:
 - those impacts which meet the consumer directly during the purchase (POS techniques, sensory branding etc);
 - new bits of information for the consumer, which also influence the current decision.

4. Evaluation and further research

This study was inspired by the unknown logic of the buying decisions. This is why based on the evaluation of the traditional methodology applied for the preference researches we built an own experimental design. Our goal was to simulate the purchase to explore buying decisions in the light of preferences.

Our further aim is to conduct a multi-stage research by eliminating the identified distorting factors in order to simulate the real buying situation in a more accurate way. Incorporating intransitivity and other moderating factors into the model leads to new results both in the topic and in the research methodology.

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**Graduate
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Mediating mechanism of charisma, trust and reputation in driving capital endowment into value premium

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Abstract

This research aims at explaining the role of different forms of capital in generating value premium for an entity. Our model relates sociology literature to the marketing and reputation literatures in order to provide the mediating mechanism on how value premium, as an important concept for marketing strategists, can be achieved. We propose a model using a mediating mechanism that combines literature on sociology, marketing and reputation. Results indicate the greatest importance of cultural capital, followed by economic and symbolic capital. Social capital has important influence but only through its convertibility into other forms of capital. Cultural, symbolic and social capital impact value premium only indirectly, through entity charisma, trust and reputation. Economic capital is the only which, besides indirect effect, has a direct impact on value premium.

Keywords: value premium, cultural capital, symbolic capital, economic capital, social capital, charisma, reputation, trust

1. Introduction

Getting consumers to be willing to pay the price premium for one product over another has long been the goal of marketing experts. In discussing different sources of such price premium, focus was mainly on the reputation and brand image. However, in sociology literature, where the literatures on reputation and image draw foundations from impression management, ideas were developed that each entity has several forms of capital which it manages in order to enhance value perceptions as perceived by stakeholders. Literature on different forms of capital (economic, social, symbolic, and cultural) has generally been conceptual. Thus, this research aims at discussing and testing how different forms of capital can be managed in order to enhance the expected value premium, defined as the extent to which stakeholder perceives an entity is entitled to an above-average reward for its outputs. We propose a model using a mediating mechanism that combines literature on sociology, marketing and reputation.

Our research contributes existing literature in several ways. First, we relate sociological ideas of different forms of capital to the ideas of price premium that can be charged. In that sense, our research has strong implications for marketing managers aiming at enhancing consumers' perceptions to drive their willingness to pay price premium. Second, we distinguish between the ideas of capital and reputation both empirically and theoretically. We show that reputation (which is a perceptual variable on the part of consumers as a key stakeholder group) is not a phenomenon which encompasses both visible and invisible aspects of firm activities. Consumers evaluate an entity based on its observable output while all other (unobservable) aspects effect evaluation of that output and not the value premium directly. Thus, we also provide conceptually and empirically coherent approach to reputation. Third, we develop measures for different forms of capital based on their definitions. Thus, we provide tools for further analyses of sociological ideas of capital in business. Lastly, we provide and test a mechanism through which different forms of capital impact the expected price premium. We discuss these ideas from the perspective of consumer, since all these categories exist only in relation to the context in which they are observed (Bourdieu, 1990).

2. Forms of Capital

Since ancient times numerous forms of capital have been recognized as important and have provided those endowed with it with certain advantages (Bourdieu, 1990). However, capital cannot exist per se (Bourdieu, 1990), but exists only if a certain society perceives it to have some value (St. Clair, Rodriguez, and Nelson, 2005). Following Bourdieu's theory of inequality, markets can be described as multidimensional social space where "the different forms of capital (economic, social [, cultural] and symbolic capital) serve as the building principles of these social spaces, enjoying higher or lower ratings in the different markets. Thus, the various forms of capital constitute a crucial criterion for differentiating different markets" (Gergs, 2003, p. 40-41). In this sense, Bourdieu's forms of capital are seen as dimensions, which receive a certain rating by different stakeholder groups and thus create certain perceptions of an entity. To enable our further discussion, we now analyze economic, cultural, social and symbolic capitals as important building blocks of social realities (Bourdieu, 1985).

Bourdieu stresses that all forms of capital are liquid and can be a source of greater wealth. In his works, *economic capital* is defined as *accumulated financial resources and assets* (Bourdieu, 1990), and this is the definition that will be used in this research. Marx calls

this type of capital “productive capital” while the other forms of capital (cultural, social and symbolic) would fit under what Marx terms “fictive capital”.

Social capital can be defined as a set of resources embedded in relationships (Burt, 1992). More specifically, social capital can be defined as “the sum of the resources, actual or virtual, that accrue to an individual or a group by virtue of possessing a durable network of more or less institutionalized relationships of mutual acquaintance and recognition” (Bourdieu & Wacquant, 1992, p. 119). For this research, *social capital* will be defined as *resources, which are controlled on the basis of existing and potential social networks* (Burt, 1992). It has been discussed as very liquid form of capital (Tsai & Ghoshal, 1998) which does not exist within any particular entity, but in the relations, i.e. links, between different actors (Coleman, 1988).

Cultural capital was introduced as a source of domination, as those endowed with cultural capital are “the producers of their own destiny” and the others are “their followers” (St. Clair, Rodriguez, and Nelson, 2005); thus the level of conformity changes depending on the cultural capital with which one is endowed (Deephouse & Carter, 2005). Literature recognizes three general forms in which cultural capital can exist (Bourdieu, 1985). The first is *embodied* cultural capital which presents long-lasting dispositions inherited and acquired by one's self through socialization, learning, innovation, technology, positivity of an entity, and synchronization of an entity with norms. The second is *objectified* cultural capital in the form of cultural goods in which an entity invested. This also transmits signals to the stakeholders’ about the values an entity appreciates. The third form of cultural capital is *institutionalized* which presents institutional credentials for which its provider guarantees. In this research *cultural capital* is defined as *the favorable cultural traits that one individual entity has, reflected in embodied, objectified and institutionalized advantages that provide higher status in society* (Bourdieu, 1990). The measure developed was used to reflect all three dimensions of cultural capital at aggregate level in order to be applicable to different types of entities.

Symbolic capital implies that entities build up “a capital of obligations and debts that will be repaid in the form of homage, respect, loyalty and, when the occasion arises, work and services, which may be the basis of a new accumulation of material goods” (Bourdieu, 1990, p. 125). Although it is generally discussed as irrational investment, the accumulation of symbolic capital is just as rational as the accumulation of economic capital, especially given the capital conversion possibilities. In economics and business the importance of symbolic capital is recognized as an important signal to others of some properties which are otherwise hard to observe (Spence, 1973). In this research symbolic capital is defined as *the resources available to an entity on the basis of honor, prestige and/or recognition, resulting from investments of time, energy and wealth into activities which do not yield a short-term economic return for the entity* (Calhoun, 2002; Bird & Smith, 2005; Bourdieu, 1990).

3. Mediating Mechanism

These capital forms are managed by entities (Bourdieu, 1990) to enhance the value premium by changing perceived entity characteristics of: (a) charisma, defined as the trait characterized by extreme charm and a “magnetic” quality of personality and/or appearance along with innate and powerfully sophisticated communicability and persuasiveness (Conger, Kanungo, and Menon, 2000); (b) trust, i.e. calculus-based trust, seen as a rational choice that an actor has intentions and competences to behave in a certain manner and arises from signals creating an indirect expectation of trustworthy behavior (Doney, Cannon, and Mullen, 1998); and (c) reputation which, after empirical analyses of items and conceptual considerations, was defined as stakeholders’ perceptions of an entity’s current and potential performance on

observable dimensions. The mechanism therefore starts with manageable capital forms which change entity's perceptual properties in order to impact the value premium that an entity can expect for its outputs.

4. Empirical Analyses

Following onto research in sociology, we hypothesized the mediating mechanism (see Figure 1). Data collection was carried out in one European country in two steps: (a) identification of the most salient entities selecting those that had the most/least admirable reputation the "top of the mind" entities; (b) convenient sample of consumers indicated by selected entities who are expected to be well informed about different activities of these entities (Bartikowski and Walsh, 2011). All measures exhibit Cronbach alpha above .7, AVE above .5 and CR above .7 with measurement model that exhibits needed fit within the limits suggested in social sciences with RMSEA being 0,08 and CMIN/DF=2.189 (Hair, Black, Babin, Anderson, and Tatham, 2005; Camines & McIver, 1981; Steiger, 1990). Data also satisfy the condition of multivariate normality.

For robustness reasons the model was tested using both the structural equation modeling and regression analysis, testing the capital interactions and controlling for various potential determinants of expected added value. Final model was analyzed taking into account only relationships that were persistently shown to be significant (RMSEA=0,08, CMIN/DF=2,197).

4.1. Measures

Following the literature, measures were developed to reflect theoretical constructs. Items for measures were grounded on existing scales, complemented with items which reflect the theoretical constructs of these different variables and with the items came up in the in-depth interviews with experts in order to fit the context. Charisma measure was grounded on Tosi et al. (2004) and Avolio et al. (1999). Trust was measured through modified Moorman, Zaltman and Deshpande (1992) and Zaheer, McEvily, and Perrone (1998) scales. For reputation we also started from existing scales (Fombrun, Gardberg, and Server, 2000; Gardberg & Fombrun, 2002).

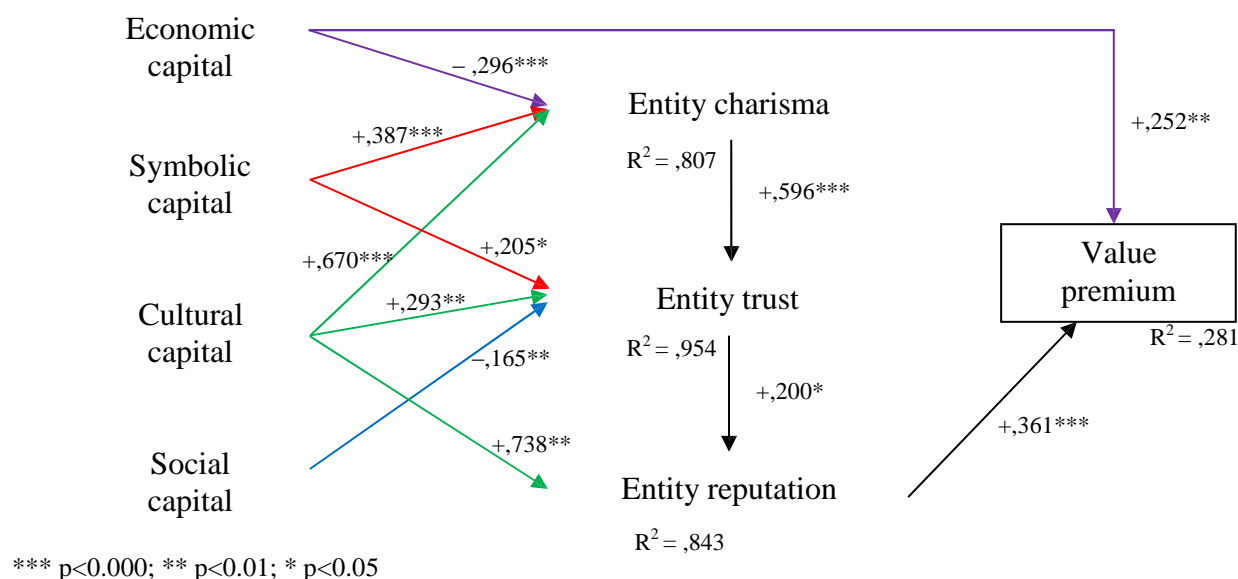
To test the reliability of the constructs, literature suggests reporting three key measures: composite reliability (CR), average variance extracted (AVE), and Cronbach-alpha (which reflects the internal consistency of measures) (Anderson & Gerbing, 1988) with minimum thresholds being 0.7 for CR and Cronbach-alpha, and 0.5 for AVE (Hair, Black, Babin and Anderson, 2005; Dillon & Goldstein, 1984; Nunnally & Bernstein, 1994). These conditions were satisfied by all our measures: social capital (n=6, $\alpha=0.924$, CR=0.928, AVE=0.684); cultural capital (n=18, $\alpha=0.972$, CR=0.979, AVE=0.712); symbolic capital (n=11, $\alpha=0.955$, CR=0.955, AVE=0.662); economic capital, (n=5, $\alpha=0.892$, CR=0.896, AVE=0.639); entity trust (n=5, $\alpha=0.900$, CR=0.899, AVE=0.640); entity charisma (n=4, $\alpha=0.883$, CR=0.875, AVE=0.638); entity reputation (n=8, $\alpha=0.933$, CR=0.934, AVE=0,640).

4.2. Results

Results indicate that economic capital has a direct negative impact on perceived entity charisma and thus an indirect negative impact on trust and reputation, while at the same time having a strong positive direct impact on value premium consumers are expecting to pay for the entity's outputs. All other forms of capital (as Marx defines them as "fictive capitals")

exhibit only indirect impact on the value premium through their impact on perceptual values. Symbolic capital positively impacts charisma, as symbolic capital displays extraordinary signals, and trust (Klapwijk & Van Lange, 2009). Interestingly, cultural capital has impact on all three perceptual values: charisma, trust and reputation, and the strongest overall impact on expected value premium. Also, social capital, is the only capital that exhibits negative impact on expected value premium, through its negative impact on trust – as all entities with great social capital do not depend as much on each particular stakeholder or stakeholder group and therefore can behave opportunistically.

Figure 1: Robust Model



The impact of charisma on trust is positive, as charismatic entities “inspire high levels of ... trust in their followers” (Zhou, Gao and Zhou, 2005, p. 1052). Trust has a positive impact on reputation, as it implies an ability to rely on the other party to achieve expectations (Rotter, 1971) and deliver high quality output (Moorman, Zaltman and Deshpande, 1992; Anderson & Narus, 1990). The greater the reputation, i.e. the entity’s output quality, the more an entity can charge for these outputs.

Thus, results indicate that different forms of capital that any entity possesses (social, cultural, symbolic) do not have a direct impact on the extra value that it can expect to get for its products/services but rather an indirect effect through such abstract concepts as charisma and trust and a more applied concept of reputation. The strongest overall impact on expected value premium has the cultural capital of an entity thus justifying investments in it. The importance of social capital a bit more indirect since it impacts the value premium by being converted into other forms of capital (with especially high convertibility into economic and cultural capital).

5. Conclusions and Limitations

This research aims at explaining the role of different forms of capital in generating value premium for an entity. Our model relates sociology literature to the marketing and reputation literatures in order to provide the mediating mechanism on how value premium, as

an important concept for marketing strategists, can be achieved. Moreover, merging these literature streams we were able to analyze reputation, both conceptually and empirically, as stakeholder's perceptions of what they can observe, i.e. the output of any given entity and future expectations related to this output, rather than employing prior measures of reputation which measured it through its antecedents and have been questioned in the previous literature.

As any research, this research has some limitations. In this research we used students as respondents. Although prior literature analyzing similar ideas has also used students as respondents, further research could be done from other stakeholders' perspectives. To ensure students were appropriate for our research purpose we analyzed selected entities and whether they list students as one of their key stakeholder groups (i.e. do they mention students in their public relation activities, web sites, participations at university events, etc.). Also, variables were measured from one stakeholder's point of view which could be criticized that other views are disregarded. Although we recognize great potential in comparing different stakeholders' perceptions, literature recognizes that, when evaluating variables discussed in this research, one stakeholder group takes into consideration also what it believes other stakeholders' perceptions are.

Future research should analyze the mechanisms of conversion from one form of Bourdieu's capital into another, as well as possible moderators of these conversions. Another possible venue for further research lies in introducing dynamics into the model. In that sense, it would be interesting to analyze how for a particular entity this model changes across its life cycle. In that sense, at which point in time (for different entities) do particular forms of capital become more important in achieving reputation capital? Dynamics can also be introduced by understanding how reputation capital enables a feedback into Bourdieu's forms of capital thus researching a potential dynamic recursive relation between the variables.

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The assessment of reliability in qualitative research: Some comparisons of intercoder reliability indices

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The assessment of reliability in qualitative research: Some comparisons of intercoder reliability indices

Abstract

In this paper, we contribute to the debate on the appropriateness of the most common intercoder reliability measures (Percentage agreement, Cohen's kappa, Scott's pi, Reliability index, and Krippendorff's alpha). In contrast to existing research, we compare these measures by both, empirical data and simulation. Both approaches demonstrate that three of these indices yield nearly the same result, but the Reliability index reports higher figures. Furthermore, we show that the calculation of intercoder reliabilities among sub-domains provide further insights which might be neglected when only investigating measures at the overall level.

Keywords: intercoder reliability, reliability indices, simulation

1. Introduction

The assessment of reliability in marketing research has become standard for qualitative studies. One common approach to assess the reliability of findings achieved by qualitative data is the calculation of interjudge (also intercoder or interrater) reliability. "Interjudge reliability is the percentage of agreement between several judges processing the same communications material. It is the degree of consistency between coders applying the same set of categories to the same content" (Kassarjian, 1977, p. 14). This paper launched a research stream, focusing on the development and discussion of numerous intercoder reliability indices. Over the years, many authors comment on the benefits and criticise the drawbacks of reliability measurement instruments. However, most of these papers focus on theoretical arguments for or against certain assessment tools. Little research provides an empirical comparison of the most often used reliability indices. We intend to fill this research gap. Thus, section 2 provides a brief theoretical overview of reliability measures commonly used in qualitative marketing research. Subsequently, section 3 compares these indices by means of an empirical example and a simulation study. Finally, section 4 summaries our findings.

2. Theoretical Overview

In the sequel, we discuss five frequently used reliability indices (Percentage agreement, Cohen's kappa, Scott's pi, the Reliability index, and Krippendorff's alpha) in some detail. For presentational convenience we consider two coders at a time, only. However, the generalization to more than two coders is straightforward because it is usually recommended to calculate pairwise indices and then to average these measures over all pairs (if there is no missing data).

2.1. Percentage agreement $F_o^{\%}$

Percentage agreement refers to a simple measure which calculates the percentage of agreement among all coders (cf. Tab. 1), with a value of 0 reflecting no agreement at all and a value of 1 reflecting perfect agreement (Lombard, Snyder-Duch, & Bracken, 2002). Despite the advantage of easy calculation, this index has serious shortcomings. Since it does not consider agreement by chance, "*percent agreement becomes (probabilistically) increasingly more likely the fewer categories are available for coding*" (Dorussen, Lenz, & Blavoukos, 2005, p. 322). In other words, with a decreasing number of categories, the probability of intercoder agreement by chance increases correspondingly (Krippendorff, 2004b). Likewise, the consideration of categories with minor relevance could also affect the simple percentage agreement statistics (Kolbe & Burnett, 1991). Thus, general consensus holds that indices not taking account of agreement by chance are not appropriate. We nevertheless add this measure for reasons of comparison.

2.2. Cohens kappa κ

Cohen (1960) developed a reliability index to overcome the shortcoming of percentage agreement by explicitly considering agreement between coders because of chance. Since then, Cohen's kappa has become the most widely used reliability measure in content analysis (Perreault & Leigh, 1989). He considers *two coders at a time* and arranges their judgements as a two-dimensional ($n \times n$) cross-tabulation $(f_{ij}^o)_{(n,n)}$; F_o (cf. Tab. 1) then resembles the trace of this matrix. Furthermore, he postulates independent ratings and treats discrepancies between paired judgments as equal to each other. Therefore, expected matching frequency for category i is calculated as $f_{ii}^e = (f_i^o \cdot f_i^o) / U$, with f_i^o, f_i^o denoting observed marginal frequencies for row i , column i , respectively. Thus, $F_e = \sum_{i=1}^n f_{ii}^e$ represent the expected matching frequency. Therefore, Cohen's kappa is the proportion of agreement after chance agreement is removed from consideration. The domain of kappa is $-1 < \kappa \leq 1$, values near 1 indicate satisfactory reliabilities, negative values would indicate less than chance agreement, obviously a case unlike to occur.

Reliability index	Formula	Range
Percentage agreement $F_o^{\%}$	$F_o^{\%} = F_o/U$	$0 \leq F_o^{\%} \leq 1$
Cohen's kappa κ	$\kappa = \frac{F_o - F_e}{U - F_e}$	$-1 < \kappa \leq 1$
Scott's pi π	$\pi = \frac{F_o - F'_e}{U - F'_e}$	$-1 < \pi \leq 1$
Reliability index I_r	$I_r = \begin{cases} \sqrt{(n \cdot F_o/U - 1)/(n-1)} & \text{if } n \cdot F_o/U \geq 1 \\ 0 & \text{if } n \cdot F_o/U < 1 \end{cases}$	$0 \leq I_r \leq 1$
Krippendorff's alpha α	$\alpha = \frac{A_o - A_e}{1 - A_e}$	$-1 < \alpha \leq 1$

F_o : observed matching frequencies

U : number of analysed units

F_e, F'_e : expected matching frequencies (i.e. agreement because of chance)

n : number of categories

A_o, A_e : share of observed/expected agreement in terms of a coincidence matrix

Table 1: Overview of reliability indices

Although widely used, Cohen's kappa suffers from some weak points. Perreault and Leigh (1989) criticise the reliance on the multiplicative law of probability in the estimation of agreement by chance. They state that this assumption results in a rather conservative measure of reliability. Further, they demonstrate that Cohen's kappa ignores the situation when both judges agree that more cases fit into one category than into another. One reason for this drawback is that Cohen's kappa was initially developed for psychological assessments (e.g., rating patients based on their symptoms). In contrast to marketing research, psychologists know a priori that a relatively small share of patients will exhibit the symptoms. In the field of marketing, the distribution typically is unknown a priori. Another even more serious drawback is that κ is affected by the level of disagreement between coders. Di Eugenio and Glass (2004) demonstrate that a higher κ can be achieved when the coders' judgement is less similar.

2.3. Scott's pi π

The calculation of π (cf. Tab. 1) is based on the assumption that the distribution of proportions over the categories is equal for all coders and that this distribution is known. It is derived from the total proportion of categories assigned by all coders (Dorussen et al., 2005). The observed assignments to category I are averaged over all coders (\hat{f}_i) and $F'_e = \sum_{i=1}^n \hat{f}_i^2 / U$ is calculated; F'_e is the same for all pairs of coders.

Even if Scott (1955) uses the same conceptual formula as Cohen (1960), the calculation of expected agreement by chance differs. Scott's pi does not only consider the number of categories, but also the overall frequency of use. As a result, minimum agreement by chance is achieved when the judges take account of all categories with equal frequency. Under the assumption that the distribution of categories reflects the effective proportions, Scott's pi is often considered as too conservative. Moreover, the assumption of an equal distribution of categories among different coders excludes to account for reduced agreement when different distributions occur (Lombard et al., 2002).

2.4. The Reliability index I_r

In order to overcome the drawbacks of existing measures, Perreault and Leigh (1989) develop an alternative approach to estimate reliability of interjudge data. In contrast to existing measures, their

index does not compare observed agreement with expected agreement by chance, but the authors propose a *model* that assesses the level of agreement that might be expected given a true (population) level of reliability. Obviously (cf. Tab. 1) $I_r \leq 1$, higher values imply more consistent ratings of the coders. I_r is equal to zero, if agreement is less than would have been expected with both judges making totally random assignments. One important advantage of this model is that it accounts for different numbers of categories used by the judges.

The model is based on some assumptions. First, I_r assumes independent distributions of reliable judgements between all coders. With two raters being required to judge content material independently for the calculation of a reliability measure, this assumption is realistic. Second, the model follows the premise that all coders are equally reliable. Cohen (1960) supports this assumption by stating that there is no a-priori criterion for the correctness of judgements and that, therefore, all raters are equally competent by supposition. However, a weak point of this assumption is that some coders may be more familiar with the topic than others. Obviously, familiarity with the research field may influence the competence of a judge to allocate verbal material to categories. Finally, the estimation of I_r does not take into account the marginal distribution of judgements. In addition, it does not consider the assumption of all categories having equal probabilities to be used by each judge.

2.5. Krippendorff's alpha α

When looking at the specifications on how to calculate reliability indices (cf. Table 1) it is obvious that the formula for κ , π and α are structurally similar. However, Krippendorff's alpha differs on two aspects. First, contrary to κ and π which concentrate on pairwise comparisons between two coders at a time, α analyses all coders *simultaneously*. Second, rather than looking at cross-tabulations, a coincidence matrix (i.e., number of observed pairs for which units of analyses are assigned to category i and j by all pairs of coders) is computed. In addition, it is possible to account for missing data (i.e., if some units have not been assigned to any category by some coders). A_o (cf. Tab. 1) is the trace of this coincidence matrix, A_e is the trace of a coincidence matrix generated under the assumption of independence between coders. The definition of α reveals two reference points: perfect agreement/reliability implies $\alpha = 1$, when agreement is a matter of chance, $\alpha = 0$, indicating absence of reliability. Negative values indicate either sampling errors (small sample sizes) or systematic disagreements between coders. Krippendorff recommends relying on α above 0.8, tentative conclusions might be drawn for $\alpha > 2/3$.

The calculation of agreement-by-chance for Krippendorff's alpha is based on the same assumptions as Scott's pi. In fact, π is a special case of α for two coders and large sample sizes. As a consequence, it is subject to the same criticism. However, α has become a widely accepted reliability index as it can be generalized to account for various scales, from nominal to ratio (Lombard et al., 2002). In addition, α is applicable to small and large sample sizes. Finally, another important feature of α is its correction for missing values, i.e., coders do not categorize the whole number of units of analysis (Krippendorff, 2004a). Krippendorff also recommends calculating confidence intervals for α by means of bootstrapping. One point of criticism of α is that it is affected by skewed distributions. This limitation is especially of relevance when nominal categories are used, as they are usually chosen more or less arbitrarily (Dorussen et al., 2005). In addition, α does not correct for unequal use of categories between coders (Krippendorff, 2004b).

3. Empirical Comparison

Section 2 tried to outline the different concepts of several reliability indices. When studying the literature the respective authors usually argue in favour of one of these measures but criticize the other indices. It is remarkable to point out that four reliability indices account for coder agreement by chance; however, they define the impact of this probabilistic component differently. In addition, rec-

ommended thresholds (i.e., what to consider a reliable result) vary considerably. This makes it difficult for a researcher to evaluate his/her result. This section tries to find out – on an exploratory basis – whether these differences matter from a more pragmatic point of view. First, we compare these indices by evaluating coder reliability in the context of content analysis; subsequently we carry out a simulation study.

3.1 Case study

For demonstration purposes we employ data taken from a research project on retail shopper confusion (Garaus, 2013). In particular we analyse transcripts of ten expert interviews identifying triggers of retail shopper confusion. In line with the content of the research, an established classification system with two factors (i.e., ambient and design elements of a retail environment) serves as initial coding system. The whole data are content analysed by three independent coders. After an initial coding run, the preliminary classification system has to be expanded by another factor (i.e., design matching). Two coding runs follow, until overall intercoder reliabilities exceed the threshold of .8. Tab. 2 shows the result of the final coding run. With regard to the overall reliability, all statistics exceed .8, hence, indicating a very satisfying result. All indices are pretty similar, with I_r consistently somewhat larger.

Factor	n	U	F_o	F_e	$F_o^%$	κ	π	I_r	a
Coder A & B									
Ambient Factors	4	105	95	60	.90	.86	.86	.93	.86
Design Factors	14	523	408	43	.78	.76	.76	.87	.76
Design Matching	3	110	60	25	.55	.41	.39	.56	.43
Overall	22	712	581	41	.82	.80	.80	.90	.81
Coder A & C									
Ambient Factors	4	105	101	35	.96	.94	.94	.97	.94
Design Factors	14	523	420	42	.80	.79	.79	.89	.79
Design Matching	3	110	74	23	.67	.59	.58	.71	.59
Overall	22	712	604	40	.85	.84	.84	.92	.84
Coder B & C									
Ambient Factors	4	105	95	34	.90	.86	.86	.93	.86
Design Factors	14	519	428	43	.82	.81	.82	.90	.81
Design Matching	3	110	73	27	.66	.56	.57	.70	.54
Overall	22	712	604	42	.85	.84	.84	.92	.84
Coder A & B & C									
Ambient Factors	4	105	291	103	.92	.89	.89	.94	.89
Design Factors	14	523	1134	124	.80	.79	.79	.89	.78
Design Matching	3	161	330	100	.63	.52	.51	.66	.60
Overall	22	712	1789	123	.84	.83	.83	.91	.83

κ =Cohen's kappa, π =Scott's pi, I_r =reliability index by Perreault & Leigh, a =Krippendorff's alpha,
 n =number of categories, U =number of units of analysis, F_o =observed frequencies, F_e =expected frequencies

Table 2: Intercoder reliabilities for three coders and reliability statistics for each factor

However, one minor limitation applies to the individual factors. While both factors established previously in the literature show good results with measures of at least .76, the new established factor suffers from low reliability values. One possible explanation of this result is that no investigation has

considered this factor so far and consequently, there is no possibility to provide coders with extant relevant literature. Hence, a lack in coder training is likely to cause this rather poor result. This incidence, however, points to the fact that concentration on overall measures might result in neglecting such shortcomings.

3.2 Simulation study

Tab. 3 displays the parameters used for simulation. With respect to the number of units and the number of categories we position the study so that our empirical data might be considered as a somewhat intermediate case. In short, the data is generated by calculating bivariate, correlated normal distributed (pseudo) random variables with equal means and variances. The correlation reflects agreement between coders. Again, we account for three different scenarios. Subsequently these random numbers are rounded to integers representing assigning units to categories. In addition, we systematically vary the variances of the normal distribution in order to reflect whether frequencies are more concentrated within a smaller number of categories or are spread over the whole range. As an extreme case, for a large variance we replace the normal distribution by taking a uniform distribution. Row 5 of Tab. 3 shows the (average) Herfindahl Index H for these distributions. For the uniform distribution, $H=.06$ which means that frequencies across categories are all about the same; the normal distributions differ with respect to their variances, and, in turn, with respect to H .

Number of units U	100	550	1000
Number of categories n	10	25	40
Extent of agreement between coders	.7	.8	.9
Distribution of units over categories	Uniform, then normal with decreasing variance		
Corresponding Herfindahl Index H	.06	.07	.10
		.13	.17
Number of coders set to 2; full factorial design and 100 replications per scenario result in $3 \times 3 \times 3 \times 5 \times 100 = 13500$ observations			

Table 3: Simulation parameter

	$F_o^{\%}$	κ	π	I_r	α
Mean	.55	.49	.49	.72	.49
St. dev.	.14	.17	.17	.09	.17
Correlation coefficients					
$F_o^{\%}$.95	.95	.99	.95
κ			1.00	.98	1.00
π				.98	1.00
I_r					.98

Table 4: Simulation results - descriptive measures

Tab. 4 presents a brief overview of the results of this Monte Carlo study. The three indices which are similar from a conceptual point of view (i.e., κ , π , and α) report similar results on average and are highly correlated. Since they consider agreement by chance, they are smaller than $F_o^{\%}$. They also correlate strongly with I_r , however, I_r is considerable larger consistently. When setting threshold levels for coding reliability, this finding has to be kept in mind.

Finally, we investigate the influence of our simulation parameters on all reliability measures. Since the extent of agreement between coders is generally not known, we do not include this parameter in our regression analysis; if we would do it, extent of agreement certainly possesses the most important impact. Tab. 5 reports standardized regression coefficients and R^2 s. All figures are statistically

highly significant. A larger number of units, a larger number of categories and a higher concentrated distribution negatively affect reliability. Interestingly, the number of units is of minor importance.

	$F_o^%$	κ	π	I_r	α
Number of units	-.03	-.04	-.03	-.03	-.04
Number of categories	-.52	-.48	-.48	-.43	-.48
Herfindahl index	-.69	-.94	-.94	-.73	-.94
R^2	.20	.43	.43	.24	.43

Table 5: Simulation results – regression analysis
(dependent variables: columns; independent variables: rows;
the entries shown are standardized regression coefficients)

4. Contribution

This research contributes to existing literature in several ways. First, we provide a short theoretical review of frequently used intercoder reliability indices, and thus assist researchers in choosing a reliability measure on a more formal basis. Second, we demonstrate by an empirical example and a simulation study that – despite their differences – three reliability indices yield nearly the same result *on average*. This result partly contradicts the prevailing assumption that “the results obtained may depend on the particular measure used” (Hughes & Garrett, 1990, p. 185). It goes without saying, that for certain data these indices might nevertheless differ considerably. The reliability index developed by Perreault and Leigh (1989) reports higher agreement between coders. Third, we confirm Kolbe and Burnett’s (1991) statement that overall reliability approaches can lead to misleading results. The empirical results show that even though the overall reliabilities exceed 0.8 among all coders and reliability indices, a more detailed inspection of agreement on a factor level might raise concerns. For the particular case, this finding might be due to the fact, that this respective factor was developed by an inductive, rather than a deductive approach. It also supports scholars who claim that a precise definition of categories substantially enhances the reliability of the results.

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Value Creation in E-Business and Financial Performance: Researching Polish Online Companies with Amit and Zott's Model.

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Value Creation in E-Business and Financial Performance: Researching Polish Online Companies with Amit and Zott's Model.

Abstract:

The paper presents the outcomes of the survey of the managers of Polish internet companies with the aim of verifying to what extent the e-business value creation model developed by Amit and Zott could be used to explain different profitability levels among firms. The study included 150 businesses with the largest representation of internet retailers and service providers. The major outcome of the study was developing logistic regression model that allowed to establish which variables were statistically significant predictors of operational return on sales ratio. It implied that out of four elements comprising Amit and Zott's model only Complementarities were closely linked with improved financial performance. The two other elements - Customer Lock-in and Novelty - were not viable predictors while the fourth component (Efficiency for Customer) was negatively related to the performance metric.

Keywords: *business models, value creation, e-business, e-commerce, Internet.*

Introduction

The objective of the study was to establish to what extent the value creation model originally proposed by R. Amit and C. Zott could be linked to financial performance of internet companies (Amit, Zott 2001). The presence of various elements of Amit and Zott's concept was measured with Likert-type 7-point scale comprising a list of statements pertaining to the four value drivers of the model including: novelty, lock-in, complementarities and efficiency. According to Amit and Zott these four categories represent groups of factors that can enhance the total value created by e-business. In particular they refer the following specific kinds of business solutions:

- **Novelty** is defined by the level of uniqueness of goods or services offered by a firm with regard to how the customers' needs are satisfied and what those needs are; thus novelty can be achieved by devising new ways of satisfying existing needs or finding and addressing entirely new needs.
- **Lock-in** concerns the various kinds of costs that customers need to bear if they were to replace the firm's offering with one of competitors; it is assumed that the higher are such switching costs the customer lock-in is tighter.
- **Complementarities** are determined by the extent of completeness of customer needs fulfillment by the firm and its business partners.
- **Efficiency** pertains to the benefits that customers can reap from savings in time, effort and financial costs that are brought about by the firm's offer.

There were so far only a few attempts to test the Amit and Zott's model empirically with quantitative approach, though the outcomes were rather inconclusive and context sensitive. Christensen and Methlie (2003) having researched implementations of e-business solutions in traditional companies noted no significant improvement in financial performance, which was attributed to the early stage of the implementation and the lack of time for the positive effects to manifest. According to the later research of Amit and Zott (2007) Novelty positively influenced financial performance while Efficiency did so only during a period of resource scarcity. In another paper, the same authors studied how the fit between Novelty- and Efficiency-centred business models with different product market strategies can enhance firm performance (Amit, Zott 2007). Using a population of general companies (including both internet enabled and traditional businesses), Malone et al. found that some models perform financially better than others (2005).

In light of the above, if the concept of the value creation model in e-business were to have considerable practical merit it could be proposed that **“the increased involvement of a company in any of the four value drivers results in its improved financial performance”**. To test this hypothesis it was necessary to develop adequate measures of elements of value creation model and competitive performance, which will be discussed in the subsequent section.

Research methodology

The data on characteristics of business models employed by internet companies were collected through CATI survey in August 2012. The interviewed respondents were the managers of Polish firms which were utilizing Internet as a distribution channel for retailing and services with the exception of major Internet portals, advertising and web design agencies, media brokers, telecommunications companies, banks, insurers and operators of large popular news and lifestyle portals. The exclusions were made on the assumption that those companies employed so unique and diverse value creation mechanisms that making meaningful comparisons among them might not have been possible based on survey data. The net sample of 150 units was drawn at random from a database of major internet companies compiled by the authors of the study from several available rankings and listings of various types of internet businesses operating in Poland. The final set of studied companies was made up in 57% of retailers and 43% of service providers, with 63% of them having sales of tangible products as the main revenue stream, 17.3% generating most incomes from sales of virtual products and 16% relying above all on proceeds from advertising. Around 25% of businesses generated more than half of their sales outside of the internet.

Since they are multidimensional and difficult for direct measuring, the four sources of value in the model could be thought of as constructs or latent variables and evaluated accordingly, with appropriate multi-item Likert scales. Building on existing works in management science, both conceptual and empirical, and drawing from their own experience the authors came up with 24 statements that were listed in the Table 1.

Table 1: The list of statements of the 7-point Likert scale used for measuring the four sources of value creation

<i>Value creation source: Novelty</i>
Only a few firms offer solutions similar to ours
In markets we operate in we are recognized as pioneers
By offering our solutions we shape needs or behaviors of customers
In large part customers choose our solutions for the sake of their innovativeness
Our solutions have been imitated by competitors
Our key business partners do not cooperate with our competitors
<i>Value creation source: Lock-in</i>
Resigning from our offer and changing to our competitors' brings about high switching costs to our customers, such as extra time, effort or financial expenses
It happens that customers are not fully satisfied with our offer but they stay with us due to switching costs
We provide our customers with personalized solutions
Most of our customers make use of our personalized solutions
We consider it important to maintain for as long as possible even these customers who are less profitable
Regular customers are rewarded through loyalty programs and other measures
We have implemented specific mechanisms for maintaining customers
Our key partners have strong impact on uniqueness of our offer for customers

An important criterion of selecting our business partners is enhancing our capacity for maintaining customers
<i>Value creation source: Complementarities</i>
Our offer is among the most comprehensive in the industry
Our firm has been systematically widening the extent of customer needs that we are able to satisfy
Our key partners have strong influence on how comprehensive our offer is
Our customers are choosing our offer for the attractiveness of the available complementary products
Customers try to use our solutions together to benefit from synergy effects
<i>Value creation source: Efficiency</i>
Our solutions allow customers to take advantage of savings in time and effort
Because of our solutions customers can solve their problems more easily
Internet grants customers more efficient access and use of our products than traditional channels
Our partners have significant contribution to savings in time and effort afforded customers by our offer

The original set of 24 individual variables was reduced with principal component analysis to a more manageable set of 8 composite variables representing various dimensions of the four theoretical constructs. Factor analysis also solved the problem of multicollinearity among variables which tends to inflate standard errors in modeling. The 8 components were then used as independent variables in regression modeling. Using factor loadings on individual variables for interpretation, the following components were isolated: (1) novelty: customer perspective, (2) novelty: competitors and business partners perspective, (3) lock-in: personalization, (4) lock-in: exit barriers, (5) lock-in: loyalty programs, (6) lock-in: cooperation with business partner, (7) complementarities, (8) efficiency.

As can be seen, the constructs Complementarities and Efficiency were represented by a single component variable each, while the construct Novelty had two independent dimensions. The most complex in structure was Lock-in which was made up of four apparently independent aspects. The components extracted with exploratory factor analysis allowed to retain about 60% of the original variance.

As an indicator of financial performance served the operational return on sales ratio obtained by dividing operational income from transactions on the internet by sales achieved on the internet. To increase item reply rate from survey participants, the variable did not have open-ended format but was categorized with four predetermined answer classes. To be usable in binary logistic regression the variable was dichotomized with the value of 0 denoting firms with operational returns on sales no greater than 20% (67.7% of the sample) and the value of 1 indicating the companies that had the ratio of more than 20% (33.3% of the sample). The split point of 20% was chosen to yield two groups with possibly comparable sizes – it transpired that any other merger of categories in original variable would result in more disproportionate subgroups.

To obtain the model with the best fit to the empirical data and possibly the best prognostic qualities it was decided to use binary logistic regression with backward elimination of predictors to exercise more control over the suppressor effect. The original set of independent

variables included 8 components representing various aspects of value creation model supplemented with several terms pertaining to different characteristics of the firms encompassing number of employees, percentage of sales from transactions on the internet, percentage of loyal customers, year of funding and year of starting operations on the internet.

Research results

The regression procedure finished at the 9th step, after eliminating 8 statistically insignificant candidates for predictors, resulting in the model with the following goodness-of-fit and pseudo R-Square measures (Table 2.)

Table 2: Goodness-of-fit measures for the outcome logistic regression model

Step	Chi-square	Sig.	-2 log-likelihood	Nagelkerke R Square
9	45.735	<0.001	145.219	.365

The overall model provides statistically significant improvement in predicting group membership of the companies (i.e. low versus high sales profitability) with error reduction of around 36.5% in comparison to the baseline solution containing only fixed term and no independent variables. The classification table contains a comparison of groupings of firms using regression equation and the baseline setting when all observations were assigned to the more numerous category of the dependent variable.

Table 3: Outcomes of classification of the participant firms into groups with low and high profitability using regression model and baseline knowledge of the dependent variable distribution

Observed			Expected		
			Operational ROS > 20%		Percentage Correct
			0	1	
Baseline classification	Operational 0	100	0	100.0	
	ROS> 20% 1	50	0	0.0	
	Overall Percentage			66.7	
Classification with the final model	Operational 0	86	14	86.0	
	ROS> 20% 1	23	27	54.0	
	Overall Percentage			75.3	

The classification table indicates that predicting group membership of companies with the logistic regression model results in 75.3% of correctly classified cases compared to 66.7% of rightly predicted memberships when all firms were considered to be low profitability (0). Thus, the model offers a considerable improvement in predicting capacity over baseline scenario and could be potentially useful for practical applications. The variables included in the model and their coefficients are shown in the Table 4.

Table 4: Variables included in the final iteration of logistic regression model, their coefficients and individual tests of significance.

	B	Standard Error	Wald	df	Sig.	Exp(B)
Complementarities	.603	.284	4.521	1	.033	1.828
Percentage of total revenue from internet transactions	.600	.263	5.222	1	.022	1.823
Number of employees	.940	.188	24.908	1	.000	2.559
Efficiency	-.636	.299	4.540	1	.033	.529
Constant	-5.229	1.212	18.611	1	.000	.005

The final regression equation contains 4 statistically significant predictor variables. Interestingly, out of 8 different aspects of the value creation model only 2 display sufficiently strong association with financial performance to be used along other variables in the regression function. Quite unexpectedly, the Efficiency variable remains in negative relationship with financial performance with higher scores on Efficiency diminishing odds of a company falling into higher profitability category by the factor of 0.529. Other variables with higher values tend to increase the odds of a firm being classified as highly profitable. The strongest factor here is the number of employees which with each progressing category on the scale increases the odds by more than twofold (2.559). Involvement in Complementarities and Percentage of Total Revenues from Internet Transactions seem to be equally important stimulants of profitability with similar impact on odds ratio of 1.8 following one unit increase on their respective scales with other factors remaining equal.

The above findings seem to give only limited support to the hypothesis of the study, as only one of four drivers comprising the Amit and Zott's value creation model in e-business (Complementarities) seems to be positively associated with financial performance of surveyed companies and another driver (Efficiency) exhibits what appears to be an inverse relationship.

Discussion

The lack of the two variables (Novelty, Lock-in) representing e-business value creation model in the regression may suggest that this concept could only have limited potential as a conceptual lens through which to explain success and failure of business models. One relevant caveat though could be the idiosyncratic features of the studied internet companies, which even though were representative for Poland, included mostly e-retailers and providers of rather uncomplicated services. It may well turn out that explanatory power of the value creation framework could be more potent if applied to analyze more complex business models, like those represented by the companies excluded from the sample.

The fact that Efficiency remained in negative relationships with operational ROS doesn't necessarily have to imply causal association. And even if cause-and-effect link did exist it is possible to propose at least two plausible explanations.

The companies which offerings allowed the consumers to solve their problems quickly, possibly also cheaply and reliably, may have had taller operational cost structures (for instance had to employ more staff or use more expensive network infrastructure) and consequently had to accept lower sales profitability. Such situation didn't have to entail weaker financial results and worse market position as only one metric was used to evaluate financial consequences of involvement in e-business, which is an apparent limitation of the study. It can be easily imagined that lower ROS ratio could be compensated by higher volume of sales to achieve higher profitability of the company.

Another explanation could lie in very intense competitive rivalry within the industries in which some companies had to operate. In such conditions advanced and comprehensive solutions increasing efficiency for customers could be forced upon a firm by strong pressure from rivals and as such could be a necessary measure to remain in the market and not a source of competitive advantage translating into increased mark-ups and profits. Unfortunately the data collected in the survey was not sufficient to assess the intensity of competitive struggle in each firm's market environment.

The substantial positive effect of Complementarities on financial performance could be linked to economies of scope which result in lower cost structure and higher unit profitability due to offering wide range of products addressing a group of related needs. The other partial explanation could be offered by considerable costs of customer acquisition in internet channels.

Among all significant predictors the strongest one was the company size as measured by the number of employees with larger firms tending to display higher levels of profitability. It may imply that certain economy of scale mechanisms could be responsible but the fact that the studied businesses operated in various markets, compounded by the lack of knowledge about their pertinent characteristics, makes such a conclusion debatable.

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Adapting to Survive: Facebook's introduction into the IMC Ecosystem

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Adapting to Survive: Facebook's introduction into the IMC Ecosystem

Abstract: The Facebook Page feature is designed to encourage businesses to engage with their customers directly and authentically but so far it is only used by a relatively small number of companies and its use has not yet attracted much academic interest. It is here proposed that in order to establish jurisdiction or test the tools of IMC for applicability to this emerging milieu of meaning and value co-creation we first need to ascertain what companies actually do vis-à-vis IMC theory.

This paper aims to offer a first glimpse of the novel realities that are emerging and the degree to which the world's largest and most reputable companies are adapting to them.

Keywords: *Integrated Marketing Communications, Facebook, content analysis*

On September 13 2012 the American Marketing Association posted the following Status Update on their Facebook Page: “As marketers in a digital world, we are learning that there is no longer a status quo - only a process of change. Click "LIKE" if you agree with Mr. Charles Darwin's quote below [next to his photograph holding his right index finger to his lips].”

*It is not the strongest of the species that survives,
nor the most intelligent that survives.*

*It is the one most **adaptable** to change*

The Post was Shared by 181, Liked by 350 and Commented on by 11 people in the seven hours after it was posted and seven months later, and despite being several scrolls down the Timeline, it is still generating buzz and is spreading around the world through Shares (on 12/4 there were 324 Shares and 478 Likes, and 16 Comments). Does it really matter how a few hundred people relate to a message from their professional body? The answer lies in that it is actually 2% of the AMA Facebook Fan base that were not just reached but meaningfully engaged with both the organization and the communication. Which marcoms would have achieved a ROI and length of buzz trail comparable to that of this simple action which took one person no more than a few minutes to plan, execute and launch?

The Facebook Page feature is envisaged to “encourage businesses to engage with their customers directly and authentically” (Facebook Inc., 2012, p. 80) and thus help them go past informing, persuading and inducing action (Shimp, 2007) by bundling promotional mix elements (Kitchen, Brignell, Li, & Jones, 2004) in order to realize the “one vision, one voice” dream (Barnett, Jermier, & Lafferty, 2006, p. 31) that will help “to create relationships, rather than simply persuading potential buyers or building brands” (Hutton, 1996, p. 191).

Whith the markets for goods and services dizzyingly oscillating between real and virtual, Darwin’s observation is more pertinent than ever for the global economy, economic entities and the people whose livelihoods depend on them.

1. The practicalities of Introducing Facebook into the IMC Ecosystem

The pre-Web 2.0 IMC ecosystem, typified by audience fragmentation (Schultz & Patti, 2009) over disparate media, largely reflected the patterns of B2C interactions over traditional media. Nowadays, almost half (Facebook, 2012) of the 2.2 billion internet users in the world (The Internet Big Picture, 2012) are interconnected on, Facebook, the largest market place cum playground ever. Yet only 4,000,000 businesses have joined them.

Facebook poses a severe threat to the other IMC ecosystem species as consumers multi-task and media mesh at exponentially increasing rates thus pushing other media to the background (Luck & Mathews, 2010). However, one third of the 44% of consumers who visited Facebook during television commercials were looking for information and deals related to the ad they were watching. Thus, marcoms are faced with the paradox of a cannibal that simultaneously devours expensive promotional activities *and* enhances them.

The function and the effect of the message also changes dramatically on Facebook. In the time of television-mediated strictly parasocial interactions between passive audiences and media figures (Giles, 2002), gaining admiration (Immordino-Yang, McColl, Damasio, & Damasio, 2009) of the audience was a matter of effectively displaying ‘virtuous behavior’ (such as charitable donations) through PR and ‘virtuosic skill’ (the superiority of products, for example) through advertising. In both cases, the format, content and outlets for the messages were chosen by the corporations and delivered in a loud stream of monologues. On Facebook user generated content is added and Shared thus distorting the message and redirecting its flow from the safety of the parasocial to the chaos of the social and potentially personal. Even companies that do not have a Facebook Fan Page might unwittingly participate in the co-

creation of meanings around corporate communications they launched on other media sometimes even decades ago, as users bring them into Facebook and spread them embellished with their Comments to unintended audiences.

It appears that marcoms and the professionals serving them are in “a kind of twilight zone” not only “struggling to adapt” but also seeking “a new professional identity in relation to the changes” (Toledano, 2010, p. 235).

2. Review of the Academic Literature on Marketing Communications on Facebook

A review of 10 years of research on Social Media (Khang, Ki, & Ye, 2012, p. 281) only found “anecdotal evidence” that they “inspired paradigm shifts” or that have caused a revolution of a magnitude comparable to the industrial revolution as it will be the death of companies that do not understand them (Hanna, Rohm, & Crittenden, 2011; Smith & Zook, 2011). The extant literature is either discursive (Mulhern, 2009) or prescriptive (Champoux, Durgee, & McGlynn, 2012; Goetz & Barger, 2008; Hanna, et al., 2011; Kietzmann, Hermkens, McCarthy, & Silvestre, 2011; Mangold & Faulds, 2009; Miller & Lammas, 2010; Uzunoğlu & Öksüz, 2012). Companies have repeatedly been admonished to include Facebook in developing and executing IMC strategies (Hanna, et al., 2011; Mangold & Faulds, 2009; Uzunoğlu & Öksüz, 2012) but so far there is no indication of how much they have heeded the advice.

Indeed, of the seven empirical studies related to marcoms on Facebook two adopted a consumer behavior perspective (Browne, Clements, Harris, & Baxter, 2009; Stephen & Galak, 2012) and five examined communication management issues such as cross-cultural comparisons of appeals (Tsai & Men, 2012), handling negative comments (DeKay, 2012) and use of dialogic strategies (Bortree & Seltzer, 2009; Waters, Burnett, Lamm, & Lucas, 2009). The common finding of all is that organizations fail to perform basic IMC functions (as expressed in Mulhern, 2009).

Of the seven ‘rules of the road’ for successful Facebook presence (Goetz & Barger, 2008) searchability and transparency were considered prerequisites for the rest as well as prime indicators of the degree to which Facebook is really integrated with other electronic media and are hereby explored.

3. Data Collection Procedures, Analysis and Key Findings

As we were seeking to establish a benchmark of Facebook’s introduction to the IMC ecosystem we chose the Top 50 of the World’s Most Admired Companies (CNN Money, 2012) and the 32 rated as at least Good in the RQ® (Harris Interactive, 2012) because they are the most globally visible possible and have virtually no marketing resource constraints. As most featured in both lists and one did not have a Facebook Page a total of 58 companies were studied. Data was collected and coded between 24 and 30 August 2012 using a strict ‘clicking’ protocol and manual coding (Krippendorff, 2004).

All but one company (Facebook) had corporate web-sites but almost half of them had no mention of their Facebook Page on the front page of their website. A total of 45 company web-sites had a dedicated ‘Contact us’ section or page but 35 of them did not mention Facebook at all so, in effect, 86% of the companies in the sample invited consumers to visit their offices, write to them, phone or fax them, but failed show them the way to become their Friends by joining their official page. For six of them, Apple, Berkshire Hathaway, SC

Johnson, Toyota Motor, Exxon Mobil and Honda Motor, this is a dangerous omission as consumers could land on hostile pages bearing their names instead of their official ones.

One could argue that 700 people Liking what they think is the official Berkshire Hathaway Page is really not a big issue for the 15th largest company in the world. For Toyota, however, 4,000 consumers Liking the unofficial Page that came up first in the search created a corporate identity problem as it features a plausible enough synthesis of the Toyota and Lexus logos which conveys the one impression that Toyota strives to avoid: that a Lexus is nothing more than a pricey Corolla. For Apple, the problem was indisputably serious. The unofficial Apple Inc. Page that came up first had managed to attract 7,208,597 Likes, 1.5million more than the official one. Most importantly, it hosted 38,378 posts which increased by about 10 per hour. The Page was monitored for one hour during which six strongly negative content items were Posted and Liked and Commented on by 15 people of varying ages and backgrounds in 10 countries. The original comments and the responses were automatically posted on the 14,000 Walls of the original Posters' Facebook Friends and the Newsfeed of the over 7,000,000 people who have Liked the Page. The viral performance of the Posts can be measured using algorithms (Bampo, Ewing, Mather, Stewart, & Wallace, 2008; Ugander, Karrer, Backstrom, & Marlow, 2011; Viswanath, Mislove, Cha, & Gummadi, 2009); the damage to Apple's corporate reputation is incalculable.

Managing traffic is problematic for the majority (54% $n=28$) of corporations who had neglected to clarify that their Page was indeed an official one.

Only three companies disclosed the identity of the Page administrators and the rest ailed to personalize the customer experience. One provided their full names in the short text under the logo on the Front Page (IBM) but no other information about what their role in the organization was and two really added the human dimension necessary for meaningful engagement and the development of a Friendship. Kraft featured a special button called 'Our Team' on the Front Page which actually revealed two teams, the 36 featured food experts with whom users can have Facebook chats and the three members of the Facebook team. All team members were identified by their photo, first name and a favorite quote which was about food, the common interest of the corporation and the consumer. Coca-Cola had a 'Page Creators' button with a photo of both of them behind a laptop screen showing the Facebook Page which opened a page with Videos, a brief story about their relationship with Coca Cola and a Link to their joint Facebook Page in a frame within the Coca Cola Page.

4. Discussion and Conclusions

Facebook, the Cannibal of IMC efforts is not *ante portas* anymore; it is a citizen of the realm and here to stay. However, it appears that businesses have not yet heeded the academics' advice and are far from actually fulfilling Darwin's criterion for survival. So far, we only have a fragmented view and very limited understanding of the reality of corporate communications on Facebook. It is here proposed that, in order to establish professional jurisdiction or test the tools of IMC for applicability to the emerging milieu of meaning and value co-creation, we first need to ascertain what companies actually do (or to be precise, what they actually have not even started doing). This paper has contributed a first glimpse of the novel realities that are emerging.

The world's largest and most visible companies have entered the world of Facebook but most of them have yet to fully integrate it in their marketing communications mix. When the corporations did actually decide to jump on the bandwagon, most of them seemed to do it in a manner consistent with practices of the world they knew well rather than the one they were supposed to be even tentatively exploring. Facebook is not, in most cases, integrated with

their other domains. The consumer is left unaided to search for sources of information on the company instead of being guided from one medium to the next with one 'click' and no effort or risk of landing on the wrong Page. Thus, the opportunity to spread the invaluable (but obviously still elusive) "one vision, one voice" (Barnett, et al., 2006, p. 31) is eschewed by most companies. Moreover, the effect of customers looking for an opportunity to interact with the company they admire and stumbling on a 'mediated crowd' of haters can be detrimental to the C2B relationship as well as, in the long run to corporate reputation and brand equity.

Finally, even companies that pride themselves on their innovativeness and being at the forefront, if not at the root, of the digital revolution are missing valuable opportunities to personalize the customer experience and provide the fun element and the 'human touch' that were found to reduce negativity in the users' comments (Dekay, 2012) and thus increase customer perceptions of co-created value.

This study is but a snapshot. By the time you read this a lot might have changed, including the functionalities of the Facebook platform itself. The unofficial Toyota page is still there but does not come up first but the unofficial Apple Page has earned another 1.7 million Likes through hosting tirades. This study is also a brief description of basic practices regarding ease of access and transparency – the conditions necessary for an exchange based on a modicum of trust. As such it is a solid basis for the detailed observation of the messages for relevance and currency which are necessary conditions for interaction.

Further to describing traffic management practices, for IMC success to be established, the content and format of corporate messages must be analyzed, semiotic and dialogic strategies and practices must also be mapped and consumer responses have to be examined in order to assess the degree of relevance to themselves Facebook users perceive the communications to have. From the analysis of the interactions and their viral reach and trail the value of the potential relationship to both parties can be established. Content analysis needs to be enhanced with netnographic techniques (Kozinets, 2010) to establish the degree to which core IMC principles such as consumer insight, cross-media integration and meaningful engagement of multiple stakeholders lead to generating the return visits and sustained dialogic loop necessary for creating and maintaining profitable long term customer relationships that will turn Friends to advocates. This would be the true test of adaptability to the demands and nature of newest major addition to the IMC ecosystem that will determine corporate survival potential.

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Supplier adaptation in business relationships: does power matter?

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Supplier adaptation in business relationships: does power matter?

Abstract:

One of the dimensions of relationship atmosphere is power and dependency that results in a non-symmetric nature of the relationship. Since each relationship is characterised by some imbalance, adaptation is classified as a major relationship process. The aim of the paper is to answer the question: what is the adaptation like when customer's position is not dominant? The conducted research shows that the highest adaptation is registered in a technical area and the lowest – in finance. Research also confirmed that a strong position in the relationship can make the other partner to adapt or the unwillingness to adapt, when adaptation is not necessary.

Keywords: power, dependency, adaptation, relationships, business-to-business, construction industry

1. Introduction¹

The business-to-business marketing literature leads one to the conclusion that relationship atmosphere is a key or central factor in developing the relationship between companies and in shaping the characteristics of that relationship over time. One of the dimensions proposed by IMP Group (2009) of relationship atmosphere is power and dependency that results in a non-symmetric nature of the relationship. Since each relationship is characterised by some imbalance, adaptation is classified as a major relationship process.

The paper describes the phenomenon of power in business relationships as exemplified by construction industry. Thompson, Cox and Aderson (1998) claim that market-based interactions in construction industry are standard, and little attention is paid to relationship development. Constructing companies are often accused of taking on a short-term perspective, refusing to introduce innovations (Dubois & Gadde, 2002). On the whole, these companies are not convinced that they should develop long-term supplier-customer relationships thus they do not make use of their potential (Anvuur & Kumaraswamy, 2007). According to Signetzki (2012), a similar situation is taking place in Poland – construction industry representatives are mainly focused on transaction. The relationships that they make last mainly for the duration of a particular project and the subcontractors are usually dependent on their customer (investor, general contractor), who is usually in stronger position, so he or she expects their partners to adapt to his or her needs.

It can be inferred from the remarks presented above that companies operating in construction industry are customer-oriented and are able to fit in with their customer's needs, if the customer imposes his or her own solutions and forces a particular company to take action that will bring him or her benefits. Therefore one question seems to be valid here: what is the adaptation like when customer's position is not dominant? This paper is divided into four sections; the first revises the literature on business adaptation, power and dependence in relations. The second describes research outlines, whereas the third part discusses research conducted into construction companies. The last section contains conclusions.

2. Nature and motives of business-to-business adaptation

Adaptation in the relationship between companies means introducing changes at the individual, group or corporate level in order to meet the expectations of another company, taking into account new circumstances (Brennan, Turnbull, & Wilson, 2003). Hallén and Sandström (1991) distinguish unilateral adaptation in the relationships of asymmetrical dependence or reciprocal adaptation in the relationships based on trust. Johanson and Mattson (1987) make a distinction between five different kinds of adaptation: technical, logistical, administrative, knowledge-sharing and financial. There are two trends in management concerning the reasons for adaptation: active and reactive. The former stems from the contingency theory, which says that it is possible to optimise efficiency by matching strategic assumptions and action with conditions specific for a particular environment, including relations with customers (Donaldson, 2006). That means that adaptation in a relationship with the customer results from a decision regarding market orientation taken by a particular company. Studies reveal a variety of internal reasons for making adaptations: companies decide to adapt in order to increase sales and reduce costs (Hagberg-Andersson, 2006), to meet the expectations of customers occurring at the end of the value chain (Schmidt, Tyler, & Brennan, 2007) and to improve the relationships between companies and benefit from the relationship (Ford, Gadde, Hakansson, & Snehota, 2003).

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According to the latter approach, adaptation is reactive and is a response to what is happening in a particular relationship. Brennan and Turnbull (1999) link the adaptive behavior with the level of trust and antagonism in the relationship. With higher trust and lower antagonism, the parties are more likely to consider the effort of adaptation "worthwhile". It appears that opportunism and enforcement of dominant position become strong external motivators. If possible, companies tend to achieve their own goals by imposing their will on others in order to gain access to the necessary resources. This concept derives from the resource dependence theory (Pfeffer & Salancik, 2003) and explains both motivating factors to adapt, and the ones opposing it. Adaptation is not a consequence of independent decisions regarding goals and strategies, but rather the partner's power or dependency on other's resources.

In construction industry adaptations require time and greater certainty that the invested effort will bring the expected result. Adaptations generate more dependence among the relationship's entities, which is why construction companies avoid adapting to a single customer. They appreciate the benefits from avoiding dependence and not having to adapt to a particular customer (Love, Li, & Mandal, 1999). The necessity of adaptation raises concerns about levels of dependence of the supplier and customer and a potential lack of flexibility. Therefore construction companies consider standardisation to be more effective than customisation (Sundquist, Hulthen, & Gadde, 2012).

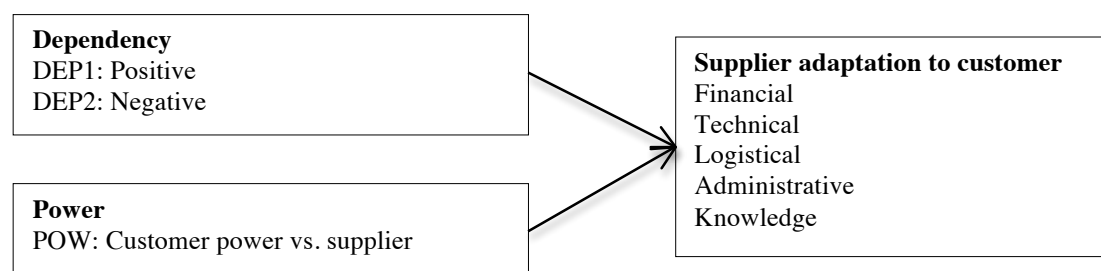
3. Power and dependence

Power and dependency can be perceived as two extremes on one continuum. Pfeffer and Salancik (2003) suggest that organisations respond to the demands of the ones controlling critical resources. In any business relationship the balance of power and the degree of dependence or interdependence will help shape the atmosphere of the exchange process and the relationship. Anderson and Narus (1999) see power as the ability to get the partner to undertake activities that the partner organisation would not do on its own. Henneberg, Mouzas, and Naudé (2006) state that the degree of power between the companies in a network is important as it indicates the extent to which they are dependent or independent on others in the network. Power can be discussed in terms of actors' perceived dependence or independence in relation to other actors within the network of relationships as well as in terms of strength of the relationships. The perceived balance of power is what becomes important, since it is not the use/exercise of the power within the relationship but the knowledge that it exists, which can change the actions of the parties (Sutton-Brady, 2000). The relative dependence between the parties in the relationship determines their relative power. The dependence in business relationships may result from several factors – both positive (DEP1): the profitability of cooperation and obtaining exceptional benefits and negative (DEP2): the lack of alternatives (suppliers or customers), the extent of loss after terminating a relationship. Research carried out so far shows that power and independence are not spread equally in supplier-buyer relationships. The supplier is in weaker position than his or her customer, and the customer uses his or her power. For this reason suppliers adapt to their customers and the reverse seldom occurs. Schmidt et al. show that suppliers tend to adapt more often and in bigger scale, while adaptation on the customer's side are rare (Schmidt et al., 2007). Those responsible for purchasing have a claimable approach to adjustment, believing that suppliers are responsible for compatibility in relationships (Leszczyński, 2012). It is exemplified by the European construction market, where it is difficult to develop long-term relationships with customers. Following from this, adversarial arms-length relationships are common (Crespin-Mazet & Portier, 2010). Similarly, in Poland, the concept of relationship marketing is very limited in construction industry, in which companies tend to adopt mainly opportunistic approaches. However, it is often the case that the stronger partner imposes his or her own behaviours and attitudes on the supplier (Signetzki, 2012).

4. Power/dependency impact on adaptation

According to marketing principles, a customer's needs and expectations should be the centre of attention of his or her supplier, which means that adaptation in the relation with the customer stems from the supplier's assumptions. However, such a situation may not often be the case considering the features of the industry described earlier. Since buyers in construction industry often tend to use power and relations to attain their goals, it may be considered standard that the strong customer forces his or her supplier to take action beneficial for the customer. However, it has not been identified yet how a supplier behaves when his or her customer's power and dependence on the supplier is not big. To what extent can one say about a marketing orientation that translates into adaptation to a customer's needs? On the other hand, the occurrence of adaptation in relations, which are not based on a supplier's dependence, would show a strategic approach to the nature of marketing. For this reason we assume that dependence and power in relations is an independent variable, whereas adaptation is a dependent one. In order to operationalize adaptation, we used dimensions specified by Johanson and Mattsson (1987). As for dependency, we used the scale proposed by Marchington and Vincent (2004) and when it comes to power, we considered elements of the scale tested by Fiske and Haslam (2005).

Picture 1. Research scheme



5. Research outline

The study focuses on supplier-customer relationships. As in most business-to-business cases, in which it is a supplier who adjusts to a buyer's needs, we adopt a sales manager perspective on relationship in our research. In a survey method, the sales manager was asked to respond regarding a specific key customer, in order to avoid too general considerations. We asked sales managers to choose a key customer, assuming that such a relationship could be seen as important enough to trigger adaptation by the supplier (Gosselin & Bauwen, 2006). To collect data, we prepared a questionnaire, which included questions about adaptation activities, level of dependency and details of the examined companies. Data was collected during the Budma 2013 trade fair show – the biggest Central and Eastern European event in construction industry. 734 trade fair exhibitors took part in the drop and collect survey. The final sample consisted of 286 returned questionnaires with a response rate of 39.3%. The test group consisted of key account managers, sales managers and trading directors. Respondents can be described as experienced, as half of them have been in work for 8 or more years. Half of the companies dealt with commerce, while one third dealt with manufacturing. The majority of the examined companies represented SME (Me=30 persons).

6. Data analysis and results

First, we assessed the reliability of the DEP1, DEP2 and POW (α -Cronbach: 0.61, 0.79, 0.83). Basing on the DEP1, DEP2 and POW indexes, the sample was divided into three clusters (cluster analysis, grouping, clustering by k-means). The clusters were compared according to

the number of employees (test t , $p < 0,05$) and business profile (U-Mann-Whitney test, $p < 0,05$). In both cases there were no significant differences (Table 1). We also examined whether clusters differed from each other in respect to adaptive activities. As a result, the profile of adaptation level in each segment was identified. Then the adaptation levels were compared to verify the hypothesis (Table 2).

Table 1. Characteristics of clusters

clusters		A	B	C
no. of companies		59	93	103
% of sample		23.1%	36.5%	40.4%
DEP1		4.40	3.92	3.70
DEP2		2.15	4.53	3.04
POW		4.18	3.42	3.20
adaptation	financial	4.21	3.77	3.71
	technical	4.34	4.19	4.01
	logistical	4.25	4.10	3.85
	administrative	4.21	3.87	3.70
	knowledge	4.35	4.09	3.78

Group A includes respondents claiming that their companies were dependent on their key customer to a large extent, which was related to benefits obtained from this relationship (DEP1), but they also showed little concern about the consequences of losing the dependence (DEP2). Respondents in the segment declared the greatest power of their key customer (POW). It is the relationships of these companies that are described in literature on relations in construction industry. These are relationships with stronger customers on whom suppliers depend and to whose needs they adapt in all researched areas. As declared by two other groups of respondents, relationships with key customers were different from what could be gathered from the literature review. Group B has companies with relationships based on considerable dependence on their key customer resulting mainly from their concerns of losing the customer (DEP2). The concern was stronger than in the other groups. Despite the concerns, however, the level of adaptation in the relationship was relatively low. Group C comprises those who declared the average degree of their dependence on the key customer (DEP1, DEP2) and they claimed that the customer's power is average, too (POW). The Group included respondents with a lower degree of dependence than those in Group A. They thought the key customer's power was lower and they showed a lower degree of adaptation to his or her needs. Analysis showed a higher level of adaptation in Group A than Group B in all studied areas. When we compare the extent of adaptation of companies in Group A from those in Group C, we can observe a lower degree of adaptation in Group C only in "soft" areas (knowledge, administration) and finance.

Table 2. Comparison of adaptation in clusters

adaptation	comparison of clusters	
	C vs. A	B vs. A
financial	C < A*	B < A*
technical	no differences	B < A*
logistical	no differences	B < A*
administrative	C < A*	B < A*
knowledge	C < A*	B < A*

significance at $p < 0.5$

7. Conclusions

Research shows that regardless of the characteristics of the analysed relations features (DEP, POW) in three groups of companies, the highest adaptation is registered in a technical area and the lowest – in finance. This stands in contrast with the dominance of standardisation in construction industry as portrayed in the literature. Research shows that companies operating in the industry in Poland have low margins and because of payment backlogs they are less flexible as for financial adaptation. The situation of Group A companies, whose relationships with key customers base on dependency and power and which simultaneously have a high degree of adaptation can be treated as the one that we expected to obtain as a result of research into construction industry. At least this is how the situation is presented in the literature. It turns out, however, that the group is relatively small in number in the studied sample. Group A companies adapt to their customers' needs and expectations to a large degree, but there may be doubts whether this stems from a marketing orientation or solely from the imbalance of power between a supplier and his or her customer.

The other 75% of respondents believed that their relationship was not characterised by the dominant position of their key customer (DEP1, DEP2), which was accompanied by smaller adaptation. This can confirm that a strong position in the relationship can make the other partner to adapt or the unwillingness to adapt, when adaptation is not necessary.

The situation in Group B deserves particular attention. The respondents mentioned a high degree of dependence on their key customer, which in that case resulted from the fear of losing him or her (DEP2). Despite the situation in the group the level of adaptation in all areas was lower than in Group A. This bears out suggestions by Love et al. (1999), who shows that standardisation is a more common strategy than customisation in construction industry. Our research shows that construction industry buyers may make their suppliers adapt to their requirements thus building their strong position in the eyes of the supplier and showing benefits from the cooperation. However, when the supplier is afraid of losing his or her customer, and the customer is not perceived as strong, adaptation will be smaller.

8. Limitations

Research was carried out during a fair. Fair exhibitors are mostly innovative companies in good financial condition (participation in the fair is associated with considerable expenses). One can assume that companies taking part in the trade fairs, as exhibitors are not representative for the whole branch. Respondents answered questions regarding a relationship with their key customer. We decided on this research method, because it was difficult to collect data on relationships with various customers using a quantitative survey method. Extending the study to include other customers could contribute to a deeper understanding of the essence of relations in the construction market. On the other hand, the notion of "key customer" could be operationalized in detail. The perception of the key customer may in fact have multiple dimensions. We are aware that it can restrict the result received from the research.

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