2006 AMA Educators' Proceedings

Enhancing Knowledge Development in Marketing

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Preface and Acknowledgments

Chicago, the home of AMA, was the location for the 2006 AMA Summer Educators' Conference. We were happy to present an exciting program that produced stimulating discussion among attendees. The conference's theme, "Benchmarking Marketing's Future," encouraged participants to benchmark prior research and to discuss new and exciting avenues to pursue. The competitive paper sessions and numerous special sessions generated by the Special Interest Groups (SIGs), tracks, and conference chairs helped ensure a wonderful program.

Organizing a conference with 80 sessions, featuring participants from all over the world, is a challenging task, and many people assisted with this process. We thank the people who submitted papers and developed special sessions. This year, we had a record number of competitive paper submissions. We also acknowledge the hundreds of individuals who reviewed the papers and helped shape the program. In addition, the presenters, discussants, and session chairs involved in the competitive and special sessions were essential to the conference's smooth execution. The SIGs assumed an active role in developing sessions. Finally, we recognize Ken Evans, Bill Cron, and Pam Ellen, who served on our "Blue Ribbon Panel" to select the Best Paper in the conference.

Anyone who has worked closely with an AMA Educators' Conference knows that the behind-the-scenes efforts of the track chairs make a conference successful. The track chairs and co-chairs did a wonderful job encouraging submissions, coordinating the review process, and developing the sessions. We thank them for their tireless efforts. By track, these people are as follows:

Consumer Behavior	Anne L. Roggeveen, Babson College Michael Tsiros, University of Miami
Global and Cross-Cultural Marketing	Gopalkrishnan Iyer, Florida Atlantic University David A. Griffith, Michigan State University
Public Policy and Ethical Issues	Catharine M. Curran-Kelly, Univ. of Massachusetts Dartmouth John P. Workman Jr., Creighton University
Marketing Communications and Branding	Karen Machleit, University of Cincinnati Andrea Dixon, University of Cincinnati
E-Commerce and Technology	Balaji Krishnan, University of Memphis Abhijit Biswas, Wayne State University
New Product Development, Product Management, and Entrepreneurship	Gloria Barczak, Northeastern University
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Retailing and Pricing	Joan Lindsey-Mullikin, Babson College Larry D. Compeau, Clarkson University
Marketing Education and Teaching Innovation	Elise "Pookie" Truly Sautter, New Mexico State University
SIG Session Coordinator	Ellen Bolman Pullins, University of Toledo

We thank Kenneth Evans, the AMA Academic Council president, for asking us to chair the conference and for his encouragement and support. We also acknowledge the previous conference chairs, Beth Walker and Mark Houston, for their help and insights. The AMA staff also deserves special recognition: Clara Nelson, Chris Leporini, Lynn Brown, Francesca V. Cooley, and Pat Goodrich. Finally, we thank Morgan Wolters, Babson College, for her help in coordinating all aspects of the conference. We were honored to serve as co-chairs for the conference and co-editors of the proceedings. We hope that you enjoy the conference and the proceedings.

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Babson College

Michael Levy
Babson College

R. Krishman
University of Miami

Best Papers by Track

Overall Winner

Best Paper in Conference

"Building Loyalty by Sponsoring Virtual Peer-to-Peer Problem Solving (P3) Communities"

Charla Mathwick, Portland State University

Channels of Distribution, Supply Chain Management, Business-to-Business Marketing, and Interorganizational Issues

"Managing Relationship Stability in Joint Ventures"

Mert Tokman, University of Alabama
George D. Deitz, University of Memphis
R. Glenn Richey, University of Alabama
Robert M. Morgan, University of Alabama

Marketing Strategy and Marketing Management

"The Symbiosis of Marketing and Sales: A Taxonomy"

Christian Homburg, University of Mannheim
Ove Jensen, University of Mannheim

New Product Development, Product Management, and Entrepreneurship

"Development: The Role of Anticipated Regret"

Kumar Sarangee, University of Illinois at Urbana–Champaign
Jeffrey B. Schmidt, University of Oklahoma

Retail and Pricing

"Impact of Price Sensitivity and Relative Value Advantage on Optimal Brand Price Under Competition"

Amiya Basu, Syracuse University
Tridib Mazumdar, Syracuse University
S.P. Raj, Cornell University

Consumer Behavior

"Wearing Their Hearts on the Sleeves: The Ethics and Aesthetics of Conspicuously Alternative Consumers"

Caroline Graham Austin, Mercer University

E-Commerce and Technology

"Building Loyalty by Sponsoring Virtual Peer-to-Peer Problem Solving (P3) Communities"

Charla Mathwick, Portland State University

Global and Cross-Cultural Marketing

"The Implications of Social Capital and Resource Exchange for International Relationship Continuity in Export Channels"

Jennifer L. Nevins, Appalachian Sate University
R. Bruce Money, Brigham Young University

Marketing Communications and Branding

"Can Consumers Add Value to Marketing Communications? An Intellectual Capital Approach to Study Online Consumer Interaction"

Fiona Sussan, George Mason University

Marketing Education and Teaching Innovation

"Achievement Goals, Self-Efficacy, and Class Size as Antecedents of University Students' Academic Performance: An Empirical Analysis"

Pedro Fenollar, University of Murcia, Spain
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Services Marketing

"Creating Complaint Satisfaction in Personal Complaint Handling Encounters: An Exploratory Study of Two Laddering Techniques

Thorsten Gruber, University of Birmingham
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THE INFLUENCE OF BODY ESTEEM AND BODY IMAGE ACTUAL-TO-IDEALS COMPARISON ON INTENTIONS TO PURCHASE APPAREL ONLINE

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SUMMARY

Our study focuses on two factors – body esteem and body image actual-to-ideals comparison – which past research has linked conceptually and empirically to consumer purchase decisions. Body esteem is a deeply-held generalized like or dislike of one's body, which is related to but conceptually distinct from self-esteem, and which is manifest in an individual's positive or negative feelings toward different aspects of his or her body. Body image actual-to-ideals comparison (BIAIC) is the discrepancy between perceived aspects of personal appearance (e.g., hair texture and thickness, facial features, weight) and internalized standards for those areas of personal appearance, adjusted for the importance of those standards. Body image is the conceptual representation or frame that people hold of different aspects of the physical self. Standards for different areas of physical appearance vary across individuals. Moreover, people can in general feel good about their bodies and at the same time hold mental representations of the self and internalized standards that are highly discrepant. Alternatively, individuals may not like their bodies but not have specific areas where discrepancies between personal appearance and internalized standards are salient. Using a large-scale national sample and online survey methods, we examine the influence of body esteem and BIAIC on consumers' intentions to purchase apparel on the Internet, mediated by involvement with apparel and overall concern with fit. Structural equation modeling is used to test the expected relationships on purchase intentions, and to control for extraneous factors such as past Internet experience and past on and offline purchases of apparel. We find that body esteem influences both body image actual-to-ideals comparison (BIAIC) and involvement with apparel. BIAIC, in turn, influences involvement with apparel and concern with fit for low body esteem consumers, but has no influence in high body esteem consumers. We also find that it is only for low body esteem consumers that concern with fit has a significant negative influence on the proportion of all intended purchases of apparel that are made on the Internet, after controlling for past purchases of apparel and the consumers' level of experience with the Internet. We find that even after consumers have accrued significant experience with Internet purchases of apparel, those with low body esteem and the resulting concern with physical appearance relative to internalized standards display higher involvement with apparel and concern with fit and lower intentions to purchase apparel on the Internet.

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OPINION LEADERSHIP AND SEEKING BEHAVIORS IN THE ONLINE AND OFFLINE ENVIRONMENTS: CENTERED ON KOREAN DIGITAL CAMERA BRAND COMMUNITIES

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ABSTRACT

In extending the perspective of opinion leadership and seeking to the online environment, this study showed that there were consistent patterns of opinion leadership and seeking behaviors between the online and offline environments. The study also demonstrated that some psychological characteristics would be significant predictors for online opinion leadership.

INTRODUCTION

In the best-selling book, *Purple Cow*, Seth Godin (2003) dwells on the role of "sneezers" – the core spreading agents of ideas in the marketplace. He emphasizes that identifying and attracting the attention of these sneezers is vital for marketers who are eager to get their ideas to the critical masses. The term "sneezer" is none other than a different name for opinion leader. Stern and Gould (1988) describe a consumer opinion leader as a person who informally influences the attitudes or behaviors of other people by means of word-of-mouth communication. Since opinion leaders do not represent commercial interests, the followers view the opinion leaders' advice or information about products and services to be more credible and persuasive than either mass advertising or a maker's personal sales forces. Since they influence others' search, purchase and use of products and services by directly giving recommendations and verbal directions, opinion leaders are critical to the success of new products (Goldsmith and De Witt 2003).

Because of its important role, opinion leadership has long been delved into by marketers as well as social communication researchers. Nevertheless, opinion leadership in the online environment remains a relatively untouched issue. Considering the social changes facing us, we who spend a lot of time on the Internet depend heavily on it for information and can even become socially connected through it. The issue of opinion leadership in the online environment deserves further investigation. With regards to this, numerous questions are aroused such as whether opinion leaders in the offline environment will also work as leaders in the online environment; if differences exist between opinion leadership in the online and offline environments how we can detect online opinion leaders; whether there are any different characteristics between opinion leaders in the online and offline environment; how communication between opinion leaders and their followers differ between the online and offline environment.

The present paper is a part of the efforts to answer some of these questions. It is aimed at extending established opinion leadership studies to the online environment and finding similarities or differences in online and offline contexts. Moving a step further, the current study also sheds light on the properties of opinion seeking, which has had little attention despite its importance in consumer pre-purchase information gathering (Claxton, Fry, and Portis 1974). Specifically, this study addresses the following questions: (1) Do opinion leaders and seekers in the offline environment show consistent behaviors in the online environment? (2) Are the properties that differentiate opinion leaders in the offline environment also valid in the online environment?

For this purpose, the present paper examined opinion leadership and seeking level in online brand communities. Muniz and O'Guiin (2001) define a brand community as "a specialized, non-geographically bound community, based on a structured set of social relationships among admirers of a brand" (p. 412). "These communities are mostly likely to form around brands with a strong image, a rich and lengthy history, and threatening competition" and "things that are publicly consumed may stand a better chance of producing communities than those consumed in private" (Muniz and O'Guiin 2001, p. 415).

From the marketers' side, brand communities create an excellent marketing tool by "connecting the brand site and the social aptitude of community participants" (Williams 2000, p. 45). Brand communities also work as an important information resource for consumers. The participants of brand communities are involved in the process of creating and consuming information, thus playing a part in distributing information about products and services in the marketplaces. In addition, in brand communities new products often become the topic of the members' communication. Therefore, in the process of communicating and adopting the new products, the members of brand communities come to play a role of *opinion leaders* among peer consumers (Oh and Kim 2004). At the same time, it is also assumed that there will be core opinion leaders within brand communities who influence other members' opinions (Huh 2002). Therefore, exploring opinion leadership and seeking behavior patterns in online brand communities and comparing them with the patterns in the offline environment may provide an opportunity for better understanding of opinion leadership and seeking.

Against this backdrop, after reviewing the literature on opinion leadership and seeking, as well as online brand communities, this paper will establish hypotheses, and propose a research design to examine them. The findings and discussions will be followed along with the implications of the findings, limitations, and some suggestions for future research.

LITERATURE REVIEW

Opinion Leadership and Seeking

Rogers (2003) defines opinion leadership as the "degree to which an individual is able informally to influence other individuals' attitudes or overt behavior in a desired way with relative frequency" (p. 300). And Rogers and Cartano (1962) define opinion leaders as "individuals who exert an unequal amount of influence on the decisions of others . . . those individuals from whom others seek advice and information" (p. 435). Rogers (2003) claims that opinion leaders serve as the external linkage delivering new ideas from the outside to their system. They may obtain the news ideas via mass media channels, by their cosmopoliteness, or by contact with change agents. They are socially accessible, which is indicated by greater social participation, and have higher socioeconomic status than their followers. He considers opinion leadership to be earned and maintained by their social accessibility, technical competence, and conformity to system norms (Rogers 2003).

Several hundred opinion leadership studies have attempted to identify the characteristics of opinion leaders in terms of demographic and socioeconomic variables (gender, education level, social class), media exposure, social position, and personality traits (motivation, anxiety, responsibility, conformity) (Weimann 1991, p. 28). Researchers also have suggested that opinion leaders may display higher level of *domain-specific innovativeness* (Gatignon and Robertson 1991; Goldsmith and Hofacker 1991, 1996; Goldsmith, Flynn, and Goldsmith 2003) and higher level of *enduring product involvement* and product familiarity (Bloch and Richins 1983; Chan and Misra 1990; Goldsmith et al. 2003) than their followers. In addition, opinion leaders are highly motivated to seek product knowledge (Myers and Robertson 1972); and tend to be more knowledgeable about relevant product class and show more enduring involvement with it than followers (Richins and Root-Shaffer 1988; Riecken and Yavas 1986; Venkatraman 1988). Based on information and knowledge accumulated from various sources over time, opinion leadership goes beyond simply giving information to followers and strongly suggests influence (Black 1982).

However, traits of opinion leadership are considered to vary by the type of product and situation, and not to have generalized characteristics (King and Summers 1970; Myers and Roberston 1972). Feick and Price (1987) also suggest that "opinion leaders are more likely in product categories in which pleasure or satisfaction is derived from product usage or association with the product provides a form of self-expression" (p. 95). As a consequence, there is substantial opinion leadership about products such as automobiles, personal computers, and food, but little opinion leadership on refrigerators or dehumidifiers (Bloch 1986).

On the other hand, opinion seeking has received less attention by researchers than opinion leadership. The existence of opinion leadership, however, posits that opinion seeking also exists (Flynn et al. 1996). Opinion seeking happens when individuals pursue advice from others when making a purchase decision, while opinion leadership occurs when individuals try to influence other consumers' purchasing behavior (Flynn, Goldsmith, and Eastman 1996).

Opinion seeking is viewed as an element of external information search of consumers who are motivated to make a more need-satisfying purchase decision (Punj and Staelin 1983). Opinion seeking is motivated by desire to obtain information in order to aid purchase decisions. Those who are influenced use opinion seeking as a risk-reduction practice in making decisions (Engel et al. 1993). Assael (1987) contends that "friends and relatives are credible sources of product information . . . information from personal sources facilitate the purchase task . . . [and] information reduces risk" (p. 428). Another motivating factor of opinion seeking is a desire to be a member of a group by adopting the value and beliefs of the groups' leader (Katz and Lazarsfeld 1955).

While one may view opinion leading and seeking as opposite concepts, it is more apt to view them as two separate but related constructs (Flynn et al. 1996). In fact, a person can be an opinion leader in one communication setting and an opinion seeker in another (Tsang and Zhou 2005, p. 1187). In part, opinion leaders are information seekers whose product knowledge helps reduce their search costs (Feick and Price 1984; Johnson 1979). Price et al. (1987) elaborate more on this:

> Perhaps more importantly, opinion leaders' motivations for searches differ from those of other consumers. Opinion leaders do not search just to make optimal purchase decisions. Rather, they find search

> and information transmission to be intrinsically satisfying activities (Block 1986; Bloch, Sherrell, and Ridgway 1986; Feick and Price 1984). Hence, while an information search is viewed as a cost to most consumers, opinion leaders derive personal satisfaction from search and communication of information about the product (p. 332).

Online Brand Communities

The notion of community has continued to widen throughout the twentieth century (Wilson 1990) due primarily to new communication technologies, which integrate geographically dispersed individuals with a commonality of purpose and identity (Muniz and O'Guiin 2001, p. 413). In particular, brand community is a concrete and advanced form of online consumer communities (Oh and Kim 2004). Extending the concept of Muniz and O'Guinn (2001), which envisions a brand community as a customer-customer-brand triad, McAlexander, Schouten, and Koeing (2002) broaden the conceptualization of brand communities by adding the relationship with the products and marketing institutions to the customer-brand relationship. Oh and Kim (2004) also identify three factors comprising brand communities: a *brand*, which provides the source for the establishment of brand communities; *relationships* among members gathering around the brand; and the *aggregation of the members*.

The significance of brand communities was first mentioned by McWilliam (2000) in an attempt to utilize brand communities as a strategic tool for brand promotions (Sung and Lim 2002). Ever since, researchers have zeroed in on the effects of brand communities. Studies show that brand communities have positive effects on brand attitude, loyalty and attachment to the brand, therefore, consequently contributing to building strong brand equity (Choi, Kwon, Lee, and Lee 2004; Lee, Kim, and Kim 2004; Kim, Choi, and Han 2002; McAlexander, Schouten, and Koening 2002; Suh and Kim 2003; Yoo and Jung 2004). In particular, Lee, Kim, and Kim (2004) point out that, in the cases of products such as sports cars or digital cameras, people may have more opportunity to share experiences related to products through community activities than other product categories. They argue that the more experiences are shared, the more effects community activities will have on brand attitudes.

HYPOTHESES

The primary aim of this paper is to examine whether people with high opinion leadership or seeking level in the offline environment will show consistent leadership or seeking behavior patterns in the online context; conversely, whether opinion leadership or seeking level will shift as the communication environments change from the offline to the online context. Therefore, based on the literature reviewed, the current paper establishes hypotheses and a research question as follows:

H1a: Those who have a higher level of opinion leadership than others in the offline environment will also show a higher level of opinion leadership in the online environment.

H1b: Those who have a higher level of opinion seeking than others in the offline environment will also show a higher level of opinion seeking in the online environment.

RQ1: Will there be relationships between opinion leadership and seeking level in the online and offline environments?

According to the literature reviewed, opinion leadership in the offline environment posits influence on other individuals' attitudes or behavior by definition. Opinion leaders are domain-specific innovative and knowledgeable about the relevant products. And they display high levels of enduring product involvement and familiarity. They are viewed as competent and trustworthy experts by their followers. In addition, demographic factors are also regarded as determinants of opinion leadership. Then, will all of these properties in the offline environment still work as predictors of opinion leadership in the online environment? To answer this question, several hypotheses were established.

H2a: Consumer expertise will be a significant predictor of opinion leadership in the online environment.

H2b: Enduring product involvement will be a significant predictor of opinion leadership in the online environment.

H2c: Domain-specific innovativeness will be a significant predictor of opinion leadership in the online environment.

H2d: Media habits (i.e., technology usage, major information source preferred, hours spent on information searching, and Internet surfing) will be a significant predictor of opinion leadership in the online environment.

H3a: Age will be a significant predictor of opinion leadership in the online environment.

H3b: Gender will be a significant predictor of opinion leadership in the online environment.

H3c: Education will be a significant predictor of opinion leadership in the online environment.

Another goal of this paper is to explore properties that will predict the opinion seeking level both in the online and offline environments. Therefore, a research question is raised as follows:

RQ2: Will the variables that differentiate opinion leadership also predict opinion seeking level?

METHODS

Overview

To investigate the hypothesized statements, this paper employed the online survey method. Participants were recruited from Korean digital camera online brand communities, which met certain requirements such as the number of community members of more than 100, as well as sustained and active interactions. After arbitrarily selecting six target brand communities, the survey questionnaire was posted on the bulletin boards of the communities. Then respondents downloaded the questionnaire and responded by e-mail. In addition, e-mail inquiries asking participation in the survey were sent to each member of the brand communities. To encourage participation in the survey, a small amount of money was provided for every respondent as incentive. The survey questionnaire was translated into Korean. After the survey, the results of the survey were analyzed and reported to respondents as feedback.

Measurements

Opinion Leadership and Seeking Level. This paper employed self-designating techniques to identify opinion leaders and seekers. To measure respondents' self-designated opinion leadership and seeking level, Flynn et al.'s (1996) opinion leadership-seeking scales were adapted. Developed by reflecting a domain specific feature of opinion leadership, the opinion leadership-seeking scale demonstrated its reliability and validity (Flynn, Goldsmith, and Eastman 1996). All the items were scored on 7-point scales ranging from strongly disagree to strongly agree. Item scores were summed with each scale. This paper asked the opinion-leading and seeking items twice, respectively: one for activities within the community and the other for those outside of the community.

Consumer Expertise. Alba and Hutchinson (1987) define consumer expertise as "the ability to perform product-related tasks successfully" (p. 411). Adopting this view of consumer expertise, Kleiser and Mantel (1994) propose a multidimensional scale, which consists of four constructs of cognitive effort/automaticity, analysis, elaboration, and memory. This paper adapted the Kleiser and Mantel's (1994) scales to measure consumer expertise. All items were scored on 7-point scales from strongly disagree to strongly agree.

Enduring Product Involvement. Bloch, Sherrell, and Ridgway (1986) consider involvement as enduring in character, representing a continuing interest of a product rather than temporary. To measure the degree of enduring product involvement, the scale developed by Bloch et al. (1986) was used. The first three items, which asked importance of knowledge of product, were rated on 7-point scales from "not important at all" to "extremely important." The fourth item asking "how interested in the subject of the product" was rated on a 4-point format from "not at all interested" to "very interested." The fifth item was about the frequency of thinking about the product, which was scored on 5-point scale from "never or almost never" to "very frequently." All the scales were adjusted to the 7-point scale, and then were summed to form an overall enduring involvement index.

Domain-Specific Innovativeness. Domain-specific innovativeness reflects the tendency to learn about and adopt innovation within a specific domain of interest (Goldsmith and Hofacker 1991, p. 211). To measure this variable, the domain-specific innovativeness (DSI) scale, which had been developed by Goldsmith and Hofacker (1991), was adapted. Instead of using the original 5-point scales, this paper used 7-point scales for consistency with other question items.

Miscellanies. To find out media habits, three items were presented: the number of hours spent on searching for information related to digital cameras, major sources of information, and the number of hours using the internet. The length of time retaining the community membership was also asked. In addition, demographic items such as gender, education level, and age were presented.

Results

As a result of online surveys conducted from April to May in 2005, a total of 124 participants replied to the survey. By gender, 94 were male and 30 were female. The range of participants' age was from 16 to 52, and its arithmetic mean was 25.5. by education, college students comprised majority with 46.8 percent, followed by people with bachelors' degree (27.4%) and graduate students or above (18.5%).

Of three psychographic scales (i.e., consumer expertise, enduring product-involvement, and domain-specific innovativeness), the reliability of domain-specific innovativeness was problematic with a low Cronbach's alpha of 0.55. The reliabilities of the consumer expertise and enduring product-involvement were acceptable with the Cronbach's alpha of 0.92 and 0.82, respectively. Descriptive statistics and reliabilities of the scales are reported in Table 1.

Online/Offline Opinion Leadership and Seeking Level

The arithmetic means of the online leadership and seeking level variables were 3.88 and 5.6, respectively, on the 7-point scale with the standard deviation of 0.9 and 1.1, respectively, while the means of offline leadership and seeking level were 5.01 (S.D.= 0.9) and 5.2 (S.D. = 1.2), respectively.

To test H1 two separate simple regressions were run, with offline opinion leadership and seeking level as independent variables and with online opinion leadership and seeking level as dependent variables. Visual inspection of plots of the model residuals versus the predicted outcomes did not suggest any violations of the regression assumptions of correct fit, constant variance, or normality. Furthermore, there were no conditions suggesting the possibility of a violation of the independence assumption.

For the test of H1a (i.e., the Relationship between opinion leaderships in the online and offline environment), the R^2 of 0.132, reflecting the overall strength of relationship between the two variables, was statistically significant at the 0.05 level ($F = 18.33$, $F[.05; 1, 121] = 3.92$, $p < 0.0001$). Therefore, the H1a was supported. The adjusted R^2, compensating for the positive bias in R^2, was 0.124. An estimated change of 0.365 units in online opinion leadership was expected for every unit change in offline opinion leadership. H1b states that there will be a positive relationship between online opinion seeking level and offline seeking level. For the regression test of this hypothesis, the R^2 of 0.305 was statistically significant at the 0.05 level ($F = 53.23$, $F[.05; 1, 121] = 3.92$, $p < 0.0001$). Therefore, H1b was also supported. The adjusted R^2, compensating for the positive bias in R^2, was 0.30. An estimated change of 0.618 units in the online opinion seeking level was expected for every unit change in the offline opinion seeking level.

For the test of RQ1 (i.e., the relationship between opinion leadership and opinion seeking level in the online and offline environments), separate simple regressions were also used. For the test of the relationship between online opinion leadership and seeking level, the R^2 of 0.40, reflecting the overall strength of the relationship between the two variables, was statistically significant at the 0.05 level ($F = 5.086$, $F[.05; 1, 121] = 3.92$, $p < 0.05$). The adjusted R^2 was 0.032. An estimated change of 0.239 units in the online seeking level was expected for every unit change in online opinion leadership. For the test of the relationship between offline opinion leadership and seeking level the R^2 of 0.003 was statistically insignificant at the 0.05 level ($F = 0.335$, $F[.05; 1, 121] = 3.92$, $p > 0.05$). Therefore, the relationship between offline leadership and seeking level was negligible.

Characteristics of Online/Offline Opinion Leaders and Seekers

To test H2 through H3 and RQ2, a series of simple regression analyses were run with online opinion leadership and online and offline seeking level as dependent variables.

As a result of simple regression analyses, consumer expertise was reported to have significant relationships

TABLE 1
Survey Scale and Reliabilities

	Scale	Mean	S.D.
Online leadership level	3.88	0.90	0.7246
Online seeking level	5.60	1.08	0.8757
Offline leadership level	5.01	0.91	0.7978
Offline seeking level	5.20	1.21	0.9199
Consumer expertise	5.12	0.96	0.9173
Enduring product involvement	4.81	1.10	0.8198
Domain-specific innovativeness	4.09	0.89	0.5481

* All scales are seven-point scales (1 = lowest, 7 = highest)

with online opinion leadership at the 0.05 level. But its relationships with opinion seeking levels both in the online and offline environment were not statistically significant. For the test of the relationship between consumer expertise and online opinion leadership, the R^2 of 0.163 was statistically significant at the 0.05 level ($F = 23.415$, $F[.05;\ 1,\ 120] = 3.92$, $p < 0.0001$). The adjusted R^2, compensating for the positive bias in R^2, was 0.156. An estimated change of 0.380 units in online opinion leadership was expected for every unit change in consumer expertise.

The regression analyses of the effect of enduring product-involvement displayed that this variable has a significant relationship with offline opinion seeking level at the 0.05 level. But its relationship with online opinion leadership or seeking level was not statistically significant. Product-involvement had a significant relationship with offline opinion seeking level ($F = 6.251$, $F[.05;\ 1,\ 121] = 3.92$, $p < 0.05$) as the R^2 and the adjusted R^2 were 0.049 and 0.041, respectively.

Simple regression analyses displayed that domain-specific innovativeness had a significant relationship with online opinion leadership at the 0.05 level. But its relationship with opinion seeking level both in the online and offline environments was not statistically significant. For the test of the relationship between domain-specific innovativeness and online opinion leadership, the R^2 of 0.079 was statistically significant at the 0.05 level ($F = 10.429$, $F[.05;\ 1,\ 121] = 3.92$, $p < 0.001$). The adjusted R^2, compensating for the positive bias in R^2, was 0.072.

Data analyses also showed that media habits were significantly related with online opinion leadership and online/offline seeking. Firstly, perceived importance of information sources were significant factors in predicting online opinion leadership. Such sources as newspapers and magazines ($F = 4.936$, $F[.05;\ 1,\ 120] = 3.92$, $P < 0.05$), trade magazines ($F = 5.398$, $F[.05;\ 1,\ 118] = 3.92$, $P < 0.05$), showcase/events ($F=8.997$, $F[.05;\ 1,\ 119] = 3.92$, $P < 0.01$), online newsletters ($F = 6.945$, $F[.05;\ 1,\ 117] = 3.92$, $P < 0.05$), and online newsgroup/forum ($F = 5.716$, $F[.05;\ 1,\ 119] = 3.92$, $p < 0.05$) had significant effect on online leadership at the 0.05 level. Technology usage was also significant in explaining online opinion leadership at the 0.05 level ($F = 5.312$, $F[.05;\ 1,\ 120] = 3.92$, $p < 0.05$).

As to online opinion seeking, online café/community as an information source of perceived importance showed a significant effect at the 0.05 level ($F = 10.81$, $F[.05;\ 1,\ 119] = 3.92$, $p < 0.01$). The R^2 and adjusted R^2 for the test were 0.083 and 0.076, respectively. In addition, hours of using the internet were also significantly related with online opinion seeking at the 0.05 Level ($F = 5.876$, $F[.05;\ 1,\ 122] = 3.92$, $p < 0.05$). The R^2 and adjusted R^2 for the test were 0.046 and 0.038, respectively. Meanwhile, such sources as tv/radio, newspapers and online newsletters had a significant relationship with offline opinion seeking at the 0.05 level. Their R^2 were, in order, 0.06 ($F = 7.561$, $F[.05;\ 1,\ 119] = 3.92$, $p < 0.01$), 0.046 ($F = 5.876$, $F[.05;\ 1,\ 119] = 3.92$, $p < 0.05$), and 0.058 ($F = 5.876$, $F[.05;\ 1,\ 117] = 3.92$, $p < 0.01$), respectively.

In the mean time, to test whether demographics variables are significant in explaining online/offline opinion leadership and seeking, simple regression analyses were run for such variables as age and education; and a *t*-test for the gender factor. None of these factors showed significant relationship with opinion leadership and seeking at the 0.05 level. Table 2 shows the significant relationship between variables tested.

Discussion

In extending the perspective of opinion leadership and seeking to the online environment, this study sought to explore whether the established framework for the offline environment would also help us understand opinion leadership in online circumstances.

The tests of hypotheses showed that there were consistent patterns of opinion leadership and seeking behaviors between the online and offline environments. That is, people who have high opinion leadership or seeking level in the offline environment may display similar opinion leadership or seeking tendencies in the online environment, or vice versa. This finding implies that the opinion leadership and seeking scales used in the offline environment may also be useful in identifying opinion leaders and active opinion seekers in the online environment.

From this finding, it could be inferred that opinion leaders in the online environment may display similar behaviors and characteristics with those of opinion leaders in the offline environment. Supporting this inference, the hypotheses tests in this study demonstrated that such characteristics as consumer expertise and domain-specific innovativeness, which have been considered representative traits of opinion leaders in the offline environment, were also found to distinguish those who show a high level of opinion leadership in the online environment. However, these psychological traits (i.e., consumer expertise and domain-specific innovativeness) may not be useful in explaining opinion-seeking levels both in the online and offline environment.

On the other hand, the enduring product involvement variable was a significant predictor of opinion leadership in the offline environment, but not in the online environment. This finding suggests that psychological properties of opinion leadership in the offline environment would

TABLE 2
Summary of Regression Analysis on Opinion Leading and Seeking Traits

Variables	ONLEAD		ONSEEK		OFFLEAD		OFFSEEK	
	B	DR²	B	DR²	B	DR²	B	DR²
Consumer expertise	0.38**	0.156	-	-	0.60**	0.397	-	-
Product involvement	-	-	-	-	0.30**	0.125	0.25*	0.041
Innovativeness	0.29**	0.072	-	-	0.348**	0.109	-	-
Technology	0.08*	0.034	-	-	-	-	-	-
Source of information								
TV/Radio	-	-	-	-	-	-	0.13**	0.052
Newspapers/magazines	0.07*	0.032	-	-	-	-	0.10*	0.038
Trade magazines	0.06*	0.036	-	-	-	-	-	-
Showcases/events	0.08*	0.062	-	-	-	-	-	-
Online newsletters	0.08*	0.048	-	-	-	-	0.10**	0.05
Online café/ communities	-	-	0.18**	0.076	-	-	-	-
Online news groups/forums	0.07*	0.038	-	-	-	-	-	-
Hours using Internet	-	-	0.07*	0.038	-	-	-	-
Number of community membership	-	-	-0.16**	0.051	-	-	-	-

Variables that are not significant in explaining the dependent variable are not reported here.
* Significant at the 0.05 level.
** Significant at the 0.01 level.

not be exactly applied to those in the online environment, thus arousing the necessity of further examination of the traits of online opinion leadership.

In the meantime, this paper made an attempt to explore the relationship between opinion leadership and seeking level both in the online and offline environments. As a result, the opinion leadership variable was found to have a significant relationship with the opinion seeking level in the online environment, but not in the offline environment. This phenomenon may be related to the findings of Tsang and Zhou (2005), which demonstrated that participants with a high offline opinion-leading level engage in higher level opinion seeking in newsgroups than in offline communication environments. They explain that, due to the abundance of information and the frequent introduction of new insights, even those who show high opinion leadership in the offline environment may seek information and consumer advice in newsgroup more often than they would do in offline environments.

In addition, it was found that respondents with different opinion leadership and seeking levels displayed distinct media use habits. For instance, the higher one scores on opinion leadership in the online environment, the more they rely on such information sources as newspapers and magazines, trade magazines, showcases/events, online newsletters, and online newsgroups and forums to acquire knowledge of products and services. However, tv and radio, company websites, and online café/communities were not a significant explanation in identifying opinion leadership in the online environment. Opinion seeking level in the online environment also had significant relationships with the perceived importance of such information sources as online café/communities, whereas TV/radio, newspapers and online newsletters were significant in explaining opinion seeking in the offline environment. On the other hand, no information sources were useful in distinguishing opinion leadership in the offline environment.

These findings are quite inconsistent with the existing literature. For instance, it has long been known that opinion leaders may be more exposed to print media than tv or radio (Baumgarten 1975; Summers 1970). In the current study, this notion was consistent with the media habits of opinion leaders in the online environment, but not in the offline environment. Due to the lack of previous studies on this issue, there is no clue as to why opinion leadership/seeking in the online and offline environments displayed an inconsistent pattern of media habits. Therefore, this lack of explanation of inconsistent media patterns related to opinion leadership and seeking arouses the necessity for further investigation of this issue.

In the meantime, the present study found that no demographic factors (i.e., age, gender, education, and employment) were useful in explaining differences between opinion leadership/seeking in the online and offline environments. The survey respondents were relatively technology-savvy – they were early adopters as far as digital cameras go and participants in online communities. Because of this homogeneity, the demographic factors could be less determinant in identifying opinion leaders and seekers in this study. However, some studies suggest that opinion leaders may not differ from nonleaders in terms of the major demographic factors (Berkman and Gilson 1986; Mayers and Robertson 1972; Tsang and Zhou 2005).

Limitations

Despite some important findings, the use of voluntary samples combined with the small sample size in this study requires caution when generalizing the results. Use of random and representative samples will gain more precise estimates.

Another limitation of this study is employing the scales established in English and translating them into Korean without any further investigation of possible cultural differences. For instance, there is a chance that the concept of opinion leadership that Americans have could be different from that of Koreans. Or, even though the concepts are similar, the patterns in which the concepts are used in the real world could be different. Therefore, further consideration of these cultural differences is required in translating the existing scales from one language into another.

In addition, mainly due to lack of previous studies, the current paper included less characteristic variables for opinion seeking than those for opinion leadership. Measuring opinion seeking with the trait variables of opinion leadership prevents further understanding of opinion seeking. Inclusion of more factors that reflect the properties of opinion seeking will deepen our understanding of this variable.

Implications

Despite these limitations, the present study has some important implications for both researchers and marketers. First, this study demonstrated that the opinion leadership scales used in the offline environment can still be useful in the online environment. By utilizing the opinion leadership scale, marketers can more effectively reach opinion leaders for a given product category. In addition, once marketers can identify opinion leaders, they will be able to develop different strategies and messages tailored to them for effective communication. In addition, since opinion leaders in the online environment are also distinguished in terms of such psychological factors as consumer expertise and domain-specific innovativeness, marketers will be able to use these features to identify and influence opinion leaders not only in the offline but also in the online environment.

Second, the current paper added the examination of opinion seeking. However, the lack of existing literature places limitations on the study of opinion seeking. Therefore, more attention needs to be directed to this trait to enrich our understanding of human communication and influence. From a marketer's viewpoint, the study of opinion seeking is also meaningful. By identifying market segments consisting of these two types of consumers, marketers will be able to funnel their marketing efforts to the right consumers with the right strategies.

Finally, this study displayed that people with different opinion leadership and seeking level choose different information sources to acquire knowledge of products and services. This finding suggests that through further investigation of these media habits, marketers may find more valuable and accessible channels to reach and influence their target opinion leaders.

CONCLUSION

The present study is meaningful in that it draws attention to new directions with its attempt at comparing the opinion leadership and seeking behaviors between the online environment and offline environment, and illuminating differences in properties of opinion leadership and seeking in the two different circumstances.

For future research, this paper proposes further investigation of opinion leadership and seeking in the online environment. Although opinion leadership in the online environment displays very similar characteristics with that in the offline environment, still some differences between the two conditions require further examination. For example, those questions could include why those differences occur in the leadership between the online and offline circumstances, and what other factors will be useful in distinguishing online and offline leadership. On the other hand, far less research efforts have been poured into the study of opinion seeking compared to opinion leadership. Further investigation of the features of opinion seeking would help us find missing pieces in the puzzle of understanding human relations and influence, which so far have been mainly explained by opinion leadership alone.

In conclusion, further studies of opinion leadership and seeking not only in the offline environment but also in the online environment, will surely provide a new avenue for future communication and marketing research.

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APPENDIX

Opinion Leadership Scale Items:

1. My opinion on (digital cameras) seems not to count with other people.
2. When they choose (a digital camera), other people do not turn to me for advice.
3. Other people rarely come to me for advice about choosing (a digital camera).
4. People that I know pick (a digital camera) based on what I have told them.

APPENDIX (CONTINUED)

5. I often persuade others to buy (the digital camera) that I like.
6. I often influence people's opinions about (digital camera).

* Scores on the items 1 through 3 were reversed.

Opinion Seeking Scale Items:

1. When I consider buying (a digital camera), I ask other people for advice.
2. I don't like to talk to others before I buy (digital camera).
3. I rarely ask other people what (digital camera) to buy.
4 I like to get others' opinions before I buy (a digital camera).
5. I feel more comfortable buying (a digital camera) when I have gotten other people's opinions on it.
6. When choosing (a digital camera), other people's opinions are not important to me.

* Scores on the items 2, 3, and 6 were reversed.

Consumer Expertise Scale Items:

1. I enjoy learning about digital cameras.
2. I will search for the latest information on digital cameras before I purchase a brand.
3. I keep current on the most recent developments in digital cameras.
4. I consider myself knowledgeable on digital cameras.
5. My knowledge of digital cameras helps me to understand very technical information about the product.
6. I use my knowledge on digital cameras to verify that advertising claims are in fact true.
7. I can recall almost all existing brands of digital cameras from memory.
8. I can recognize almost all brand names of digital cameras.
9. I can recall product-specific attributes of digital cameras.
10. I can recall brand-specific attributes of the various brands of digital cameras.

Enduring Product Involvement Scale Items:

1. How important knowledge of the product is to . . .
   a. the quality of social life.
   b. present job or career.
   c. future job or career plans.
2. How interested are you in the subject of the product?
3. How often do you think of the product?

Domain-Specific Innovativeness Scale Items:

1. In general, I am among the last in my circle of friends to buy a new (digital camera) when it appears.
2. If I heard that a new (digital camera) was available in the store, I would be interested enough to buy it.
3. In general, I am the first in my circle of friends to know the titles/brands of the latest (digital camera).
4. I will buy a new (digital camera) if I haven't heard/tried it yet.
5. I do not like to buy (digital camera) before other people do.

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I MADE THIS MYSELF! EXPLORING PROCESS UTILITY IN MASS CUSTOMIZATION

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SUMMARY

In this study, we analyze if mass customization toolkits generate customer value because the process of "making" the product oneself carries utility. We conduct four studies in which we confirm the existence of such process benefits. Particularly, we find that the symbolic enrichment of the product endogenous to the process ("I made this myself") generates value for the customer. We test one theoretical explanation for this and find that the level of pride a user derives from the design task mediates the values/he attributes to the product. The relatively large effect sizes let us conclude that mass customization companies are well advised to create an online environment that facilitates value-generating design processes by their customers.

New communication technologies and flexible manufacturing systems have only recently enabled companies like Nike, Adidas, and many others to empower their customers to designing individual products online (Pine, Victor, and Boyton 1993). The user-interface, the toolkit, allows trial-and-error experimentation processes and delivers immediate (simulated) feedback on the potential outcome of design ideas. Once a satisfactory solution is found, the design can be transferred into a firm's production system and subsequently delivered to the customer (von Hippel and Katz 2002; Dahan and Hauser 2002; Dellaert and Stremersch 2005; Randall, Terwiesch, and Ulrich 2005).

Developing and implementing such a system involves costs (Piller, Moeslein, and Stotko 2004), and it only makes economic sense if it also yields benefits. The assumption that self-design delivers superior customer value is fundamental to the concept of mass customization toolkits and can be found in almost any conceptual work in this field (e.g., Pine 1999; Peppers and Rogers 1997; Wind and Mahajan 2001). Moreover, empirical studies explicitly or implicitly build on this assumption. For example, Randall, Terwiesch, and Ulrich (2005) frame their work on the primary assumption that self-designed products "should result in a higher willingness to pay for goods and services" (p. 1).

Regarding the origins of value such systems might generate, literature so far has emphasized the product-related benefits, that is, the potentially closer fit between user preferences and the self-designed product (preference fit). For example, Addis and Holbrook (2001), Broekhuizen and Alsem (2002), Du and Tseng (1999), Pine (1999), Randall, Terwiesch, and Ulrich (2005), and von Hippel (2001) argue that the main benefit for toolkit users is that it allows them to obtain a product solution much closer to their very own, unique preferences than a standard product.

But toolkit designed products differ from standard "off-the-shelf" products not only in the output, but also in the way this output is achieved. The customer takes a much more active role – in a way, she is the creator, not just the buyer. In some situations, actively doing something oneself appears to add extra value.

For our empirical studies, we used a t-shirt toolkit. In experiment 1 and 2 we control for preference fit of the outcome and show that the mere fact of having carried out the design oneself (relative to just getting an identical "off-the-shelf" product) causes an average increase in willingness to pay (WTP) of 65 percent. In a third study which is qualitative and more naturalistic, we explore the reasons that drive this effect. We find that successful self-design processes elicit feelings of pride which in turn seems to effect an increase in WTP – a process that fits well to attribution theory. This idea is then tested quantitatively in a fourth study. Results are affirmative and indicate that feelings of pride mediate the relationship between preference fit and WTP for self-designed products.

This has implications for manufacturers aiming to develop or improve self-design via mass customization toolkits. A full working paper, including references, is available upon request.

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A CROSS-NATIONAL ANALYSIS OF GLOBAL AND NATIONAL IDENTITY AS A BASIS FOR INTERNATIONAL WEB SITE USAGE

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SUMMARY

Global e-commerce is expanding at a rapid rate, and based on Forrester research estimates global online revenues will reach almost $12.8 trillion by 2006. This surge in global e-commerce and the global online population presents marketers with an opportunity to tap worldwide markets, but at the same time presents a challenge as to the best way to target, segment and successfully attract international consumers to their web sites. The broad objective of this study is to identify global online consumer segments and their preference and acceptance for international web sites. More specifically, this study explores how global and national identity of international online consumers influences their usage and acceptance of international web sites.

This study identifies four unique consumer segments based on the interaction of their global and national identity, and shows how their expectations of international web site usage differ. Hypotheses developed in this study are as follows:

H1: Consumers high on global and national identity will show higher levels of preference for international web sites (in terms of ease of use, perceived usefulness, attitude toward the site, and purchase intention), perceived as highly adapted to their national cultures, than consumers that are HGLN (high on global and low on national identity) and LGLN (low on both global and national identity);

H2: Consumers high on global identity but low on national identity will show lower levels of preference for international web sites (in terms of ease of use, perceived usefulness, attitude toward the site, and purchase intention), perceived as highly adapted to their national cultures, than consumers that are HGHN (high on both global and national identity) and LGHN (low on global and high on national identity);

H3: Consumers low on global and high on national identity will show higher levels of preference for international web sites (in terms of ease of use, perceived usefulness, attitude toward the site, and purchase intention), perceived as highly adapted to their national cultures, than consumers that are HGLN and LGLN;

H4: Consumers low on global and high on national identity will show lower levels of preference for international web sites (in terms of ease of use, perceived usefulness, attitude toward the site, and purchase intention), perceived as highly adapted to their national cultures, than consumers that are HGHN;

H5: Consumers low on global and national identity will show lower levels of preference for international web sites (in terms of ease of use, perceived usefulness, attitude toward the site, and purchase intention), perceived as highly adapted to their national cultures, than consumers that are high on national identity (LGHN, HGHN).

Above-mentioned hypotheses were tested by the sample of 93 Brazilian, 88 French, 110 German, and 100 Taiwanese survey respondents. All of them are significantly supported except Hypotheses 4. We hope this study will help web marketers to effectively segment their international online consumers by adding global and national identity (and its combinations) in their international segmentation mix.

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E-COMMERCE AND INTEGRATION EFFORTS IN BRAND ARCHITECTURE AND IT STRUCTURE: EVIDENCE FROM AUSTRIA

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SUMMARY

Previous research has investigated the interdependence between e-commerce and a company's IT structure and its brand architecture, without taking into account how these corporate functions are influenced simultaneously. In order to close this gap, we investigate how business-to-consumer (B2C) e-commerce impacts both structural aspects of branding and IT at the same time. Drawing on transaction cost theory, we show how brand architecture and IT structure can be used as vehicles for minimizing internal and external transaction costs. We depict three different scenarios (without e-commerce, e-commerce with an integrated IT structure, and e-commerce with isolated IT-structures) and show how transaction costs evolve in a continuum from a pure corporate-brand strategy to a pure product-brand strategy. Based on our theoretical considerations we derive the following three hypotheses:

H_1: A high importance of e-commerce leads to a bundle of simultaneous measures in a company's brand architecture and IT structure.

H_2: As e-commerce becomes more important, the frequency of those measures increases that lead to a stronger integration of IT, such as the integration of IT systems of different companies, the integration of customer data bases, and the introduction of data mining.

H_3: As e-commerce becomes more important, previously independent brands are increasingly supplemented by a corporate brand.

In order to test our hypotheses empirically we conducted telephone interviews with 51 Chief Marketing Officers and 51 Chief Information Officers from 67 out of the 100 most important brand companies in Austria. Our results give insights into the changes in brand architecture and IT structure that the companies have made in the past three years and expect to implement in the next three years. As far as brands are concerned, brand extensions (with or without a sub-brand), co-branding and the sale or purchase of a brand stand out as the most important measures taken for both the past and the near future. As regards the IT structure, the results also indicate that introducing e-commerce and integrating IT systems of different companies have been the most important issues in the last few years. Further, the companies surveyed expect IT integration to play a pivotal role in the years to come. They expect the application of data mining for the analysis of customer data to be of vital importance in the next three years.

We assume that B2C e-commerce simultaneously triggers changes in brand architectures and IT structures. Such typical sets of changes do not manifest themselves in a bivariate analysis. Hence, the structural changes implemented by three groups of companies (high vs. medium vs. low importance of B2C e-commerce) were examined by applying multivariate correspondence analysis. Looking at all structural changes simultaneously, correspondence analysis visualizes the differences and similarities among the three groups regarding the structural changes in a lower-dimensional space. The distances among the three groups in the correspondence map reflect their dissimilarities and were tested for significance using confidence ellipses.

The correspondence analysis proves that a high importance of e-commerce goes hand in hand with a particular set of structural changes, affecting both brand architecture and IT structure. The results corroborate hypothesis 1, which postulates that e-commerce leads to a bundle of simultaneous measures in a company's brand architecture and IT structure. The correspondence map also supports hypotheses 2 and 3, which predict a higher importance of a corporate brand and an increased frequency of measures leading to a stronger integration of IT as e-commerce becomes more important.

These findings from the Austrian sample are in line with the findings of international case studies in which e-commerce played a crucial role. Hotel groups such as Accor or Starwood (Westin, Sheraton, Four Points, St. Regis) have established e-CRM systems (Accor Favorite Guest Card, Starwood Preferred Guest) and booking portals across different brands (e.g., http://www.starwoodhotels.com). At the same time, they have increased the visibility of their corporate brands (Accor and Starwood) to customers. Sometimes e-commerce systems tie several independent companies together in the areas of branding and technology (e.g., the frequent flyer

program of Oneworld for passengers of British Airways, American Airlines, Air Lingus, Qantas, etc.).

The more critical e-commerce is to the success of the company, the more central is the ex ante coordination of changes in brand architecture and IT structure in the course of e-commerce projects. Marketing, organizational and technical aspects of e-commerce solutions need to be aligned so that consumers are able to understand them easily and perceive them as value-adding elements. As for the planning and implementation of e-commerce projects, we suggest broadening the scope, extending the duration and increasing the impact of the work of cross-functional project teams, corroborating previous action research. References available upon request.

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INFORMATION AND COMMUNICATION TECHNOLOGIES' ADOPTION: SCENARIOS FOR SUCCESS AND FAILURE

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ABSTRACT

Building on existing literature, this study identifies four different ICT adoption scenarios or conditions based on ICT adoption initiators, ICT adoption motivations, ICT characteristics, organizational environment, and competitive environment and ICT adoption outcomes.

INTRODUCTION

In today's highly competitive markets the use of information and communication technologies (ICT) by organizations (e.g., LAN, WAN, ERP, CRM) seems an imperative for reducing the uncertainties surrounding production and administrative processes (Dewett and Jones 2001) and, consequently, for sustaining their competitive advantage (McKee, Varadarajan, and Pride 1989).

Over the past decades, the literature on the adoption of innovations in the industrial markets has examined a host of variables, which may explain why some firms tend to be innovators, adopting a new industrial/technological product or process ahead of others. A discussion about the factors that are associated with the adoption of ICT has recently been initiated. However, what is largely missing is an examination of the linkage of various ICT adoption variables with certain ICT adoption outcomes. Such an examination is considered important (Rogers 1995), both because of the high investments involved (Finance CustomWire 2005; Grover et al. 1998; Tyson 2005) as well as the high failure rate of ICT implementation (Street 2004). For example, it has been projected that U.S. companies will spend US$27.8 billion in 2005 for CRM implementations (CRM News 2001), while the failure rate of most Sales Force Automation (SFA) implementations has been reported to be as high as 55–80 percent (Galvin 2002; Speier and Venkatesh 2002). Igbaria and Tan (1997) suggest that a new dependent variable, namely the impact of IT acceptance should be examined in future studies of IT adoption. Research that investigates the impact of ICT on organizational performance may provide additional knowledge about how to maximize their potential benefits (Eder and Igbaria 2001). Paradoxically, and in spite of the provocative and sanguine speculations, which replenish the practitioner press, the relationship between ICT adoption and organizational effectiveness remains largely unsubstantiated. In order to fill this void in the literature, the purpose of this study is to go beyond what it takes for an information and communication technology to be adopted, and identify the factors that are associated with the successful or unsuccessful adoption of such contemporary innovations.

A useful aid in achieving the study's goal would be the classification of ICT adoption cases given the circumstances and respective consequences surrounding them. Such a situational or scenario approach has long been considered as more appropriate for reaching managerial decisions (Little 1970; Miller and Freisen 1977; Mintzberg 1978). A synthesis approach has been considered as particularly useful in evaluating the attractiveness of new product (innovation) projects (Calantone and Cooper 1981; de Brentani 1995). In fact, Hunt (1983) argues that: "Classificational schemata play fundamental roles in the development of a discipline since they are the primary means for organizing phenomena into classes or groups that are amenable to systematic investigation and theory development."

THEORETICAL BACKGROUND AND RESEARCH PROPOSITIONS

Building on the existing innovation adoption literature, we identified five blocks of variables that have been systematically related to the adoption of ICT by organizations, namely the ICT adoption initiators, the ICT adoption motivations, the ICT characteristics, the organizational environment and the competitive environment. These five blocks can be characterized as the ICT adoption conditions and shape one facet of the conceptual framework of the study. The other facet of the framework involves measures of the outcome of the ICT adoption, which allows the examination of the consequences of accepting or rejecting such technologies by organization. The underlying thesis of this study is that the typology or classification sought is based on the interplay of these six sets of variables, which are discussed in the following sections.

ICT Adoption Outcome

ICT innovations have implications that are multidimensional and potentially pervasive to many different aspects of business practice (Pires and Aisbett 2003). For example, Huber (1990) noted that information technologies produce many communication efficiencies, including the ability to communicate more easily, rapidly and with greater precision to targeted groups like colleagues, customers, and suppliers. Klein and Sorra (1996) argued that the implementation of computerized systems might lead to improvements in profitability and customer service, while Pae et al. (2002) reported that the adopting firm improves sales, profitability, and customer satisfaction in the organization's principal served markets.

ICT Adoption Initiators

The adoption of innovations regarding information and communication technologies may be initiated by various sources, which can be classified as internal (e.g., top management that knows the company's strengths and weaknesses, IT department that is close to new technological developments, users), or external to the organization (e.g., customers, suppliers). The source from which the idea to adopt an ICT like ERP, is initiated, may influence the problem definition, justification, and other proceeding activities in the innovation process (Dean 1986). To the best of our knowledge, only Kumar et al. (2002) have examined the initiators of Enterprise Resource Planning systems. According to their results, the idea to adopt an ICT innovation originates from the company itself (e.g., top management). Despite the importance of gaining the commitment of top management in order to ensure the successful use of such innovations (Croteau and Li 2003), there are compelling arguments to support that when losing sight of the company's customers and their needs (Kale 2004; Kros and Molis 2004), and miss making the company's marketing strategy priorities' with the precipitating conditions, the company's decision to adopt such innovations, inevitably, leads to failure. In other words, it appears that when external market related conditions drive the adoption decision, companies adopt such innovations more successfully. On this ground, the following research proposition is investigated:

RP1: Market-induced adoption of ICT innovations will be more successful than company incited ones.

ICT Adoption Motivations

The adoption of an ICT innovation can bring about various benefits for the company, such as cost efficiency, improvements in profitability, market share, and communication, and standardization of business processes (Mehrtens et al. 2001; Kumar et al. 2002; Min and Galle 2003; Lichtenthal and Eliaz 2003; Love and Irani 2004). Having an accurate definition of how the innovation under consideration will influence the company's operation affects the adoption at the "micro" (within the company) level, since it allows users to understand the usefulness of the innovation, because it is easier for them to use the software (Avlonitis and Panagopoulos 2005). Equally important, having derived a clear definition of what exact benefits the company will attempt to reap by adopting an ICT innovation, sets the required strategic framework for successful adoption and implementation (Roberts, Liv, and Hazard 2005). On these grounds, the following research proposition is investigated:

RP2: Companies missing a clearly defined set of ICT expected benefits will not successfully adopt and implement such an innovation.

ICT Characteristics

The adoption of an innovation in relation to the innovation-specific characteristics is the focus of many scholar empirical studies (e.g., inter alia Damanpour and Gopalakrishnan 2001). However, what all these, and many more studies have in common is that they investigate the adoption of an innovation at a "macro" level, that is in relation to whether a company decides to adopt an innovation or not, and within what time frame since the innovation was originally introduced. However, this tendency to examine the issue of adoption at the organizational level shifted attention away from the "micro" or individual level, that is the employees working within the organization. However, organizations adopt innovations with a lag (Evan 1966), particularly so when it comes to process innovations, such as ICT innovations. This is an important distinction because the adoption rate of such innovations depends on both the innovation's and the adopting individual's characteristics.

Thus, in order to examine how innovation-specific characteristics affect its successful adoption, one has to focus on those characteristics that the user's individual traits (e.g., computer self-efficacy) are unlikely to influence. Hence, in this study, we investigate the effect of four such characteristics, namely relative advantage, compatibility, cost and security. Relative advantage has been consistently reported as one of the most important adopting factors of IT innovations like Internet (Mehrtens, Cragg, and Mills 2001) and EDI (Bouchard 1993; Iacovou et al. 1995; O'Callaghan et al. 1992; Premkumar et al. 1994). Similarly, system compatibility has been found to be one of the most important accelerators of innovation adoption of IT systems, such as ERP, EDI, and Internet, in particular (Bouchard 1993; LaRose and Hoag 1996; Premkumar et al. 1994; Waarts et al. 2002). By contrast, installation cost was found to be negatively associated with the speed of EDI adoption (Premkumar et al. 1994; Carbone 1996). Recent studies have also shown a correlation between security of transactions and Internet adoption rate (Min and Galle 1999; Wang et al. 1998). Again, drawing from the work of Avlonitis and Panagopoulos (2005) it would appear that the more individuals accept and adopt such innovations, the more the innovation can contribute to their performance and, consequently to the performance of the organization. Hence, ICT innovations that share certain characteristics that facilitate to shorten the lag of their adoption should be more successfully adopted than those that do not (Damanpour and Evan 1984). On these grounds, the following research proposition is investigated:

RP3: The presence of specific ICT characteristics will facilitate the successful adoption of this technology.

Organizational Environment

With regard to the organizational environment two dimensions are important when it comes to successful adoption of innovations: formalization of organizational procedures and employees' commitment to change (Papastathopoulou et al. 2006).

As far as the former is concerned, there is considerable theoretical support suggesting that the initiation of an innovation process is facilitated through a loose structuring of activities, whereas a change into tighter, mechanistic structures is probably most appropriate during the implementation phase, as it reduces both role ambiguity and conflict (Zaltman et al. 1973; Baldridge and Burnham 1975; Dewar and Duncan 1977; Cummings and O'Connell 1978; Kim and Srivastava 1998). With regard to employees' commitment to change there are also compelling evidence that demonstrate its significance as a facilitator of IT innovations' successful adoption (Ginzberg 1981; Walton 1989; Cats-Baril and Jelassi 1994). Employees committed to change tend to have low individual switching costs, are more open to changes, which they can handle with more ease. This helps them to overcome conflict and uncertainty barriers more easily, leading to a smoother adoption of information and communication technologies. Thus, the following research proposition is investigated:

RP4: The more formalized the company's organization and the more committed to change its employees, the more successfully it will adopt ICT innovations.

Competitive Environment

When an organization is operating in a highly competitive market, it is in a continuous search of competitive advantage. ICT adoption is an initial and decisive step toward that direction. The more competitive the market environment, the higher the rate of innovation adoption of new ICT such as ERP systems (Waarts et al. 2002), EDI (Iacovou et al. 1995) and Internet (Klein 1998). Under such conditions the lag time of adoption decreases as users as more inclined to familiarize themselves with the innovation and adopt it. As a consequence they can make better use of the ICT and exploit the most of its capabilities, which in turn results to more successful use. On these grounds, the following research proposition is investigated:

RP5: The more competitive the market's environment, the more successfully companies will adopt it.

RESEARCH METHODOLOGY

Sample and Data Collection

The sampling frame of the study consisted of the largest 1,250 firms in Greece in terms of sales turnover that had already adopted ICTs. These firms were traced through the ICAP Business Directory (Gallup's subsidiary in Greece). Each company was contacted by telephone to identify the potential respondents. Consistent with prior studies (Wu, Mahajan, and Balasubramanian 2003), respondents were IT managers. Next, a telephone call was made and a personalized pre-notification letter was mailed to the potential respondents explaining the objectives of the study and soliciting cooperation. After three follow-up contacts by telephone, e-mail and fax we secured the cooperation of 500 companies (40% response rate), including Unilever, Chevron Texaco, Sanyo Hellas, Ford, and National Bank of Greece. Data collection was carried out by a professional market research firm by means of a Computer-Aided Personal Interviewing system (CAPI). The sample can be described as follows: 43.6 percent of the companies were in the wholesaling/retailing business, 25.8 percent comprises manufacturing companies, 9.8 percent were fast moving consumer goods companies, 16.8 percent were service providers and 9.8 percent operated in other industries. Moreover, 295 companies had annual sales between 15–100 million Euros, and 133 companies between 101–500 million Euros, whereas 72 companies had annual sales above 500 million Euros. Further, 15.4 percent of companies were employing 20–50 persons, 49.4 percent had 51–250 employees, 16.4 percent were employing 251–500 persons, and 18.8 percent had more than 500 employees. The research instrument was a detailed and lengthy questionnaire, initially developed as part of a larger project whose main purpose was the in-depth investigation of ICT usage within the largest Greek firms.

Variables Measurement

ICT Adoption Initiators. Six different sources for initiating ICT adoption were included in the study, namely customers, top management, IT department, internal users, third parties (e.g., suppliers), competitors. Respondents were asked to indicate the extent to which each source initiates ICT adoption in their company, using a 7-point Likert scale (1: not at all, 7: to a very large extent).

ICT Adoption Motivations. An extensive literature review resulted in a pool of nine motivations relating to ICT adoption by organisations, e.g., cost reduction, communication enhamncement. Respondents were asked to indicate the extent to which these motivations led to the adoption of ICT in their respective organizations, using a 7-point scale (1: not at all, 7: to a very large extent). An examination of the correlation matrix of these nine items suggested a considerable amount of interrelationship among them. Thus, it felt reasonable to expect that these items could be reduced to a more manageable set of motivations. Thus, a principal components analysis (with varimax rotation) was performed. The rotated solution revealed a three-factor model, including communication enhancement motivations, efficiency enhancement motivations, and cost reduction motivations (see appendix for relevant statistics). Factor scores were used to subsequent analyses.

ICT Characteristics. ICT characteristics were operationalized according to prior studies. We measured four ICT characteristics, namely, *compatibility* (3 items) (Rogers 1995; Premkumar et al. 1994), *relative advantage* (7 items) (Rogers 1995; Premkumar et al. 1994) *cost* (2 items), (LaRose and Hoag 1996) and *security* (2 items) (LaRose and Hoag 1996), using 7-point scales (1: not at all, 7: to a very large extent).

Competitive Environment. A measure of five items drawn from the work of Gatignon and Robertson (1989) was developed to capture the intensity of competition, using a 7-point Likert scale (1: totally disagree, 7: totally agree).

Organizational Environment – Formality. This variable was measured using a three-item scale based on the work of Hage and Aiken (1970) and Pugh et al. (1963). Respondents were asked to express their degree of agreement or disagreement using a 7-point Likert scale (1: totally disagree, 7: totally agree).

Commitment to Change. This variable was measured using a-three item measure based on the work of Vakola et al. (2004). Respondents were asked to express their degree of agreement or disagreement using a 7-point Likert scale (1: totally disagree, 7: totally agree).

ICT Adoption Outcome. Based on arguments made by Sethi and King (1994), and Wu et al. (2003), a pool of twelve adoption outcomes was developed. These outcomes were presented to the respondents who were asked to indicate the degree of their occurrence using a 5-point scale (1: the opposite occurred, 5: exactly what has occurred).

DATA ANALYSIS AND RESULTS

In order to explore the possibility that different ICT adoption scenarios or conditions exist, a hierarchical cluster analysis (Ward's method) was performed on the 500 cases using the values of the 28 variables that have been included in this study. After examining the 3-, 4-, and 5-cluster solution, the 4-cluster solution was considered as the most acceptable one on the basis of maximum external isolation and internal cohesion, and parsimony of explanation (Kastorin 1983; Punj and Steward 1983).

For validating the 4-cluster solution, first, cluster membership was related (one-way ANOVA and Duncan multiple-range test) to the original 28 studied variables, testing for homogeneity within and differences between clusters. Cluster means were found significantly different on all variables at the 0.000 level (Table 1). It must be noted that, the interpretation of clusters was derived by this analysis.

Second, we performed a multiple discriminant analysis with cluster membership as the grouping variable and the 28 studied variables as the independent variables. This analysis showed that 93.85 percent of the cases were correctly classified, providing support for the appropriateness of the 4-cluster solution.

The present study revealed the existence of four ICT adoption conditions or scenarios. Two scenarios describe success situations, while one characterizes a moderately successful ICT adoption and another one a failed attempt to adopt ICT. Each of the scenarios is described and discussed below.

"The Externally-Driven Professional ICT Adoption." The adoption of ICT by companies in this group (37.5% of the sample) is initiated mainly by external forces, like customers, competitors and suppliers with the aim of enhancing communication and reducing costs. Companies facing this particular ICT adoption situation operate in highly competitive markets, while their employees are to a large extent committed to the change required when such innovations are put into place. Further, the information and communication technologies adopted by the companies in this group are highly compatible, relatively advantageous, and secure, though considerably costly. Clearly, these conditions comprise the recipe for ICT adoption success. The objectives of adopting ICT by organizations in this group seem to be realized, since this ICT adoption scenario is the most successful one in

TABLE 1
ICTs'Adoption Scenarios – ANOVAs of Variables by Cluster Membership

	Cluster					
	1 (37.5%)	2 (26.7%)	3 (28.2%)	4 (7.6%)	F	Sign.
Initiation of ICT adoption: Customers	[4.86]	3.91	(3.12)	3.60	20.543	.000
Initiation of ICT adoption: Top management	5.62	[5.76]	5.18	(4.86)	15.857	.000
Initiation of ICT adoption: IT department	5.03	[5.76]	5.23	(4.89)	9.190	.000
Initiation of ICT adoption: Internal users	4.76	[5.16]	4.14	(3.91)	12.465	.000
Initiation of ICT adoption: Third parties (e.g., suppliers, intermediaries)	[4.47]	3.89	(3.06)	4.06	15.795	.000
Initiation of ICT adoption: Competitors	[4.55]	3.90	(3.50)	3.86	7.252	.000
ICT adoption objectives: Communication enhancement	[.392]	.005	(-.527)	-.153	24.083	.000
ICT adoption objectives: Efficiency enhancement	.182	[.191]	-.179	(-.829)	13.473	.000
ICT adoption objectives: Cost reduction	[.212]	.156	(-.546)	.029	18.023	.000
Formalization	5.48	5.60	(4.70)	[5.63]	14.313	.000
Commitment to change	[4.89]	4.55	4.21	(3.81)	24.414	.000
Intensity of competition	[5.23]	4.71	(4.19)	4.57	17.197	.000
ICTs' compatibility	[4.52]	3.90	(2.99)	3.74	32.491	.000
ICTs' relative advantage	[5.32]	4.87	(3.74)	4.13	70.769	.000
ICTs' cost	[5.27]	(3.91)	4.20	4.17	33.827	.000
ICTs' security	[4.74]	(2.58)	3.24	4.14	87.762	.000
Lowered transaction costs	[4.26]	4.31	3.61	(2.71)	53.081	.000
Lowered operational costs	4.31	[4.48]	3.78	(2.66)	56.506	.000
Lowered distribution costs	[3.96]	3.90	3.08	(2.51)	42.286	.000
Improved operational efficiency	4.55	[4.68]	4.14	(2.94)	72.138	.000
Increased speed of data accessing	4.75	[4.88]	4.46	(3.29)	68.406	.000
Improved communication among company employees	[4.54]	4.35	3.73	(3.14)	39.944	.000
Improved communication with customers	[4.43]	[4.43]	3.64	(2.91)	54.308	.000
Improved communication with suppliers	[4.30]	[4.31]	3.68	(2.86)	40.738	.000
Standardized business processes	4.46	[4.50]	3.89	(3.03)	51.641	.000
Led to sales increases	[4.04]	3.86	3.28	(2.54)	49.072	.000
Led to market share increases	[3.93]	3.82	3.17	(2.51)	45.115	.000
Helped in promoting the company's products more efficiently	[4.12]	4.08	3.48	(2.77)	35.385	.000

Figures represent mean values in each cluster. Maximum values are in brackets, while minimum values are in parentheses (based on Duncan multiple-range test, $p < 0.10$). Sign. indicates level of significance based on one-way analysis of variance.

terms of decreased transaction and distribution costs, better communication, higher sales, market share as well as more efficient product promotion.

"The Internally-Driven and Focused ICT Adoption." Companies associated with this ICT adoption scenario represent 26.7 percent of the sample. The initiation of ICT adoption in these companies comes from internal drivers like top management, IT department and internal users with the aim of enhancing efficiency of operations. Although the innovations adopted by this group are characterized by moderate compatibility and relative advantage, low security and cost, such innovations were rated as the most successful by managers in lowering operational costs, improving operational efficiency in terms of speed of data accessing and standardization of business process, as well as improving communication with customers and suppliers.

"The Improvised ICT Adoption." This group comprises companies (28.2% of the sample) that seem to improvising with information and communication technologies. The initiators of ICT adoption by these companies are rather internal, while external drivers are not particularly common. Companies in this group do not consider ICT adoption as a means of enhancing communication or reducing cost. Compared to the other three groups, companies in this group have the least formalized processes, with employees that are moderately committed to change, while they are facing the least competitive market conditions. Further, they are characterized by low compatibility and low relative advantage. The ICT adoption outcome could not be considered either successful or unsuccessful in terms of the performance dimensions that have been examined.

"The Amateurish ICT Adoption." The final and least successful ICT adoption scenario, fortunately, is the least common (7.6% of the sample). Companies in this group appear to take the adoption process quite lightly, as they have no clear motivation behind the adoption, employees are not particularly open to the change that is necessary in this case, while, on the other hand, organizational processes and routines are highly formalized. The final outcome of these ICT adoption conditions is considerably low. Clearly, the adoption of ICT by companies in this group can be characterized as a failure.

DISCUSSION AND IMPLICATIONS

The first and most important finding from this study is that the decision alone to adopt an ICT does not guarantee high organizational performance. ICTs can indeed make a significant contribution to the company by improving its operating efficiency, its understanding of customers' needs and its financial performance. Nonetheless, ICT is not a panacea: While many companies enjoy these benefits, others simply do not. The data presented in this manuscript can provide a certain, albeit preliminary insight, regarding the complex issue of successfully adopting ICTs.

A first important requirement appears to be a strategic fit between the market conditions the company faces and its decision to adopt ICT. Our findings clearly showed that successful adoption involve technologies that relate with certain needs of the company's customers and its suppliers or with an attempt to counter competitive initiatives. When the adoption of an ICT is initiated as a response to such conditions, it is more likely to produce the benefits companies seek when investing in such process innovations. It appears thus that a first and important antecedent of successful adoption of such innovations is to ensure that the decision to invest in certain ICTs should relate with the company's overall market strategy since companies that adopt ICTs mainly as a result of some "internal champion" (e.g., the IT department or the top management) find it difficult to integrate such systems in their daily operations and, as a result, fail to derive the potential benefits from doing so in full scale. This is by no means to say that internal champions of the decision are unnecessary since, as the analysis showed, in the absence of internal support the results can be catastrophic. Rather, it demonstrates the necessity to relate the adoption decision with the company's market environment, its marketing strategy and objectives.

Our study revealed two more sets of ICT success-related parameters. The first set of parameters relate to the company's environment, both internally and externally. With regard to the internal environment, it would appear that successful adoption requires a certain combination of organizational formality and commitment to change on the individual level. Contrary to what it has been found in previous studies about the importance of having highly formalized processes for adopting innovations successfully, in our study this seems to be related to the degree of commitment of change by employees. More specifically, our study has shown that the "successful" scenario of ICT adoption involves a moderate to high formality combined, however, with the highest employees' commitment to change, while the "unsuccessful" scenario involves the highest formality, which is combined with the lowest commitment to change though. This means that high formality on its own cannot guarantee success, if it is not combined with high commitment to change by employees. Our study also indicates that successful adoption is more likely to occur under conditions of increased competition. Competitive intensity drives companies to remain alert, stay closer to their market, monitor their competitors and constantly seek ways to overcome them. Moreover, competitive heat compels companies to speed-up the adoption of process innovations reducing thus the adoption lag-time.

The second set of parameters pertains to the characteristics of the ICT. Successful adoption appears to be a function of systems that exhibit compatibility with existing procedures and IT infrastructure, can help the company derive a relative advantage vis-à-vis its current systems and procedures, and ensure confidentiality and security even though this usually comes at a higher cost. Again this is an important finding because it indicates the importance of the ICT itself in deriving a successful adoption, irrespectively of the users' computer literacy and self-efficacy. For instance, the assessment of characteristics such as trialability or observability are quite subjective in the sense that, when it comes to ICT, the evaluation outcome is likely moderated by the adopting individual's computer skills. By contrast, the four characteristics, which the analysis has identified as significant for successful innovation adoption, allow for objectively evaluating one system over an alternative. The implications of this finding for practitioners are also important because it provides considerable evidence of the significance of the ICT quality in deriving the benefits of incorporating such systems in the company's operations.

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APPENDIX
Variables Measurement

Variables	Items
*ICT adoption motivations**	
Communication enhancement (24.2% of variation, α = 0.80)	To enhance communication among employees To enhance communication with customers To enhance communication with suppliers
Efficiency enhancement (23.9% of variation, α = 0.76)	To enhance efficiency of operations To increase speed of data accessing To standardize business process
Cost reduction (22.5% of variation, α = 0.81)	To lower transaction costs To lower operational costs To lower distribution costs
Organizational environment	
Formalization (α = 0.81)	Business processes are depicted in a written form. Business processes follow a typical/formalized procedure. Business processes are the result of typical/formalized meetings and reports exchange between various departments in the company.
Commitment to change (α = 0.83)	The company's employees view positively every change program irrespective of its effect on their work. The company's employees actively support the company's change programs The company's employees believe that change programs help them increase their productivity.
Competitive environment	
Intensity of competition (α = 0.83)	Competition is extremely fierce. There are frequent promotional wars in the market including price discounts and special offers. All competitive actions can be easily imitated. Price competition is very common in the market. Everyday we are informed about a new competitive action.
ICT characteristics	
ICTs' compatibility (α = 0.75)	ICTs were compatible with existing company IT infrastructure. ICTs were compatible with existing customer IT infrastructure ICTs were compatible with existing intermediaries/partners IT infrastructure
ICTs' relative advantage (α = 0.86)	Compared to existing systems/processes, the use of ICTs would: Help having a more efficient customer contact. Lower marketing costs. Allow easier market analysis. Improve customer service. Allow easier dissemination and analysis of information. Help the company extend market reach. Help enhancing the company's cooperation with intermediaries/partners/suppliers.
ICTs' cost (α = 0.85)	There were high initial costs (e.g., licensing). There were high maintenance costs.
ICTs' security (α = 0.74)	There was a lack of security (r) ICTs did not guarantee confidentiality of sensitive company information (r)
ICT adoption outcomes (α = 0.88)	Lowered transaction costs Lowered operational costs Lowered distribution costs Improved operational efficiency Increased the speed of data accessing

APPENDIX (CONTINUED)
Variables Measurement

	Improved communication among company employees
	Improved communication with customers
	Improved communication with suppliers
	Standardized business processes
	Led to sales increases
	Led to market share increases
	Helped in promoting the company's products more efficiently

***Principal component analysis with Varimax rotation, eigenvalue ^{3}1.0; Cum. percent of variance explained = 70.6%, Kaiser-Meyer-Olkin measure of sampling adequacy = 0.865; Bartlett test of sphericity = 2176,095; Significance = 0.000, (r): Reverse coded.**

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FORGIVENESS: A NEW INSIGHT INTO BUSINESS RELATIONSHIPS

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ABSTRACT

In philosophy, psychology, and theology (Enright and North 1998), the concept of forgiveness receives significant attention, however, little is known about the application of this concept in the business domain. To address this gap, this paper investigates whether forgiveness has a place in commercial relationships after an incident between a service provider and a customer. The findings reveal that some customers see a direct analogy between interpersonal and commercial relationships, while some engage in a more pragmatic approach.

INTRODUCTION

Forgiveness is a well-developed concept with a long history in theology. In recent times it has found further expression in the fields of moral development, philosophy, psychotherapy, and in developmental psychology (Enright 1994). Within marketing research there is an abundance of literature that focuses on consumer behavior associated with service failure, various forms of complaint behavior (Colgate 2001; Smith et al. 1999; Blodgett et al. 1995; Singh and Widing II 1991) and service recovery (McCollough et al. 2000; Singh and Widing II 1991). However, forgiveness as an essential component of business relationships is yet to be investigated. Forgiveness has the potential to accelerate the restoration of a strained relationship between a provider and a customer. Understanding forgiveness in this context may also provide insights into how to eliminate sources of customer dissatisfaction.

Our motivation for incorporating the concept of forgiveness in the business realm is driven by the nature of forgiveness. The process of forgiveness involves several stages that ultimately provide relief from negative emotions such as anger, fear, and resentment. Alternatively, it contributes to the restoration of internal freedom so that one can repair damaged relationships or enter into new relationships after the process of forgiveness has been completed. Enright, Gassin, and Wu (1992) and Richards (1988) emphasize forgiveness as, first and foremost, an inner personal release in which negative emotions are relinquished.

COMPLEXITY OF FORGIVENESS

The importance of forgiveness is widely recognized in theology and it features prominently in world religions, however, it was not until the 1970's that social scientific studies of forgiveness were undertaken (McCullough et al. 2000). Since that time, the topic has gradually been incorporated in the academic sciences such as philosophy, psychology, moral development, counseling, and psychotherapy. The most influential research concerning the interpersonal nature of forgiveness is by Enright and Cole (1998), Enright, Gassin, and Wu (1992), Enright and North (1998), McCullough, Pargament, and Thoresen (2000), North (1987), and Richards (1988). Aspects of forgiveness that have been distilled from that body of works and which can be applied to the business context include the following: forgiveness follows a deep, personal, long-lasting injury; forgiveness is linked to a sense of justice; forgiveness takes time and can be a long and difficult journey; the offender need not apologize; the offender need not have intended any wrongdoing; the pre-existing quality of the relationship and the severity of offence influence the prospects for forgiveness; one *usually* trusts the other when re-establishing a relationship; and finally, it is not always the case that one party offends and the other is offended.

Although there have been attempts to define forgiveness, no standard definition or widely accepted meaning has been adopted in the relevant literature. "Forgiveness is often operationally defined in terms of behavioral, affective, and cognitive responses following an interpersonal offence. Individuals are described as forgiving if they inhibit retaliatory or destructive responses, and instead respond with conciliatory or constructive behaviors, affect, and cognitions" (Zechmeister et al. 2004, p. 533, see detailed review). The strength of this précis is in emphasizing the three major components of forgiveness, namely emotions, mental contemplation, and finally behavior. However, the interpretation given to forgiveness in our study is broader in nature than purely interpersonal relationships. We consider the concept of forgiveness as it applies to the business domain, in terms of conflicts between customers and services providers.

Forgiveness is not a simple event or straightforward response to a specific incident. It forms a part of the life cycle of an incident that involves many steps or complex processes (Thoresen et al. 1999). Four major elements of the process of forgiving have been identified: (1) the recognition of being offended or experiencing an injustice; (2) accepting the choice/decision to let go of negative emotions; (3) achieving relief from internal tension and (4) feeling compassion for an offender (Enright and North

1998; North 1987; Thoresen et al. 1999; among others). The party that forgives may not need to interact with or receive acknowledgment from the offending party. However, in some cases the offender may seek forgiveness and endeavor to help the other party work through difficult emotions and understand the circumstances that gave rise to the incident.

EMOTIONS AND CONFLICT

It has been noted that conflict is dualistic in nature. At one extreme it is a disruption of the normal workings of a system; at the other, conflict is seen as a part of all relationships (Lulofs and Cahn 2000). The study of conflict reveals the dialectics of emotion as they rise or subside and establishes the key determinants which affect their flow into the customer – service provider relationship. Emotional responses to complaint behaviors or the experience of dissatisfaction have not yet received rigorous examination (Schroefer and Ennew 2002; Stephens and Gwinner 1998).

As noted by Bagozzi, Gopinath, and Nyer (1999), "In comparison to information processing and behavioral decision research, we know much less about the role of emotions in marketing behavior" (p. 184). In general, managers do not fully understand how customers perceive problematic situations, the emotional states to which they give rise, and the dynamic character of affects. If the emotions that motivate behavior in conflict situations are better understood, a more effective targeted approach can be adopted to mediate conflict and direct the process of forgiveness between the parties involved to achieve more productive outcomes. Forgiveness may moderate conflict, restore cooperation, and perhaps even enhance relationships between customers and providers.

The role of emotions is critical in any attempt to describe and analyze the behavior of people (Frijda 1986). Emotions are central to the actions of consumers and managers alike (Bagozzi et al. 1999). In this research we emphasize the emotional component of forgiveness over the cognitive and behavioral elements as it is emotions that drive the process of forgiveness. The set of emotions that are fundamental to human behavior include joy, anger, sadness, fear, surprise, and disgust. Each person is endowed with a set of emotional traits. Under normal conditions and in the absence of any arousal influence they constitute a key dimension of the self.

Variations in emotional responses may indicate variations in the kind of actions a person is prepared to undertake to restore a state of emotional equilibrium. The tendencies toward action hypothesized in this research principally reflect the negative aspects of a relationship and can be defined as explicit complaint behavior. Based on previous studies of the cognitive theory of emotion, Folkman and Lazarus (1985) state that the quality and intensity of any emotion is embedded in the appraisal of the nature of the encounter. The degree of expression, the flux of emotions, and subsequent behavior will vary according to emotional traits that "motivate adaptive or maladaptive adjustment in the environment" (Magai and McFadden 1996).

Based on the above discussion, the following research questions are posited:

- How do customers usually express and deal with their negative emotions?
- What does forgiveness mean for lay people?
- Is forgiveness applicable to the business domain?
- What was the outcome of incident?

METHODOLOGICAL PROCEDURES

The answer to these research questions entail several methodological procedures. Data for this study were collected through interviews with respondents recruited through a market research agency. Two screening criteria were adopted for the selection process: consumers who (1) experienced dissatisfaction in a retail encounter within the last six months; and who (2) communicated their grievance to the appropriate retail representative or another appropriate body such as Consumer Affairs, an ombudsman, or the Australian Consumer Association. Whilst it may be argued that after six months some aspects of recall may lack accuracy, this concern was outweighed by the benefit of providing a sufficient timeframe for the dispute resolution (if indeed it was undertaken). The agency was asked to select interviewees from a diverse demographic background and with various kinds of service failure. The resolution of conflict situations could be either positive outcomes ("happy endings") or negative legacies (deep frustration or anger).

Each interview proceeded from the stories that consumer told about their experiences in retailing contexts. This allowed each respondent to discuss their shopping experience in their own words (McCracken 1988). Specifically, interviewees related the details of the incident from its evolution to resolution and the nature of the outcome achieved; that is, whether customers emerged with positive, neutral, or negative emotions.

The second stage involved a dialogical encounter between interviewer and interviewee to obtain an understanding of the concept of forgiveness and its meaning (Schwandt 2000). To achieve such *understanding* – a central premise of the hermeneutic philosophy – we aimed to elicit a conception of forgiveness that was *produced* by the respondent (rather than *reproduced* as a normative conception) through detailed conversation with respondents about the feelings and emotions they experience when facing any sort of problem in daily life. For example, the strategies consumers employed to return to a balanced or contented emotional space, how long this usually takes, and which internal and external forces promote or impede the restoration of emotional balance.

After the discussion of emotions, respondents were asked about forgiveness in general – how they conceptualize it in everyday life and whether there is a place for forgiveness in the business domain. When respondents were recruited for this study they were not informed of the full protocols for discussion. That is, the questions about emotions and forgiveness were not explicitly outlined when respondents were asked to participate in the study. As the respondents were not primed in advance for the discussion of "Forgiveness," the ensuing conversations about emotions and forgiveness very often prompted them to share personally and sometimes very private accounts of situations in which they offered or withheld forgiveness or had sought (successfully or otherwise) forgiveness from another. This approach enabled respondents to *produce* an account of "forgiveness" according to the particular meaning they ascribed to the concept. In addition, the sample selected for our study was configured to provide a contribution to the generalization of theory rather than merely satisfy statistical principles. The process of recruiting additional respondents ended when theoretical saturation was achieved (Strauss and Corbin 1998).

The total 16 individual in-depth interviews were conducted with retail consumers. The interviews were conducted by the first named author of this study. Techniques such as paraphrasing and additional follow-up questions (Strauss and Corbin 1998) were also employed to ensure that the interviewer accurately understood all responses and was able to clarify any ambiguities that arose during the interview. The duration of each interview was approximately one to one and a half hours. Written consent was obtained in prior discussions with respondents for audiotaping interviews. All interviews were documented by a professional transcription service.

This methodological framework allowed us to present a hermeneutic circle for understanding human action in relation to the forgiveness process through dialectical tacking between "whole" and "part" (Geertz 1979). In other words, our research was aimed at understanding the "part" played by the process of forgiveness in the "whole" complex of customer intentions, beliefs, emotions, values, and practices. Preliminary analysis was undertaken after documenting the initial verbatim transcripts to inform and modify subsequent interviews. This process involved an assessment of transcripts to gain insight to the scope of the content and any potentially emerging themes. Detailed data analysis and classification of categories was carried out using NVivo 2.0 and the themes and concepts that emerged were subsequently refined for axial coding.

FINDINGS

As was outlined in the section on methodological procedures, all respondents had encountered some kind of adverse incident or service failure in the retail sector. The range of unsatisfactory shopping experiences varied from purchasing flawed/defective/faulty products from the supermarket, to unsatisfactory communication with staff (over servicing, rudeness, or miscommunication), or problems with purchasing expensive goods (necessitating exchange or return of faulty equipment or furniture). One important criterion was that dissatisfied customers had made some attempt to resolve the problem with the retail outlet. The findings of the study and discussion of relevant literature are organized into two main sections: Emotions and Forgiveness.

EMOTIONS

To Complain or Not to Complain

Through discussion with interviewees it became apparent that the first priority for customers in unsatisfactory encounters is to decide whether the matter is worthy of complaint. The reasons governing any decision to complain vary in particular situations. In general, customers are hesitant to lodge formal complaints (Retail Customer Dissatisfaction Study 2006), however the transactional nature of the relationship leads them to compare received value for money paid.

> On small items, I tend to not lift my feet. I just won't buy from there again, if I'm not happy. Often I will just leave a place rather than complain. [Marie]

> Well, naturally, if you've got a genuine case, you would hope that – you would expect them, being a big company, to react favorably and replace the item. [Eugene]

> But it was the principle. The price was there. [Fiona]

> If you spent money, you expect quality. [Alice]

However, one of the respondents had a different motivation. She was driven by the intention to make management aware of "gaps" in service provision and how these can be improved.

It's normally obviously to help them because I've never really complained wanting something, if that makes sense. I didn't complain just because I wanted something discounted or for free, it was more to help them . . . [Carolyn]

Emotions in Conflict

Sometimes a complaint is inevitable and this occasionally results in a service provider (in our study, a retail outlet representative) communicating with customers only under circumstances when normal expectations for the transaction is violated and the customer is resolutely dissatisfied. Expressions of dissatisfaction always pose a challenge, such as how to find the right approach for communication, while the uncertainty of outcomes also contribute to the customers' emotional state.

> . . . I generally make sure that there is a problem with it first of all, that I have got a case. I do assess everything first . . . but if someone's being very unreasonable, I'll kick up a fuss about it, yes. [Eugene]

> I'm very assertive. If something's not right but I do it in a good way I won't be rude about it, I'll just say "this is not right." [Haley]

While many customers try to control their emotions, this is not always the case, as Constanza and Leah admitted

> And I lost my self respect.

> Why?

> Because I was reacting to them. I wasn't screaming, but I didn't want to be put in that situation. It should have been easy and handled rather than dismissing. [Constanza]

> I think I was probably emotional when I wrote the letter and I was probably emotional when I spoke to the people on the phone. [Leah]

However, both customers also said that if they had to complain again they would like to be able to handle the situation much better and communicate their grievance in a clearer manner.

> I'm a very emotional person, so I react and that's a terrible thing at times. I react . . . but I am getting better. [Constanza]

> If I did that now, I would probably be less emotional but I think I would be able explain the situation a lot clearer. [Leah]

Another interviewee, who previously admitted that he was reluctant to be drawn into any dispute, also found himself involved in heated discussion:

> I was a bit disappointed especially when he's telling me that they're okay and I know that they're not, you know. [Josh]

FORGIVENESS

Forgiveness as a Coping Strategy

The concept of forgiveness was recently the subject of a study into how the concept is understood among the wider public (lay people) rather than the purely academic perspective of researchers (Kearns and Fincham 2004). Our study proceeded with the same objective; that is, to ascertain the role and place of forgiveness in the everyday lives of ordinary people. Consensuses emerged among all respondents that forgiveness is important for maintaining emotional well-being and spiritual health. Respondents initially reflected on their own lives and their willingness to forgive others in their daily interactions.

> I forgive – if someone really, really, really hurts me, I might want to walk away but it doesn't mean I'm going to hold onto that. [Leah]

> For me, I always forgive. I'm shocking. I never hold grudges. I always say that I will forgive but I never forget. [Carolyn]

However, a ranges of opinions were encountered when respondents were asked to define forgiveness in terms of their own understanding.

> Well, normally forgiveness is to understand when someone is sorry and that they've done the wrong thing and then for you to forgive them because they accepted what's gone wrong and for you to know that they've accepted, then you can forgive them. [Tamara]

> Forgiveness for me means acknowledgment of the error. [Jenny]

Tamara's and Jenny's definition holds that understanding and acceptance can only follow after the party who is considered as the offender shows remorse. This is a clear example of negotiated forgiveness. Alice's point of view is more compassionate, based as it is on the tenet that no one is immune from making mistakes.

> Well, probably first of all you need to understand that everyone makes a mistake and if someone made a mistake here, I might make a mistake in my place. [Alice]

For Ali forgiveness stems from love. Love is a paramount value in her life and she aspires to inner peace.

> [Forgiveness] . . . let me have a think about this. Let me have a think for a second. It's finding peace within your heart about that given person's situation and letting it go, and – I mean, it stems – forgiveness stems from love . . . [Ali]

As illustrated in these accounts, respondents perceive forgiveness, in the first instance, as a coping strategy for themselves. By providing forgiveness they seek to restore inner balance and move on with their life, thereby revealing that forgiveness is one of the most natural and wonderful peculiarities of being human. However, when the dialogue turned to the applicability of forgiveness in business relationships, the uniformity in opinions was not so high.

Forgiveness in Business Domain

Some people were immediately taken by surprise when asked to consider this question.

> I haven't thought of forgiveness from the commercial side of things. [Paul]

However, when Paul started to contemplate whether there is room for forgiveness in business he eventually arrived at the following:

> Well, you can harbor ill thoughts toward an individual in your own life, in your private or your social life and that's where you hear the world, but the same thing applies. [Paul]

This quote reflects an overall tendency of respondents to subsequently develop their opinion about forgiveness in business contexts based on the concept of forgiveness in their interpersonal relationships.

> But I don't know why you would deal with that differently to what you did with your family and friends. I've never thought about it. [Cheryl]

> Some people are nasty, some people are loving and forgiving, others hold it for ages and punish you. That's what life is all about and it's the same with retail, it's the same. [Constanza]

Tamara believes that forgiveness exists in business contexts, however her pragmatic point of view is grounded on the outcome:

> I definitely think it would be because I think no matter what happens, if they are good about rectifying the problem, then I think you can forgive a company and definitely go back and shop there. [Tamara]

Furthermore, some customers thought that it is simply not relevant to link forgiveness to business relationships. Their perspective was based on the purely monetary or transactional character of business relationships.

> And I don't know that I've actually ever thought about forgiving a store. I've never – I would never, ever have thought to forgive somebody like that, you know, in a big operation [Fiona]

This specific comment highlights that customers may differentiate their relationships with the personnel from their relationships with the organization. In Josh's case below, when he purchased a faulty product from a small store, he made no such differentiation between the shop assistant and the shop as an entity as alternative retail outlets were available.

> . . . it's probably different in the business world. Like I've had worse things happen to me on a personal sense and you always sort of forgive and forget but that sort of shop means nothing to me. I don't need it and I won't use it again so I'm not really worried about it. [Josh]

OUTCOME

The essence of relationship marketing in Sheth and Parvatiyar's (1995) fundamental axiom is that customers engage purposefully in continued patronage to reduce their choices, risks and cognitive dissonance. This provides a significant insight into the meaning of relationships between customers and a service provider. The question of what happens to parties after a conflict is of clear interest. If incompatible interests cause the conflict, what might influence its outcome? The level of willingness to interact and communicate in the process of service recovery based on working through the conflict situation and issues of trust are crucial in ongoing customer-service provider relationships.

Re-Patronage – No!!!

One extreme outcome is that resolution is unattainable and the relationship is terminated. Customers may be lost forever or remain with the service provider while maintaining a grudge in the expectation of future opportunities to find an alternative provider.

> I guess part of the resentment goes toward the fact that I won't go in there. And they don't deserve my patronage after that. [Ali]

> I have a choice never to go back into that store again. [Jenny]

Re-Patronage – Yes!!!

At the other end of the spectrum is the reconciliation that occurs when agreement is achieved, trust is restored, mutual understanding is re-established, and the parties proceed with ongoing service provision and patronage.

> Well, okay, you've won me, I'll certainly go back there again. [Paul]

> I'm completely satisfied with this one. I understand that it can't be 100 percent personal. [Alice]

CONCLUSION AND DIRECTIONS FOR FUTURE RESEARCH

This paper is the first attempt to extend the academic research of the concept of forgiveness from the interpersonal domain into the realm of business. This paper contributes to such complex and unexplored concepts as forgiveness in the business context and unfolds an account of the applicability of this concept to the relationship between customers and service providers in the commercial domain. The authors endeavored to model the process of forgiveness by incorporating the theory of emotion as a psychological space related to the concept of forgiveness. We have extended previous research that focuses mostly on behavioral reactions of consumers to service failure, and considered how customers' emotional reactions to a negative incident might account for the varying outcomes associated with maintaining or terminating patronage with service providers. Our exploratory study highlights the applicability of the forgiveness concept in the restoration of relationships between service providers and customers. In particular, customers tend to forgive even when a desirable outcome is not achieved. These insights provide scope for service providers to design more specific managerial strategies when dealing with unsatisfactory customers and conflict situations.

Although the size of sample is an unarguable limitation for generalization of our findings, we are convinced that the results of our study favor deeper investigation of this concept. One question of interest may be how cultural norms (e.g., Australia which is characterized by a relatively small population with diverse cultural subgroups) and subsequent behavior in a post-conflict situation affect customers' expression of their dissatisfaction in terms of emotional intensity. As Öhman and Birbaumer (1993) assert, cultural factors play an important part in regulating the expression of emotions. Factor such as religious belief/faith are not explicitly discussed in the extant literature but can also be an important influence on a person's commitments, attitudes, beliefs, and values. Therefore, the "language" of conflict and norms of behavior will probably vary. These areas are beyond the scope and intent of the present study.

The question of the set of specific emotions to describe the attitude and behavior of a customer during and after conflict has not received much attention in psychology. The development of a typology of emotions in situations of business conflict is of critical significance for further research as it would help not only identify the particular emotion complex of individual customers but will also assist in developing more effective strategies for businesses to respond to the emotional needs of customers and more clearly understand what factors might influence post-complaint behavior. Factors which influence the process of forgiveness in business settings are the result of a number of situational and contingent scenarios. However, the particular "personality" of the firm, in terms of recovery policies, norms of behavior, communication styles, and the (cognitive and emotional) intelligence of personnel may facilitate the process of forgiveness.

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SERVING COFFEE WITH A LITTLE LOVE: EXPLORING THE INTERDEPENDENCY BETWEEN A SERVICE PROVIDER'S MOTIVES AND REWARDS FOR MAINTAINING COMMERCIAL FRIENDSHIPS

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SUMMARY

The literature is replete with articles highlighting the commercial friendships between customers and their service providers (Adelman, Ahuvia, and Goodwin 1994; Goodwin 1997; Goodwin and Gremler 1996; Price and Arnould 1999; Swan et al. 2001). Indeed, researchers outside of marketing, such as psychology (Cowen 1982) and sociology (Oldenburg 1999, 2001; Stone 1954), have also discussed that retail employees often represent sources of support for their customers. Given that support delivered as companionship (i.e., feelings of friendship), emotional support (i.e., the ability to talk to someone about personal and private issues), and instrumental support (i.e., assistance with mundane tasks, such as cleaning or transportation) is beneficial to people's health (Cohen 2004; Helgeson 2003) and to their longevity (Giles et al. 2005), service providers may assume a role in their customers' lives (Kang and Ridgway 1996).

The commercial friendship literature suggests that employees in high–customer contact positions, such as bartenders (Cowen 1982), hairstylists (Price and Arnould 1999), tour guides (Arnould and Price 1993), funeral planners (Gentry and Goodwin 1995), and dating service directors (Adelman and Ahuvia 1995), willingly dole out social supportive resources to their clients. On the one hand, many service providers are empathetic people who relish in the opportunity to provide their clients with support. On the other hand, many service providers may consider the support they provide to their customers as emotional labor (Steinberg and Figart 1999) which is linked to their receiving remuneration through tips or gifts. In fact, service providers whose income is primarily derived from customer tips may be especially keen in realizing the financial rewards they might receive by providing customers with services that extend beyond their normal job roles. As a result, many commercial friendships may be feigned.

This article offers a theory that explains the resources that employees provide their commercial relationships and uncovers the rewards that they receive by doing so. This objective is achieved by employing grounded theory methodology (Glaser 1978) obtained by analyzing data obtained from 10 waitresses of a Midwestern diner. This article offers the discipline an interactive-type theory (Glaser 1978) that captures the interdependence of variables that service providers exchange with their customers under the semblance of commercial friendships.

The data reveal that the waitresses furnish regular customers with individual attention and social support, including companionship, emotional support, and instrumental support. In return, regulars reward the waitresses with social support and financial resources in the forms of increased tips, patronage, or gifts. Thus, there is a mutual dependency between the job-related and supportive behaviors that the waitresses extend to customers and the rewards they receive by doing so. Commercial friendships between service providers and customers then emerge not as marketplace niceties but rather as reciprocal relationships in which customers pay for the job-related and social supportive resources they receive from employees.

Commercial friendships emerge not as marketplace niceties but rather as reciprocal relationships in which customers pay for the job-related and social supportive resources they receive from service providers. However, this finding does not denigrate the importance of commercial friendships to customers' lives. It is clear that adequate provisions of supportive resources dramatically help people remedy pathogenic effects associated with their experiencing loneliness after negative life events, such as death and divorce (Cohen 2004; Helgeson 2003), and help extend their longevity. Consequently, whether customers believe that they must financially compensate employees who provide them with social support sources may be of little concern to them. Indeed, the possible artificiality of commercial friendships, compounded by the notion that a service provider may be feigning care, may fall by the wayside as long as customers believe that they are able to obtain support from another human being.

The mutual trajectory that exists between employees' supportive behaviors and the corresponding rewards they receive from customers is theoretically substantive because it shows that interdependence must exist between the service providers' motivation to extend support to customers and the customers' desire to reward this behavior. This interdependence provides an understanding as to why some marketing researchers (Goodwin and Lockshin 1992; Surprenant and Solomon 1987) have found a consumer backlash to service providers' social supportive

overtures (e.g., asking customers personal information, seating single customers together). Customers positively reward service providers for their social supportive resources when they lack sufficient provisions of these resources from traditional sources, such as family and friends; however, they respond negatively when these supportive provisions are not warranted.

The direct (i.e., increased tips) or indirect (i.e., gifts) financial numeration that the waitresses received for extending care to customers illustrates that service providers are not necessarily natural caregivers. This is not to say that service providers always feign their customer friendships; rather, this examination acknowledges that service providers receive rewards beyond customers' verbal accolades by extending support to them. Whether full-salaried or professional service providers would continue to extend feelings of commercial friendships to their customers without receiving compensation in the form of purchase orders remains unclear and worthy of future exploration. In addition, whether customers willingly ask waitresses for support or whether some waitresses are keen to begin extracting personal information from them remains unclear. Researchers are encouraged to explore these questions. References available upon request.

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TOWARD A MEANS-END THEORY OF SERVICE RELATIONSHIPS: LINKING RELATIONSHIP-DRIVING BENEFITS WITH SERVICE ATTRIBUTES AND MOTIVATIONAL VALUES

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SUMMARY

For most service organizations today economic success largely depends upon the firm's ability to establish long-term relationships with consumers; therefore, understanding the reasons why consumers maintain relationships with service firms represents an issue of essential importance. Several studies have addressed a wide variety of service relationship determinants such as relationship marketing devices (Verhoef 2003), customer relational benefits (Reynolds and Beatty 1999), and consumer personality (Odekerken-Schröder, De Wulf, and Schumacher 2003). However, no common theoretical underpinning exists for these research streams and, as a result, no consistent typology of service relationship drivers has been developed. This lack of integration between research streams has led to myriads of what are considered "key drivers" of service relationships, making it difficult for service managers to focus on the "right" set of constructs or measures.

In this research we develop an integrating hierarchical framework of service relationship determinants by drawing on means-end theory. Means-end theory posits that a consumer's knowledge about products and services is hierarchically organized, connecting knowledge about the attributes of an object with their functional and psychosocial consequences, and associating consequences with personal values (Gutman 1982). Based on a means-end perspective of service relationships, we argue that a consumer's motivation to buy repeatedly from a service provider is driven by the three interlinked concepts of *service relationship attributes*, *relationship-driving benefits*, and *motivational values* with benefits as the pivotal element. Building on this framework, we conducted two empirical studies to answer four research questions: (1) Which service relationship attributes, relationship-driving benefits, and motivational values are responsible for consumers' service relationships? (2) What is the relative importance of the different service relationship attributes, relationship-driving benefits, and motivational values to customers? (3) What service relationship attributes can a service firm use to provide relationship-driving benefits to customers? (4) Which motivational values are achieved through relationship-driving benefits?

In study one, we conducted 100 laddering interviews (Reynolds and Gutman 1988) to provide an answer to research question one. Content analysis resulted in a set of 50 hierarchical service relationship determinants of which 28 were classified as service relationship attributes, 12 as relationship-driving benefits, and ten as motivational values. We find several service attributes that refer to the three service quality dimensions suggested by Rust and Oliver (1994), namely the *service product* (e.g., service customization), the *service delivery* (e.g., employees' expertise), and the *service environment* (e.g., atmosphere and design of the servicescape). Other service relationship attributes identified in the data deal with the *service location*, with *relationship characteristics* (e.g., personal connection with the service provider), and with *company characteristics* (e.g., reputation). On the relationship-driving benefits levels, we find that our *confidence, money saving, communication, privileges,* and *affiliation benefits* are similar to the relational benefits that have been discussed in the literature (e.g., Gwinner, Gremler, and Bitner 1998), and our two benefits of *comfort* and *convenience* link relationship-driving benefits with other areas of relationship marketing (e.g., Spake et al. 2003; Berry, Seiders, and Grewal 2002). Five benefit categories are novel, namely *welcomeness*, *altruism*, *community*, *autonomy*, and *knowledge benefits*. Motivational values were classified using the Schwartz (1992) typology of ten distinct motivational values, which can be assigned to three more abstract motivational domains, namely *individual motivational values* (i.e., achievement, hedonism, self-direction, stimulation, and power), *collective motivational values* (i.e., benevolence, conformity, and tradition), and *mixed motivational values* (i.e., security and universalism).

In study two, we developed a standardized questionnaire for a CATI survey and drew a probability random sample of 618 customers to answer research questions two to four. We find that on the *service relationship attributes* level, attributes of the service product were

most important for determining the respondents' relationship to a service provider, followed in descending order by service delivery attributes, service location, relationship characteristics, service environment, and company characteristics. On the *relationship-driving benefits* level, we first ran a principal component analysis on the 12 benefits which resulted in three factors: (1) *Psychological benefits* (confidence, welcomeness, autonomy, and knowledge benefits) have the highest relative importance, followed by (2) *functional benefits* (convenience and money saving benefits), and (3) *social benefits* (comfort, communication, affiliation, privileges, community, and altruism benefits) being least important. Regarding the relative importance of the various *motivational values*, individual values are most salient, followed by mixed values and collective values. When analyzing the *inter-level relations* between attributes-benefits and benefits-values, we find that customers whose relationship to a service provider is based on *functional benefits* consider service product characteristics as most effective for receiving such benefits, followed by the service location. With regard to *psychological benefits*, service delivery plays a crucial role on the service attribute level, and for *social benefits*, relationship characteristics primarily drive the consumer's service relationship. On the value level, the link with individual motivational values has the highest probability for all three relationship-driving benefits.

Our research provides marketing managers of service firms with detailed insights on the devices that can be used to influence service relationships. Specifically, the results can help managers to develop more effective relationship marketing strategies which focus on the provision of particular relationship-driving benefits and then allocate resources across service marketing devices by prioritizing those service relationship attributes which are most likely to deliver the desired benefits. References are available upon request.

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IMPACT OF PRICE SENSITIVITY AND RELATIVE VALUE ADVANTAGE ON OPTIMAL BRAND PRICE UNDER COMPETITION

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SUMMARY

We consider price competition between profit-maximizing single-brand firms under logit demand. Here, the Nash equilibrium optimal prices cannot be determined in closed form. We show that the optimal price of a brand can be approximated by its marginal cost plus a weighted sum of the following three factors in descending order of importance:

- The inverse of price sensitivity of demand.
- The relative value advantage of the focal brand.
- The average value added by all competing brands.

The weights depend upon the number of competing brands. Theoretical and managerial significance of the approximation are discussed. ***Keywords: Pricing, Marketing, Logit Models of Competition.***

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THE DIRECT EFFECTS OF PRICE PERCEPTION CONSTRUCTS AND INTERNAL REFERENCE PRICE ON CONSUMERS' OVERALL PRICE PERCEPTION

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SUMMARY

It is well accepted in behavioral pricing research that price is one of the most important informational cues consumers use in the decision making process (Helgeson and Beatty 1987). The literature also reveals a complex picture of price as a cue – far from being a monolithic concept, price was found to be a multidimensional stimulus affecting consumers' purchase intentions (Dodds, Monroe, and Grewal 1991). Lichtenstein, Ridgway, and Netemeyer (1993) proposed and empirically tested a 7-construct price perception model, including five constructs – value consciousnesses, price consciousness, coupon proneness, sale proneness, and price mavenism – that have a negative impact on overall price perception, and two constructs – price-quality schema and prestige sensitivity – with positive relationships with price perceptions.

In this study, we reviewed Lichtenstein et al. (1993)'s price perception model and applied it to a particular product context (Sony's CD player). A sample of 172 college students from a mid-size Midwestern university was asked to evaluate their perceptions of a CD player made by Sony. Participants completed a survey comprised of 31 items measuring most of Lichtenstein et al.'s (1993) model, along with three additional items measuring internal reference price. Utilizing LISREL 8.7 program, we found that the price perception constructs of value consciousnesses, price consciousness, sale proneness, price-quality schema, and prestige sensitivity had no significant direct effects on consumers' overall price perceptions.

In addition, internal reference price was added to the model. The acceptable fit indices – the ratio of the Chi-square statistic to the degrees of freedom was 1.69, lower than the 3.0 threshold, and the error indices (RMSEA and RMR) were lower than .08 (.058 and .075 respectively). Finally, although the fit indices were not excellent, NNFI, CFI, and IFI were all higher than .90, (.91, .92, and .92 respectively) – suggested that internal reference price is a very relevant factor in building consumers' price perceptions (path coefficient = -.21, t = -2.16). Moreover, the significant positive relationship between internal reference price and price perception supports that, when no external inference price (advertised selling/reference price) is presented to consumers, the effect of internal reference price is still significant in forming and influencing consumers' price perceptions.

This study provides managerial insights on pricing strategies that consider a consumer's internal reference effect. More importantly, this result also reveals the complexity of price perception and encourages researchers to theoretically expand the price perception model in Lichtenstein et al.'s (1993) study by integrating other relevant factors, such as brand or country-of-origin effect, into prediction of overall price perceptions. References available upon request.

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THE DISCOUNT-DISTANCE CONGRUENCY EFFECT

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SUMMARY

Research suggests that numerical stimuli are non-consciously and automatically represented and encoded in memory as magnitude representations (i.e., judgments of relative "size"). Research further suggests that the magnitude representation that sustains the processing of numeric value may be highly related to the underlying magnitude code that sustains the processing of physical stimuli (Dehaene and Akhavein 1995). Thus, when making quantitative comparisons between numbers, interference (reinforcement) may ensue if the magnitude representation associated with the numeric value of a number (e.g., large) is inconsistent (consistent) with the magnitude representation associated with the physical size, appearance, or some other related aspect of that number (e.g., small).

Sale-price value is directly related to the numerical difference (or "distance") between regular and sale prices (Compeau and Grewal 1998; Monroe 2003). Because numerical distance and physical distance are highly related dimensions, the author posits that the physical proximity of the regular price to the sale price may impact price discount perceptions through an interference/reinforcement mechanism. This is referred to as the "discount-distance congruency effect."

In the case of either "small" or "large" perceived discounts, perceptions of price discount magnitude (and hence sale price value) should be increased by increasing the physical distance between regular and sale prices. For small perceived discounts, a large physical distance (*in*congruent dimension) should result in magnitude representation encoding interference, thereby increasing the size of the perceived discount. For large perceived discounts, a large physical distance (*con*gruent dimension) should reinforce customer discount perceptions.

Experiment 1

Six ads containing a headline, copy, illustration, and a regular ($7) as well as a sale (either $5 or $6.75) prices were constructed for a brand of ice cream scoop. The two price combinations (i.e., $7/5 or $7/6.75) represented discounts of 29 percent ("large" discount) and 4 percent ("small" discount). The two prices were placed either one, three, or five inches apart. Target and non-target ads were combined in a booklet. Participants (n = 135) looked through the booklet, then completed a paper and pencil questionnaire assessing perceived price discount (%), level of attention, recall, and physical distance perceptions.

ANCOVA revealed a significant difference in mean perceived price discount across the three physical distance conditions [$F(2, 134) = 3.68$, $p < .05$]. Post hoc Sheffe comparisons indicated that perceived price discount was greater in the 5-inch (*M* = 26.65%) than in the 3-inch (*M* = 24.61%), and in the 3-inch than in the 1-inch (*M* = 19.57%) condition. As expected both the small/large discount main effect [F(1,132 = 5.64, $p < .05$] and the actual discount size x physical distance interaction effect [$F(1, 134) = 4.23$, $p < .05$] were also significant. Sale-price recall, regular price recall, perceived physical distance, regular price attention, and sale price attention covariates were non-significant.

Experiment 2

In Experiment 2 the actual physical distance between prices was held constant, but the *perceived* relative distance was manipulated through the utilization of a classic optical illusion (i.e., the Mueller-Lyer illusion). The illusion consists of two lines which are equal in length. The line with the inward facing tails is perceived as shorter than the one with the outward facing tails, because the outward (inward) facing tails serve as extraneous stimuli that pull the eye in their direction, thereby shifting the "center of gravity" outward (inward) from the vertices, and causing an overestimation (underestimation) of length (Coren 1986). It was expected that price discount magnitude (and value) would be greater for prices placed adjacent to the outward rather than the inward-facing tails of the Mueller-Lyer illusion

As in Experiment 1, two (ice cream scoop) print ads were constructed containing a regular ($7) and sale ($5) price. Prices were placed at opposite ends of the Mueller-Lyer illusion, with the tails of the illusion facing either inward or outward. Target and non-target ads were then placed in an ad booklet; all other procedures and measures were identical to Experiment 1 (N = 42).

Analysis revealed that subjects perceived a significantly greater [$t(40) = 2.83$, $p < .05$] distance between digits (a greater percentage discount) when the wings of the Mueller-Lyer illusion turned outward (*M* = 32.6%), then when they turned inward (*M* = 25.4%). Further, the value associated with the sale price was significantly greater [$t(40) = 3.49$, $p < .01$] when the wings turned outward (*M* = 5.71), than when they turned inward (*M* =

5.33). There were no significant ($p > .05$) differences in either regular or sale price recall or (between-price) physical distance estimates across the two groups. Surprisingly, perceived discount/attention and perceived value/attention relationships were *negative*.

Discussion

Evidence from the two experiments indicates that both the actual physical distance and the perceived physical distance between regular and sale prices may have an impact upon price discount perceptions. The non-significant recall covariates gives strong indication that price discount assessments were made at the time of target ad exposure; the non-significant physical distance covariates demonstrate that participants were not consciously aware that the physical distances between regular and sale prices were influencing their price discount estimates. A full list of references is available from the author upon request.

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PREDICTABILITY, CONTROLLABILITY, AND DESIRABILITY AS THE OUTCOMES OF INNOVATION IN SERVICES CONTEXT

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SUMMARY

Service firms must base the evaluation of innovation programs on customer attitude in addition to internal measures. Price and Brodie (2001) and Raju and Lonial (2001) indicate that an outside-in, rather than inside-out, approach to innovation can dramatically improve process performance and customer satisfaction. Hogan, Lehmann, Merino, Srivastava, Thomas, and Verhoef (2002) imply that a focus on customer orientation can enhance the contribution service innovation programs make toward customer lifetime value. Basing the evaluation on customers enables the firm to go beyond an operations management perspective and embrace the marketing concept (Pullman and Thompson 2003). Hence, a new service development process should be customer-oriented (Alam and Perry 2002).

Despite this emphasis, little has been done to directly measure how consumers perceive novelties built into the dimensions of a service offering. Much of the empirical research has focused on either new service development team's satisfaction with the outcomes of innovation (e.g., Van Der Vegt and Janssen 2003; Blazevic and Lievens 2002; Avlonitis, Papastathaopoulou, and Gounaris 2001) or internal evaluations of consumer attitudes (Sethi et al. 2001). This point is also supported by Garcia and Calantone's (2002) review of innovation literature.

Although we suggest that an outside-in approach to innovation is vital, a well-rounded innovation program should incorporate both internal and external perspectives (Garcia and Calantone 2002). Sometimes, details of a novel and influential service offering (such as the back-office practices, which are invisible to consumers) may not be apparent to consumers. However, these innovations might bring about favorable results for consumers through enhanced timeliness of the delivery, reduced service variation across employees and consumers, and etcetera. It would be very difficult to conclude that such an offering is not innovative just because consumers don't see the innovated elements. Nor can we state that the consumers do not care for such improvements.

Zolfagharian (2004) suggested seven dimensions for Consumer Perception of Service Innovativeness (CPSI): administrative, interior facilities, exterior facilities, employees, service core, technology, and responsiveness. The goal of the current study is to determine the degree to which a consumer's perception of service innovativeness influences his/her perception of personal control. Like in Zolfagharian (2004), two widely different types of service, fitness and auto repair, will be considered in the current study so the findings have more relevance and generality. We define consumer perception of service innovativeness as his/her evaluation of the extent to which the market-mix components of a service offering meaningfully differ from those of alternatives, real, or imagined.

Consumer Perception of Personal Control (CPPC) is important because it has the potency to reduce perceived risk (Bauer 1967; Solomon 2004). More specifically, CPPC has a beneficent effect on psychological and social risks (Sells 1970), defined as "any situation which interrupts, or threatens the interruption of organized response sequences" (Mandler and Watson 1966, p. 280). Hirunyawipada and Zolfagharian (2005) show whereas risks heighten resistance to innovation, CPPC speeds the adoption of an innovated service. Therefore, service innovators should pay particular attention to the ways that their actions influence CPPC.

Research in psychology (e.g., Averill 1973; Sastry and Ross 1998) has treated personal control as a multidimensional construct, consisting of cognitive, behavioral, and decisional components. Consistently, Lee, and Allaway (2002) have identified three dimensions for personal control: *predictability*, pertaining to the cognitive component, *controllability*, representing the behavioral component, and *desirability*, relating to the decisional component.

Using covariance analysis in LISREL 8 (Joreskog and Sorbom 1993), we took the three CPPC dimensions as endogenous, and the seven CPSI dimensions as exogenous, variables. The three dimensions of CPPC (predictability, controllability, and desirability) were allowed to correlate. The fit indices of the models are well above the acceptable limits. For instance, CFI is 0.99 and 0.98 for fitness and auto repair services, respectively.

Findings indicate that the role of CPSI on CPPC varies across different components of the service. Innovativeness in interior facilities and administrative components increases all three dimensions of CPPC.

Thus, these dimensions stand out as the most promising areas for an innovation strategy. To make a service more predictable and controllable, service firms can innovate on the core of their service. In addition, the perception of innovativeness in employees dimension enhances the controllability aspect of CPPC. Innovativeness in employees dimension has a greater impact on personal control where the service is performed on consumers, who are highly involved with the service-provider's facilities during the production-consumption process. In contrast, innovativeness in exterior facilities has a greater relation with personal control where that involvement is lower. An unexpected finding was the insignificance of technological innovativeness in explaining consumer perception of personal control (CPPC).

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CREATING COMPLAINT SATISFACTION IN PERSONAL COMPLAINT HANDLING ENCOUNTERS: AN EXPLORATIVE STUDY OF TWO LADDERING TECHNIQUES

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SUMMARY

In our service oriented world economy one would expect to see an increased concern for ensuring customer satisfaction. It has long been accepted that the negative impact of dissatisfaction and high costs of acquiring new customers is to be avoided in companies wishing to establish and maintain customer relationships (Hart, Heskett, and Sasser 1990). Yet many companies still assign relatively low priority to dealing with customer complaints, to the extent that customers are often actively discouraged from complaining (Andreassen 2001; Naylor 2003). Importantly, the voicing of concern indicates customers' willingness to maintain the relationship (Hirschman 1977). Complaint satisfaction can prevent customers from switching to other providers, reduce negative word-of-mouth communication and even generate positive communication about the company (Hennig-Thurau 1999; Stauss 1999).

Parasuraman, Zeithaml, and Berry's (1985) expectations-disconfirmation paradigm provides a useful analogy to understand the subjective evaluation process of complaint satisfaction. Expectations of the company's complaint handling are compared with the customer's perceptions of the process such that if the experience exceeds expectations the customer should be satisfied and if not they are likely to be dissatisfied (Stauss 2002). Such customer expectations, and in particular desire expectations, have not been extensively researched and yet desire expectations are likely to be used as a way of evaluating recovery performance of service providers as well as being used as reference points for personal satisfaction judgments (Pieters, Botschen, and Thelen 1998; Yim, Gu, Chan, and Tse 2003). We suggest that further study of the nature of desire expectations should contribute to our understanding of complaint satisfaction. We suggest that once a company has recognized and understood complaining customers' expectations, then contact employees may be trained to manage their own behavior so as to match their customers' underlying expectations. Such behavior should have a positive impact on customer satisfaction (Botschen, Thelen, and Pieters 1999).

The Study

Given the current lack of knowledge concerning customer desire expectations (Pieters et al. 1998), an explorative qualitative research study was conducted. The study's aim was to identify the qualities and behaviors of customer contact employees most important for customers during personal complaint handling encounters. It sought to develop a deeper understanding of the attributes (qualities and behaviors) of effective customer contact employees that complaining customers desire and to uncover the constructs that underlie these desire expectations. To undertake this research we used the semi-standardized qualitative technique called laddering. Laddering is used to reveal the relationships which exist between the attributes of products, services or individuals ("means"), what consequences these attributes represent for the respondent, and the personal values or beliefs, which are strengthened or satisfied by the consequences ("end") (Reynolds and Gutman 1988). The majority of published laddering studies use in-depth laddering interviews for data collection where the interviewer's probing questions reveal attribute-consequence-value chains by taking the subject up a ladder of abstraction (Botschen and Thelen 1998), but in some cases questionnaires have been used as well. We used both techniques to develop a deeper understanding of the attributes of effective customer contact employees that complaining customers desire. The study also aimed to explore the comparability of results obtained from both methods. We conducted 40 laddering in-depth interviews and handed out 40 laddering questionnaires to students with complaining experience in two business management courses at a European University.

Results

Two hundred twenty-four ladders were collected from the laddering interviews and the 40 respondents provided between 3 and 11 ladders each, with an average of 5.6 ladders per respondent. The longest ladder consisted of nine concepts of meaning (attributes, consequences, and values) and the shortest two, with an average of 2.9 concepts of meaning per ladder. By comparison, a total of only 135 ladders were collected from the laddering questionnaires respondents provided between 1 and 5 ladders each, with an average of 3.4 ladders per respondent. The longest ladder consisted of five concepts of meaning and the shortest two, with an average of 3.1. These results demonstrate that researchers can collect far more ladders (in total and per person) and concepts of meaning during personal laddering interviews than with the paper and pencil version of laddering. Although both laddering techniques revealed eight different values, respondents mentioned almost four times more values during the interviews than in the laddering questionnaires. This also explains the small number of values displayed in the hierarchical value map based on the questionnaires (3 values) in comparison to the interview value map (6 values). During the laddering interviews, all respondents were able to reach the highest level of abstraction (values). By contrast, only a few respondents who filled in the laddering questionnaires were able to reach the value level. Apparently, it seems to be significantly more difficult for respondents to climb the ladder of abstraction and to elicit associations on the highest value of abstraction without the presence of interviewers. Respondents also mentioned far more attributes during the personal interviews than in the questionnaires. This can be explained by the fact that the questionnaire design only allows respondents to write down four attributes while they are not limited during personal interviews. The design of the paper and pencil version of laddering may also explain why respondents mentioned a large number of consequences. Respondents can give up to three reasons why a certain attribute is important to them and the lack of elicited values may have been compensated for by the large number of consequences instead as they were not able to completely climb the ladder of abstraction to the value level. Apart from these differences, however, the results from both laddering techniques revealed similar concepts and linkages and the most frequently mentioned consequences were "Take Someone Seriously" and "Problem Solution." Respondents felt they were taken seriously if contact employees solved the problem and were courteous, honest, and empathetic.

Conclusion

Both laddering methods revealed that above all complaining customers need to be taken seriously as individuals. The fact that interpersonal factors such as friendliness and listening skills are important, indicate that customers want to satisfy their basic needs first and their expectations and consumption or complaint handling needs second. Customer complaint satisfaction is a crucial area for managers and academics alike, especially in the context of long term profitability for the company, the success of the company's relationships with customers and the management of employees. If frontline employees are perceived as competent then customers believe they will deal appropriately with their problem and ultimately resolve it. By focusing on this critical subject and through the application of a method new to this context, the aim of this paper has been to develop an area of research and methodology that could reap considerable further benefits for researchers interested in the area of customer complaint satisfaction. References available upon request.

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CUSTOMER PARTICIPATION AND CONTROL IN THE SERVICE ENCOUNTER: A REVIEW

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SUMMARY

Service providers have an opportunity to reciprocally vary their service provision to meet differences in customer roles during service encounters. While there has been a plethora of conceptual and empirical research regarding the many complexities involved in services marketing, few endeavors have been directed toward integrating the *customer's* role into models intended to ultimately improve overall services marketing efforts. Research is still lacking in the area of customer participation, its antecedents, and its effects on attributions, evaluations, psychological benefits, and behaviors (Rodie and Kleine 2000).

The purpose of this research is to review the extant literature regarding service customer participation and control during the service encounter. Prior research findings are presented, discussed and integrated into a conceptual model, which is proposed as a framework of customer participation and control to guide future research aimed at improving our understanding of the customer's role in service encounter satisfaction and behavioral intentions. We first provide a discussion of the nature of service encounters and various views regarding these encounters as situational and interpersonal interactional phenomena based on our extensive review of the literature from the fields of psychology, social psychology, consumer behavior, marketing, and management. Next, we present the framework which has three main purposes. First, the framework is meant to encourage resolution of definitional discrepancies within the conceptual domains of customer participation and control. Second, its purpose is to stimulate research aimed at improving our understanding of individual differences in service consumers' propensities to seek control during service encounters by engaging in functional, technical, and self-service participation and, ultimately, the effects of participation and control upon customer satisfaction and behavioral intentions. Third, the framework allows service managers to understand the customer's perspective regarding their role in the service encounter and to adapt their service provision inputs accordingly.

The proposed framework follows a systems approach that views the service encounter as a process of inputs, throughputs, and outcomes (e.g., Silpakit and Fisk 1984). It depicts three fundamental customer dimensions involved in the service encounter before post-transaction evaluations are formed and post-encounter behaviors occur: (1) customer motivations; (2) the transformation/exchange process; and (3) perceptions of the process and outcome-related factors. It describes the main elements of each of these dimensions and designates how customer motivations and varying levels of participation interact with both the human and physical service systems during the transformation process and how each will influence perceptions of the process and outcome. It specifies how customer participation in the form of functional, technical, and self-service behaviors are related to task and non-task motivations, and to perceptions of the process and psychological and utilitarian outcomes.

Based in part on prior works in services marketing (e.g., Aubert-Gamet and Cova 1999; Bateson 1985, 1991; Bitner 1990; Bitner et al. 1997; Bitner, Booms, and Tetreault 1990; Czepiel et al. 1985; Gremler and Gwinner 2000; Gronroos 1984, 1990; Kelley, Skinner, and Donnelly 1992; Rodie and Kleine 2000; Silpakit and Fisk 1984; Solomon et al. 1985), consumer behavior (e.g., Shavitt, Lowery, and Han 1992), psychology (Goffman 1973), interactional psychology (e.g., Endler and Magnusson; Terborg 1981), interdependence theory (e.g., Kelley and Thibaut 1978; McCallum and Harrison 1985) and others, the framework views customer participation as a behavioral concept, occurring during the transformation/exchange process, and includes any interaction with either the human or non-human components of the service system. Participation consists of functional, technical, and self-service dimensions, each of which may occur at low, medium, or high levels. Depending upon customers' goals and the nature of the service, customers can interact with either or both of the human and non-human components of the service system, and can contribute any combination of functional, technical, or self-service inputs. Participation can be in the form of mental, verbal, emotional, or physical action, communication, effort, or interpersonal contributions that influence the service delivery process or outcome.

Functional participation is associated with the production process-related component of service creation and is viewed as the "service-oriented" dimension of the encounter, including all interpersonal contributions. It will usually be the least standardizable dimension due to the high level of human interaction variability. Technical

participation includes inputs associated with the outcome of the service creation including all types of labor or information input. Self-service participation designates customer inputs to the service process when there is no human interaction and participation occurs only with the physical service system. Perceptions of the process and outcome may include both psychological and utilitarian outcomes.

The paper suggests directions for future research aimed at understanding more fully the nature of the service encounter, its impact on service customer behavior and the ultimate effect on a service firm's perceived performance. It presents propositions suggested by the framework, which are intended to stimulate research in this area. The importance of customer roles are emphasized, suggesting that individual differences may cause variations in customers' propensities to participate in and to control the creation of services during human interactions, in online behavior, and in self-service encounters. Therefore, research efforts to operationalize customer participation that reflect its multidimensional nature regarding motivational tendencies and technical and functional inputs will enhance efforts to understand, explain, and to predict the effects of customer behavior in the service encounter. Similarly, the construction of better measures of customer control motivations, control behaviors, and final perceptions of control for the service process and outcome, should be addressed. Such research can inform service firm efforts to encourage profitable behaviors, manage service quality provision, provide customer value, and improve customer satisfaction to increase the probabilities for creating and maintaining long-term profitable service relationships. References available upon request.

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DOES CUSTOMER INTEGRATION MATTER? CUSTOMER INTEGRATION AND ITS CONSEQUENCES: EMPIRICAL EVIDENCE

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SUMMARY

Facing the transition from a goods-centered to a service centered logic in marketing, customers are increasingly defined as co-creators and consumers of value. Thus, in the academic arena, customer integration and related concepts such as customer participation became important research issues. Customer integration is a key element of the service production process. In order to create tailor-made services, customers need to participate in the service production process. Furthermore, it is widely accepted that costumer integration can result in higher price premiums due to the fact that tailor-made services lead to higher customer satisfaction and, therefore, to higher value for customers. However, management of customer integration is neglected, although it strongly influences the efficiency and effectiveness of the services delivery. In order to implement appropriate services strategies, a measurement instrument of customer integration is needed. This paper provides a conceptualization and empirical analysis of the customer integration construct in the context of business-to-business services. In addition, it analyses the impact of customer integration on reputation and customer perceived value in business markets.

There is a variety of terms connected with the issue of customer integration such as "prosumer," "co-producer," "participant," or "partial-employee." These terms are rooted in the concept of customer participation defining the degree to which customers are engaged in the production and delivery of services. Emerged primarily from financial services, customer participation means the partial transfer of work previously done by clerks to the customer. Apart from that, we define customer integration as active participation of the customer during a value creation process based on purposeful information input and transformation of information in order to create an individual service. In contrast to the customer participation concept, we would like to strengthen the idea that customer integration is much about accumulation, creation, and dissemination of knowledge between the customer and a service provider.

Focusing on highly intangible, professional services such as consulting or corporate financial services, the nature of customer integration bases on several factors. First, customers have to be aware of their role as active partners of the service provider. Consequently, level of customer integration is determined by the amount of information input and transformation between both the customer and the service provider. Individual, tailor-made services as the outcome of this information input and transformation process appear to be a further important factor. Finally, the customer's influence on service quality has to be evident. As psychological studies in consumer markets have shown, individuals involved in a service relationship tend to claim responsibility for successful actions whereas failures are often attributed to the other party. Therefore, customer's perceived influence on service quality affects customer integration.

Studies of consumer markets also show significant impacts of customer integration on service quality and customer satisfaction. Applying these findings to business markets it could be stated that customer integration leads to higher level of customer satisfaction and to a higher level of customer perceived value (CVP). CVP is defined as customers' overall evaluations of a service's benefit based on the input given to and received from the service provider. If an increase in value for the customer comes from its own co-operation (e.g., because the individual service production is efficient), customer integration would have a positive impact on customer perceived value. The paper consequently argues that considering business services, customer integration increases customer perceived value.

Services are characterized by high experience and credence qualities. Therefore, reputation of a service provider plays an important role. Reputation is defined as the extent to which firms and people in the industry believe a service supplier is honest and concerned about its customers. Reputation could be seen as an antecedent as well as a consequence of customer integration. Of course, a company's reputation plays an important role for customers when they choose a supplier to be integrated with. However, we propose that especially regarding highly intangible business services, it is a long way to create and maintain reputation. We assume that even an existing reputation has to repeatedly be nourished and

renewed. Therefore, in our conceptualization, reputation is seen as a consequence of customer integration. Our paper postulates a positive impact of customer integration on a service provider's reputation.

In order to verify the research propositions mentioned above, an empirical study was employed. Empirical data was gathered in a cross-industry survey among CFO's and Heads of Finance/Treasury referring to advanced corporate finance services, in particular syndicated lending. Empirical results show that customer integration must be understood as an independent construct. Furthermore, customer integration has a positive impact on customer perceived value. Therefore, in order to enhance value creation in a business service relationship, for customers it has to be evident that they act as integrated partners of the service provider. Moreover, customer integration positively influences the service provider's reputation. One could conclude that even an existing reputation needs to be maintained and, hence, can be influenced by the level of customer integration. To sum up, customer integration offers an instrument to create value for the customer in business markets and at the same time it enables a service supplier to enhance its reputation in order to acquire new customers. Consequently, the paper makes an important contribution to the development of appropriate instruments to measure customer integration. Customer integration should be seen neither as an "end in itself" nor as a "necessary evil." Providers of business-to-business services can create value managing customer integration actively. In this regard, the paper aims to bring a significant topic back to the academic agenda. References available upon request.

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MARKETING RESOURCES AND CUSTOMER VALUE DELIVERY

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SUMMARY

A common question both in strategic management and marketing research is: how do differences in firm resources among rivals determine the values each creates to its key stakeholders? Despite the volume of recent research in this field, there is no general, formal framework to address this key issue (MacDonald and Ryall 2004). It has been even suggested that the extant literature on value, and on the measurement of value delivery in business relationships remains in its infancy (Beverland and Lockshin 2003), even though a sound understanding of the concept is a prerequisite for developing reliable and valid assessment tools (Ulaga and Eggert 2005). These shortcomings leave academics without full understanding of how marketing resources can enhance customer value delivery (Gibbert et al. 2006); a core issue in both marketing theory and practice.

Our study addresses the research gap by examining the causal links between marketing resources and value delivery embedded in collaborative exchange relationships. The web of interfirm ties that firms draw on to learn about capabilities consists mainly of the critical exchange relationships they have with key customer and supplier firms (Sharma et al. 2001), but the proposed constituents of value embedded in these relationships vary considerably among the taxonomies developed, and, thus, no guidelines are provided as to how to combine the discrete dimensions to form an overall measure of value delivered (Lindgreen and Wynstra 2005). Value can be regarded as the *raison d'être* of collaborative customer-supplier relationships. To more specifically delineate and assess how customer value is created, we draw upon distinctions advocated by other scholars (Day 1994; Srivastava et al. 1998; Payne et al. 2001) to further refine the notion of relational marketing resources and extend the relevance of these intangible assets and capabilities as value drivers in business relationships and networks. Firm assets are ultimately realized, directly and indirectly, in the external marketplace, and these resource endowments can be conceptualized as marketing assets, or assets that arise from the interaction of the firm with its environment (Srivastava et al. 1998).

Drawing on the above, we propose a taxonomy with three types of marketing assets: *customer-based assets*, *channel-based assets* and *partnering assets* emphasizing both relational and intellectual features in an interlinked manner. The outcomes of processes related to the deployment of these marketing assets provide, in turn, the necessary metrics to determine the presence and comparative worth of marketing capabilities (Srivastava et al. 2001). Day (1994) portrays the value adding effects of marketing capabilities by decomposing them into two primary elements: *outside-in capability* and *inside-out capability*. In the former case, the most valuable will be the customer linking and channel bonding capabilities, while abilities in financial management, operation management, and human resource management are emphasized in the latter. We forward the premise that firm marketing assets and capabilities facilitate both customer and employee value.

The study involved three main phases. First, in-depth interviews were conducted with senior marketing executives in 24 organizations. Thereafter, a questionnaire was developed and piloted. Finally, a representative-mailed survey was undertaken. Our survey was carried out in 2001–2002 (coordinated by Aston Business School, U.K.). Following the SIC (Dun and Bradstreet), our sample covered small (20–99 employees), medium (100–499 employees) and large (500 or more employees) firms representing business products, consumer products, business services and consumer services. The discovery at hand was conducted in three developed market economies: Finland, New Zealand, and the U.K. The sampling frame was supplied by national research institutes in each country involved. In total, 1286 usable responses were received: 327 in Finland, 472 in New Zealand, and 487 in the U.K., yielding a response rate over 20 percent. No significant differences in means were found between early and late respondents on the scales studied (t-tests at .05 level), indicating that non-response bias is unlikely to be a problem. Similar studies are underway in other countries (e.g., Australia, Austria, Germany, Greece, Hungary, Ireland, the Netherlands, Poland, Slovenia, China, Hong Kong, and Brazil) and at various stages of completion to allow the international robustness of the scales to be gauged.

The measures of marketing resources as well as employee and customer value were developed for the research questions concerned. The measurement proxies comprised new items and were initially developed by identifying and creating questions on the basis of the literature review, expert opinions, and field-based interviews. Following the analysis of the pilot data, the seminal questionnaire was further refined. Subsequently, the final questionnaire was developed deploying 40 marketing resources items generated through the above, hypothesized as five separate factors following the guidelines forwarded by Srivastava, Shervani, and Fahey (1998), and Day (1994). Besides, the questionnaire consisted of four value delivery items, hypothesized as two dimensional following the model reported by Payne, Holt, and Frow (2001): one set for key customers (customer satisfaction and customer loyalty), the other for employees (employee satisfaction and employee retention), respectively. All items involved in this study were assessed on a five-point advantage scale relative to major rivals.

Confirmatory factor analysis (CFA) was deployed for scale construction and validation. Overall, the fit indexes for the measurement model (χ^2 = 1056.05; df = 131; p = 0.000; RMSEA = 0.074; CFI = 0.920; NNFI = 0.895; CFI = 0.920) indicate that the scale structures fit the data acceptably and the developed proxies perform well in the context concerned. Composite reliability values (ρ_c) and values of average variance extracted (ρ_v) were calculated following the general instructions, and all exceed the recommended levels, respectively of: 0.60 or greater for the former, while 0.50 or higher for the latter, providing a set of reliable and valid metrics for the constructs involved. Our hypotheses were tested simultaneously with LISREL 8.51 (Jöreskog and Sörbom 1996). Modeling was undertaken deploying covariance matrix and the maximum likelihood estimation procedure. The fit indexes for the structural model (χ^2 = 40.53; df = 10; p = 0.000; RMSEA = 0.049; CFI = 0.991; NNFI = 0.948; CFI = 0.975) indicate that the model fit is very good.

To summarize, we found good empirical evidence for the hypotheses stated (eight out of the ten claims were verified). Our key results suggest that especially all the three asset categories and the inside-out capability discovered play a significant role in customer value creation. The explanatory power of the model for each depended construct was examined deploying R^2 (squared multiple correlations) statistics. Briefly, the inside-out capability and employee value delivered explained 16 percent of the variances observed in customer value creation, while the inside-out capability explained 8 percent of the variance observed in employee value delivered. Respectively, the three asset categories and the outside-in capability were together able to explain 16 percent of the variances observed in the inside-out capability, while the three asset categories were able to explain 29 percent of the variances observed in the outside-in capability.

Our study makes a number of academic and managerial contributions. Although the literature on the role of marketing resources in customer value has grown in significance over the last decade, few efforts have been made to operationalize the constructs and synthesize the arguments in a single rationale in the context of interfirm relationships both in consumer and business markets. This study contributes to the relational (assets and capabilities) view on value creation by developing metrics for the key constructs and, thereafter, evaluating them in international context. The structural model developed demonstrates the importance of firm marketing resources in contributing to the explanation of superiority in customer value creation. By elaborating the competitive nature of relational resources in marketing this approach may help business executives better understand the strategic importance of business relationships and networks, and thereby align competitive moves in consumer or business markets adopted. References available upon request.

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MARKET-ORIENTED CULTURE AS A SUCCESS FACTOR FOR EMERGING FIRMS

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SUMMARY

An extensive stream of research on Market Orientation (MO) originated from the basic works of Narver and Slater (1990) and Kohli and Jaworski (1990) almost two decades ago. Only recently have the insights been transferred to the context of young, growth-oriented companies or emerging firms. A context-specific measurement instrument for market-oriented behaviors in such firms has been developed based on the MARKOR scale of Jaworski and Kohli (1993). Moreover, the relevance of these behaviors for the performance of emerging firms has been shown empirically. The next logical step is to examine antecedents that foster market-oriented behavior. According to the common understanding of MO, market-oriented behavior is believed to be rooted within the organization's culture (Narver and Slater 1990). In this study, we examine empirically whether and in what way organizational culture in emerging firms affects market-oriented behavior. This question is of particular interest as it is often pointed out that in most cases young companies have not yet developed an organizational culture (e.g., Gruber 2003).

Research on organizational culture suggests that values and norms prevalent in an organization drive its members' behavior. Thus, actual behavior is rooted in more fundamental elements of organizational culture (Schein 1994; Hatch 1993). Furthermore, Katz and Kahn (1978) describe the prerequisites under which this interaction can actually occur: values and norms must (1) be accepted by the majority of the organization's members, (2) give clear hints on appropriate and necessary behavior, and (3) be known to the organization's members. In order to grasp the phenomenon of organizational culture in emerging firms, we chose the multi-layer model of Homburg/Pflesser (2000) as a conceptual framework which has been used to show the relevance of organizational culture as antecedents of market-oriented behavior in established firms. From a theoretical point of view, it integrates layers of corporate culture (values, norms, artifacts) and actual behavior, thereby enabling the assessment of the influences exerted by corporate culture on behavior.

We transfer the concept of market-oriented organizational culture to the context of emerging firms. These companies are differentiated from established companies by a set of five criteria describing organizational particularities. Whereas several authors claim that young emerging companies usually do not yet possess a mature organizational culture, we argue that market-oriented culture still exerts a positive effect on market-oriented behavior due to the strong position of the owner-manager. The owner-manager imposes his or her own values on the firm's employees. Therefore, the criteria of Katz and Kahn (1978) are met.

Due to the particularities of emerging companies, the conceptualization and operationalization of a market-oriented culture used in this study have been modified to fit the context of such firms. We first conducted a literature review of empirical studies on value dimensions in established and emerging firms (e.g., Gordon 1985; Calori and Sarnin 1991). This review resulted in twelve different value and norm dimensions that seemed appropriate to support market-oriented behaviors in emerging firms. Secondly, we conducted 20 expert interviews to identify the six most relevant value and norm dimensions of a market orientation in emerging firms (success, openness of communication, responsibility of employees, proactivity, innovation, learning). These six dimensions serve as constructs to measure values and norms that support market-oriented behavior in emerging firms. Artifacts in our study are measured by means of a one-dimensional construct with a total of eight items representing the foremost rites of integration (cf., Trice and Beyer 1984). Rites of integration are defined as activities in emerging firms that aim to bring the employees together in non-routine work situations (e.g., parties, conferences). Market-oriented behavior was measured by a scale accounting for the particularities of emerging firms, drawing on the established and widespread MARKOR scale of Kohli, Jaworski, and Kumar (1993).

Data was collected from a national sample of emerging firms in Germany. Firms included in the sample (1) had been founded a maximum of five years ago and (2) belonged to innovation-intensive industries (industry sec-

tors with reported R&D spending of > 3.5% of sales and a high percentage of academics among employees). The response rate was 16 percent, which appears to be an acceptable result for SME research. Our data collection rendered a total of 143 usable answers.

Using the partial least square (PLS) structural equation approach to assess the relevance of market-oriented culture, market-oriented values can be shown to exert a strong influence on market-oriented norms. These norms on their part have a positive and significant effect on market-oriented behavior and on market-oriented artifacts. Furthermore, there is a direct and significant relationship between market-oriented artifacts such as symbolic actions and market-oriented behavior. Overall, the explanatory power of our model is comparatively strong showing an $R^2 = 0.317$ for market-oriented behavior. This market-oriented behavior has a positive impact on the performance of emerging firms ($R^2 = 0.115$). Again, these findings support the high relevance of market orientation for such companies.

The empirical findings suggest that a market-oriented corporate culture also plays an important role in emerging firms where it exerts a strong impact on market-oriented behavior. Consequently, the assumption that young companies do not have a corporate culture directing their employees' behavior could be disproved empirically. Moreover, a link between market orientation and the performance of emerging firms can be established. This finding is relevant for owner-managers and investors of emerging firms alike, as it might contribute to lower the high failure rate of such firms. References are available from the authors upon request.

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INFLUENCE OF ENVIRONMENT, RESOURCES, AND MARKET ORIENTATION ON MANUFACTURING PERFORMANCE

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ABSTRACT

We investigate the link between market orientation and manufacturing performance in emerging economies firms. We propose a positive relationship between various dimensions of market orientation and manufacturing performance. This link is moderated by resource availability in a firm and environmental conditions such as competitive intensity, market turbulence and technological turbulence.

INTRODUCTION

The importance of market orientation for enhancing firm performance has long been recognized by businesses. The academic research in this area picked up after the publication of Narver and Slater's (1990) and Kohli and Jaworski's (1990) articles. Since then a number of scholars have investigated the link between market orientation (MO) and firm performance. A general consensus seems to be that there is a positive correlation between market orientation and firm performance (Bhuian 1998; Connor 1999; Hult and Ketchen 2001; Hult, Ketchen, and Slater 2005; Slater and Narver 1998), even though some scholars have found a negative correlation (Grewal and Tansuhaj 2001) or no relationship (Baker and Sinkula 1999; Harris 2001) between the two constructs.

The extant literature helps a great deal in advancing our understanding of the link between MO and performance; however, there are at least three important dimensions in which the literature can be advanced. First, an overwhelming majority of empirical evidence comes from developed economy contexts (Liu, Luo, and Shi 2003). Many scholars have argued that findings derived from one context may not be applicable to another context specially (Gaur and Delios 2005; Khanna and Rivkin 2001). To establish the external validity of findings, we need to amass empirical support from a variety of settings.

Second, most of the research has looked at specific aspects of MO dimensions without incorporating the role of firm resources and environmental factors in MO – performance relationship. Given that the effectiveness of a firm strategy is dependent on the environment in which that strategy is implemented (Dess and Beard 1984; Duncan 1972), it becomes important to incorporate the role played by external environment in affecting the MO – performance link. Further firms do not just need right strategies, but also resources and capabilities to implement their strategies. Therefore, the availability of resources is likely to have an impact on the effect of MO on performance.

Finally, there is a conspicuous absence of the discourse on the role MO plays in enhancing the performance at the level of business functions. Strategy research has often been criticized for an over emphasis on the over all firm performance and ignoring the importance of processes which make firms perform better (Ray, Barney, and Muhanna 2004). Given the importance of manufacturing function for enhancing the competitiveness of a firm, we investigate the impact of MO on manufacturing performance (MP) as measured in terms of cost, quality, delivery, and flexibility.

We extend the current literature in the above-mentioned three dimensions. We disaggregate the MO dimension into three sub components – customer orientation (CO), competitor orientation (CPO) and inter-functional coordination (IFC) and measure their impact on MP. We also propose that the effect of MO will vary depending on the external environmental conditions and the availability of resources with the firm and study their moderating impact on MO-MP relationship. We test our arguments on a sample of 315 small and medium size firms operating in India using structural equation modeling and hierarchical moderated regression analysis.

THEORY AND HYPOTHESES

Manufacturing Performance

According to Miltenburg (1995), manufacturing performance comprises of various dimensions such as cost, quality, delivery, and flexibility. The cost component includes the cost of material, labor, overhead, and other resources used in the production process (Miltenburg 1995). There is always pressure to reduce the manufacturing cost as every dollar saved in manufacturing provides an opportunity to not just increase the profitability, but also pass on the benefits to the customers and there by increase the firm's competitiveness (Miller and Roth 1994). Quality is the extent to which materials and operations conform to specifications and customer expectations (Miltenburg 1995). Delivery refers to the reliability and value of delivery time, where as flexibility refers to the ability of a firm to change its product mix and production volumes in response to the changing needs of the customers (Miltenburg 1995). We conceptualize these four dimensions to makeup the construct of manufacturing performance.

Market Orientation and Manufacturing Performance

Narver and Slater (1990) define market orientation as the "organizational culture that most effectively creates the necessary behaviors for the creation of superior value for buyers and thus continuous superior performance for the business." Market orientation can be achieved through three behavioral components: customer orientation, competitor orientation, and inter-functional coordination (Narver and Slater 1990). Scholars have investigated the market orientation construct as a unidimensional one as well at the disaggregated level. In this study, we assess the market orientation dimension at the disaggregated level.

Our hypothesis regarding the link between various dimensions of market orientation and manufacturing performance is in line with the general consensus in literature. There are arguments in manufacturing literature that firms with higher level of customer and competitor orientation are likely to have a better understanding of the key elements along the buyers' value chain, competitors' moves and how these change over time (Day and Wensley 1988; Oxenfeldt and Moore 1978). Such understanding enables the firm to create and deliver superior customer value (Aaker 1989) and improve the manufacturing performance. Like wise, a high level of coordination between different departments is likely to facilitate the sharing of important information between various departments for fast and efficient response to the external stimuli (Fine and Hax 1985; Tyler and Gnyawali 2002). Therefore, we hypothesize:

> Hypothesis 1 (H1): The three dimensions of market orientation (customer orientation, competitor orientation and inter-functional coordination) are positively related to manufacturing performance.

Role of Firm Resources

The resource-based view of firm suggests that firms achieve superior performance when they possess resources which are rare, valuable, inimitable, and un-substitutable (Barney 1991; Wernerfelt 1984). Given the importance of resources in affecting the firm performance, it is important to control for firm resources in any study investigating the link between a set of factors and performance. However, in addition to the direct impact on performance, firm resources may also affect the link between market orientation and performance indirectly.

According to Kohli and Jaworski (1990), the organization wide adoption of a market orientation requires the commitment of resources and is useful only if the benefits it affords exceed the costs of those resources. The greater the resources of a firm, the more will be its capability to respond to the demands arising out of higher level of market orientation. Thus firms with greater resources can better implement their strategies of customer orientation, can better respond to competition and can make better use of inter-functional coordination for enhancing the manufacturing performance of the firm. Accordingly, we hypothesize:

> Hypothesis 2 (H2): Firm Resources moderate the relationship between various dimensions of market orientation and manufacturing performance such that as the level of customer orientation, competitor orientation and inter-functional coordination increases, firms with higher level of resources perform better.

Role of Environmental Factors

The external environment puts constraints on firms' strategies and behaviors (Dess and Beard 1984; Duncan 1972). Miller and Friesen (1982) observed production performance in terms of new innovations is dependent on the influences coming from market, competitors or other external environmental factors. The more dynamic the environment, the greater is the need for enhancing the production performance to beat the competition. Thus, external environment is expected to moderate the relationship between market orientation dimensions and manufacturing performance. External environments comprises of various dimensions such as competitive intensity (CI), market turbulence (MT) and technological turbulence (TT). In the next section, we discuss about each of these and develop our hypotheses.

Competitive Intensity. One of the features of emerging economies in recent years has been increased competition caused by the arrival of multinational firms that provide customers with a range of products and services. In a competitive market a firm has to have a strong competitor orientation to identify the competitors' strengths and weaknesses, develop competitive advantages, and anticipate competitors' reactions (Steel and Webster 1992).

Kohli and Jaworski (1990) observed that in the absence of competition, a firm may perform well even if it is not very market oriented. This is because customers are stuck with the firm's products and services. In contrast, under conditions of intense competition, customers have many options, and organizations that are not very market oriented will probably loose out. Thus, under intense competition the effect of market orientation on manufacturing performance may be more intense. Accordingly, CI is expected to positively moderate the relationship between various dimensions of MO and MP.

Hypothesis 3 (H3): Competitive intensity interacts with various dimensions of market orientation such that as the level of competitive intensity increases, firms with higher level of customer orientation, competitor orientation and inter-functional coordination perform better.

Market Turbulence. MT refers to the level of instability in external environment which forces firm to change their strategies in the face of changing customer needs (Golden, Doney, Johnson, and Smith 1995). Jaworski and Kohli (1993) defined MT as the rate of change in the composition of customers and their preferences. The presence of global multinational firms with their wide range of products and services implies that local firms can no longer afford to serve a fixed set of customers with stable preferences. Thus the positive effect of various dimensions of MO in affecting MP is expected to be stronger in turbulent environment as compared to stable environment. Accordingly, we hypothesize:

Hypothesis 4 (H4): Market turbulence interacts with various dimensions of market orientation such that as the level of market turbulence increases, firms with higher level of customer orientation, competitor orientation and inter-functional coordination perform better.

Technological Turbulence. TT is the rate of technological change (Jaworski and Kohli 1993). In a fast changing world, where breakthrough technologies are the order of the day, the firms which understand their customers better can make better use of the available technologies to provide superior products. Accordingly, we hypothesize:

Hypothesis 5 (H5): Technology turbulence interacts with various dimensions of market orientation such that as the level of technology turbulence increases, firms with higher level of customer orientation, competitor orientation and inter-functional coordination perform better.

METHODS

Sample and Data Collection

Our sample comprises of small and medium-sized enterprises operating in and around the cities of Mumbai and Pune in India. Both these cities fall in the Western region of India, which houses a large number of manufacturing firms. Given the intensity of data collection process, it was important to identify a set of manufacturing enterprises over a limited geographic area so that many personal visits can be made to meet the respondents. We identified a total of 520 firms in a few business clusters based on directories of small and medium firms and obtained data using a questionnaire targeted at the senior executives or the CEO of the firm.

We removed 45 firms from the original list of 520 firms as some of them were not engaged in any substantial manufacturing operation. In addition, repeated attempts to contact the business heads failed in case of 148 firms. In the end, we could collect complete responses from 327 firms. We dropped another 12 firms due to incomplete information on many questions of the questionnaire. As a result, we were left with information on a total of 315 firms.

Survey Instrument and Scale Validation

We used Narver and Slater's scales (1990) to measure customer orientation, competitor orientation, and inter functional coordination and Jaworski and Kohli's (1993) scales to measure the level of competitive intensity (CI), market turbulence (MT) and technological turbulence (TT). For measuring "firm resources" (FR), we used the scale developed by Miller and Friesen (1982) along with the items from Gatignon and Xuereb (1997) scale. Finally we measured manufacturing performance (MP) by using four items relating to cost, quality, delivery, and flexibility. Cua, McKone, and Schroeder (2001) used these items to measure the manufacturing performance of a firm. The final survey instrument can be obtained from the authors on request.

We assessed the reliability and validity of constructs by confirmatory factor analysis (CFA) using AMOS. Most of the fit indices were in the acceptable range as given by Bentler (1992), even though we do not report the same for brevity. In addition, we found all the individual factor loadings to be highly significant, giving support to convergent validity (Anderson and Gerbing 1988). We calculated the Cronbach alpha coefficient, composite factor reliability, and average variance extracted for each of the scale and the values were in the desirable range. We also tested for alternate models using constrained analyses and found the original models to be better than all the constrained models. These findings provide a conclusive proof of discriminant and convergent validities of our scales.

RESULTS

We tested for the direct effect of CO, CPO, and IFC on MP, while controlling for the effect of firm resources using a structural equation modeling (SEM) framework (H1). The model provided an excellent fit (SRMR = 0.05, RMR = 0.07, GFI = 0.89, NFI = 0.85, AGFI = 0.87, TLI =

0.93, CFI = 0.93, RMSEA = 0.05). The path coefficients suggest that CO (β = 0.26, $p < .01$) and IFC (β = 0.29, $p < .05$) are positively related to manufacturing performance. CPO also has a positive effect, though the coefficient is not significant (β = 0.02, $p = .79$). These effects were after controlling for the impact of firm resources on manufacturing performance, which was significant and positive as expected (β = 0.24, $p < .01$). Thus, we get only partial support to H1.

We further tested for the direct effects and moderator effects using a regression framework. We averaged the items of each of the scale to develop a composite measure for our dependent and independent variables. We centered all our variables (other than plant dummies) at the mean (Cohen and Cohen 1983) to avoid the problem of multicollinearity. The collinearity diagnostics showed no problem of multicollinearity when we used the centered variables in the regression equations.

We developed the regression models in a hierarchical manner. In the first model, we entered firm resources, CO, CPO, and IFC. We expect to replicate the same pattern of the beta coefficient as we obtained in the SEM model involving these variables. In the second model, we entered the three variables related to environmental factors. Next, we entered interaction of each of the moderating variable with the market orientation variables one by one in different models. In all, 14 models were estimated. This approach is appropriate as it enables the interpretation of the coefficient of interaction terms easily. If we enter more than one interaction term involving a common variable, it becomes difficult to interpret the interaction term as the coefficient of an interaction term is dependent on other variables entering the equation.

Table 1 and 2 present the regression results of all our models. In model 1, the coefficient of MO dimensions and firm resources confirm the results of path analysis. Here again, CO and IFC affect MP positively and significantly, while CPO has no effect. Coefficient for firm resources is positive and significant. The sign and significance of these coefficients remain the same across all our models.

TABLE 1
Regression Results (Moderating Effect of Firm Resources) [a]

Variables	Model 1		Model 2		Model 3		Model 4		Model 5	
Customer Orientation (CO)	0.191**	(0.059)	0.207***	(0.057)	0.212***	(0.057)	0.199***	(0.056)	0.202***	(0.056)
Competitor Orientation (CPO)	0.066	(0.039)	0.019	(0.038)	0.024	(0.038)	0.051	(0.039)	0.041	(0.039)
Inter-Functional Coordination (IFC)	0.169**	(0.052)	0.145**	(0.050)	0.148**	(0.050)	0.165**	(0.049)	0.161**	(0.050)
Firm Resources (FR)	0.202***	(0.052)	0.137**	(0.051)	0.130*	(0.051)	0.130*	(0.050)	0.128*	(0.051)
Competitive Intensity (CI)			0.219***	(0.040)	0.217***	(0.040)	0.200***	(0.040)	0.201***	(0.040)
Market Turbulence (MT)			-0.077	(0.047)	-0.074	(0.047)	-0.074	(0.046)	-0.076	(0.046)
Technological Turbulence (TT)			0.023	(0.045)	0.023	(0.045)	0.035	(0.044)	0.033	(0.044)
CO x FR					0.060	(0.050)				
CPO x FR							0.105**	(0.030)		
IFc x FR									0.103**	(0.036)
F	37.921***		10.742***		1.457		12.075**		8.272**	
R^2	0.329		0.392		0.395		0.415		0.408	
ΔR^2			0.064		0.003		0.023		0.016	

Note: Values are un-standardized regression coefficients, with standard errors in parenthesis.
[a] Manufacturing performance is the dependent variable
**** p < 0.05, ** p < 0.01, *** p < .001***

TABLE 2
Regression Results (Moderating Effect of Environmental Factors) [a]

Variables	Model 6		Model 7		Model 8		Model 9		Model 10		Model 11		Model 12		Model 13		Model 14	
CO	0.22***	(0.06)	0.19**	(0.06)	0.21***	(0.06)	0.21***	(0.06)	0.22***	(0.06)	0.20***	(0.06)	0.19**	(0.06)	0.21***	(0.06)	0.20**	(0.06)
CPO	0.02	(0.04)	0.06	(0.04)	0.04	(0.04)	0.02	(0.04)	0.02	(0.04)	0.02	(0.04)	0.03	(0.04)	0.02	(0.04)	0.03	(0.04)
IFC	0.15**	(0.05)	0.15**	(0.05)	0.17**	(0.05)	0.15**	(0.05)	0.15**	(0.05)	0.14**	(0.05)	0.14**	(0.05)	0.15**	(0.05)	0.15**	(0.05)
FR	0.13*	(0.05)	0.11*	(0.05)	0.11*	(0.05)	0.14**	(0.05)	0.14**	(0.05)	0.14**	(0.05)	0.14**	(0.05)	0.14**	(0.05)	0.14**	(0.05)
CI	0.21***	(0.04)	0.22**	(0.04)	0.21***	(0.04)	0.22***	(0.04)	0.22***	(0.04)	0.22***	(0.04)	0.23***	(0.04)	0.23***	(0.04)	0.23***	(0.04)
MT	-0.07	(0.05)	-0.08	(0.05)	-0.09	(0.05)	-0.08	(0.05)	-0.09	(0.05)	-0.09	(0.05)	-0.08	(0.05)	-0.08	(0.05)	-0.08	(0.05)
TT	0.04	(0.04)	0.04	(0.05)	0.05	(0.05)	0.02	(0.05)	0.03	(0.05)	0.03	(0.05)	0.03	(0.04)	0.04	(0.05)	0.04	(0.05)
CO x CI	0.16**	(0.05)																
CPO x CI			0.07*	(0.03)														
IFC x CI					0.11**	(0.03)												
CO x MT							-0.00	(0.06)										
CPO x MT									0.06	(0.04)								
IFC x MT											0.06	(0.05)						
CO x TT													0.10	(0.06)				
CPO x TT															0.04	(0.03)		
IFC x TT																	0.05	(0.04)
F	10.99**		6.46*		11.69**		0.00		1.83		1.91		3.26		2.19		1.81[2]	
R^2	0.41		0.41		0.42		0.39		0.40		0.40		0.40		0.40		0.40	
ΔR^2	0.02		0.01		0.02		0.00		0.00		0.00		0.01		0.00		0.00	

Note: Values are un-standardized regression coefficients, with standard errors in parenthesis.
[a] Manufacturing performance is the dependent variable
*** $p < 0.05$, ** $p < 0.01$, *** $p < .001$**

Moderating Role of Firm Resources

Models 3, 4, and 5 in Table 1 present the moderating effect of firm resources on the relationship between MO dimensions (CO, CPO, and IFC) and MP. The results suggest a strong support for the moderating effect of firm resources on the CPO – MP relationship ($\beta = 0.16$, p .001) as well as on the IFC – MP relationship ($\beta = 0.13$, $p < 0.01$). Firm resources, however, do not moderate the relationship between CO and MP ($\beta = 0.06$, p not significant). These results suggest that as the level of CPO and IFC increases in an organization, firm resources play a more important role in affecting manufacturing performance. Thus, we get a partial support for Hypothesis 2.

Moderating Role of Competitive Intensity

Models 6, 7, and 8 in Table 2 present the moderating effect of CI on the relationship between MO dimensions and MP. The results show that CI positively affects the CO – MP relationship ($\beta = 0.18$, $p \leq 0.001$). CI also positively moderates the CPO – MP relationship ($\beta = 0.16$, $p < 0.05$) as well as IFC – MP relationship ($\beta = 0.18$, $p \leq 0.001$). Thus, we get a strong support for Hypothesis 3.

Moderating Role of Market Turbulence

Models 9, 10, and 11 in Table 2 present the moderating effect of market turbulence on the relationship between market orientation dimensions and manufacturing performance. From the results, it is evident that there is no support for the moderating role of market turbulence on the CO – MP relationship ($\beta = -0.002$, p not significant). The values also indicate no support for the moderation effect of market turbulence on the CPO – MP relationship ($\beta = 0.06$, p not significant) as well as IFC – MP relationship ($\beta = 0.06$, p not significant). Thus, we do not get any support for Hypothesis 4.

Moderating Role of Technological Turbulence

Models 12, 13, and 14 in Table 2 present the moderating effect of TT on the relationship between MO dimensions and MP. From the results, it is evident that there is no support for the moderating role of TT on the CO – MP relationship ($\beta = 0.08$, p not significant). The values also indicate no support for the moderation effect of TT on the CPO – MP relationship ($\beta = 0.07$, p not significant) as well as IFC – MP relationship ($\beta = 0.06$, p not significant). Thus, Hypothesis 5 is also not supported.

DISCUSSION AND CONCLUSION

We investigated the link between various dimensions of MO and MP and how the same is affected by the environmental factors and firm resources. We hypothesized a positive relationship between various dimensions of MO and MP. Further, we hypothesized that a firm's ability to translate its strategies of MO will depend on the availability of firm resources such that firms with higher availability of resources will be able to make better use of CO, CPO, and IFC for achieving superior MP. In addition, we hypothesized that the effect of MO dimensions on MP will vary depending on the external environmental conditions, namely, CI, MT, and TT.

We found a strong positive link for CO – MP relationship and IFC – MP relationship. However, we did not find CPO to affect MP in the case of Indian firms. We also found that firm resources had a strong positive impact on MP. Even though not hypothesized, this finding is significant because investigating the relationship between MO and performance without controlling for firm resources may provide spurious results. Further, the three dimensions of MO, together with firm resources accounted for 32.9 percent of the variance in MP, giving a very strong support to the robustness of our results. In this regard, this study contributes significantly to the development and validation of a model of market orientation for firm performance at various functional levels.

We also found that firm resources have a significant moderating effect on the relationship between CPO and MP as well as IFC and MP. Firm resources, however, do not moderate the effect of customer orientation on manufacturing performance. Further, we found that all the three dimensions of MO enhance MP more in the presence of higher level of CI. We did not observe such effect for either MT or TT. These findings suggest that in the environment of cut-throat competition, it becomes very important to remain highly market oriented for superior manufacturing performance. Researchers like Jaworski and Kohli (1993) and Subramanian and Gopalakrishna (2001) also hypothesized the effect of competitive intensity in their study but found no significant effect to this effect. However, some others found support for the positive moderating effect of CI on MP – firm performance relationship (Bhuian 1998; Harris 2001). The findings of this research are significant as they provide further empirical support to this relationship in the context of firms in emerging economies.

The non significant findings of market turbulence and technological turbulence could be because of the nature of environment in which firms operate in emerging economies. The pace of technological change is not very fast and consumers may not be highly demanding in terms of technically sophisticated products. In addition, even though the customers are highly demanding, their tastes and preferences may not change very fast. Jaworski and Kohli (1993) hypothesized the effect of market turbulence (as in case of this study) and technological turbulence in opposite direction (to what is hypothesized in this study), but did not find any support for their hypotheses.

This study has important implications for both research and practice. For researchers, the findings point toward the importance of investigating the complex relationship between market orientation and performance in a more disaggregated manner and in different industrial and institutional contexts. Depending on the level of development of the institutional environment in a particular country, the need for being market oriented may vary. In this regard, drawing conclusion based on a research done in a particular setting and making inferences based on that to some different setting could be potentially disastrous. In addition, this study also highlights the importance of contingency factors in affecting the market orientation-performance relationship. Specifically, researchers need to not just incorporate firm resources as a control before making inferences about other dimensions of market orientation, but also hypothesize for the moderating effect of firm resources. Likewise, environmental factors also play an important role and depending on the external market conditions, and they may moderate the relationship between market orientation and performance.

For practitioners, the findings highlight the importance of being market oriented for superior performance. This study is the first one to investigate the effect of MO on MP, and therefore particularly relevant for personnel involved in the manufacturing functions. Its high time that firms with manufacturing focus realizes the value of market forces and revamp the production and other production related processes to be more responsive to market needs and demands. The findings also highlight that merely being market oriented may not be very useful if firms lack necessary resources to implement the right methods and techniques, relevance of which should be decided based on the pointers from market orientation. Finally, managers also need to realize that market orientation may be more useful in certain condition such as high competitive intensity as found in this study. Under such conditions, it may be more paying to be market oriented compared with an environment where the level of competitive intensity is relatively low.

The results of this study suggest a few interesting directions for future research. The model presented in this study incorporated the role of contingency factors. However, only environmental factors and firm resources were included as contingency factors in this study. Future research may look at some other contingency factors such as the level of technological sophistication of the firms, the level of awareness of customers etc. Scholars may also look at other business functions such as research and development and explore how the differences in the context affect the relationship between market orientation and performance at the function level.

As a secondary contribution, this research also provides validation of different scales used in this model in the context of Indian firms. Other researchers focusing in related areas may use these measures for empirical validation of the model presented in this study.

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CUE UTILIZATION AND CONSUMER EXPERTISE

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ABSTRACT

This research extends prior research on cue utilization by incorporating expertise as a moderator of the cues-product evaluations relationship, and by examining the processes by which expert and novice consumers determine product quality using extrinsic and/or intrinsic cues.

INTRODUCTION

The most established dichotomy of product attributes is intrinsic versus extrinsic cues (Zeithaml 1988). Intrinsic cues involve the physical composition of the product, and cannot be changed without altering the nature of the product itself (e.g., ingredients), whereas extrinsic cues are product-related but not part of the physical product itself, and are not directly related to product performance (e.g., price, brand name, store name, level of advertising, warranty, country of origin) (Olson and Jacoby 1972; Olson 1977).

Past research has suggested that consumers utilize product attribute cues to form overall product evaluations. Many of the empirical studies pertaining to cue utilization deal with the relationship between a single extrinsic cue and product evaluations, such as the price-perceived quality relationship (e.g., Gardner 1970), or between multiple extrinsic cues (i.e., combining price with brand name and/or store name) and product evaluations (e.g., Dodds and Monroe 1985; Rao and Monroe 1989; Dodds, Monroe, and Grewal 1991). Still, other studies look into both intrinsic and extrinsic cues as determinants of product evaluations (e.g., Jacoby, Olson, and Haddock 1971; Szybillo and Jacoby 1974; Rao and Monroe 1988; Miyazaki, Grewal, and Goodstein 2005).

Past research, however, has provided mix results regarding utilizing cues to derive product judgment. Researchers have thus suggested exploring personal or situational factors to clarify the cues-product evaluation relationship. For instance, Peterson and Wilson (1985) suggested perceived risk and price-reliance schema as mediators of the price-perceived quality relationship. Zeithaml (1988) proposed specific conditions under which price will be used as an indicator of quality, such as unavailability of other cues of quality. Maheswaran (1994) found that experts tend to use attribute information (intrinsic cues), whereas novices tend to use country-of-origin information (an extrinsic cue). Rao and Monroe (1988) found that price (an extrinsic cue) is more often used to judge quality by consumers with low and with high prior knowledge than by consumers with moderate prior knowledge. In addition, moderate and high knowledge consumers use wool texture (an intrinsic cue) to judge quality to a greater extent than do low knowledge people.

Consistent with the notion that cue utilization is moderated by consumer variables, this research aims to explore the moderating role of consumer expertise in the cues-product evaluation relationship. In particular, this research focuses on the underlying processes by which experts and novices utilize extrinsic and intrinsic cues to derive their product evaluations. Thus, this research adds to the marketing literature by delineating the underlying processes of cue utilization. In the following sections, background research on cue utilization and on expert-novice difference is reviewed, research hypotheses are proposed, and the implications of this research are discussed.

BACKGROUND

Cue Utilization Research

According to cue utilization theory (Olson 1972), the relative salience of extrinsic versus intrinsic cues in quality assessment depends on their predictive values (i.e., the degree to which consumers associate a given cue with product quality) and confidence values (i.e., the degree to which consumers have confidence in their ability to use and judge those cues accurately). Consistent with this view, Zeithaml (1988) proposed that consumers will depend more on intrinsic attributes: (a) at the point of consumption, (b) in prepurchase situations when intrinsic attributes are search attributes, and (c) when the intrinsic attributes have high predictive value. In other words, intrinsic cues dominate when consumers assign to them high predictive values (PVs) and/or high confidence values (CVs).

However, the use of intrinsic cues could be hindered under certain circumstances even though the PVs assigned to intrinsic cues are generally greater than those assigned to extrinsic cues (Richardson, Dick, and Jain 1994). For instance, in contrast with the more easily recognized, integrated, and interpreted extrinsic cues, the perceived search and processing cost for intrinsic cues could be formidable for consumers, especially when dealing with experience goods. Furthermore, consumer learning of diagnostic or predictive values of attribute cues could be imperfect due to such reasons as high memory load (Hutchinson and Alba 1991). Thus, consumers will depend more on extrinsic attributes: (a) in initial purchase situations when intrinsic cues are not available, (b) when evaluation of intrinsic cues require more efforts and time than the consumer perceives is worthwhile, and (c) when quality is difficult to evaluate (experience and credence goods) (Zeithaml 1988). In other words, extrinsic cues dominate especially when consumers assign to them high CVs but not necessarily high PVs. In addition, consumers may use extrinsic cues to avoid risk that the product would not meet minimum quality standards (Lambert 1972). Extrinsic cues may also provide psychological benefits to consumers who regard certain extrinsic cues as revealing their self image.

A theoretical explanation for the use of extrinsic cues as a surrogate for product evaluations stems from a distinction between heuristic processing and systematic processing (Chaiken 1980). In the systematic processing mode, decision makers actively attempt to comprehend and critically evaluate information about relevant attributes of alternatives. In the heuristic processing mode, decisions are based on a more superficial assessment of cues; low involvement, low ability, and distractions may enhance reliance on heuristic cues. Maheswaran, MacKie, and Chaiken (1992) proposed that brand name represents a knowledge structure and could be used as a heuristic cue in forming judgments. Similarly, Prabhaker and Sauer (1994) suggested that consumers could use hierarchical heuristics to combine or cluster product information regarding multiple attributes into a higher level attribute, such as a brand name, resulting in more efficient judgments. That is, brand name becomes a chunking variable that represents a composite of information about several attributes of the product, such as price, size, shape, manufacturer, and performance factors (Olson 1976; Johnson and Russo 1984). As another example of an extrinsic cue summarizing information, Maheswaran (1994) suggested that consumers use country of origin as stereotypical information in making evaluations, and that country-of-origin-based categories represent a knowledge structure. Finally, level of advertising could also be a heuristic cue, as Hite, Hite, and Minor (1991) argued that consumers reason that advertising is costly and thus only higher quality brands are advertised.

Empirical studies pertaining to cue utilization are abundant (e.g., Monroe and Dodds 1988; Rao and Monroe 1989; Miyazaki, Grewal, and Goodstein 2005). In general, inconsistent results across studies have been found and several explanations have been advanced. For instance, Rao and Monroe (1989) concluded after a meta analysis that type of experimental design and strength of price manipulation significantly influence the observed effect of price on quality. In addition, Monroe and Krishnan (1985) indicated that the mixed results regarding the effects of intrinsic cues on quality perception may be due to the sensitivity to the specific physical characteristics of the product used, the range of variation of intrinsic cues, and ambiguity involved in discriminating levels of intrinsic cues. Moreover, Maheswaran (1994) suggested that the conditions under which country-of-origin information influences evaluations are unclear, which might have caused mix findings in country-of-origin research.

The above literature review shows the importance of understanding of the conditions under which certain extrinsic or intrinsic cues become prominent for inferring product evaluations. The present research thus focuses on consumer expertise as a moderator of the relationship between product cues and evaluations, and investigates the underlying process of cue utilization. Next, a brief review of expert-novice research is provided.

Expert-Novice Research

Expertise means “the ability to perform product-related tasks successfully” (Alba and Hutchinson 1987). Key characteristics of experts’ performances are summarized in Glaser and Chi (1988) as follows: (a) Experts excel mainly in their own domains; (b) Experts perceive large meaningful patterns in their domain; (c) Experts are faster than novices at performing the skills of their domain, and they quickly solve problems with little error; (d) Experts have superior short-term and long-term memory; (e) Experts see and represent a problem in their domain at a deeper level than do novices; novices tend to represent a problem at a superficial level; (f) Experts spend a great deal of time analyzing a problem qualitatively; and (g) Experts have strong self-monitoring skills.

In their thorough review of empirical results from the psychology literature, Alba and Hutchinson (1987) identified five distinct dimensions of consumer expertise: cognitive efforts, cognitive structure, analysis, elaboration, and memory. The authors discussed how experts and novices differ in such aspects as selective encoding, classification processes, inferences, embellishment, and problem solving. Specifically, experts are aware of existence of particular attributes and restrict processing to relevant and important information (see also Johnson 1988), whereas novices rely on “nonfunctional” attributes or brand familiarity and are less able to limit search of functional attributes to those relevant to usage. Novices selectively process a subset of information on the basis of expediency, discount important information, or use a different importance function than do experts. As to making inferences, experts as well as novices are likely to adopt nonanalytic inferences; however, experts will be more judicious in their use of heuristics. In addition, expertise may prevent a consumer from forming erroneous interpretation, as well as increase the accuracy of simplifications. Finally, experts are better able to make functional, as well as enabling, inferences than are novices.

Overall, expert/novice research indicates that consumers process information and the decision task differently due to their different levels of expertise. Applying this line of research, the following section discusses how expert and novices may approach intrinsic or extrinsic cue utilization differently.

HYPOTHESES

Previous studies indicate that expert consumers tend to use intrinsic cues as indicators of quality, whereas novice consumers tend to use extrinsic cues (assuming that attribute information is unambiguous). Thus, it is expected that expert and novice consumers should exhibit different information search patterns when facing both extrinsic and intrinsic product cues. Expertise enables consumers to know what attribute information is relevant and important in determining product quality; therefore, expert consumers should actively search for and pay specific attention to this type of information in order to infer quality judgment. Since intrinsic cues usually have high predictive or diagnostic values, thus, experts would search for information regarding these cues in making quality judgment. In contrast, novice consumers lack the ability to identify and formulate questions about important and "functional" attribute cues in determining product quality. They are likely to rely on "nonfunctional" attributes, such as brand name and price, which can be easily recognized and understood and thus have high confidence values. In other words, novice consumers tend to search for information regarding extrinsic cues in making quality judgment.

H1a: Expert consumers search for intrinsic cue information to a greater extent than do novice consumers.

H1b: Novice consumers search for extrinsic cue information to a greater extent than do expert consumers.

When faced with the same set of information, expert and novice consumers are likely to process and analyze the information differently. Prior research suggests that experts process information at a deeper level, whereas novices process information at a superficial level. Specifically, novices tend to process product-related information in a cursory manner, use unweighted nonanalytic compensatory rules, select information to process based on expediency, discount or ignore important information to simplify the decision task, or apply different importance functions that differ from experts' (Alba and Hutchinson 1987). Chaiken (1980) also suggested that consumers who are unfamiliar with a domain tend to encode more incidental detail and rely on peripheral cues. Therefore, when both intrinsic and extrinsic cues are present, novice consumers are expected to assign higher importance weights to extrinsic cues than to intrinsic cues because the former are more salient and more easily understood and processed.

H2: Compared to expert consumers, novice consumers assign higher importance weights to extrinsic cues than to intrinsic cues.

As expert consumers are better able to make both functional and enabling inferences (Alba and Hutchinson 1987), their means-end knowledge structures, the connections between product attributes and consequences, should be well developed, complex, and interrelated. That is, there exist more established causal rules for experts than for novices. Expert consumers should be able to articulate various consequences or benefits other than quality, and they know how both extrinsic cues and intrinsic cues may contribute to the desired consequences. For experts, the extrinsic cues-quality rules are only a subset of the many correlational rules. Under certain conditions, such as when attribute information is ambiguous, or when other cues are not available, experts then may decide to use these extrinsic cues-quality rules. In contrast, novice consumers cannot properly establish links between product attributes and consequence. In addition, they may rely disproportionately on generic, extrinsic cues to derive quality judgments, since there exist fewer causal relationships between product attributes and consequences in their means-end knowledge structures. For novice consumers, the extrinsic cues-quality judgment rules are the most important and most frequently used correlational rules. Therefore,

H3a: Expert consumers know more correlational rules between product attributes and consequences than do novice consumers.

H3b: The proportion of the identified extrinsic cues-quality correlational rules relative to total identified correlational rules is higher for novice consumers than for expert consumers.

Prior research has suggested that experts also may use extrinsic cues to make quality judgment. For instance, Rao and Monroe (1988) found that people with high level of knowledge use price to infer quality when the product is known to have relatively wide quality variation and when price has diagnostic values. Maheswaran's (1994) study revealed that when attribute information is ambiguous, experts use country-of-origin information in evaluations. As Alba and Hutchinson (1987) indicated, both novices and experts can make inferences based on correlational rules; however, experts will be more judicious and less prone to overinterpret noncausal covariation.

This research suggests that experts and novices use extrinsic cues for different reasons (cf., Park and Lessig 1981). Simplifications are commonly used by all consumers to summarize information, and extrinsic cues could be conceived as a form of simplifications to summarize product information. Expert and novice consumers simplify product information in terms of extrinsic cues on the basis of different reasoning. Presumably, novice consumers lack a proper knowledge structure to guide the processing of product-related facts and as a result, view each piece of information as being unrelated. Thus, they are more likely to experience information overload and may try to reduce processing effort by summarizing or simplifying information in terms of common, easily recognized extrinsic cues, rather than other technical intrinsic cues. In contrast, expert consumers use extrinsic cues to infer product quality on the basis of sound understanding of reasons for such correlational rules. For instance, for experts to use price to infer product quality, in addition to their ability to detect quality variation and high level of price awareness, they may have considered the availability of other cues to quality, price variation within a class of products, and product quality variation within a category of products (Zeithaml 1988). Expert consumers finally come to the conclusion that certain extrinsic cues have diagnostic values and can be used as indicators of product quality. In sum, while both novice and expert consumers may use extrinsic cues in determining product quality, they have different interpretations about extrinsic cues in using them. It is expected that expert consumers should be able to give more supportive reasons for use of extrinsic cues and that they will generate more product-related thoughts in using extrinsic cues.

H4a: When using extrinsic cues as indicators of product quality, expert consumers are able to give more supportive reasons than are novice consumers.

H4b: When using extrinsic cues as indicators of product quality, expert consumers generate more product-related thoughts than do novice consumers.

In addition to selecting extrinsic cues to infer product quality on the basis of different rationale, expert and novice consumers also are likely to use those cues in different manners. For instance, Maheswaran's (1994) findings revealed that under the condition of ambiguous attribute information, "experts use country-of-origin stereotypes to selectively process and recall attribute information, whereas novices use them as a frame of reference to differentially interpret attribute information." Actually, extrinsic cues could be the most salient, first noticed information among all the product attribute information encountered by consumers. Extrinsic cues may act as tentative hypotheses or expectations for confirmation based on subsequent evidence. Since people tend to have a confirmation bias, preferring information that is consistent with a hypothesis rather than for information which opposes it, the interpretation of the intrinsic cues which consumers encounter subsequently could be changed or distorted in order to conform to prior expectations created by extrinsic cues. Maheswaran's (1994) experiment seems to provide support for the above reasoning. On the other hand, Borgida and DeBono (1989) found that experts do not engage in hypotheses confirmation in their domain of expertise. It could be argued that expertise tempers a tendency to interpret intrinsic cue information in an invalid way but, rather, enables consumers to detect information inconsistent with their prior knowledge. Thus, when ambiguous attribute information was present, the expert subjects in Maheswaran's (1994) experiment did not change their judgment about attribute information as did their novice counterparts. Therefore,

H5: Novice consumers are more likely than expert consumers to change the interpretation of intrinsic cues to be consistent with previously encountered extrinsic cues.

DISCUSSION AND CONCLUSIONS

In summary, this research extends prior research on cue utilization by incorporating expertise as a moderator of the cues-product evaluations relationship, and by examining the processes by which expert and novice consumers determine product quality using extrinsic and/or intrinsic cues. Specifically, when utilizing product cues to infer quality, it is hypothesized that expert consumers and novice consumers exhibit different information search patterns, assign importance weights to product cues differently, have a different amount and types of correlational rules, and have different rationale for using extrinsic cues. In addition, it is hypothesized that the presence of extrinsic cues may affect novice consumers' interpretations of intrinsic cues.

Based on the discussion earlier, product attribute cues could be regarded by consumers as a form of simplification, representing other information about product attributes; as tentative hypotheses to be confirmed subsequently; as heuristics in information processing; or as something providing psychological benefits to consumers or reducing perceived risks. Indeed, product attribute cues could have multiple meanings and complex functions. Even though cue utilization has had an established stream of research in the marketing literature, how product attributes are represented in the consumer's mind, and how they function in determining product evaluations, are still issues worth investigating. The study of Miyazaki, Grewal, and Goodstein (2005), examining the effect of the consistency of multiple extrinsic cues on quality perceptions, is an example that demonstrates the richness of this research domain. A deeper understanding of the interaction of product cues can help us better understand consumer judgment and decision-making.

Further, although prior research has identified that consumer knowledge plays a role in the price-perceived quality relationship, and that experts use extrinsic cues, such as country-of-origin, under certain circumstances, the operation of expertise in cues-product evaluations relationships remains unclear. The present research makes predictions regarding the processes by which expert and novice consumers use extrinsic and intrinsic cues to derive product evaluations. Empirical studies are needed to investigate how expert and novices approach cue utilization differently. Specifically, information search patterns, attribute importance weight distribution, and attribute-benefit correlational rules are important issues to examine. In addition, it would be interesting to examine whether novices are more subject to confirmation bias by biasing their interpretation of intrinsic cues to be consistent with the suggestions obtained from extrinsic cues.

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AN INVESTIGATION OF THE FACTORS AFFECTING THE PURCHASE INVOLVEMENT TENDENCIES OF COLLEGE STUDENTS

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ABSTRACT

Previous studies found that certain demographics are associated with one's purchasing involvement tendencies. This paper extends this research to the rising Millennial Generation. The results disconfirm both parental income and college classification as predictors of purchase involvement, but find that females continue to exhibit more purchase involvement than males.

INTRODUCTION

The broad concept of consumer involvement, which deals with personal interests in products or services, has received considerable attention from marketing and consumer researchers over the past few decades (Miguel, Caplliure, and Aldas-Manzano 2002). As people differ in personal interests, it follows that buyers will also differ in levels of consumer involvement based on any number of individual factors. To investigate a portion of this phenomenon, Slama and Taschian (1985) developed a scale for measuring an individual's tendency for purchase involvement. As a result of their studies, they discovered that certain demographical characteristics were associated with the degree to which people were likely to become involved in purchase decisions. They concluded that income, education, and gender all serve as predictors for the propensity to be involved with purchases.

This study revisits the findings of Slama and Tashchian (1985) and applies their scale to a new, very significant audience – the college-age category of consumers known as the Millennial Generation. There is a body of research dedicated to explaining the purchase competencies and decision processes of university students because of the unique element of consumer transition possessed by its members (Lachance and Choquette-Bernier 2004). That is to say, these consumers have a high degree of influence and freedom for purchases made predominately with money earned by their parents. Thus, they have not yet had the opportunity to develop their own purchase involvement tendencies based on self-supporting income and consumer experience. Additionally, the current college population, which consists mostly of Millennials, is especially important simply because of its vast size and purchasing power.

This study seeks to contribute to three existing areas of theory (1) purchase involvement, (2) consumer socialization, and (3) the consumption competencies and decision processes of college students. This will be accomplished by exploring the following basic research question: In what ways do the demographic factors that affect the purchase involvement tendencies of self-supporting adults also affect the purchase involvement tendencies of parent-supported college students. One aspect of buyer behavior which the study hopes to reveal is whether or not such tendencies are actually learned by children through the process of parental consumer socialization – a question that is of interest to both academics and marketing practitioners. Another is the manner in which college-age Millennials make purchase decisions.

The specific areas we will investigate are (1) whether parental income affects the purchase involvement tendencies of their college-age children, (2) the effects of various degrees of college education on purchase involvement tendencies, and (3) the effects of gender on Millennials' purchase involvement tendencies.

LITERATURE REVIEW

Purchase Involvement

The concept of consumer involvement has been categorized many ways in the study of consumer behavior. While humans may be "intelligent, rational, thinking, and problem solving" oriented, it is clear that not all purchases illicit the same amount of search effort (Zaichkowsky 1985). For this reason, a distinction has been made between low and high involvement decisions with low involvement representing decisions made with minimal effort and high involvement involving a much more significant effort. Of course, some categorizations further shade these differences. Additionally, these broad areas of consumer involvement have been divided into more specific categories such as product involvement, situation involvement, enduring involvement, involvement with advertisements, product-class involvement, brand-choice involvement, and purchase involvement (Day, Stafford, and Camacho 1995).

While each of these involvement categories has its place of importance in research, the focus of this study will be on purchase involvement. This concept deals specifically with the amount and type of effort an individual puts into making a purchase decision, as well as the "self-relevance of purchase activities to the individual" (Slama and Tashchian 1985). Kassarjian (1981) asserts that people differ, regardless of the product or situation, in the interest and effort they devote to shopping. Many marketing research studies concerning purchase involvement have focused on classifying specific product and service categories as to levels of involvement, at their extremes of either high or low involvement. Accordingly, one would expect a difference in the degree of purchase involvement for laundry detergent as compared to that of a new automobile. However, as several studies have shown, certain types of individuals generally tend to become more involved in purchases regardless of the product or situation (Kassarjian 1981; Slama and Tashchian 1985). This predisposition to perceive both high and low purchase decisions with varied degrees of personal relevance is important for marketers to understand as they attempt to position their products and optimize the effectiveness of their promotional messages.

The Millennial Generation

Marketing academics and practitioners have both benefited from grouping or segmenting people based on age. The significance of such categories, termed "age cohorts" or "generations," actually goes well beyond the basic sharing of age (Cavalli 2004). These groups of individuals have also "experienced a common social, political, historical, and economic environment" (Hawkins, Best, and Coney 2004, pp. 120–121). Hagevik (1999) points out that these commonalities shape the beliefs, values and attitudes of the members of the specific generations, thus offering a formidable method for segmentation both demographically and psychographically.

The youngest and most recent age cohort in the United States, the Millennial Generation, consists of almost 100 million children born between the years 1982 to 2003 (Gallup 2002; Woodall 2004). These children of the Baby Boomers represent the largest age cohort ever recorded in the United States. It is said to "tower over the Gen Xers, Boomers, and every earlier generation in America" (Howe and Strauss 2003, p. 35). These researchers describe this group as "more numerous, more affluent, better educated, and ethically more diverse" than any of the preceding generations. Raines (2002) adds that they are "optimistic, talented, influential, and achievement-oriented." As this group is beginning to come of age, they display a mindset of their own, sharply contrasting with that of their rebellious predecessors, the Gen Xers. Moreover, they are challenging many of the trends set in motion by their Boomer parents (Howe and Strauss 2000). Not only has this generation formed a character of its own, but due primarily to the Internet, its members also appear to be developing some distinct information search processes (Holliday and Li 2004). Thus, the evidence indicates that this powerful group's preferences and behaviors as a marketing segment will likely not mimic those of previous generations.

Due simply to its impressive size, this segment of consumers has already been the focus of many studies and marketing campaigns. Despite the fact that few members of this segment hold full time jobs, studies show that purchases by and for children from four to twelve years of age have tripled over the 1990s; and one study claims that twelve to nineteen year olds spent over $172 billion in 2001 (Howe and Strauss 2003, p. 40). As these individuals move from adolescence into adulthood, they will become an even larger part of the American society and economy. In the meantime however, their youthfulness does nothing to undermine their current status and purchasing power, and any insights gained into their decision-making processes will be most beneficial. With 2008 being the peak year for Millennials to graduate from high school, an investigation of the purchase involvement tendencies for individuals in the consumer transition period of college is needed now (Woodall 2004).

Consumer Socialization

The term *consumer socialization* refers to the "processes by which young people acquire skills, knowledge, and attitudes relevant to their functioning as consumers in the marketplace" (Ward 1974, p. 2). Though there are many factors that influence this process, in our society, families are said to provide the central framework through which it occurs (Lachance and Choquette-Bernier 2004; Moschis 1985; Rose 1999). Therefore, parents are generally considered the socialization agents, and their children the socialization recipients.

This training process may take both direct and indirect routes. A direct route of socialization occurs when a parent uses reasoning to offer an explanation for particular purchase behaviors (Carlson and Grossbart 1988). For example, when a parent discusses the preference for name brand clothes due to better quality, emphasizes the need to compare prices, or explains the benefits of cutting coupons and shopping during sales, a direct or instrumental approach to consumer socialization has taken place. In contrast, indirect socialization or observational learning occurs when a child learns by watching the consumption behaviors of others; an approach that often takes place without conscious thought being given to the learning process (Carlson and Grossbart 1988; Kearsley 2004; McNeal 1992). Therefore, both positive and negative behaviors are likely to be taught through the modeling of certain behaviors. Examples include the child that watches his mother reach to the back of the milk shelf to get the freshest jug, and also learns that smoking must be okay since dad does it.

Since consumer socialization is actually the learning process for a specific type of decision, it is susceptible to the process of memory decay and extinction. That is, the degree to which a learned concept or behavior endures over time is a function of the strength of learning that originally occurred. Moreover, when an individual stops being reminded of the learned concept or behavior, the principles that were originally learned will be forgotten if they were not permanently embedded into long-term memory (Bailey 1989; Singh, Mishra, Bendapudi, and Linville 1994; Zielske and Henry 1980). Additionally, some research indicates that old information tends to be displaced when newer information in learned (Burke and Srull 1988). Therefore, some of the things learned as children through consumer socialization will likely be forgotten and replaced with new concepts and behaviors that are learned as adult consumers.

The significance of consumer socialization regarding purchase involvement is that one might expect college students to exhibit the identical tendencies of their parents due to consumer socialization, though the possibility exists that because consumer socialization is a learning process, it is susceptible to forgetting. Therefore, this new category of consumers may show entirely different tendencies.

Purchase Involvement Tendency and Parental Income

Slama and Taschchian (1985) created a scale that reveals a relationship between the tendency for purchase involvement and several demographics including income, education, and gender. Their work was the first to empirically substantiate the effects of these characteristics on purchase involvement (Carlson and Gieseke 1983; Slama and Tashchian 1985). One important implication of their (1985) findings was that differing demographic segments would likely process marketing messages differently, not only based on product category, but also because of a general tendency to experience a predictable level of purchasing involvement. So, such information regarding the demographics of a target market could aid in the development of the proper message strategy (Petty, Cacioppo, and Schumann 1983). Specifically, income was shown to have a curvilinear relationship with a low tendency for purchase involvement at both the low and high income extremes and a high tendency for purchase involvement at the middle income level. This phenomenon was explained by noting that those with low incomes generally lack the knowledge and resources to enable them to reach more substantive levels of purchase involvement. In contrast, the wealthy perceive little risk in most purchases because of their abundance, and any time spent in search efforts would take away from work or leisure time. However, those in the middle income category tend to possess the knowledge and resources needed for a rigorous search effort, and their limited disposable income creates a greater perception of risk for a broad range of purchases. Thus, their purchase involvement tendency is higher than that of the low and high income groups.

College-age Millennials have grown up watching the purchase behaviors of their parents. Those who come from low and high income families have likely observed and learned from their parents' lower purchase involvement behavior. Likewise, those from middle income families have observed and learned the importance of making purchase decisions through a more involved process. In addition, the Millennials' "spending boom is fueled by parental money," and they make many purchase decisions with their parents (Howe and Srauss 2003, pp. 4 and 41). From these factors and the consumer socialization process, we offer the following hypothesis:

H1: College-age Millennials will exhibit a curvilinear relationship to purchase involvement based on parental income. Specifically, high and low parental incomes will show lower purchase involvement tendencies than mid-level parental income.

Tendency for Purchase Involvement and College Classification

As noted previously, it is expected that college-age Millennials' tendency for purchase involvement will closely mimic the income-based curvilinear pattern previously found in their parents. However, two factors may minimize the effects of this consumer socialization learning over the course of their college careers. First, the forgetting effect can deplete portions of their learned behaviors as they separate from parental consumption guidance and experientially and socially learn new shopping behaviors. College seniors have had more time away from parental reinforcement, so they should exhibit more signs of extinction than lower classification students. Secondly, Slama and Tashchian (1985) found a positive correlation between purchase involvement and education. Thus, as education increases, so does the tendency for purchase involvement. Though they have not yet earned a degree, seniors are technically several years more educated than freshmen. Moreover, since these surveys were completed about two weeks before graduation, most of these seniors are literally on the brink of financial independence with a college education and a professional-class occupation. These are demographics associated with higher purchase involvement tendencies. Hence, the following hypothesis is posed:

H2: Seniors will exhibit a greater degree of purchase involvement tendency than more junior academic classifications.

Tendency for Purchase Involvement and Gender

Slama and Tashchian (1985) also found that women tend to be more involved with purchases than men. This was explained by the fact that "women have traditionally been the family purchasing agents." However, contrary to one of their hypotheses, they concluded that there is no difference in the involvement level of women that work outside the home when compared to those who maintain the role of traditional housewives. This finding might be due to the fact that traditional gender roles had not been suppressed even though almost 52 percent of married women had jobs at the time of their study. More recent data shows that the percentage of married women with jobs had only increased to around 58 percent by 2003 (United States Department of Labor 2003). Thompson (1996) found that despite the proportion of wives earning income by working outside the home, husbands still tend to resist some of the responsibility shifts, such as housework, that might be expected to accompany this societal change. Thus, it appears that our culture continues to retain many of the traditional gender roles despite the number of women in the work force. Since college-age Millennials have likely learned these gender roles from parents and society at large, the following hypothesis is posed:

H3: Purchase involvement tendency will be higher for female college-age Millennials than for male college-age Millennials.

RESEARCH METHODOLOGY

The Sample

The sample drawn for this study was a convenience/quota sample of university students, which included a total of 369 participants from two different southern universities – one private and one state funded. University students were chosen not only for the convenience, but also because their unique, transitional place in life makes them excellent candidates for the purpose of studying consumer socialization's effect on purchase involvement tendencies. For almost twenty years, they have been exposed to certain family consumer behaviors and have participated in the family decision making process. At this juncture of their lives, they are beginning to establish their independence. They are making numerous purchase decisions on their own, but most are not independent from parental financial support.

Rather than random selection, specific classes were chosen in order to achieve proportionality for gender and the four college classifications: freshmen, sophomores, juniors, and seniors. Only single students who had never been married were retained for the sample since individuals who were currently or had ever been married were likely to have developed purchase involvement tendencies inconsistent with this study's relevant population. Since this project looks at relationships with parental income, only students who were somewhat or very certain of their parents' income were retained. Those who indicated uncertainties in this area were eliminated, which brought the final sample total to 292 participants (Table 1).

The Survey Instrument

The 33 item scale used to operationalize purchase involvement tendency for this study was primarily adopted from Slama and Tashchian's original study, including the six-point strongly agree-strongly disagree scale (Appendix). Only two minor revisions were made to the items. The first change involved updating the statements to be appropriate for today's technology. Therefore, the two items that originally referred only to product search with *Consumer Reports* were changed to include *Consumer Reports* and online product ratings. In addition, after some discussion with university students and after a pretest, the word "petty" was replaced with the word "insignificant" in two places.

This project tested the three hypotheses that predicted a relationship between various demographic characteristics and the purchase involvement tendency of college-age Millennials, as operationalized by the 33 item, summated scale. The scale data along with categorized demographic information relating to gender, university, classification, marital status, parental income, and confidence in parental income estimate was collected in the classrooms at the beginning of the chosen classes (Appendix). The parental income categories were altered from the original study in order to reflect the general income increases that have occurred in the U.S. over the past 19 years. The original instrument achieved a satisfactory internal reliability with a Cronbach's alpha measurement of .93. Finally, both convergent and discriminant validity were tested for the original scale and judged to be satisfactory (Slama and Tashchian 1985).

RESULTS

Hypothesis 1 Results: Tendency for Purchase Involvement and Parental Income

The first hypothesis was that, due to the effects of consumer socialization, the students' purchase involvement tendency will mimic the curvilinear relationship demonstrated by adults when based on income. To test this hypothesis, the basic process used by Slama and Tashchian (1985) was followed. Through SPSS, a one-way ANOVA was performed to compare group purchase involvement tendencies based on parental income esti-

TABLE 1

Makeup of Sample

Gender		**Classification**		**Parental Income**	
Male	51%	Freshmen	23%	< $25K	9%
Female	49%	Sophomores	24%	$25K to $49.9K	17%
		Juniors	27%	$50K to $74.9K	32%
		Seniors	26%	$75K to $99.9K	18%
				$100K +	24%

mates. For the five parental income categories, no significant differences were detected among groups (F = .83, p = .507). Thus, the evidence does not support the first hypothesis for a collective relationship of all classifications of students purchase involvement tendencies and parental income and it is disconfirmed.

Hypothesis 2 Results: Purchase Involvement Tendency and Academic Classification

The second hypothesis posits a difference between purchase involvement tendency and college classification; specifically, that seniors on the brink of financial independence will be more conscious of spending habits and will display a generally higher level of purchase involvement. The testing of this hypothesis may offer insights into the lack of support for the first hypothesis. While freshmen may exhibit a pattern of purchase involvement tendencies that resembles the curvilinear pattern of their parents, perhaps this relationship was not strong enough to overcome the decomposition of this learning over the college years as students forget parental consumer guidance and look toward financial independence.

A one-way ANOVA was used to test for significant differences in purchase involvement tendency across the four groups of college classification. Once again, the results show no statistical differences in involvement tendencies between any of the classifications (F = .83, p = .477). Hence, the evidence fails to support the prediction of hypothesis two regarding different levels of purchasing involvement for college classifications. Thus, it appears that purchase involvement tendency is not contingent on differing amounts of time away from parents, levels of undergraduate education, and cognizance of impending financial independence.

Hypothesis 3 Results: Purchase Involvement Tendency and Gender

This final hypothesis predicts a higher tendency for purchase involvement for females than for males, which was analyzed by performing a t-test. These results indicate that females do tend to be more involved with purchases than males (t = 5.7, p > .000). Therefore, the third hypothesis is supported, which predicts that a combination of parental consumer socialization and societal influences on the perceptions of gender roles does, in fact, lead to higher purchase involvement tendencies for female college-age Millennials than male college-age Millennials.

LIMITATIONS AND FUTURE RESEARCH

This study provides a better understanding of the factors that affect the purchase involvement tendencies of college students, specifically Millennials, caught in the transition period of having an abundance of purchase independence while still being financially dependent. However, several limitations and areas worthy of additional study should be noted. The first issue in question concerns the sampling method. Though university students are commonly utilized for convenience, their use inherently limits the generalizability of such studies. Though the students chosen are all members of the population of interest, they do not represent a thorough mix of the entire population. There are likely differences in consumer behaviors among families that encourage a college education as opposed to those that do not. Likewise, individuals who are enrolled in college may respond differently than those who go immediately to work or join the armed forces. There may also be differences between college students living at or away from home which should be explored.

A second limitation is also associated with the sample. As shown in Table 1, the percentages of the sample included in the five parental income categories are not evenly proportioned. As would be expected, families that send their children to college tend to be in middle or high income categories. In any case, the lack of robustness for the lowest income group raises concerns about statistical power and sample bias. Additional studies should attempt to achieve broader representation of the total college-age population and comprise a more even distribution of family incomes. Also, especially because the hypothesis regarding gender differences was supported, a deeper investigation of consumer differences between males and females within the Millennial Generation would be helpful.

Another concern involves the appropriateness of the measurement tool for the respondents. Though the survey works for self-sufficient adults, it could be that the scale's conceptualization of tendency for purchase involvement is not relevant for college students who generally maintain different consumption agendas than their parents. Also, a few of the survey questions refer to shopping activities involving shampoo, groceries, and clipping coupons. These suggestions may have led some respondents to associate the entire survey with specific product categories, which would have significantly influenced their answers and the results. Additionally, it might even be argued that the instrument is biased in measuring attitudes and behaviors associated with traditional female purchasing roles rather than non-gender related purchasing attitudes. This is especially noteworthy since it may have led to our findings, which indicate that female college students tend to exhibit a higher degree of purchase involvement than their male counterparts. Therefore, additional work could look into creating a new scale that would be more reliable and valid for this specific population.

A final limitation involves the study's assumptions. First, it is assumed that the respondents are able to accurately choose the proper category for parental income. The attempt was made to enhance the likelihood of using accurate estimates by eliminating those that were admittedly uncertain, but this research design does not allow for confirmation of the estimates that were given. Second, the assumption is that the parents of the sample would conform to the curvilinear pattern of involvement tendency shown by Slama and Tashchian (1985) based on income. If this assumption is false, a relationship between parental income and college age Millennials involvement tendencies may have been missed. Thus, a similar study that allows for paired testing among parents and their college-age children would certainly offer some insightful points for comparison with the present study, as would an investigation that focused on specific product categories rather than general tendencies for purchase involvement.

SUMMARY AND CONCLUSIONS

The primary purpose of this project was to extend the research of Slama and Tashchian (1985) regarding the theory of purchase involvement tendencies to an extremely important segment of young consumers – college-age consumers in the transitional period of having the freedom to make purchase decisions while still depending financially on their parents. The timing of this study enabled us to pursue a secondary goal – to shed some light on the consumer decision-making inclinations of the rising Millennial Generation. The original work by Slama and Tashchian found that the degree of purchase involvement tendencies for financially independent adults is related to certain demographic characteristics such as income, education, and gender. This study hypothesized that college-age Millennials' purchase involvement tendencies would be affected similarly by these demographics due largely to the process of learning through consumer socialization; and that factors such as extinction, increasing education, and the realization of impending financial independence would decompose some of these inherited tendencies over the course of college. These results do not statistically support either of these hypotheses, leading to the conclusion that purchase involvement tendency is not significantly subject to the consumer socialization process or differing levels of college classification. An additional possibility for the lack of supporting results may lie in the fact that the respondents were all single. It has been argued that singles have no opportunity for specialized roles such as would be found in households. Their broad range of responsibilities may mitigate any learned behavior for product search efforts (Carlson and Gieseke 1983). However, the prediction that females would display a greater tendency for purchase involvement than males was supported. This can likely be attributed not only to parental consumer socialization, but also to society's rendering of gender roles, which includes the woman's responsibility to make most day-to-day family purchases.

Since only one of the three hypotheses posed was confirmed, these findings raise important issues as to whether the effects of parental socialization and education on purchase involvement noted in prior studies are also true for the Millennial Generation. With the unprecedented market potential of this segment, additional studies must be conducted in order to better understand how these consumers will likely behave as they increasingly dominate the marketplace.

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APPENDIX

1. **Gender:**
   ○ Male
   ○ Female

2. **College you currently attend:**
   ○ Freed-Hardeman University
   ○ Arkansas State University

3. **Classification:**
   ○ Freshman
   ○ Sophmore
   ○ Junior
   ○ Senior

4. **Marital Atatus**
   ○ Single, never married
   ○ Married
   ○ Divorced
   ○ Widowed

5a. **What is your best estimate of your parents' total income from last year? Consider income from all sources before taxes.**
   ○ Less than $25,000
   ○ $25,000 to $49,999
   ○ $50,000 to $74,999
   ○ $75,000 to $99,999
   ○ $100,000 or more

5b. **How confident are you in this income estimate?**
   ○ Very
   ○ Somewhat
   ○ Not very

		Slightly disagree	Generally disagree	Slightly agree	Generally agree	Strongly disagree	Strongly agree
6.	On most purchase decisions the choice I make is of little consequence	⊗	⊗	⊗	⊗	⊗	⊗
7.	Usually reading about products or asking people about them won't really help you make a decision	⊗	⊗	⊗	⊗	⊗	⊗
8.	I have little or no interest in shopping	⊗	⊗	⊗	⊗	⊗	⊗
9.	*Consumer Reports* or online product ratings are not very relevant to me	⊗	⊗	⊗	⊗	⊗	⊗
10.	I am not interested in bargain seeking	⊗	⊗	⊗	⊗	⊗	⊗
11.	I am not interested in sales	⊗	⊗	⊗	⊗	⊗	⊗
12.	You can't save a lot of money by careful shopping.	⊗	⊗	⊗	⊗	⊗	⊗
13.	I often take advantage of coupon offers in the newspapers	⊗	⊗	⊗	⊗	⊗	⊗
14.	Because of my personal values, I feel that "smart purchasing" ought to be important to me	⊗	⊗	⊗	⊗	⊗	⊗
15.	I usually am not annoyed when I find out I could have bought something cheaper than I did.	⊗	⊗	⊗	⊗	⊗	⊗
16.	Being a smart shopper is worth the extra time it takes	⊗	⊗	⊗	⊗	⊗	⊗
17.	Even with inexpensive products like shampoo, I will often evaluate a recent purchase and become annoyed because the product doesn't adequately meet my needs	⊗	⊗	⊗	⊗	⊗	⊗
18.	Sales don't excite me	⊗	⊗	⊗	⊗	⊗	⊗
19.	I am not really committed to getting the most for my money	⊗	⊗	⊗	⊗	⊗	⊗
20.	For expensive items I spend a lot of time and effort making my purchase decision, since it is important to get the best deal	⊗	⊗	⊗	⊗	⊗	⊗
21.	Consumerism issues are irrelevant to me	⊗	⊗	⊗	⊗	⊗	⊗
22.	I view the purchasing of goods and services as a rather insignificant activity, not relevant to my main concerns in life	⊗	⊗	⊗	⊗	⊗	⊗
23.	It is important to me to be aware of all the alternatives before buying an expensive appliance	⊗	⊗	⊗	⊗	⊗	⊗
24.	It is important to me to keep up with special deals being offered by the grocery stores in my area	⊗	⊗	⊗	⊗	⊗	⊗
25.	I am too absorbed in more personally relevant matters to worry about making smart purchases	⊗	⊗	⊗	⊗	⊗	⊗
26.	It is part of my value system to shop around for the best buy.	⊗	⊗	⊗	⊗	⊗	⊗
27.	The consumer and business sections of the newspaper are highly relevant to me	⊗	⊗	⊗	⊗	⊗	⊗
28.	If I were buying a major appliance it wouldn't make much difference which brand I chose	⊗	⊗	⊗	⊗	⊗	⊗
29.	The brands of goods I buy make very little difference to me	⊗	⊗	⊗	⊗	⊗	⊗
30.	It is not worth it to read *Consumer Reports* or online product ratings since most brands are about the same	⊗	⊗	⊗	⊗	⊗	⊗
31.	You can save a lot of money by clipping coupons from the newspaper	⊗	⊗	⊗	⊗	⊗	⊗
32.	Thinking about what you are going to buy before going shopping won't make much difference in your long run expenditures	⊗	⊗	⊗	⊗	⊗	⊗
33.	It doesn't make much sense to get upset over a purchase decision since most brands are about the same	⊗	⊗	⊗	⊗	⊗	⊗
34.	I am willing to spend extra time shopping in order to get the cheapest possible price on goods of like quality	⊗	⊗	⊗	⊗	⊗	⊗
35.	I pay attention to advertisements for products I am interested in	⊗	⊗	⊗	⊗	⊗	⊗
36.	Shopping wisely is a rather insignificant issue compared to thinking about how to make more money	⊗	⊗	⊗	⊗	⊗	⊗
37.	I don't like worrying about getting the best deal when I go shopping; I like to spend money as I please	⊗	⊗	⊗	⊗	⊗	⊗
38.	I don't like to waste a lot of time trying to get good deals on groceries	⊗	⊗	⊗	⊗	⊗	⊗

The following items were reverse scored: 6–12, 18–19, 21–22, 25, 28–30, 32–33, and 36–38.

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THE EFFECTS OF BRAND ASSOCIATIONS ON BRAND EQUITY, SUBJECTIVE KNOWLEDGE, AND BRAND INTEREST

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SUMMARY

Brand Associations

In 1983, Anderson proposed ACT*, a complex, comprehensive model of memory. In this model, nodes represent concepts stored in long-term memory. These nodes are interconnected by links of varying strength, depending on the proximity of the concepts to which they refer. The brand association concept is directly related to the model presented above, i.e., a brand association is a node linked to a particular brand. They may vary in many dimensions, including type, favorability, strength, uniqueness.

In this research, we tested the effect of brand association characteristics on brand equity, subjective knowledge, and brand interest. Our objective was to pinpoint some of these effects by focusing on specific points rather than presenting a comprehensive model.

Brand Equity

Customer-based brand equity was defined by Keller (1993, p. 2) as "the differential effect of brand knowledge on consumer response to the marketing of the brand." The background to brand equity consists of consumers' prior experience of the brand, either as a result of marketing or direct contact (Campbell and Keller 2003). These experiences, or brand familiarity create brand associations in memory. These associations create, in turn, a level of brand equity. A high level of brand equity has considerable impact on consumer behavior.

H1: Favorable, unique brand associations contribute to a superior level of brand equity. Low brand equity results from negative associations.

Subjective Knowledge

Brand expertise is what a person really knows, subjective knowledge is what they think they know, and familiarity measures their exposure to the brand. Although these measurements are correlated, they are not interchangeable (Cole, Gaeth, and Singh 1986). According to Park, Mothersbaugh, and Feick (1994), "knowledge assessment is viewed as a judgment process in which individuals scan memory for clues that will help them evaluate their knowledge." This scanning process takes a few seconds. It would be logical to think that an individual assessing his/her level of knowledge only scans the strongest associations, ignoring other characteristics, such as uniqueness or favorability.

H2a: The number of brand associations stored in memory has a positive impact on the level of subjective knowledge of the brand.

H2b: The uniqueness and favorability of brand associations stored in memory have no impact on the level of subjective knowledge of the brand.

Brand Interest

The concept of brand interest was introduced by Machleit, Madden, and Allen in 1990. These authors observed that excessive familiarity with a brand may result in consumers becoming bored with it and being attracted to the competition. They defined brand interest as: "*the level of interest or intrigue the consumer has in the brand and the level of curiosity she/he has to inquire or learn more about the brand*." Brand interest may be stimulated by diversifying consumer experience, in particular by communication activities.

H3a: The favorability of brand associations stored in memory has a positive impact on level of brand interest.

H3b: A brand with unique associations evokes more brand interest than a brand with shared associations, perceived as banal.

Method

We set up experiments where we manipulated the favorability (positive or negative) and uniqueness (unique or shared/banal) of associations linked to a fictitious brand. There was also a control group, exposed to a smaller number of associations that were as neutral as possible, in terms of favorability and uniqueness. This gave a 5-cell grid: 2 (unique or banal) x 2 (favorable or unfavorable) + 1 control group (fewer associations, more neutral).

The use of a fictitious brand made it possible to control the number of brand associations and their characteristics. Following a preliminary test, the category "ready-

to-wear” and the brand “Manic” were chosen. Five scenarios were created. The interviewee read one scenario at his/her own speed, then answered a set of twenty questions. Every scenario was designed to present a “biased” portrait of Manic in terms of the favorability and uniqueness of associations. The survey was carried out on the Internet (297 interviewees).

Our hypotheses have been validated. Our findings confirmed Keller’s statement (1993): a brand with positive and unique associations has a high level of brand equity. The level of brand equity was clearly higher when there were both unique and positive associations. Brand interest depends on associations in a similar way to brand equity: once again, maximum levels are attributable to favorable and unique associations. Subjective knowledge is the only one of the three constructs studied here where the favorability and uniqueness of associations had no impact. A more comprehensive background study is necessary. Its relations with the other knowledge measurements, i.e., brand familiarity and expertise, also require further study.

Our research contributes to achieving a better understanding of the influence of brand associations on consumer behavior. Experiments using a fictitious brand made it possible for us to control the interviewees associations stored in memory and measure the consequences of these manipulations on three constructs. Our research, however, has certain limitations. The first is temporal: the process of building brand associations only lasted a few minutes. Also, the use of an unknown brand may restrict the external validity of the study

Now that the impact of brand associations on the three constructs studied in our research is better known, we feel it is important to continue in this vein. In particular, it would be interesting to try an integrated approach by positioning and testing each of these constructs in a more general experiment, taking background and consequences into account. The results presented here confirm what marketing experts have felt for some time, i.e., that brands can no longer be content with simply presenting their advantages but must, at the same time, emphasize their differences. References available upon request.

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THE RELATIVE IMPACT OF FORMAL AND INFORMAL CONTROL ON SALESPERSON PERCEIVED ORGANIZATIONAL SUPPORT AND STRESS CHARACTERISTICS

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SUMMARY

Substantial, and often increasing, company investment in sales forces and salespeople (e.g., see Galea 2004), and the escalating importance of effectively managing business-to-business customer relationships (e.g., see Weitz and Bradford 1999) have mandated the interest of scholars and executives in sales management control and organizational factors associated with superior salesperson performance. In a synthesis of the extant research, excluding purely replicative work, Baldauf, Cravens, and Piercy (2005) identify 33 significant sales management control publications in the period 1987 to 2004. They note that while there is no apparent unified view of sales management control, the two primary conceptualizations derive from Anderson and Oliver (1987) (suggesting a construct ranging from behavior-based to outcome-based control), or Jaworski (1988) (proposing formal and informal management controls).

Adopting the formal and informal control conceptualization (though noting that formal control has many similarities with behavior-based control), Cravens, Lassk, Low, Marshall, and Moncrief (2004) find that high control (both formal and informal) is associated with superior salesperson and performance outcomes. Our current study seeks to add further insight to the Cravens et al. (2004) proposals, by examining the relationship between the informal and formal control constructs in impacting salesperson job induced tension, salesperson perceived organizational support, and salesperson emotional exhaustion. Several of our proposals are counter-intuitive and conflict with the assumptions of prior research.

Our perspective derives from management workshops involving sales and key account executives responsible for the implementation of sales management systems. Executives suggest that managers observe two related trends: the move toward behavior-based control, rather than reliance on outcome-based control approaches; and by implication, the move toward more control over salespeople, in pursuit of higher quality sales strategies and superior customer relationships. However, our executives observe that while there is a compelling case for more control over salespeople's activities to enhance customer added-value, conversely more control – and particularly more control focused on salesperson activities rather than outcomes – necessarily involves sales supervisors in a higher level of intervention and personal direction in managing salespeople. While the potential positive benefits of enhanced control are relatively well-known, executives raise the issue of whether higher control levels, at least of some types, may impact negatively on salespeople, who can perceive their freedom and discretion in action to be reduced. The traditional salesperson, previously accountable mainly for outcomes, may perceive management intervention as interference, and closer sales manager direction as a loss of freedom. Executives suggest the need to better understand the positive and negative effects which may be associated with higher sales management control, in order to design management approaches that prevent negative salesperson perceptions of control from impacting badly on performance and customer relationships.

Our research model considers the impact of informal and formal sales management control on salesperson job induced tension, perceived organizational support and emotional exhaustion. Our study was carried out in a salesperson sample in a major British company.

Our findings support the proposal that formal and informal constructs behave differently. We found that formal control impacts positively on job induced tension while informal control impacts negatively. Similarly, formal control has a positive effect on salesperson emotional exhaustion, while informal control has a negative effect. In the stress-related constructs in our model formal and informal control have opposite effects, suggesting that the overall impact of sales management control on salesperson stress characteristics will reflect the balance between formal and informal aspects of control. Although not included in our original conceptualization, we also found support for informal control mediating the relationship between formal control and perceived organizational support. These findings have important implications for executives in managing the control process in ways to enhance performance, without creating excessive negative outcomes in stress characteristics. In particular, the role of informal control as a balance to enhanced formal control, as well as a possible mediator between formal control and salesperson consequences, appears important to the successful design and operation of higher level control systems.

There are several important limitations to the research. There are concerns that the results may be an artifact of the characteristics of the single company in the study, underlining the need for broader, more representative studies. The models studied include only a small number of variables, and more comprehensive models would be a useful development. In particular, it would be interesting to see if the interaction between the formal and informal control constructs is systematically different for different consequences, e.g., our findings might lead to the proposal that formal and informal control operate independently and in opposite directions for negative outcomes like salesperson stress-related characteristics and propensity to leave; while informal control is a mediator of the impact of formal control on other outcomes, such as job satisfaction, organizational commitment, and organizational citizenship behavior. These are promising research directions which would build on the Cravens et al. (2004) findings. References available upon request.

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MEASURING THE SALES FORCE CONTROL SYSTEM: A CRITICAL EVALUATION OF THE CRAVENS ET AL. (1993) MEASUREMENT SCALE

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ABSTRACT

This study seeks to critically evaluate and cross-validate the measurement properties of the scale developed by Cravens and his colleagues (CCCS). Based on three different samples encompassing responses from several layers within the sales hierarchy, the present study provides evidence in favor of a shortened version of the CCCS scale.

INTRODUCTION

Research in the area of sales force control has accelerated sharply in recent years (cf., Baldauf, Cravens, and Piercy 2005). This may be attributed to the fact that a control system is an important mechanism that influences a salesperson's behavior in a way that enhances the welfare of the firm and the employee (Anderson and Oliver 1987). Indeed, several studies have provided empirical evidence for its positive effects on both the sales force and the sales unit performance (Baldauf, Cravens, and Piercy 2005). Although several conceptualizations of the sales control system exist, the scale developed by Cravens and colleagues (1993) holds a prominent position in the literature, as it has been widely employed in 18 studies heretofore. According to Cravens and colleagues (Babakus et al. 1996; Cravens et al. 1993) sales force control can be conceptualized as a second-order construct and measured by means of a scale comprising twenty-five items, which cluster into four dimensions (CCCS, hereafter)[1]: monitoring, directing, evaluating, and rewarding (see Appendix).

This recognition, however, comes with the realization that the operationalization of the CCCS is not consistent across studies. Several problematic areas related to its measurement properties can be identified. First, the number of items comprising the scale varies greatly across studies. Thus, some authors use the 25-item scale (e.g., Grant and Cravens 1996), while others use a varied shortened version that ranges from 10 (Piercy, Low, and Cravens, 2004) to 20 items (Baldauf, Cravens, and Piercy 2001a). The presence of these studies in the literature may be indicative of the desire among researchers for a shorter version of the CCCS. Still, in some instances authors use more than 25 items (Grant and Cravens 1999). However, the variant itemization of the CCCS scale, due to item omission, may have changed the significance and the size of reported associations between the CCCS scale and other constructs, thus making comparison between studies more difficult (Ping 2003). Second, the operationalization of the CCCS is not consistent across studies. Specifically, some authors focus on each dimension in isolation (Grant and Cravens 1996); others construct a composite (summated) index of behavior control (e.g., Piercy, Low, and Cravens 2004) while a few operationalize the scale as a second-order construct (e.g., Baldauf, Cravens, and Piercy 2001b). Third, with few exceptions (e.g., Baldauf, Cravens, and Piercy 2001b), the assessment of the scale unidimensionality and factor structure is done by means of a "common" factor analysis that is exploratory in nature. However, confirmatory factor analysis (CFA) may be more appropriate at later stages of research and may provide a more veridical picture of a scale's dimensionality (Gerbing and Anderson 1988). Most importantly, there is a dearth of efforts to cross-validate the CCCS factor structure with other samples; the alarming need for cross-validation is particularly relevant as in several instances the original scale was revised considerably through specification searches (e.g., Baldauf, Cravens, and Piercy 2001a). However, the observed measurement model results may become in effect sample-specific, because the CCCS scale with omitted items (the pattern of which is not stable across studies) was itemized based on a single test sample (Ping 2003). Thus, the generalizability of the instrument must be viewed with caution. Fourth, with one exception (Baldauf, Cravens, and Piercy 2001b) reliability assessment is carried out by calculating Cronbach's alpha coefficient, despite the acknowledgment that it is a poor measure of a scale's reliability (Baumgartner and Homburg 1996). In some other instances, the modification of the original scale resulted in single-item dimensions (e.g., Piercy, Cravens, and Lane 2001), which are unattractive because measurement reliability cannot be assessed. Fifth, efforts directed at evaluating measurement model fit and construct (discriminant and convergent) validity are scarce, at best (Baldauf, Cravens, and Piercy 2001b). Finally, all previous studies assessed the scale's nomological validity by relying on a single data set; thus, it is likely that results may have been inflated due to common method bias.

The preceding discussion leads us to conclude that there may be a high need to rigorously evaluate and cross-validate the psychometric qualities of the CCCS scale. Importantly, the evaluation of the psychometric properties (i.e., dimensionality, consistency) of the scaling instruments for the understanding of sales management issues is of critical importance to sales research (Churchill 1992). Furthermore, if the CCCS scale is to be used to examine interrelationships with other constructs, questionnaire length can become an issue. Consequently, it would be useful to examine whether the number of items could be parsimoniously reduced while maintaining its content validity. The remainder of this paper is organized as follows: First, we describe the research methods employed in our study. Second, we outline the results of our assessment of unidimensionality, reliability and validity. Finally, we make recommendations concerning the use of a shortened version of the CCCS scale.

RESEARCH METHOD

To allow for greater confidence and stability in our findings we conducted three separate studies among Greek sales organizations. Study 1 (calibration study) is involved with the initial assessment and revision of the CCCS instrument. Studies 2 and 3 (validation studies) are used to cross-validate the revised scale (see Table 1 for a summary of the constructs used in the three studies). In developing the questionnaires, a series of procedural remedies for minimizing the effect of common method bias were employed (cf., Podsakoff et al. 2003). In all cases, the CCCS scale was used to measure the sales control system. To investigate any "anchoring" effect, we employed a 10-point scale format in Studies 1 and 2, and a 5-point scale format in Study 3. In all cases, the scales ranged from "Not at all" to "A great extent." To assure translation equivalence, an English version of each questionnaire was formulated and later translated into Greek through an iterative process of translation-back-translation-comparison. In all three studies, the preliminary set of scale items was pretested to secure maximum interpretability of the questionnaire.

Study 1

To increase the variability of responses across variables of interest, three different industrial sectors were selected, each reflecting a different type of selling situation: ethical-pharmaceutical industry (missionary selling), food and beverages industry (trade selling), and electrical/machinery industry (technical selling). Podsakoff et al. (2003) suggested gathering data from different data sources to minimize the effect of common method-bias. Thus, a questionnaire soliciting answers regarding the control system in-use was administered to sales managers, while a different questionnaire was administered to their respective salespeople soliciting answers pertaining to the level of their job satisfaction and performance.

Four hundred and forty-two (442) sales organizations operating in the pharmaceutical industry (60), the food and beverages industry (62), and the electrical/machinery industry (320), and employing more than 100 people were identified based on the rosters provided by their respective professional associations. The vast majority of these sales organizations represent subsidiaries of multinational companies operating in Greece (e.g., Pfizer, Unilever, Siemens). All 442 district sales managers working in the aforementioned sales organizations were contacted and one hundred and thirty-four (134) agreed to participate in the study (30% overall response rate). A meeting was arranged with the participating managers with a twofold aim: (a) to distribute via company mail a research packet to all members of their sales force servicing a homogeneous set of customers (3,285 in total), and (b) to fill out a structured questionnaire by means of a personal interview method. Specifically, responding salespersons were instructed to return the anonymous questionnaire directly to the research team. This procedure yielded 878 usable responses from salespersons working in all 134 participating companies (27% overall response rate). To evaluate non-response bias in the company sample, the composition of responding companies was compared to non-responding companies (as appeared in the rosters of their respective professional associations) by net profits and by number of employees. There were no significant differences based on t-tests of means. To test for non-response bias in the salesperson sample, we compared early (i.e., 550) and late (i.e., 328) responses on the study variables (Armstrong and Overton 1977). No significant differences were detected and, thus, non-response bias is an unlikely problem.

The total sample of the salespersons can be described as follows: The majority of them were male (80.3%) and most were younger than 39 years old (79.4%). With respect to job tenure, approximately 40 percent of the sample had been with the company less than 2 years, and 26.5 percent had been with the sales organization between 7 and 20 years. Regarding experience, 44.3 percent of the sample had 7–20 years of sales-related experience, while most of them were either singles (42.6%) or married with children (42.5%). Finally, most salespeople (65.5%) had a University or College degree. In addition, most of the sales managers were male (93.3%) and had an average tenure in sales management positions of 8.4 years.

Study 2

The data collection strategy for this study had two main objectives: First, industrial sectors were chosen to reflect a broad range of business environments. The intent was to select both consumer and industrial goods industries. Second, companies were selected within industries so that small (10–49 employees), medium-sized (50–99

TABLE 1
Means, Standard Deviations, and Construct Intercorrelations [a]

Study 1 (n = 134 & 878)	Mean	Standard Deviation	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
(1) CCCS-SV [b]	7.44	1.45	1.000	-.042	-.146	-.029	.194*	.063	.064	-.029	-.016
(2) Satisfaction with supervisor [c]	4.14	0.69		1.000	.352**	.384**	.297**	.249*	.334**	.142	-.126
(3) Satisfaction with the job [c]	4.04	0.64			1.000	.515**	.436**	.304**	.328**	.230*	.219*
(4) Satisfaction with company policy-support [c]	3.90	0.73				1.000	.658**	.430**	.360**	.252**	.157
(5) Satisfaction with promotion policy [c]	3.30	0.73					1.000	.458**	.441**	.126	.102
(6) Satisfaction with pay [c]	3.03	0.76						1.000	.236*	.208*	.112
(7) Satisfaction with peers [c]	3.82	0.64							1.000	.206*	-.034
(8) Satisfaction with customers [c]	3.16	0.68								1.000	.234*
(9) Job performance	3.72	0.57									1.000

Study 2 (n = 266)	Mean	Standard Deviation	(1)	(2)	(3)
(1) CCCS-SV	7.49	1.44	1.000	.185**	.131*
(2) Sales force outcome performance	4.75	1.05		1.000	.302**
(3) Sales organization effectiveness [d]	3.97	0.68			1.000

Study 3 (n = 128)	Mean	Standard Deviation	(1)	(2)	(3)
(1) CCCS-SV	3.25	0.82	1.000	.107	.424**
(2) Job performance	3.53	0.68		1.000	.123
(3) Affective organizational commitment	3.77	0.55			1.000

[a] These are the intercorrelations among the latent constructs and thus have been corrected for attenuation due to measurement error.
[b] Abbreviation for the shortened version of the CCCS scale instrument
[c] Variables represent averages within each sales unit, after aggregating salespersons' responses from those sales units that returned at least 5 questionnaires (90 sales units). Aggregation was justified on the basis of Intraclass Correlation Coefficients 1 and 2 (see Hofmann 1997).
[d] Sales organization effectiveness was operationalized as a second-order construct consisting of three first-order dimensions (market share and sales volume, profitability, and customer satisfaction)

Notes: (a) Affective organizational commitment was measured by means of the (5-point) 15-item scale developed by Mowday, Steers, and Porter (1979); (b) Job satisfaction was measured by means of the (5-point) 29-item INDSALES scale (Comer, Machleit, and Lagace 1989); (c) Job performance was measured via a (5-point) 4-item scale drawn from the work of Sujan, Weitz, and Kumar (1994); (d) Sales force outcome performance (7-point scale) and sales organization effectiveness (5-point-scale) were measured with 7 and 8 items, respectively, all drawn from the work of Babakus et al. (1996).

* Significant correlation, at the 0.05 level (2-tailed).
** Significant correlation, at the 0.01 level (2-tailed).

employees), and large (over 100 employees) were represented in the sample. On the basis of nine product characteristics (unit value, technical complexity, frequency of purchase, etc.), Miracle (1965) developed a comprehensive product typology, which was employed in the current study to classify companies into 5 groups: (1) fast-moving consumer goods (e.g., food, cosmetics, detergents), (2) industrial supplies (e.g., information services), (3) consumer durables (e.g., furnishings, apparel), (4) industrial components and equipment (plastics, chemicals), and (5) major capital equipment (electronics, electrical equipment, machinery).

The companies included in the sample were drawn from a population of 2,878 companies employing more than 10 employees that were listed in the ICAP's (Gallup's subsidiary in Greece) business directory and were stratified by industry group and size. Stratification was required due to differences in the number of companies in the five industry groups and their distribution among different sizes. Companies were randomly selected from each of the five industry groups. Our intention was to have an almost equal number of companies from the three-size strata. Consequently, the selection of companies from each size stratum was based on a variable sampling fraction giving more weight to the medium-sized and large companies.

Chief sales executives (CSE) were selected as key informants in each company. A questionnaire soliciting answers regarding the control system, the sales organization effectiveness and the sales force outcome performance, was mailed to 500 CSE. Two hundred and sixty-six responded to the survey, representing a 53 percent response rate. Non-response bias was assessed by comparing early and late responses; the analysis indicated no significant differences. Most of the sample companies (90.1%) are selling industrial/consumer products, while a few companies are selling industrial/consumer services (9.9%). Regarding size, 40.9 percent of the companies are employing more than 100 employees, 22.6 percent are employing 50–99 employees, while 36.5 percent are employing 10–49 employees. Finally, the sales managers have an average tenure in sales management positions of 10.7 years.

Study 3

A convenience sample of fifteen firms from industries as diverse as pharmaceuticals, chemicals, insurance, and financial services participated in Study 3. The questionnaires were distributed by chief sales executives to all their respective salespeople (450, in total). A cover letter informed the participants about the purpose of the study and instructed them to return the questionnaire directly to the researchers. This procedure yielded 128 responses (28.44% response rate). Analysis comparing early versus late responses indicated no significant differences. The sample can be described as follows: The majority of them were male (75.0%) and most were younger than 39 years old (79.7%). With respect to job tenure, approximately 36.7 percent of the sample had been with the company less than 2 years, and 21.9 percent had been with the sales organization between 7 and 20 years. Regarding experience, 44.0 percent of the sample had 7–20 years of sales-related experience, while most of them were either singles (43.8%) or married with children (35.9%) Finally, most salespeople (69.5%) had a University or College degree.

ANALYTICAL STRATEGY AND RESULTS

Dimensionality Assessment

We assessed the dimensionality of the CCCS scale by employing a maximum likelihood CFA procedure using LISREL 8.54 and the covariance matrix as input into all analyses. Following Anderson and Gerbing (1988), we fixed the diagonal of the phi matrix at 1.0. Gerbing and Anderson (1988) recommend comparing the fit of the proposed measurement model (i.e., four-dimension model) with several alternative models (see Table 2). Thus, to determine the best fitting measurement model, we compared the fits of (1) a 1-factor model, in which no distinctions were made among the dimensions of the control system; (2) a 4-factor first-order model, in which the four dimensions were not allowed to correlate with each other; (3) a 4-dimension first-order model, in which the four dimensions were allowed to correlate with each other; and (4) a 4-dimension model, in which the control system was operationalized as a second-order construct (see Table 2). It should be noted that (a) in models 2, 3, and 4, individual items were restricted to load only on their respective dimension, in accord with conceptual definition, and thus not allowing any double-loading item and (b) measurement errors were not allowed to correlate in order to improve model fit (Anderson and Gerbing 1988; Jöreskog and Sörbom 1993). Several goodness-of-fit indices were employed in order to evaluate model fit from three different perspectives (Table 2): (a) absolute fit (χ^2, RMSEA, SRMR, GFI, ECVI), (b) incremental fit (AGFI, NFI, NNFI, CFI), and (c) parsimonious fit (AIC).

We began by testing Model A. In spite of the fact that the estimation procedure quickly converged into an admissible and identified solution, Model A did not fit the data well (Table 2). Model B also did not yielded satisfactory fit indices; moreover, the modification indices suggested that fit could be substantially improved if the four dimensions were allowed to correlate. Thus, we proceed with the estimation of Model C. Significant improvements in fit were accomplished, although the four dimensions were significantly correlated at least at .56, which indicated the presence of a higher-order factor, in accord with conceptual definition (Anderson and Oliver 1987).

TABLE 2
Comparative Confirmatory Factor Analyses Among Alternative Models Based on Study 1 (Calibration Sample)

	χ^2	d.f.	90% CI of RMSEA	RMSEA	SRMR	GFI	AGFI	NFI	NNFI	CFI	ECVI	AIC	LSR	HSR	Lowest t-values
Model A (1 factor, no distinction among the dimensions of control, 25 items)	1,066.71	275	0.147	(0.14; 0.16)	0.099	0.61	0.54	0.85	0.88	0.89	8.77	1,166.61	-4.57	8.43	4.27
Model B (4 first-order factors, 25 items, dimensions not allowed to correlate with each other)	1,184.53	275	0.158	(0.15; 0.17)	0.320	0.58	0.51	0.81	0.84	0.85	9.66	1,284.53	-4.01	9.75	3.26
Model C (4 first-order factors, 25 items, dimensions correlate with each other)	845.40	269	0.127	(0.12; 0.14)	0.095	0.66	0.59	0.87	0.90	0.91	7.20	957.40	-5.04	9.27	4.30
Model D (4 factors, 25 items, second-order)	847.59	271	0.126	(0.12; 0.14)	0.100	0.66	0.60	0.86	0.89	0.90	7.18	955.59	-4.85	8.40	4.03
Model E (4 factors, 11 items, second order)	47.38*	40	0.037	(0.00; 0.07)	0.046	0.94	0.90	0.96	0.99	0.99	0.75	99.38	-1.81	2.66	4.40

*Denotes a non-significant χ^2 statistic

Notes: RMSEA = root mean square error of approximation; CI = confidence interval; SRMR = standardized root mean square residual; GFI = goodness of fit index; AGFI = adjusted goodness of fit index; NFI = normed fit index; NNFI = non-normed fit index; CFI = comparative fit index; ECVI = expected cross-validation index; AIC = Akaike information criterion; LSR = lowest standardized residual; HSR = highest standardized residual

Consequently, we subjected model D under empirical scrutiny. While all (first- and second-order) factor loadings were significant, an inspection of both the standardized residuals and the modifications indices suggested that improvements in fit could be pursued. Several authors suggest that original models with a poor fit should be modified through specification searches, until a new model is found, which has a better fit and is interpretable from a substantive point of view (e.g., Anderson and Gerbing 1988). Following Anderson and Gerbing's (1988) recommendations, we employed the following two ways to respecify the CCCS instrument, bearing in mind that theoretical and content considerations must guide the specification searches (Anderson and Gerbing 1988; Long 1983, pp. 76–77): (a) we related an indicator to a different dimension and (b) we deleted the indicator from the model. We used several heuristics in order to eliminate problematic items and refine the scale (Jöreskog and Sörbom 1993). Specifically, we deleted 14 items (see Appendix) that (a) poorly loaded on their assigned construct (maximum likelihood estimate < .40) or that strongly cross-loaded on a different construct (modification index > 5.0 and standardized expected parameter estimate > .20), (b) had standardized residuals over |2.58|, and (c) the distribution of their respective standardized residuals was not approximating the normal distribution. After dropping these items and assigning the first item of the directing dimension to the rewarding dimension,[2] the model was re-estimated, thus producing Model E. As shown in Table 2, Model's E fit was impressive. We subsequently cross-validated Model E by using Studies 2 and 3. Again, the results demonstrate that the hypothesized model fits the data well (Study 2: χ^2 = 100.81, d.f. = 40, p = .000; RMSEA = .076; NNFI = .97; CFI = .98; SRMR = .044; GFI = .94); (Study 3: χ^2 = 63.74, d.f. = 40, p = .009; RMSEA = .068; NNFI = .98; CFI = .98; SRMR = .047; GFI = .92). Accompanied by large and significant loadings, these results offer support for the posited measurement model (see Appendix). Thus, Model E, which for convenience we have labeled "CCCS-SV" for shortened version, provides a parsimonious representation of the CCCS structure across all three studies.

Reliability and Validity Assessment

The internal consistency of the CCCS-SV was assessed through the construct reliability estimates (Fornell and Larcker 1981). The reliability estimates for the second-order control scale ranged from .92 to .93 across studies, indicating good reliability. Convergent validity was evaluated by examining both the significance of the t-values and the average variance extracted (AVE; Fornell and Larcker 1981). All t-values were significant (p ≤ .001), and all but two of the AVE's estimates were greater than .50 (see Appendix), thus establishing convergent validity (Fornell and Larcker 1981). Discriminant validity was tested by means of Fornell and Larcker's criteria, whereby the AVE for a construct indicator (see Appendix) is compared with the shared variance (see Table 1) between the construct and the other variables in the study. The results of this criterion, which is generally considered the most stringent test, indicate discriminant validity, as the AVE for each of the scales was greater than the shared variance between the construct and all other variables.[3]

Content Validity

Although the CCCS-SV is psychometrically sound, we strived to secure that no useful information was lost while reducing the original scale. We examined this issue by computing the correlations between the four dimensions obtained from the original 25 items and the four corresponding dimensions obtained from the 11-item CCCS-SV. The correlations range from .777 (for the monitoring dimension in Study 2) to .969 (for the directing dimension in Study 3). Consequently, reducing the original CCCS scale sacrifices little information. Further, as displayed in the Appendix, the CCCS-SV includes at least two items from each of the four dimensions of the control system.

Nomological Validity

To obtain a more rigid test for the nomological validity of the CCCS-SV scale, we employed a Hierarchical Linear Modeling (HLM) procedure by combining the sales managers' and the salespersons' data sets of Study 1. HLM takes advantage of the nested (hierarchical) data and produces unbiased estimates (cf., Hofmann 1997), while the use of two separate databases minimizes the common method bias. Interestingly, the HLM analysis indicates no significant influences of the CCCS-SV scale on the salespersons' satisfaction and performance levels (the only exception was the significant and positive influence on the salesperson's satisfaction with promotion opportunities). Nomological validity in Studies 2 and 3 was assessed via a latent variable structural equation model (LVSEM), which linked the CCCS-SV scale to sales force outcome performance and sales organization effectiveness (Study 2) and to salesperson job performance and affective organizational commitment (Study 3). Specifically, in Study 2 model fit was good (χ^2 = 606.93, d.f. = 266, p = .000; RMSEA = .070; NNFI = .93; SRMR = .056; CFI = .93); the structural path from control system to performance was significant and positive (γ = .21) while the direct effect on sales organization effectiveness was insignificant (γ = .076). Finally, in Study 3 the model had a good fit (χ^2 = 307.36, d.f. = 164, p = .000; RMSEA = .083; NNFI = .91; SRMR = .087; CFI = .93) and a strong significant effect of the control system was found on organizational commitment (γ = .46), while the effect on performance was insignificant (γ = -.01).

RECOMMENDATIONS, LIMITATIONS, AND FUTURE RESEARCH DIRECTIONS

By employing a three-sample approach and based on a large number of business-to-business sales organizations from various industries, we sought to validate and revise the CCCS instrument. The rigorous purification procedure employed in the present study resulted in the elimination of several items from each dimension, a significant and parsimonious outcome. In addition, parsimony and interpretability was retained even when we changed the number of scale points from ten to five (Study 3). While parsimony unquestionably comes at a cost in data, we provided evidence that the shorter 11-item version of the CCCS scale (operationalized as a second-order construct) retained its content validity and exhibited acceptable psychometric properties across three different samples, provided that item 1 from the directing dimension is loaded onto the rewarding dimension (see Appendix). Thus, we recommend the use of the CCCS-SV for future research applications. A short form of this measure would be useful for at least two reasons. First, it would take up less space on a survey instrument, allowing researchers to include additional measures of other constructs on the same questionnaire. Second, in many research efforts the control system is not the main construct of interest, yet the researcher may have reason to believe that it might be a useful variable to explore in relation to the primary construct. If a long form of the control measure is the only one available, the researcher may be forced to forego measurement of control system to keep the survey at a reasonable length or may develop ad hoc measures of control system of unknown validity.

Despite the insights gained through our study, additional evaluation of the CCCS-SV is needed in other countries to validate its generalizability. Moreover, there is an alarming need to triangulate the nomological validity of the CCCS-SV by employing multiple data-sources. The findings of the present study revealed that the CCCS-SV is not always related to performance, especially when data come from two different sources (Study 1) or when the salesperson's perspective is taken into account (Study 3) (see also the discussion by Baldauf, Cravens, and Piercy 2005, p. 20). Importantly, significant changes in the operation of the sales organization have been occurring during the last decade, the most important been the escalated importance attached to customer relationship management (CRM) strategies. Thus, there may be a high need for enriching the control system concept with the sales management activities that are associated with CRM strategies.

ENDNOTES

[1] For the sake of brevity, we use the abbreviation CCCS (Cravens and Colleagues Control System) throughout the paper to describe the 25-item control system measurement scale that was originally articulated by Cravens and his colleagues (Babakus et al. 1996; Cravens et al. 1993).

[2] A plausible explanation for this result may be concerned with the fact that the content of this item refers to the relationship between performance and rewards (instrumentality perception) that is suggested in reward-motivation theories.

[3] For completeness, we also constrained the estimated correlation parameter between pairs of the four control dimensions to 1.0 (Anderson and Gerbing 1988). Then $\Delta\chi^2$ tests on the values obtained for the constrained and unconstrained models were performed. In all six cases, a significantly lower χ^2 value ($\Delta\chi^2_{[1]} > 3.84$) was obtained, thus indicating discriminant validity.

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APPENDIX

Original CCCS Scale Items[1] and CCCS-SV Properties after CFA (Model E)

Behavior-Based Control (α = .80; .81; .89; CR = .92; .93; .93; AVE = .78; .76; .78) [2, 3] **To what extent do you:** ***Monitoring* (α = 68; 68; 75; CR = 71; 71; 75; AVE = 55; 56; 60)**	**Study 1** **λ's (first-order standardized loadings)**	**Study 2**	**Study 3**
1. Spend time with salespeople in the field [4]	–	–	–
2. Make joint calls with salespeople [4]	–	–	–
3. Regularly review call reports from salespeople	.64	.64	.78
4. Monitor the day-to-day activities of salespeople [4]	–	–	–

APPENDIX (CONTINUED)

Behavior-Based Control (α **= .80; .81; .89; CR = .92; .93; .93; AVE = .78; .76; .78)** [2, 3] **To what extent do you:** ***Monitoring*** **(α = 68; 68; 75; CR = 71; 71; 75; AVE = 55; 56; 60)**	**Study 1**	**Study 2**	**Study 3**
	λ's (first-order standardized loadings)		
5. Observe the performance of salespeople in the field	.83	.84	.77
6. Pay attention to the extent to which salespeople travel [4]	–	–	–
7. Closely watch salespeople's expense accounts [4]	–	–	–
8. Pay attention to the credit terms that salespeople quote customers [4]	–	–	–
Directing (α = .84; .84; .86; CR =. 85; .85; .86; AVE = .65; .66; .67)			
1. Encourage salespeople to increase their sales results by rewarding them for their achievements	.86*	.87*	.75*
2. Actively participate in training salespeople on the job	.72	.76	.79
3. Regularly spend time coaching salespeople	.86	.85	.84
4. Discuss performance evaluations with salespeople	.84	.83	.83
5. Help salespeople develop their potential [4]	–	–	–
Evaluating (α = .63; .63; .81; CR = .65; .68; .82; AVE = .48; .52; .70)			
1. Evaluate the number of sales calls made by salespeople	.72	.75	.73
2. Evaluate the profit contribution achieved by each salesperson	.66	.69	.93
3. Evaluate the sales results of each salesperson [4]	–	–	–
4. Evaluate the quality of sales presentations made by salespeople [4]	–	–	–
5. Evaluate the professional development of salespeople [4]	–	–	–
Rewarding (α = .75; .75; .82; CR = .78; .78; .83; AVE = .49; .48; .55)			
1. Provide performance feedback to salespeople on a regular basis [4]	–	–	–
2. Compensate salespeople based on the quality of their sales activities	.66	.66	.90
3. Used incentive compensation as the major means for motivating salespeople [4]	–	–	–
4. Make incentive compensation judgments based on the sales results achieved by salespeople [4]	–	–	–
5. Reward salespeople based on their sales results	.78	.78	.69
6. Use non-financial incentives to reward salespeople for their achievements	.40	.36	.59
7. Compensate salespeople based on the quantity of their sales activities [4]	–	–	–

[1] The wording of items indicated above was used in Study 1; in Studies 2 and 3, rewording of items was employed to capture the different kind of respondents (i.e., chief sales executives and salespersons, respectively).

[2] α = Cronbach's alpha reliability coefficient (for model E); CR = Composite Reliability (for model E); AVE = Average Variance Extracted (for model E).

[3] Entries in parentheses correspond to reliability and validity indices for Study 1, Study 2, and Study 3, respectively. CR's and AVE's for the higher-order control system scale were calculated based on the second-order standardized loadings (cf., Ping 2003, pp. 49–50).

[4] These items were deleted during the purification procedure.

* This item was assigned to load onto the rewarding dimension, based on the suggestions of the modification indices.

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SALESPERSON COGNITION AND BEHAVIORS: THE COMPLEMENTARY AND CONFLICTING ROLES OF TRUST AND CONTROL

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SUMMARY

Salespeople who perform boundary functions at the customer interface are critical to organizational effectiveness due to their informational (i.e., providing information from external sources to promote innovation and change), relational (i.e., building relationships with key stakeholders) and exchange-value contributions (i.e., consummating value-adding exchange of resources). Not surprisingly, how they cognize their boundary roles to perform effectively is a topic of long-standing interest to researchers and practitioners alike.

This study focuses on salespeople in B2B contexts and examines two inter-related mechanisms – trust and control – that play a role in shaping their cognitions and behaviors. While trust helps salespeople conserve cognitive resources, makes the decision making process efficient, and yields a high level of work performance, the control mechanism relies on organizational regulation of salesperson's cognitions and behaviors through the use of control devices (e.g., practices, cultural norms, incentive) to ensure that they achieve effectiveness in their boundary functions. Clearly, while the purported aim of both mechanisms is to achieve the same outcome of sales function effectiveness, trust and control represent somewhat disparate assumptions and processes about salesperson's cognitions and behaviors.

The specific aims of this paper are threefold. First, we simultaneously examine how the trust and control mechanisms work directly and interactively to influence salespersons' cognitions and behavior relating to their boundary linking function. Second, we examine the relational dynamics involving salesperson's relationships with internal organizational managers (i.e., direct supervisors) and with external customers. Third we examine how salesperson cognitions and behaviors "trickle down" to influence sales outcomes in terms of sales performance (e.g., sales volume), relationship quality and customer loyalty.

Consistent with our objectives, we disaggregate trust into customer trust and manager trust, and control into process control and outcome control to examine their direct and interactive effects on salesperson's behaviors. Trust has been identified as a cornerstone in developing customer relationships; therefore, we focus on behaviors directed to building trust in exchange relationships referred to as trustworthy behaviors and examine three dimensions of trustworthy behaviors, including activities that demonstrate competence, benevolence, and problem solving orientation. Controls on the other hand, have been defined as "a regulatory process by which the elements of a system are made more predictable through the establishment of standards in the pursuit of some desired objective or state." Theoretical arguments for the influence of control systems come from notions of extrinsic motivation (e.g., autonomy) and behavioral reinforcement (e.g., incentives and pay-for-performance programs).

A noteworthy aspect of this study is that we do not rely only on salespersons' reports about their behaviors (we do for their cognitions) but include corresponding data from customers who observe salespersons' behaviors as part of their exchange interaction. Thus, using two separate and relatively independent reports on salespersons' trustworthy behaviors allows us to directly model behavioral "trust" gaps.

To test this model, we collected dyadic survey data from salespeople of a Midwestern industrial distribution company. In addition to providing self-report data, the survey instrument requested each salesperson to identify two customers with whom they had engaged in sales relationships for a period of two years or more. These corresponding customers were also sent a separate survey instrument that included questions about their assessment of their salespersons' behaviors, and their own behaviors toward the selling firm and salesperson.

Our results highlight the mechanism through which trust and control complement or contradict each other in shaping salespersons' cognitions and behaviors, and indicate that while trust and control mechanisms interact, only specific components of this interaction play a significant role in shaping a salespersons' behaviors. Some of our key findings are- (1) customer trust plays a critical role in how

salespeople cognize their boundary functions and consequently has an influence on their relational exchanges and outcomes, (2) while customer trust and process controls have positive simple effects, their interactive effect has a significant negative influence, implying that process controls may be substituted by customer trust, and (3) trust gaps resulting from differences between salespeople's self report and customers' perceptions of their trustworthy behaviors have a significant influence on customer loyalty. References available upon request.

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THE IMPLICATIONS OF SOCIAL CAPITAL AND RESOURCE EXCHANGE FOR INTERNATIONAL RELATIONSHIP CONTINUITY IN EXPORT CHANNELS

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SUMMARY

Using a social capital framework, we investigate how relational and structural social capital and resource exchange influence performance and relationship continuity between distributors and exporters in international channels of distribution. Social capital is broadly conceptualized as the value that actors derive from their ties to other actors in a network (Kostova and Roth 2003). At the firm level, social capital theory contends that firms create competitive advantage via the combination of new and existing knowledge and other resources by harnessing the value of their relationships with other firms (Atuahene-Gima 2002).

Burt (2000) has described two mechanisms (structural and relational) responsible for yielding social capital benefits. Structural social capital is achieved by bridging "structural holes," or gaps in a network of relationships. In this view, distributors, whose role is to connect exporters and customers in disparate markets, may thus be viewed as bridging structural holes in the distribution network. Structural social capital is captured in our model via the extent and complexity of interactions undertaken by a distributor on behalf of an exporter, e.g., interacting with regulators, customs officials, logistics providers, and/or customers. We hypothesize that a distributor's ability to link exporters and foreign market customers contributes to structural social capital, which is expected to enhance channel performance and continuity expectations.

The second (relational) social capital mechanism resides in network relationships that facilitate trusting, reliable and direct communication links, and create strong ties with another party (Burt 2000). Strong ties, as represented for example, by high levels of communication and trust, provide better access to resources, in that actors in such relationships are more likely to engage in voluntary, mutually beneficial exchanges. We hypothesize that trust and communication are both positively related to resource exchange between distributors and exporters.

Resource exchange is investigated for both positive and potentially negative consequences in international distribution channels. In terms of channel performance, resource exchange is expected to be positively associated with performance, in that by exploiting resources from others, especially informational resources, firms are able to create superior customer value and enhance performance (Atuahene-Gima 2002). Relationship continuity, however, presents a more complicated outcome. On the one hand, communication intensity and resource exchange have been associated with increased chance of firm survival and greater expectations of continuity in channel relationships due to the increased value provided by the foreign distributor to the exporter in accessing resources (Anderson and Weitz 1989; Morgan and Hunt 1994). On the other hand, there may be costs and risks associated with resource exchange (Adler and Kwon 2002). As a foreign distributor divulges increasing amounts of information and transfers proprietary skills needed to serve local customers, an exporter may be endowed with the ability to secure alternate means of reaching those customers, and expectations that the relationship will continue indefinitely into the future may be diminished. Therefore, we propose an inverted-U shaped relationship between resource exchange and relationship continuity, in that high and low levels of exchange between distributors and exporters will be associated with lower expectations of continuing the relationship.

Given the cross-cultural nature of international channel relationships, moderating factors related to cultural values are likely to influence the relationship between resource exchange and relationship continuity. Specifically, individualism-collectivism and long term orientation are expected to take precedence over the potential negative impact of resource exchange and continuity expectations.

Our study employed a survey method in which import distributors were asked to assess their relationship with an overseas supplier (Bello and Gilliland 1997). Results suggest that relational and structural social capital are important predictors of separate channel outcomes. Channel performance evaluations are positively associated with structural social capital, evidenced by the extent of complex brokerage activities undertaken on behalf of an exporter. Relational social capital, indicated by high levels of trust, is important in securing higher levels of resource exchange. A modest inverted U-shaped relationship was found between resource exchange and relationship continuity. However, this relationship was moderated by cultural values. For example, having a long-term

outlook influenced the likelihood that a distributor expects a relationship to continue. Trust turned out to be the key driver of relationship continuity expectations.

Channel managers no doubt will recognize the importance of trust in cross-border supply relationships. Trust can encourage the exchange of information and resources within the relationship. In addition to reinforcing the role of trust in facilitating cross-cultural exchanges, the study not only provides insight into the critical role of the distributor in managing resource exchange within international channel relationships, but also suggests guidelines as to how independent distributors may maintain an enduring presence in the channel structure by demonstrating ways that they bring value to their relationships with exporters. References available upon request.

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REALIZED AND POTENTIAL ABSORPTIVE CAPACITY: UNDERSTANDING THEIR ANTECEDENTS AND PERFORMANCE IN A SOURCING CONTEXT

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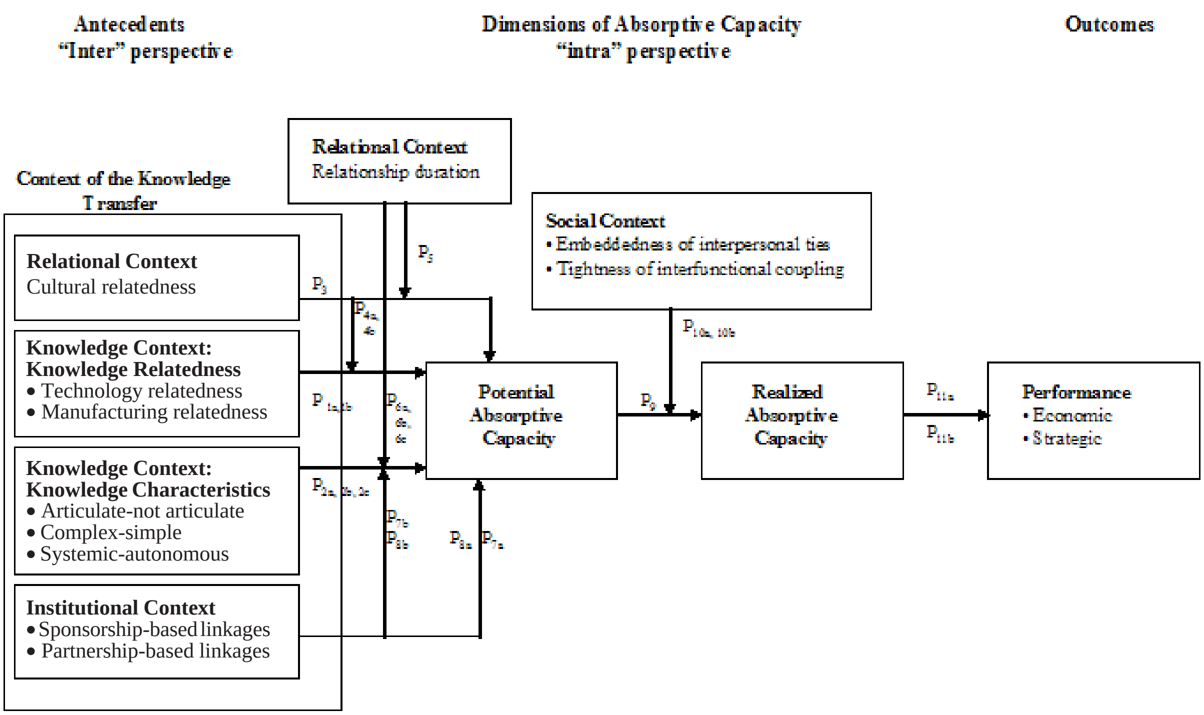
SUMMARY

The importance of global sourcing as a thematic area of research continues to dominate both conceptual and empirical interest. However, most if not all of these studies have generally focused on larger multinationals or from the buyers' perspective (Kotabe 1998; Kotabe and Murray 2003, 2004; Kakabadse and Kakabadse 2002). To have a more complete understanding of the buyer-seller sourcing relationship, it is also equally important to understand the effects of sourcing on suppliers' competitive advantage. Thus, how do supplying companies gain new knowledge and capabilities needed to enhance competitiveness? Building on different research streams about the nature of knowledge transfers, this paper proposes a conceptual model for understanding knowledge transfer success among recipient companies in a sourcing relationship. The basic premise of this paper is that a firm's ability to learn and create new knowledge is a crucial element for its performance (Schulz 2002). Further, as argued by Grant (1996), it is not enough for recipients to simply "acquire" knowledge; to create value it must be nurtured and integrated through the organization. Thus, the role of potential and realized absorptive capacity in the interorganizational transfer of knowledge is emphasized. These two learning components are discussed from two level of analysis. Potential absorptive capacity is discussed at the interorganizational level while realized absorptive capacity at the intraorganizational level.

Figure 1
An Integrated Conceptual Model of External Knowledge Sourcing and Firm Performance



To understand the process of knowledge assimilation and exploitation, several mechanisms that both facilitate and inhibit knowledge transfers are proposed. The model identifies three potential interorganizational contexts that can affect potential absorptive capacity: knowledge context, relational context, and institutional context. These factors are recognized to influence the firm's potential absorptive capacity, both directly and in an interactive manner. At the intraorganizational level, knowledge-based views of the firm stress how patterns of interaction and relationships among individuals facilitate the integration of knowledge within the organization. Two types of social context were distinguished in the paper: the extent of social embeddedness and closeness of interfunctional coupling. References available upon request.

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THE IMPACT OF RESOURCES AND CAPABILITIES ON THE PERFORMANCE OF REGULAR AND SPORADIC EXPORTERS

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SUMMARY

Following calls of extant research for further inquiry into the role of the different assortments of export firms' resources and capabilities and their interactions in determining their performance in the overseas markets, this study focuses on the effect of experiential, scale of operation and financial resources and informational, customer relationship and product development capabilities on three different dimensions of export performance: effectiveness – depicted as market share, efficiency – reflected in the measurement of profitability, and adaptability – operationalized as revenue from products introduced during the past three years. It also examines the performance impact of two complementarities – informational capabilities with product development capabilities and experiential resources with informational capabilities. Furthermore, it takes into account differences in firms' export orientation and examines the above separately for two main exporter types: regular and sporadic. Three environmental variables, market turbulence, competitive intensity and technological turbulence are used as control variables.

Data were collected from 312 UK-based exporting firms. Following an assessment of the measures to establish reliability, convergent and discriminant validity, OLS regression analysis was employed to test the fourteen study hypotheses. The results revealed a number of interesting linear and non-linear effects.

For *regular* exporters, market share increases with the increase of export experience, customer relationship capabilities and product development capabilities and only when the firm possesses moderate levels of available financial resources. Profitability is positively influenced by available finance and only by low or high levels of experience and informational capabilities. Product development capabilities only have a positive effect on profitability when complemented by superior informational capabilities, while the firm's export experience combined with its informational capabilities have a negative effect on export venture profitability. Finally, superior product development capabilities and low or high experiential and scale resources and informational capabilities have a positive effect on revenue from new products, while available financial resources negatively impact on the same, potentially increasing the reluctance of firms to experiment, or introduce new products to current and/or new markets. Again, the interplay of experiential resources and informational capabilities negatively impact on the adaptability dimension of export performance. Overall, scale resources and customer relationship capabilities appear to play a limited role as determinants of export performance, while the unanimous finding of the study is the superiority of highly experienced exporting firms in terms of all three performance dimensions.

For *sporadic* exporters, it became clear that product development capabilities have a pivotal role, positively influencing all three performance dimensions. Then, it is the scarcity of financial resources and the abundance thereof that is associated with superior effectiveness and efficiency, while the increase in available financial resources has a negative impact on the adaptability dimension. Additionally, it was found that moderate levels of experiential resources are associated with increased market share and the greater the scale of operation the higher the profitability (efficiency) of the sporadically exporting firm.

These results should be viewed in the light of a number of limitations, such as the cross-sectional nature of the study and the small number of sporadic exporters. Future research efforts should also consider different assortments of resources and capabilities and other control variables, such as degree of success of domestic operations and strategic orientation. Finally, more effort needs to be directed towards the study of interaction effects and apply research findings on complementary capabilities in international operations.

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AN EXPLORATORY COMPARISON OF TEACHING METHODS AND STUDENT OUTCOMES IN THE UNDERGRADUATE MARKETING PRINCIPLES CLASS: CHAPTER TESTS VERSUS CHAPTER DISCUSSION QUESTIONS

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ABSTRACT

This research contributes to the ongoing discussion in the literature regarding the comparison of traditional and online course formats using two different end of chapter evaluation methods. Findings indicate no significant difference between the approaches. The implications of the findings for faculty workloads, support, advancement, and compensation models are discussed.

INTRODUCTION

The expansion of online education creates new challenges for marketing educators. Trained in lecture and seminar based learning under a face-to-face, real time interaction with a professor and mentor, marketing faculty must translate that experience into an online, often asynchronous environment of distance education. A key component of this translation is identifying which teaching and learning tools work well in the online environment. In particular, it is critical that marketing faculty design and implement online course designs that match traditional programs in their rigor and learning outcomes for students. As faculty seek to adapt to changes in technology for the delivery of marketing education, two key questions need to be answered: First, what teaching methods are suitable for technology-based learning formats, such as online learning? Second, what are the implications for faculty in adapting to changes in technology for course delivery in terms of time, effectiveness, efficiency, and faculty advancement?

This paper reports research conducted in an attempt to provide at least partial answers to both these questions. Regarding the issue of teaching methods, a review of the literature reveals an interest in determining what methods are effective for online versus traditional learning. For example, Priluck (2004) notes the similar effectiveness of web-assisted course outcomes with traditional lecture-based classes. In her research, she notes the similarity in exam performance across a traditional and web-enhanced course, and calls for more research on different teaching and learning techniques. The present study presents one such extension: a comparison of chapter by chapter teaching methods versus overall course designs compared previously. Ponzurick, France, and Logar (2000) suggest that distance learning programs may need to adjust some aspects of pedagogy relating to class activities to improve student perceptions of remote learning methods of delivery relative to face-to-face learning. One way for faculty to determine the most effective techniques is to compare different assessment modes with either the same or similar subjects.

An initial review of the literature on assessment of different teaching methods is mixed. On the one hand, many studies lend support for the relative efficacy of different teaching methods (Guolla 1999; Haytko 2001; Priluck 2004; Smeaton and Keogh 1998; Tucker 2000). On the other hand, several studies suggest either differences in outcomes due to teaching method or stated preferences (liking) by students for some methods over others in spite of no outcome differences (Hansen 2003; Tuckman 2002; Sweeney and Ingram 2001).

Studies indicating no difference between one method of instruction and another are numerous. For example, Spooner et al. (1999) compared student opinions after participation in course work that included distance learning and traditional classes. Analysis of outcome measures revealed no difference in overall course means. Similarly, Tucker (2000) compared final exam scores and final course grades in a distance education and a traditional section of Business Communications. The same instructor, course content, course materials, assignments, time frame for completion assignment, and achievement tests (pre- and post-test and final exam) were used, and no significant difference was indicated in the final course grades. On the MBA level, Smith's (2001) comparison of electronic and traditional MBA marketing planning was valuable because "as more faculty enter electronic classrooms, they will need to share experiences in this entirely new form of teaching to illuminate their errors and expand the possibilities available to them." Differences and similarities were contrasted by requirements such as exams, teamwork, discussions, and research techniques. The author indicated that students in electronic courses, as a whole, were more active and connected in discussions and team projects. One reason stated was that students did not disengage as easily if the course had frequent points for student interaction. For marketing principles, Priluck (2004) examined two technologically different teaching methods; one using a "Web-assisted" method with 7 of the 14 classes meeting asynchronously online and the other a traditional lecture. Even though performance on the final examination was not significantly different between the two sections, students indicated they were more satisfied with the traditional format.

If there is a record of research supporting the functional similarity of different teaching methods, and of different methods across different course formats (e.g., online versus traditional lecture), there is also research indicating that some activities may differentially impact student outcome performance. For example, Tuckman (2002) used a hybrid instructional model (ADAPT) that combined Web-based and classroom components, a traditional course, and a control group that received no formal instruction to examine students in a 10-week study skills course. The same timeframe, textbook, performance activities, and subset of instructors were used. The objective of the course was to improve academic performance, as measured by grade point averages. Overall significant differences were observed as well as significant differences between each condition. Students using ADAPT scored the highest GPAs (relative to past performance), those not taught any skills scored the lowest, and those in the conventional group scored in between. Similarly, an adaptation of the Voeks method (which utilized traditional outlining) to learn essential information in an introductory course was investigated in a Principles of Marketing course (Hansen 2003). Students in a treatment group were introduced to the outlining techniques after the first course exam, and both groups then took a second exam. No significant differences were shown after the first exam, but scores on the second exam showed a significant difference for the students using the Voeks method.

Like many of the authors reporting their research on the use of innovations in technology upon course content delivery and acquisition, the authors of the present study are actively engaged in that process of translating lecture-based course designs to Internet-based platforms, mostly for distance learning initiatives at our universities. While we also embrace the new opportunities and challenges involved in online learning, we attempt here to ground choices for online course design in empirical data based on student outcomes as to which teaching methods to use under specific conditions. Previous studies, with some exceptions, have indicated that overall outcome measures in the form of exams often produce similar outcomes across online versus lecture-based courses. The research presented here attempted to discover whether differences in the chapter by chapter approach to the review and rehearsal of information might have any developmental effects on exam scores. Specifically, would one method of student-based learning lead to either better (or worse) exam performance, earlier (or later) performance at a given level of competency, or both?

METHOD

Two sections of Principles of Marketing were designed to make use of different student-based learning methods. An online class used end of the chapter discussion questions (hereafter, Discussion Questions) selected from the textbook by the instructor. For end of the chapter questions, students submitted answers as a group. Groups were comprised of no less than three students and no more than five. Answers were graded by the professor and feedback was provided within 48 hours. Feedback consisted of evaluation of responses in terms of both content (course information, definitions, and knowledge) and written communication effectiveness (grammar, syntax, logical structure, and deductive reasoning for integrative questions).

For the other section, consisting of students in a traditional lecture format presentation, chapter tests were used in multiple choice format (hereafter, Chapter Tests). Question pools were created for each chapter, randomly selected by the test bank software. Students took the test online and were presented with a subset of questions from the testbank. In this section, the students responded individually. Further, they could take the end of chapter test as often as they liked during the week of that particular assignment. Only the last score posted would count toward their grade. The caveat was that only the score on the test was provided; no feedback or direction on correct answers was available. Students would not know, specifically, which questions had been missed, though they were free to review the chapter as many times as they saw fit to prepare to take the test again, presumably to receive the full credit possible. As in Tuckman (2002), noted above, we held constant other forms of teaching: lecture content, instructor, textbook, and exam pool were the same for both classes.

Both teaching methods operationalized student motivation to receive the maximum credit. In the Discussion Questions format, the specific nature of the comments provided students with a means for assessing why they had lost points. Presumably, students could then use those explanations to improve structure as well as content to receive higher grades on subsequent assignments. In the Chapter Tests format, students had unlimited (within the week of the assignment) opportunity to improve their grade, though they had to choose to self-diagnose their performance to do so. In both sections, students exercised a great deal of control in affecting their grade on these assignments. After Peterson (2000), this portion of the course was counted as course participation. The syllabus and the communication from the instructor reminded students in both sections that the method was designed to give them more control over their grade as well as provide a stronger background for comprehensive assignments, such as midterm and final exams and a term long marketing plan.

At no time during either class were students told that their method of chapter assignments was "experimental." That is, each course was conducted separately. Following the completion of both courses, the means of each section on the midterm and the final exam were compared using analysis of variance; first within-section comparisons between the midterm and the final and then across-section comparisons of the midterm of each section and the final of each section.

STATEMENT OF HYPOTHESES

The following hypotheses were proposed for the study of the effectiveness of different teaching methods: Chapter Tests and Discussion Questions. We first seek to answer the question: Did students of the section that was given Chapter Tests, on average, perform equally well on the midterm exam and the final exam? Accordingly, four hypotheses were generated:

H1: The midterm and final exam score means of the Chapter Tests section are equal.

H2: The midterm and final exam score means of the Discussion Questions section are equal.

H3: The midterm exam score means for both sections are equal.

H4: The final exam score means for both sections are equal.

Before we test the hypotheses H1–H4 it is important that we determine whether the variances of any two populations that are being used in hypothesis tests are equal. To make that determination we test the following additional hypotheses:

H1(a): The variances of the test scores on the midterm exam and final exam of the section that was given Chapter Tests are equal.

H2(a): The variances of the test scores on the midterm exam and final exam for the section that was given Discussion Questions are equal.

H3(a): On midterm exams, the variances of the test scores of the students who were given Chapter Tests and the test scores of the students who were given Discussion Questions are equal.

H4(a): On the final exams, the variances of the test scores of students who were given Chapter Tests and the test scores of the students who were given Discussion Questions are equal

RESULTS

Test Results Using Chapter Tests Data

We start with Chapter Tests data. As stated above, before we test the equality of means, it is important to establish the equality of variances. Using the Chapter Tests data, first we test for the equality of variances (**H1(a)**) of the midterm and final exam data, and then we test for the equality of means (**H1**). We follow this practice throughout the paper. The test results for **H1(a)** are presented in Table 1.

Since we can reject the hypothesis of the equality of variances at the 5 percent level (p-value = 0.018), we perform the equality of means tests assuming unequal variances. Table 2 presents the t-test results of the equality of means test (**H1**) using the midterm and final exams data for the section that was given Chapter Tests.

We can reject the equality of means test at the 5 percent level (p-value = 0.002). The results indicate that students from the section that was given Chapter Tests performed higher on the final exam than they did on the midterm exam in a statistically significant way.

Test Results Using Discussion Questions Data

In this section we perform similar tests using the Discussion Questions data. We first test the hypothesis **H2(a).** Table 3 presents the results.

As we can see the null hypothesis of equal variance is not rejected at the 5 percent level (p-value = 0.456). We perform the equality of means test (**H2**) assuming that variances are equal. Table 4 presents the t-test results of the equality of means using the midterm and final exams data for the section that was given Discussion Questions.

We can reject the equality of means of the two tests at the 5 percent level (p-value = 0.012). That is, students from the section that was given Discussion Questions scored higher on the final exam than they did on the midterm exam in a statistically significant way.

Test Results Using Chapter Tests and Discussion Questions Data for Midterm Exams of the Two Sections

Next we perform the equality of variances test using the midterm exams data from the section that was given Chapter Tests and the section that was given Discussion

TABLE 1
Equality of Variances Test
Data: Chapter Tests

Statistic	Midterm	Final	Statistic	
Mean	242.1053	302.5263	F	2.790486
Variance	4599.766	1648.374	P(F<=f) one-tail	0.017731
Observations	19	19	F Critical one-tail	2.217197
df	18	18		

TABLE 2
Equality of Means Test
Data: Chapter Tests

Statistic	Midterm	Final	Statistic	
Mean	242.1053	302.5263	t Stat	-3.33188
Variance	4599.766	1648.374	P(T<=t) one-tail	0.001182
Observations	19	19	t Critical one-tail	1.699127
Hypothesized Mean Difference	0		P(T<=t) two-tail	0.002364
df	29		t Critical two-tail	2.04523

TABLE 3
Equality of Variances Test
Data: Discussion Questions

Statistic	Midterm	Final	Statistic	
Mean	252.48	312.96	F	0.927764
Variance	2260.651	2436.665	P(F<=f) one-tail	0.456451
Observations	10	10	F Critical one-tail	0.314575
df	9	9		

TABLE 4
Equality of Means Test
Data: Discussion Questions

Statistic	Midterm	Final	Statistic	
Mean	252.48	312.96	t Stat	-2.79053
Variance	2260.651	2436.665	P(T<=t) one-tail	0.00604
Observations	10	10	t Critical one-tail	1.734064
Pooled Variance	2348.658		P(T<=t) two-tail	0.012079
Hypothesized Mean Difference	0			
df	18		t Critical two-tail	2.100922

Questions. We test the hypothesis **H 3(a)**. The test results are presented in Table 5.

Since we cannot reject the equality of variance hypothesis at the 5 percent level (p-value = 0.138), we perform the equality of means test assuming equal population variances. We tested **H3.** Table 6 presents the results of the t-test.

We cannot reject the null hypothesis of equality of means at the 5 percent level (p-value = 0.671). The results indicate that the mean points of the two classes on the midterm exams were not different in a statistically significant way.

Test Results Using Chapter Tests and Discussion Questions Data for Final Exams of the Two Sections

Next we perform the equality of variances test using the final exams data from the section that was given Chapter Tests and the section that was given Discussion Questions. We test the hypothesis **H4(a)**. The results are presented in Table 7.

Since we cannot reject the null hypothesis of equality of variances of the Chapter Tests and Discussion Questions final exam data at the 5 percent level (p-value = 0.229), we perform the equality of means test assuming equal population variances. We tested the hypothesis **H4**. The results of the t-test are presented in Table 8.

The results of Table 8 point out that the mean points on the final tests taken by the two classes that were given Chapter Tests and Discussion Questions are not statistically significantly different (p-value = 0.546).

DISCUSSION

Analysis of the data indicates that the students in both sections showed significant improvement between the midterm and the final exams, suggesting that both methods of instruction provided students with a valid learning

TABLE 5
Equality of Variances Test
Data: Chapter Tests and Discussion Questions – Midterm Exams

Statistic	Midterm (Chapter Tests)	Midterm (Discussion Questions)	Statistic	
Mean	242.1053	252.48	F	2.034709
Variance	4599.766	2260.651	P(F<=f) one-tail	0.13849
Observations	19	10	F Critical one-tail	2.960003
df	18	9		

TABLE 6
Equality of Means Test
Data: Chapter Tests and Discussion Questions – Midterm Exams

Statistic	Midterm (Chapter Tests)	Midterm (Discussion Questions)	Statistic	
Mean	242.1053	252.48	t Stat	-0.42965
Variance	4599.766	2260.651	P(T<=t) one-tail	0.335428
Observations	19	10	t Critical one-tail	1.703288
Pooled Variance	3820.061		P(T<=t) two-tail	0.670856
Hypothesized Mean Difference	0			
df	27		t Critical two-tail	2.05183

TABLE 7
Equality of Variances Test
Data: Chapter Tests and Discussion Questions – Final Exams

Statistic	Final (Chapter Tests)	Final (Discussion Questions)	Statistic	
Mean	302.5263	312.96	F	0.676488
Variance	1648.374	2436.665	P(F<=f) one-tail	0.229238
Observations	19	10	F Critical one-tail	0.40712
df	18	9		

TABLE 8
Equality of Means Test
Data: Chapter Tests and Discussion Questions – Final Exams

Statistic	Final (Chapter Tests)	Final (Discussion Questions)	Statistic	
Mean	302.5263	312.96	t Stat	-0.6109
Variance	1648.374	2436.665	P(T<=t) one-tail	0.273188
Observations	19	10	t Critical one-tail	1.703288
Pooled Variance	1911.138		P(T<=t) two-tail	0.546375
Hypothesized Mean Difference	0			
df	27		t Critical two-tail	2.05183

opportunity. Further, analysis across the sections indicates no significant difference in either midterm or final exam scores. That is, not only did students perform essentially as well under either method of instruction, but they did so developmentally – neither method of instruction proved "superior" to the other on either the midterm or the final. Both methods produced essentially the similar level of student performance at the same time (i.e., at the midterm and again at the final). Consequently, in relation to strictly learning goals, either method is equally sufficient.

However, while each method is essentially as effective as the other, they are not similar in the amount of instructor time required to implement them. Grading end of chapter discussion questions, as compared with grading multiple choice questions, requires substantially more instructor time, effort, and energy to produce the same student learning results. We believe this fact has far-reaching implications for marketing education design and delivery using technology to reach non-traditional student markets (in this case, off-campus, online only students).

CONCLUSIONS AND IMPLICATIONS

The over-riding implication from the findings is that while student outcomes are not significantly affected by these teaching methods, the effort and labor of the professor in the course is very different for each method. The feedback to the chapter discussion questions is laborious and time-intensive. Each response is unique and the opportunity for the professor to leverage the same information is limited. On the other hand, the time requirements for the professor using the multiple choice, self-diagnostic chapter test model are minimal; indeed, after setting up the tests to administer them online, there is no time requirement related to feedback on this method for the rest of the semester. For time-constrained faculty, the use of the chapter tests as operationalized in this study will free up substantial time resources to be spent on other things, such as grading of term projects or research.

However, marketing faculty are sometimes asked to teach to something other than strict learning goals for course content. Another area of concern identified in the literature is administration obsessions with student as customer business models (Clayton and Haley 2005; Schwartzman 1995). In seeking to "satisfy" the student "customer," administrators may well prefer end of the chapter discussion questions over multiple choice questions, especially for online classes. End of the chapter discussion questions and their individualized instructor feedback were well received, according to student verbatims on approved course evaluation instruments. Such labor-intensive, customized, response by the faculty to student work understandably implicitly supports the importance of the individual student (even in group work on the discussion questions). Faculty feedback under this method is by definition unique to each student, affirming to the student that he or she (or they collectively) have been attended to personally. It was also clear from the feedback provided on open-ended questions on approved student evaluation forms that many students did not like the end of chapter test format. This underscores the dangers of non-expert feedback directing faculty experts in course design (Schwartzman 1995; Simpson and Sigauw 2000). Since both methods are equally effective in helping students learn the material, then the one with the least labor by the faculty should be preferred if all things are otherwise equal.

It is of course seldom the case that all other things are equal. While the data presented here do not support a position of superiority for the learning of content by the discussion question method, it is reasonable to assume that a school might legitimately differentiate itself in the marketplace by claiming more individualized attention from its faculty using this approach. Many schools, particularly smaller, lower tiered schools, position themselves in the marketplace to students as personalized to their needs, especially in terms of access to faculty. Small classes and individualized attention are often the hallmarks of promotions to these institutions. From an administrative perspective, the use of the chapter test format reported here may not support the perceptual space targeted by the school. Faculty, Chairs, Deans, and Administrators should discuss this inconsistency with an eye toward enhancing a better congruence between the needs of more personalized attention with increased release time, credit toward advancement, and better support to faculty to provide it (Albers-Miller, Straughan, and Prenshaw 2001; McIntyre, Webb, and Hitte 2005).

LIMITATIONS

The present study is not without its limitations. First, the sections were not otherwise identical save for the difference in the variation on chapter assignments. One section was an online only class, the other a traditional lecture format class. While this difference is of interest to the study, it is possible that the differences in format itself may generate third-variable effects on performance not captured in the exams. Second, the discussion question section worked in groups while the chapter test section worked individually. It is possible that the group work enhanced motivation and performance over what those same students might have performed individually. Third, the discussion question section received direct and unique feedback on their work (possible interpersonal and Hawthorne effects) while the chapter test section received only impersonal, summary outcome feedback. Even in the absence of face-to-face contact, the discussion question section may have felt/experienced an essentially Socratic dialogue relationship whereas the chapter test section may have experienced the assignment as essentially intrapersonal communication and perhaps, isolated. Again, it is possible that both all factors influenced exam performance, essentially improving performance in one section and lowering it in the other.

While these limitations are important, we should point an over-riding reason why they should not be a cause for alarm: *possible* third-variable effects are a matter for concern only when outcomes across treatments are <u>*different*</u>. In our study, no such differences were found. In the absence of difference across teaching methods, the issue then becomes a variation of Occum's Razor: which method has the least cost? Further research is needed on this point in the form of exit surveys to determine whether this possible difference in assignment experience is indeed occurring. Also, as has been noted elsewhere (e.g., Priluck 2004), students were not randomly assigned to the sections, making inference to larger populations speculative at best. Finally, cell size was small (N = 10, 19, respectively), making generalization difficult. Accordingly, we would mark this as a preliminary and exploratory study whose findings should be investigated under conditions of tighter internal control and in larger populations.

As a whole, the limitations of this study underscore some of the difficulties facing faculty attempting research at so-called teaching institutions. Such schools, including ours, expect research and publication but do not provide support for it. Emphasis on teaching and labor-intensive teaching methods limit faculty opportunities for research further: time to design and implement research programs, even on teaching effectiveness, may not be readily available. Moreover, in some cases administrations create positive roadblocks to assessing teaching effectiveness. For example, our institutions prohibit faculty from using survey instruments about the course other than the approved course evaluation form. Such infrastructure restrictions require that faculty seek non-invasive, often post hoc methods of assessing the effectiveness of their course designs. For faculty at similar institutions as our own, the present research model may provide ideas for generating publishable data within the restrictions set by their school, thus improving faculty efficiencies within time-constrained existing teaching loads.

FUTURE RESEARCH

The research presented here should be considered tentative and exploratory. Future research on the comparison of teaching methods should be conducted using larger populations of study from which to compare samples. Additionally, exploratory research should be conducted to investigate the current status of teaching intensiveness relative to faculty advancement. Do schools emphasizing labor-intensive teaching methods reward faculty for such an effort? How are teaching innovations and success operationalized in faculty reward systems? What is the proper level of support for teaching relative to the level of labor-intensiveness of a given method? Such information would be valuable to marketing faculty, especially those in the early stages of their careers.

Other questions suggested by the current study include the development of supplementary skills beyond mastery of content. Do students using discussion questions methods learn to write better than students using chapter tests? Does the discussion questions method produce better writing in other areas, such as marketing plans? What effect, if any, does either method have on verbal communication skills? Such questions may reveal differences in student learning not captured by midterm and final exams, and so should be researched further. Finally, while different end of chapter content checks, such as those used here, do not result in different exam outcomes, it might be of interest to compare such force-constancy instruction against classes that do not require weekly review of the material by students.

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ESERVICE LEARNING: LIFETIME AND CAREER SKILL DEVELOPMENT

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SUMMARY

The growth in the number of service learning experiences in business programs at institutions of higher education in the last decade is significant. Clearly, service learning is becoming more prominent on college campuses across the country. In addition to the growth in service learning, more business programs are experimenting with the delivery of online courses to both traditional and nontraditional continuing education student populations.

Little to no research exists, however, addressing service learning in an online delivery format. This study addresses service learning in a hybrid online course format. Hybrid is defined as courses that are offered online, with several face-to-face course meetings. Important issues related to the delivery of the course are discussed as are students' perceptions of the learning experience.

In general, students are positive about the experience and find that the development of communication skills, applying their knowledge to "real world" problems, and the ability to exercise personal responsibility are most valuable to them. Real world experience and the ability to apply knowledge is an extremely important component of a prospective employer's decision to hire students; eservice learning projects like these may be extremely useful in developing these skills and simultaneously enabling students to view themselves as a larger part of their community.

Kolb's experiential learning theory emphasized the importance of combining individual action and engagement with reflective thinking to develop greater understanding of the content being studied. The structure of the learning experience defines how the student will develop a comprehensive and integrated discovery and learning cycle which will directly impact student skills and outcomes. In order to ensure acquisition of skills that will prepare marketing graduates to compete in a global marketplace, future research should include exploration of the service learning experience and the skills most desirable in a marketing graduate. What types of learning experiences would develop and strengthen the skills most important to a successful marketing career while simultaneously developing students' sense of community and civic responsibility?

Future research should also address further investigation of the components of an eservice learning experience; are there other skills that students should be learning from this type of experience? What online learning issues should be addressed in order to ensure successful learning outcomes? Are there factors unique to the online learning experience that mitigate the experiential learning cycle as defined by Kolb?

Future research should also include all parties participating in or benefitting from the experience: students, instructors, institutions and client organizations. Additional research methods should be explored to measure students' perceptions as well as other of the service learning experience. For example, focus groups and one-on-one interviews would complement the survey data well and perhaps provide a more thorough evaluation of the service learning projects. Grades, content analysis and other standardized scales may also be useful in measuring the service learning experience and determining how it may be best developed to benefit all participating parties.

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PLAY AS LEARNING: CAN A BOARD GAME FOSTER A CUSTOMER RELATIONSHIP ORIENTATION AMONG BUSINESS STUDENTS?

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SUMMARY

In designing a course, incorporating active learning techniques such as role-play and other exercises is known to offer several cognitive and motivational benefits (Freeman 2003). While the traditional learning methods might be considered to be an adult way of learning, injecting a sense of fun into the learning process might be akin to a child-like way of learning (Visser 1996) and therefore techniques such as games might be perceived as "play," and not "learning" by some. It is important that the teaching method be matched to the learning style of the student (Bonwell and Eison 1991). Since the evidence regarding the efficacy of such techniques remains "spotty and anecdotal" (Hequet 1995), this present research takes up this challenge and attempts to examine whether a board game can be effective in teaching business students the principles of a customer relationship orientation.

Researchers such as Ellerman (1993) call the traditional lecture method passive learning where knowledge is transferred from the jug (teacher) to the mug (student). Active learning on the other hand, includes characteristics such as greater involvement of the student, participation in activities and the evaluation of one's own attitudes and values (Bonwell and Eison 1991). As a method of promoting active learning, business games were introduced in business schools in 1950s (Magney 1990; Ruben 1999) and have been known to confer cognitive, motivational and attitudinal benefits (Magney 1990). However, reviews of the research in this area conclude that while attitudinal and motivational benefits of games are more consistently observed, the cognitive effects are less certain (Magney 1990; Bonwell and Eison 1991). The game selected to achieve the goal of teaching content related to customer service and relationship orientation to marketing students in the undergraduate program, is *You Can't Fire the Customer*™. Participants played the roles of customer service representatives while being presented a number of situations involving interactions with customers and were asked to choose the correct response out of the many alternatives listed on a card. Points were awarded based on the correctness of the response as well as the tone adopted by the participant.

Our hypotheses are based on theories of social exchange, cooperation and competition, and research on trust, goal interdependence, communication, customer commitment, and personal relationship building. The hypotheses are premised on the notion that the *You Can't Fire the Customer*™ game would sensitize the players to the particular elements of the customer relationship construct (i.e., trust in customer, interdependence, communication, shared values, empathy, pampering, reading of customer needs, delivery of service, and personal relationships). The *You can't fire the customer*™ game involves rewards to the players for acting on the belief that their job satisfaction and financial gain of the provider firm is entwined with customer satisfaction. As the *You can't fire the customer*™ game emphasizes such an interdependence orientation, we posit that the game will have a significant sensitizing effect on employee interdependence orientation toward the customer.

A before and after experimental design was employed, and students assigned to the control group played a comparable board game, *Financial IQ*™, that contained no element of the customer relationship orientation construct. The customer relationship construct was measured adapting measures developed in the previous literature. The study participants filled the questionnaire twice – exactly one week prior to their participation in the game and immediately following the game. Separate, paired sample t-tests comparing the before and after scores for the two groups of students indicate overwhelming support for the hypotheses. Among the students playing the *You Can't Fire the Customer*™ board game, statistically significant changes were observed on several variables, whereas the *Financial IQ*™ game did not lead to a change on any of the variables. Our results indicate that the *You can't fire the customer*™ board game is effective in changing the orientations of students on interdependence, customer need and personal relationship dimensions, but not trust, communication or shared values aspects. Since our hypotheses predicted that the game would have no effect on the trust and shared values dimensions, the only hypothesis not supported by the results is the one concerning communication.

Previous studies examining the effects of games yielded inconsistent evidence of the benefits of games (Randell et al. 1992), and the effects when observed, have been primarily motivational and attitudinal benefits, but not cognitive in character. Our study shows that the board games could be efficacious in causing cognitive shifts in the relationship orientation. Since the customer relation-

ship orientation involves interpersonal and intrapersonal intelligences of Gardner's multiple intelligences theory (Visser 1996), arguably, role-playing and participation in games are more effective ways of imparting this orientation than the lecture method that emphasizes the verbal and linguistic intelligence.

The present research is limited by the fact that it involved a single experiment using but one game. While focusing on the cognitive benefits, the study did not measure motivational or attitudinal benefits, if any. Future research must examine the efficacy of other board games in imparting marketing concepts to undergraduate students. Identification of the best methods for teaching relationship orientation and other marketing concepts, as well as the conditions under which each method performs best would offer marketing instructors, a repertoire of techniques to enliven their courses and to more effectively impart the knowledge that they intend to. References are available upon request.

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AN INTEGRATIVE MODEL FOR MEASURING CUSTOMER-BASED BRAND EQUITY AND BRAND MARKET PERFORMANCE

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SUMMARY

This paper introduces an integrative model for measuring brand equity based on the Hierarchy of Effects model. Customer-Based Brand Equity (CBBE) constructs are identified and linked to brand preference and intention to purchase at the individual consumer level. Also, the model links CBBE with Brand Market Performance (BMP) at the aggregate level. Finally, this paper advances several research propositions for future empirical studies.

The area of brand equity has received significant research attention in recent years. As a result, current marketing research attempts to conceptualize, measure, and manage brand equity in a way that drives brand market performance, and helps firms in making strategic decisions. Keller (1993) argued that evaluating the brand in the minds of consumers is prerequisite for brand market performance. While current literature has focused on building and conceptualizing brand equity, there has been no consensus on how to measure it or on what constructs to include in the measurement process (Mackay 2001). This paper defines and operationalizes specific brand equity constructs, and offers an integrative brand equity measurement model linking CBBE with BMP.

Agarwal and Rao (1996) developed a model that links CBBE constructs with the Hierarchy of Effects (HOE) model, introduced by Robert Lavidge in 1961. They focused on single composite measures of brand equity, assessing the impact of individual measures on market share. CBBE has been thought of as a prerequisite for brand preference, which in turn affects consumers' intention to purchase. This conceptualization is the basis for this paper's proposed model.

This proposed model breaks down the CBBE into three dimensions: Knowledge Equity (KE), Attitudinal Equity (AE), and Relationship Equity (RE). KE is defined as the component of CBBE that evaluates consumers' *awareness* of the brand (recognition and recall), and their *familiarity* with brand characteristics, meaning, and functions. It incorporates the *cognitive* dimension in the minds of consumers as per the hierarchy of effects model, and measures how effective the brand message *reached* the target consumers. AE refers to consumers' attitudes toward a particular brand. It incorporates the *affective* dimension in the minds of consumers as per the hierarchy of effects model, and measures the effectiveness of the different marketing mix elements in *influencing consumer perceptions*. Finally, RE includes both customer satisfaction with and their attitudinal loyalty toward the brand. It incorporates the *attachment* dimension between consumers and the brand as per the HOE model, and measures the effectiveness of marketing activities in *building a relationship* between the brand and its target consumers. Finally, this research paper operationalizes BMP constructs in terms of: (1) Market Share (MS); and (2) Price Premium (PP). Market share represents the competitiveness of the brand in the market, and price premium indicates how valuable the brand is in the minds of consumers, which allowed for premium prices.

At the individual consumer level, Knowledge Equity constructs (Awareness and Familiarity), Attitudinal Equity constructs (Affect, Prestige, Perceived Quality, and Perceived Value), and Relationship Equity constructs (Satisfaction and Attitudinal Loyalty) are linked to Brand Preference. Also, Brand Preference is linked to both Intention to Purchase and Behavioral Loyalty. At the aggregate brand level, Brand Preference, Intention to Purchase and Behavioral Loyalty are linked to Brand Market Performance constructs (Market Share and Price Premium). Four control variables have been identified: (1) consumers' attitude toward the company; (2) the brand's country-of-origin; (3) consumer usage; and (4) the market in which the brand competes.

This proposed model advances eight specific research propositions to be empirically tested, in an attempt to analyze the relationship between CBBE and BMP. Cross-sectional empirical studies could be designed to test these relationships. In this case, specific control variables by industry could be included as appropriate to validate the model across industries and countries. Further, a longitudinal time-series empirical study could be designed to analyze the impact of changes in CBBE constructs on BMP constructs over time.

In conclusion, this study offers two main contributions to the brand equity literature: (1) a new model for measuring brand equity linking CBBE with brand preference and intention to purchase at the individual level; and (2) a new model that links CBBE with BMP at the aggregate level. This study advances contributions to both academia and business. From an academic standpoint,

this study advances a model driven from various conceptual and empirical studies in the literature. This model could be utilized and tested in future empirical studies. It would be very interesting to apply this model to different industries and countries, and control for variables, such as cultural dimensions, repurchase cycle, industry characteristics, among others. Further, this study is valuable to business as it provides managers with a tool that links CBBE with BMP, which would help in managerial and competitive decision making. References available upon request.

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WORD-OF-MOUTH NETWORK CHARACTERISTICS: EFFECTS ON CUSTOMER EQUITY

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SUMMARY

Customers exchange product information forming a complex web of interactions. We propose a framework about how the network characteristics of word-of-mouth (WOM) affect marketing efforts. In particular we center our work on the customer equity (CE) model proposed by Rust, Lemon, and Zeithaml (2004). CE is an aggregate construct used to transform marketing efforts into dollar value. The model defines three categories of attitudinal drivers, which form the foundation for CE: *brand equity, value equity, and relationship equity*. Marketing efforts impact CE both directly and indirectly through WOM where customer's communication is delivered and received through a social network of friends, acquaintances, and strangers.

Social networks have clustered structures. One knows his family and friends, and they generally know each other, thus, there are islands (clusters) of family and friends connected by strong ties, and these islands are connected through casual acquaintances by weak ties. Strong ties tend to provide reinforcing and redundant information. Weak ties are used to bridge clusters and spread new information but their impact is weaker (Granovetter 1973; Frenzen and Nakamoto 1993). Social networks have measurable parameters. Some of the most important characteristics for our purposes are: clustering coefficient, average path length, and probability to use weak ties. *Clustering coefficient, (C)* or density is the probability that two of one's friends know each other, given that both of them know him/her. *Average path length, (l)* is the average of the shortest distances between all possible pair of nodes. *Probability to use weak ties, (p)* is the probability that people will communicate over weak ties external to their clusters. This parameter is critical because even small changes in p affect C and l (Watts and Strogatz 1998). When $p \rightarrow 0$, the social network becomes extremely clustered but with high l and when $p \rightarrow 1$, the network becomes random with low l. Social networks can be classified as *small-world networks*, which have unique properties. The average path length, l, is comparable to random networks (i.e., networks with all nodes connected at random – no clusters). However, their clustering coefficient is much higher $C_{random} << C_{small\text{-}world}$.

The connection between network structure and WOM is determined by the level of personification of exchanged WOM information. We define *spectrum of information* which ranges from very general information (transmitted often to a wide range of people) to very personal information (transmitted least often and only to close friends or family). The drivers of CE overlap to high degree with the spectrum since they exhibit different levels of personification. *Brand equity information* tends to be explained in general terms and is not focused on the person, but on the brand. It is the most frequently communicated information and contains the minimum depth in terms of personal details. *Value equity information* includes information about personal experiences and tends to have relative meaning to the person transmitting it. It is communicated less often and the typical tone conversations are about price and quality. *Relationship equity information* might include personal details about what data the firm has about the customer, his shopping habits, how his orders are customized, any special treatment, specific discounts, etc. This type of information is very specific to the person transmitting it and is transmitted least often. The dissemination of these types of information depends on the types of product qualities as well, namely, search, expertise, and credence. Depending on the spectrum and product qualities, the transferred WOM information travels through networks with different structure which affects customers' perceptions.

We propose that moving from products with search properties to products with credence properties will result in increased lag between the types of exchanged information. In addition, clustering coefficient, C, can serve as a measure of "groupness" or peer influence. Thus, higher clustering coefficient will result in higher impact of WOM on customer equity and lower impact of marketing efforts on customer equity. On the other hand the average path length, l, affects speed of marketing efforts dissemination.

For small-worlds networks, research has shown that when p increases, C and l decrease. Thus, $C_{search} > C_{experience} > C_{credence}$ and $C_{relationship} > C_{value} > C_{brand}$. In other words, exchanged relationship information is most persuasive followed by value and brand information, and exchanged search information is most persuasive followed by experience and credence. The same logic is applicable for average path length: $l_{search} > l_{experience} > l_{credence}$ and $l_{relationship} > l_{value} > l_{brand}$. It follows that news about services travels faster than news about products. Brand equity information travels faster than information about relationship

equity. For example, information about promotions (value equity type) is exchanged rapidly, but only to limited clusters – a subset of the network. Conversely, information about major store renovation (brand equity type) is exchanged closer to a random pattern, travels relatively slower but might come closer to affecting the entire network.

In conclusion, brand and credence property information travels faster, but is less influential because it tends to pass through WOM networks with lower density. Relationship and search property information travels slower, but should be more influential because the information accesses more customers within a cluster. References available upon request.

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CAN CONSUMERS ADD VALUE TO MARKETING COMMUNICATIONS? AN INTELLECTUAL CAPITAL APPROACH TO STUDY ONLINE CONSUMER INTERACTION

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SUMMARY

This paper views consumer interaction in product evaluation websites as intellectual capital. A conceptual framework of consumer intellectual capital adding value to advertising is tested in new movie sales. Empirical results confirm that consumer interactive messages posted on Yahoo movie community boards explain more about box office sales than advertising alone.

In 2003, one in every three adult Americans has posted a comment or has rated a product or a service online; and online rating has become a national pastime (Hitlin and Rainie 2004). These consumer activities are evidenced in websites such as www.ePinions.com, www.cNet.com, www.TiVocommunity.com and many more. Each of these websites has millions of reviews or messages posted by consumers. These activities which consist of speedy and continuous exchanges of billions of consumers' opinions have recently been recognized and analyzed as a *technology-driven* phenomenon and have been coined as online word-of-mouth, e-word-of-mouth, word-of-mouse, online reputation mechanisms, online recommendation systems and many more. There is little empirical research that emphasizes the phenomenal effect of online word-of-mouth because of *the things that consumers do*! Whether a consumer writes a positive or negative comment about a product, or casts a vote on a movie, or simply discusses about the functions of a TiVo with another consumer online, these are activities that stem from a consumer's individual intellectual capacity and is a part of collective knowledge building.

This paper uses the U.S. movie market to illustrate the concept of intellectual capital of online consumer interaction adding value to new product sales for two reasons. First, the abundant supply of new movies coupled with well-documented advertising budgets and "printed" consumer interaction for each new movie in cyberspace is well suited for the rigorous examination of the value intellectual capital is adding to movie sales. Second, a new movie typically has a relatively short life cycle. The short life cycles of movies provide appropriate "fruit flies" for testing the central hypothesis of this paper.

In the movie industry, a consumer's participation in rating movies, sharing experiences, giving opinions and discussions in websites such as Yahoo, IMDb and Rottentomatoes in cyberspace is examples of intellectual capital growth consisting of knowledge sharing with other consumers. Any form of knowledge creation has been identified as a vital component in the new product adoption process (Rogers 1995). The increase of shared knowledge gives consumers or moviegoers more confidence in the information provided by fellow consumers. It is this collective knowing that increases market value (O'Donnell et al. 2000). This intellectual capital growth among consumers creates more awareness of the product, adds value to marketing communications and leads to more new product sales. This leads to the hypothesis of consumer intellectual capital adds value to advertising and increases movie box office sales.

The empirical results support the hypothesis that consumer intellectual capital adds 15 percent more explanation to total box office sales than advertising alone. The results also show that the impact of consumer intellectual capital positively influences weekly movie box office sales (first week, fifth to tenth weeks) beyond advertising. There are also two rather interesting results. First, adding online consumer interaction decreases advertising effects from statistically significantly influencing seven weeks to three weeks of the first ten weeks of box office sales. Second, the finding that consumer interaction (interactive user messages posted on Yahoo movie community board) before a new movie launch significantly affecting the first week of box office sales indicate that consumer intellectual capital can be used as a predictor of first-week box office sales similar to that of advertising. These are multiple regression results from blockbuster movie total and weekly (first ten weeks) box office sales in 2003 (dependent variables), Yahoo incremental weekly messages for each movie (independent variables), and advertising budget, sequel and MPAA ratings (control variables).

The main managerial implication from the empirical results suggests that the incorporation of consumers' word-of-mouth data to the advertising formula can explain new product sales more definitively. Firms should then include the newly available online consumer interaction data in evaluating and augmenting the effectiveness of their own marketing communications, namely advertising, in the new product adoption process. This push to include online consumer interactive activities to supplement traditional mass-media-based advertising was evident at strategic levels among large firms such as General Electric (Elliott 2005). References available upon request.

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THE IMPACT OF INDIVIDUAL CULTURAL VALUES ON THE INFORMATION SEARCH BEHAVIOR

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SUMMARY

As many traditional societies (i.e., many Asian countries) transform to modernized industrial societies, we argue that cultural values of the members of those traditionally collectivistic societies (e.g., South Korea and China) tend to become more complex and consumer behaviors tend to exhibit more diversity, reflecting increasing amounts of wealth and independence in those cultures (Hofstede 2001). Both China and South Korea are classified as collectivistic cultures (Hofstede 1980), but drastic economic developments in the last few decades has caused considerable erosion of traditional values, resulting in increases in individualism especially among young generations (Cha 1994; Cha and Jung 1993; Ji and McNeal 2001). Thus it will be interesting to see how different levels of individualism-collectivism among the members of the same countries can affect consumer behavior. Such knowledge could provide multinational companies significant practical direction for their market segmentation strategy. This study sheds light on the role of culture on external search behavior.

In this study, we use the terms individualistic or collectivistic to refer to individuals whose dominant self matches characteristics of either individualistic or collectivistic cultures, respectively. Individualists are motivated to be unique and behave according to their personal preferences and needs. In contrast, collectivists are motivated to be assimilated to the in-group and their behavior tends to reflect the needs and preferences of others. Thus, in our sample, we compare individualists and collectivists in South Korea and China on their external information search behavior an approach that has not been used previously in the literature. To this end, we draw first on the cross-cultural persuasion and external search behavior literature.

Marketing practitioners are using various types of information to reach out to customers and persuade them to try their products. However, consumers attend to only a small subset of exposed information in the environment. Since culture influences motivation (Markus and Kitayama 1991) and motivation is one of the factors influencing consumers selective attention (Petty, Cacioppo, and Schumann 1983), culture should influence the selective attention process. Culture-compatible information is more important and diagnostic than non-culture-compatible information. Extant research suggests that attribute information is more compatible with Americans (i.e., individuals with more accessible independent self), while consensus information is more compatible with East Asians (i.e., individuals with more accessible interdependent self). Thus, individualistic consumers are more likely to search for attribute information than consensus information, while collectivistic consumers are more likely to search for consensus information than attribute information (H1)

Information gained through personal sources (e.g., friends and colleagues) is vivid and has greater impact on consumers since the information provider experience is directly conveyed to the information seeker (Herr, Kardes, and Kim 1991). Information conveyed via personal sources (e.g., "Brand A" has good value) is more likely perceived as consensus-related than attribute-related. Since consensus information is more diagnostic to collectivists, it serves as the basis for product evaluation for collectivists. On the other hand, external information gained through impersonal sources (e.g., newspaper, web site) tends to contain attribute information. Studies on dual processing models (e.g., Aaker and Maheswaran 1997) suggest that since attribute information may be more diagnostic to individualists, attribute information serves as the basis for product evaluation for individualists. Further, impersonal sources are more likely to impart attribute information. This line of reasoning leads us to expect that collectivists (vs. individualists) would rely more on personal sources for external information as they search for consensus information and that individualists (vs. collectivists) would rely more on impersonal sources for external information as they search for attribute information (H2).

To test the hypotheses, a 2 (information type: attribute vs. consensus information) x 2 (cultural value: individualistic vs. collectivistic) between-subjects design is used in South Korea and China. Questionnaires are designed such that the participants actual search behaviors are captured. Information type was manipulated and cultural value was measured.

Results demonstrated that in each country, chronic cultural values accurately predicted types of external information consumers sought out in their environment. Collectivistic Koreans and Chinese in both countries sought out consensus information more than attribute information while individualistic Koreans and Chinese

sought out attribute information more than consensus information. Furthermore results provide some limited evidence that collectivists obtain consensus information more from personal (vs. impersonal) sources, while individualists obtain attribute information more from impersonal (vs. personal) sources.

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EXPLORING THE ROLE OF VIVID NEGATIVE INFORMATION ON MESSAGE PROCESSING

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SUMMARY

Vivid presentation of information is commonly used to generate mental images in persuasive communications, such as advertising and social marketing messages. It has been assumed to have special persuasive advantages (e.g., Nisbett and Ross 1980; Taylor and Thompson 1982). Despite such deep rooted assumptions in both academic and practical realms, our understanding of the effects of vivid and imagery-inducing communication is still very limited. Empirical research findings have been mixed regarding such speculated vividness effects. In advertising and consumer contexts, the emphasis of vividness research has been predominantly on the positive direction. The majority of research efforts have been devoted to image-inducing presentations of information about products, services or advocated behaviors in the positive valence, for example, presentations of satisfying consumption experiences and beneficial usage consequences, etc. Vivid presentations that generate negative mental images have not been specifically investigated. The purpose of this paper is to explore the persuasion processes that are particularly relevant to vividly presented negative information, and how such processes interact with other commonly used message strategies, such as message framing.

Two primary theories have been proposed to directly explain how vivid versus pallid or abstract presentations of positive information should influence attitudes and behavior intentions, i.e., the dual-coding hypothesis (Urnnava and Burnkrant 1991) and the availability-valence hypothesis (Kisielius and Sternthal 1984, 1986; Tversky and Kahneman 1973; Anderson and Bower 1980). If vivid information regarding positive consumption experiences or product benefits persuades consumers by enhancing the elaboration of imagery and reducing the elaboration on message claims, can we speculate that the same mechanism works for vividly presented negative information as well? It is commonly assumed that the valence of information will directly influence the valence of affect it can generate. Affect as information theory suggests that negative affects influence behavior by conveying information to the organism experiencing these states (e.g., Frijda 1986; Lazarus 1991; Schwarz 1990). By signaling that something is amiss, negative affect is posited to prompt individuals to survey the environment in an attentive manner, in a bid to better understand and control it (Bless et al. 1990, 1996a, 1996b; Bodenhasuen 1993; Clore, Schwarz, and Conway 1994). Specifically in terms of information processing, when affect serves as information, negative affects, which signal that something is wrong or amiss, motivate individuals to process information more elaborately, whereas positive affects, which signal that everything is all right, decrease the motivation to elaborate on information processing tasks (Raghunathan and Trope 2002). Suppose vividly presented negative information generates more negative affect than pallid or abstract information, it seems plausible that such information will also enhance message argument scrutiny, and reduce the reliance on heuristic cues, such as message frames. Given that negative vivid versus pallid information is more likely to generate more negative affect among consumers, we would expect such negative vivid information would serve as a signal for prompting higher levels of elaboration and systematic processing of the message claims, than negative pallid or abstract information, which is expected to prompt consumers to rely more on heuristic processing and enhance the use of heuristic cues such as message frames. Therefore, we speculate that when negative vivid information is presented in the message, consumers are more likely to develop more negative affect, and elaborate more on the message arguments, and thus be more sensitive to the strength of argument quality; when negative pallid or abstract information is presented, consumers would process more heuristically, and rely more on heuristic cues such as message frames rather than on in-depth scrutiny of the message arguments. We predict that vividness of negative information moderates the effects of message framing by influencing consumers' cognitive elaboration. When vividness level is high, such presentation of negative information can attenuate the effects of message framing, so that persuasion is more dependent on argument strength; when vividness level of negative information is low, the effect of message framing will still hold, i.e., loss framed messages are generally more persuasive than gain framed messages.

To test the proposed hypotheses, a 2 (negative imagery: high and low) x 2 (message frame: gain and loss) x 2 (argument strength: strong and weak) between-subjects factorial design was implemented. Test messages were presented in the form of a health pamphlet about HPV ("human papilloma virus") that was designed to mimic those distributed by the American College Health Asso-

ciation (1990). Similar stimulus was also used in prior literature (See Block and Keller 1997). The pamphlet contained the stimulus materials. Three factors were manipulated, i.e., the vividness of negative information (high vs. low), message frame (gain vs. loss) and argument strength (strong vs. weak). Consistent with our hypothesis, a significant 3-way interaction of vividness, message frame and argument strength appears on the dependent measure of judgment ($F = 4.487$, $p = .038$). This suggests that vividness of negative information does moderate the way people process gain and loss message frames and the strength of message argument. Subsequent separate analyses of the effect of message frame and argument strength further confirm our predictions. Overall the results show that vivid vs. pallid or abstract manipulations of negative information can influence people's information processing. When vividness level of such negative information is high, the elaboration on message argument will be enhanced, and the reliance on heuristic cues, such as message frames, will be attenuated.

Although at the current stage, the study has a number of limitations and needs more refinement and replication across situations, it provides an interesting first effort to the research program that focuses on the joint communication effects in advertising, health communication, and mass media, in response to the more and more sophisticated communication environment that consumers are facing today. References available upon request.

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THE EFFECT OF ROLE STRAIN ON THE CONSUMER DECISION PROCESS OF SINGLE PARENT HOUSEHOLDS

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SUMMARY

Single-parent families are becoming a larger part of American society. But what do we know about the decision-making processes in these types of families? Role strain is of particular interest when studying single parents because of their need to serve multiple family roles otherwise carried out by dual-parent families. According to Goode (1960), role strain occurs when incompatible demands are built into a single status that a person occupies. Within the status of single parenthood, single parents perform multiple roles that can lead to role strain. The situation where unclear role expectations produces cognitive strain is role ambiguity (Jones 1993), which is the lack of clear, consistent information regarding responsibilities of a role and how it could best be performed (Rizzo, House, and Lirtzman 1970). Thiagarajan, Chakrabarty, and Taylor (2005) found that role ambiguity, as opposed to role overload, is the primary cause of role strain in single parents. Vague and ambiguous role prescriptions cause single parents to feel uncertain about what their expectations are and whether or not they can meet these expectations.

Role strain may have a significant impact on problem recognition style and information search of single parents. As the single parent is responsible for enacting many different roles, the expectations of one role may not be clear. This role ambiguity produces role strain (Thiagarajan et al. 2005). The maintenance of multiple activities across work and family institutions (demand from work and family) is one source of this strain (Voydanoff 1987, 1988). Such strain may cause single parents to act as consumers only when their actual state needs attention. Also, a single parent experiencing role strain may be more likely than other consumers to limit external search activities and rely more on past experiences to make grocery purchases. Stated formally:

H1: The greater role strain is felt by a single parent, the more likely he or she will possess an actual state shopping style.

H2: The greater role strain is felt by a single parent, the less likely he or she will possess a desired state shopping style.

H3: The greater role strain is felt by a single parent, the more likely he or she will engage in reactive shopping.

H4: Actual state shopping styles produce reactive shopping orientations in single parents.

H5: Desired state shopping styles produce proactive shopping orientations in single parents.

H6: A single parent who engages in proactive shopping is influenced positively by advertising.

H7: A single parent who engages in reactive shopping is influenced negatively by advertising.

H8: A single parent who engages in reactive shopping is influenced positively by his or her past experiences.

The hypotheses were tested on a sample of 256 single parents in the context of grocery shopping, using structural equation modeling. Five of the eight hypothesized relationships were supported. Results indicate that increased role strain leads to actual state shopping styles, but decreased role strain does not produce desired state shopping styles; thus, H1 is supported, but H2 is not. Additionally, role strain leads to a more reactive shopping orientation, providing support for H3. Specific problem recognition styles have no effect on shopping orientations; thus, H4 and H5 are not supported. Regarding information search, proactive shoppers read food advertising before shopping, while those with a reactive shopping orientation do not; thus, H6 and H7 are both supported. Finally, single parents with a reactive shopping orientation do rely on past experiences as their main source of information; thus, H8 is supported. The overall model fit the data well, with a non-significant chi-square statistic. Contact the authors for parameter estimates, average variance extracted, and overall fit statistics for the structural model.

Single parents may not have ample time to search for grocery items before actual purchase. Those with an actual state shopping style may be willing to buy whatever is available to solve the problem at hand. That means, as Fennell (1975) puts it, they may not be optimizing their end-goals, but rather satisficing their end-goals. Hence, grocery retailers may need to rethink their communication efforts when targeting single parents. Since role strain was found to cause the single parent to possess an actual state shopping style and a reactive shopping orientation, grocery retailers could attempt to alleviate this felt strain in single parents by focusing on the clarification of grocery shopping roles. Grocery retailers could provide in-store information guiding the consumer to nutritional dinner choices, for example. Grocers could actively promote the efforts of such organizations as the Produce for Better Health Foundation, non-profit consumer education foundation whose mission is help create a healthier America through increased consumption of a variety of fruits and vegetables. Grocers could use the "5 a Day the Color Way" signage in their produce departments, indicating to consumers the benefits of choosing fresh fruits and vegetables. Similar support can be given to the "3 a Day of Dairy" consumer education program sponsored by the American Dairy Association. Both of these campaigns are intended to make a positive impact on Americans' health by helping consumers follow the government's recommendation found in the Food Guide Pyramid.

According to our findings, grocers could also assist role-strained single parents in choosing their product offering at the point of purchase. Furthermore, direct comparative advertising displays could facilitate consumer choice. Additionally, since single parents often have lower incomes, it is possible that these shoppers are value conscious and could be influenced by point of purchase coupons, either on a display or on the product package itself. References available upon request.

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THE IMPACT OF CHANNEL GOVERNANCE FORMS ON THE SELECTION OF CHANNEL PERFORMANCE MEASURES

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SUMMARY

Supply and distribution channels have significantly changed in recent years and channel leaders are beginning to view their distribution channels more strategically than they did before (Tan et al. 1998). Relationship marketing (Morgan and Hunt 1994), new technologies (Gunasekaran et al. 2004), changing customer demands (Webb and Hogan 2002), global factors (Gunasekaran et al. 2004), and the increasing importance of intangible assets, are all creating fundamental shifts in the nature of marketing channels. Because of these dramatic changes in supply and distribution channels, companies are searching for new and more complete measures to enable them to evaluate the performance of their marketing channels more effectively. However, limited scholarly work has been done in the channels literature to conceptualize the performance construct (Spriggs 1994) or to address the criteria for selecting performance measures (Kumar et al. 1992).

Although financial performance measures have come under a lot of criticism in the academic literature (e.g., Jean-Francois 2004; Kaplan and Norton 1996; Rust et al. 2004) a review of the marketing and channels literature shows that channel performance is measured using mostly financial measures (Kumar et al. 1992; Spriggs 1994). To overcome the shortcomings of financial measures, many firms now emphasize non financial measures such as customer loyalty, satisfaction, and quality, as integral parts of their performance measures (Kaplan and Norton 1996). Although these performance measures are traditional outcomes of governance forms in the literature, very little work has been done to link performance measurement to governance types.

This study links performance measures to different types of governance. Using the three forms of inter-organizational governance; market, hierarchical, and bilateral, detailed by Heide (1994), the study argues that different governance forms reflect the different types of value that companies look for in a relationship. To effectively assess the extent to which a company has captured the different types of value that they expect to get out of a relationship, companies will use performance measures that accurately reflect the different goals and value that they look for in that relationship. Since different governance forms are a reflection of different types of value that companies place on a relationship, companies will use different types of performance measures in different governance environments.

Using theoretical perspectives of organizational performance this paper develops a typology of performance measures, made up of both financial and non financial measures. The paper matches this typology with the three different governance forms to develop a framework that can be used as a criterion for selecting different types of performance measures in different governance environments.

This paper makes two primary contributions. First, it draws on a multi-disciplinary literature to develop a classification of channel performance measures that includes both financial and non financial measures, thus providing a more holistic view of the performance of the marketing channel. Second, it creates a framework that helps practitioners and academics alike to determine the most effective performance measures to select under different channel conditions. References available upon request.

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OPTIMIZING THE SEQUENTIAL DISTRIBUTION MODEL FOR MOTION PICTURES

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SUMMARY

Making a product available to consumers through different sequential channels is a distribution strategy common to several media and consumer goods. A major question associated with sequential distribution is the timing and order of the different channels. This paper addresses this challenge empirically by studying the motion picture industry, one of the most recognized fields of application of the sequential distribution strategy (Eliashberg, Elberse, and Leenders 2005).

The traditional distribution model for a film begins with a premiere in theaters, followed by a release to retail markets (sale or rental), display on premium satellite or cable channels, and, eventually, television. The traditional sequencing of channels has come under siege by motion-picture studios because revenues generated by these secondary, or "ancillary" markets now clearly exceed theatrical box-office grosses. In 2004, the U.S. theatrical box-office generated $9.5 billion, while the sales and rentals of DVDs and videos produced revenues as high as $24.3 billion (MPAA 2004). As some non-theatrical channels provide higher margins, studios are articulating interest in shortening the time gap between a movie's theatrical premier and its release into sequential channels, perhaps even changing the established order of channels. Industry executives such as Warner Bros. Entertainment chairman Barry Meyer publicly propose that future premieres "will be in Wal-Mart" (Bond 2005). Would changes in channel sequence or timing destroy any current channels? Theater owners argue that "The shrinking window of theatrical to video does concern us . . . [I]f a negative impact occurs, it will be too late to reverse course" (Sweeting 2005).

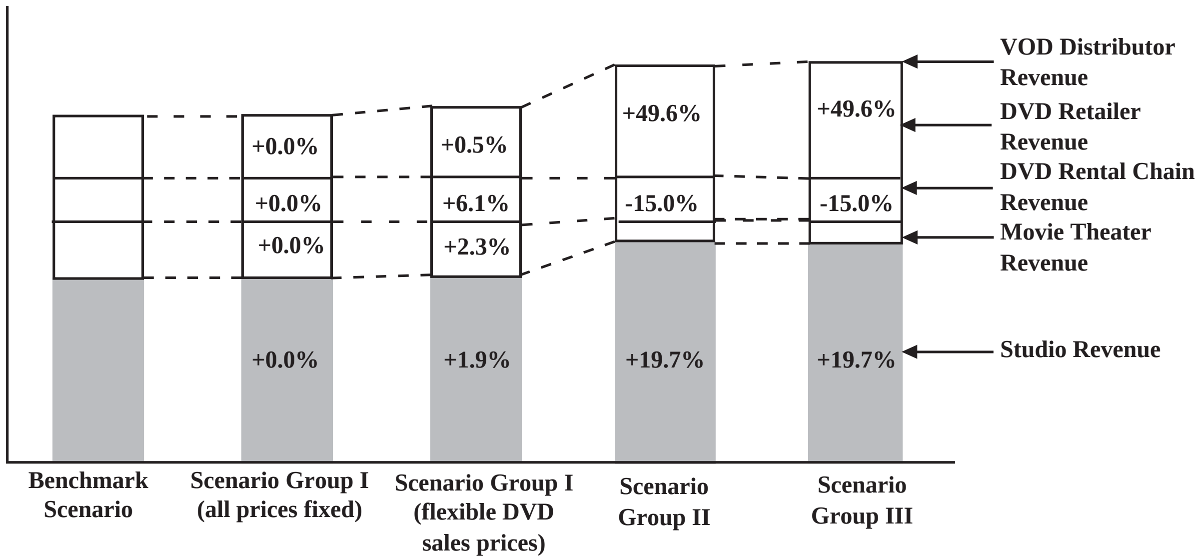
No research has yet modeled the multi-stage sequential chains that reflect normal marketplace conditions, i.e., involving three or more channels and, thus, two or more release windows that have to be optimized simultaneously. Moreover, extant studies were developed against the background of the current channel order and none has considered order changes as part of the sequential distribution strategy. Finally, they draw on aggregate-level secondary data which reflect past consumer decisions. The extent to which these findings would generalize to future decision making in a novel consumption environment (e.g., simultaneous releases, or order changes) is unclear.

In this paper, we thus develop a conceptual framework of factors that determine the impact of a sequential distribution chain's structure on studio revenues, considering four channels (theater, DVD rental, DVD sales, and video-on-demand) simultaneously. Our literature review suggests that four characteristics of sequential distribution chains impact revenue generation: inter-channel cannibalization, perishability, customer expectations, and success-breeds-success effects. In addition, when calculating studio revenues for alternative sequential channel structures, researchers must discount future revenues and consider differences in channel-specific margins. Based on the sequential distribution chain characteristics described above, we develop a model for assessing the net present value of movie studio revenues that allows us to study channel combinations for which secondary data is not available (e.g., simultaneous release in theaters and on DVD).

Using a multi-indicator approach that combines choice-based conjoint data with other information and data from a nationwide-representative random sample of 588 consumers for the U.S. market, our results provide evidence that the studios that produce motion pictures can increase their revenues by almost 20 percent through changes in the timing and order of the sequential distribution chain. The channel configuration that performed best included opening a film simultaneously in theaters, DVD rental, and through VOD, followed three months later in the DVD sales channel at a slightly higher price (see Scenario Group: III in Figure 1).[1]

While this scenario would be financially attractive to movie studios and DVD retailers, U.S. theaters stand to lose 40 percent of their revenues. These results raise the question of whether theater chains would be able to scale down their operations, or whether such scenarios would be fatal for the theater industry. If novel distribution strategies were to trigger the disintegration of entire industry branches such as theaters, this outcome would

FIGURE 1
Revenue Changes for Top Scenario per Group (% versus the Benchmark Model)



not only prove to be a financial setback for studios, but would also have more widespread consequences such as a disastrous loss of cultural heritage and jobs. Accordingly, the changes implied by our findings will likely be met with fierce resistance by the respective industry players who perceive a threat to their stakes. References available upon request.

ENDNOTE

[1] As several channel participants are involved, each of whom impose restrictions on the implementation of distribution chain changes, we choose a stepwise approach to apply our model to the data. Specifically, we test three different groups of scenarios which differ in terms of restrictedness of channel configurations.

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PUNITIVE ACTS, DESTRUCTIVE ACTS, AND ABUSIVE ACTS IN CHANNELS OF DISTRIBUTION: CONCEPTUAL CLARITY AND DEMARCATION

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SUMMARY

Within the marketing channels literature a few scholars have investigated the antecedents and consequences of acts, perceived by the target, to be harmful in nature. For example Hibbard, Kumar, and Stern (2001) investigated the impact of destructive acts in channel relationships, defining them as actions that are perceived by the aggrieved channel member as having a significant negative impact on the viability or functioning of the affected firm. Kumar, Scheer, and Steenkamp (1998) investigated the antecedents of punitive actions, defining them as intentional acts that inflict negative consequences on a channel partner. However, there is no mention of abuse. The purpose of this paper is to conceptually demarcate punitive actions from destructive actions in a marketing channels context, as well as introduce and define abuse as a construct worthy of investigation by channels of distribution researchers.

Punitive Abusive and Destructive Acts Demarcation

Hibbard, Kumar, and Stern's definition of destructive acts is broad enough to allow for a number of acts to be sub-categorized under the umbrella of destructive acts. The primary condition needed for the existence of a destructive act is that a channel member perceives its consequences as harmful. This broad definition allows for any number of acts between channel members to be labeled destructive. A wholesaler that begins to do business with one of its retailers competitors, a large powerful retail outlet negotiating below market prices to its less powerful suppliers or a wholesaler opening retail outlets in a geographic region that potentially cannibalizes from its retailers business; all are examples of destructive acts between channel members, regardless of intention. However, punitive actions are intentional and inflict negative consequences on a channel partner as punishment for such things as failing to meet contract obligations. For example, enforcing contracted late fees for products delivered to a retail establishment after the contracted date is an example of a punitive act. The primary characteristic of harmful consequences, needed for destructive acts, present but the act is executed with an intent to cause harm and punish, thus, also, meeting the criteria of a punitive act. Not all destructive acts are done with intent to punish. Some destructive acts are done for the betterment of the offending channel member, at another channel member's expense. For example, allegations from several British grocery store suppliers claim that the four largest grocery retailers in the United Kingdom were using their power to negotiate unfair pricing deals with their suppliers. Other harmful acts involve punitive acts whose intensity has surpassed the point of being a just and fair punishment. For example, contracted late fees may be a just and fair punishment for a supplier that delivered inventory past a contracted date, however, if those fees are so large and severe that it hampers the suppliers ability to conduct business (achieve organizational goals) then this act ceases to be merely punitive and passes into the realm of abuse. These examples illustrate how some destructive acts are not only harmful to the channel member dealing with their consequences but may also be unfair and unjust. These acts are abusive and warrant further discussion in the channels literature. For the purposes of this paper, abusive acts will be defined as those acts that are, according to the perception of the receiver, unjustifiable and unfair and lead to a significant negative impact on the viability or functioning of the affected firm. There are certain distinctions between punitive and abusive acts, for example, unlike abusive acts; punitive acts might be viewed as justified by all channel members, including the affected channel member. Also, abusive acts are generally more severe, relative to the action that provoked the abusive act, than punitive acts. Finally, abusive acts aren't necessarily the result of provocation where punitive acts are generally a response to another channel member's actions.

Antecedents of Abuse

Relational exchange implies that commercial exchange forms a continuum from purely discreet transactions to relational exchange. Previous research implies that the more relational these norms the less apt channel members will attribute harmful actions as a deliberate attempt to cause harm. Therefore, it is believed that the more relational the norms of solidarity and role integrity the less likely there will be perceptions of abuse. The more relational the norm of mutuality the less transactions between firms are monitored. Less monitoring may allow a powerful, opportunistic channel member to take advantage of a less powerful channel member. For example, if transactions are not monitored individually, then personnel of the more powerful firm may make extravagant demands, like expensive dining or recreational lodging, on the less powerful firm. Therefore, it is believed that the more relational the norm of mutuality, the more instances of abuse. Finally, in order for there to be abuse the abused channel member must perceive that the abusive channel partner has power over them. Without this perception, it is likely that an indication of abusive behavior will prompt the affected channel member to leave or sever that relationship.

Finally, it should be of interest to the channel researcher to explore the personality characteristics of boundary spanning personnel, something that has been long ignored in the channels literature. Personality characteristics have been studied in fields like industrial/organizational psychology to examine personality's impact on such things as abusive management, job performance, and job satisfaction. Given that research has shown that personality variables have shown utility when investigating how organizational members treat and react to each other, the belief that boundary spanning personnel's personality characteristics will impact how they treat and react to abuse from other boundary spanning personnel is intuitive. More specifically, it is believed that the study of personality characteristics such as power need, self-esteem, ego, ethical sensitivity, and risk taking, among others may provide insight on channel member abuse performed by boundary spanning personnel representing their respective firms. References available upon request.

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MARKETING ADAPTATION IN FOREIGN MARKETS: ANALYSIS OF EXTERNAL AND INTERNAL ANTECEDENTS

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ABSTRACT

This study investigates determinants of marketing adaptation in foreign markets. Analysis of data from 408 foreign subsidiaries of German companies suggests that internal antecedents, i.e., company strategy and subsidiary characteristics, have to be added to environmental characteristics to improve the explanation of a certain degree of marketing adaptation.

INTRODUCTION

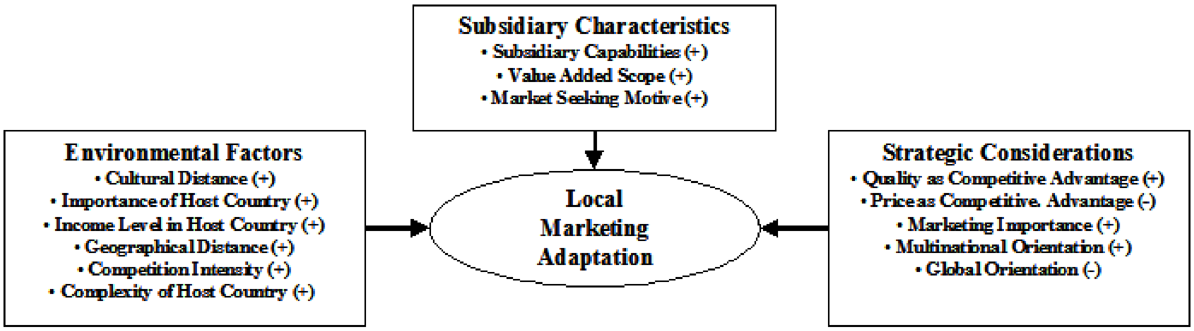
While the issue of marketing standardization versus marketing adaptation to the idiosyncratic circumstances of a foreign market has already been mentioned in the 1960s (e.g., Buzzell 1968), it was Theodore Levitt (1983), with his promotion of globally standardized strategies, who provoked intensive discussion on the topic, including strong opposition to his thesis (e.g., Douglas and Wind 1987; Boddewyn et al. 1986; Alashban et al. 2002). The contingency perspective on the standardization/adaptation debate considers both as two ends of a continuum and the decision on the adequate extent of marketing adaptation as context specific. In this perspective, it is necessary to identify the relevant contingency factors (Jain 1989; Theodosiou and Leonidou 2003; Vrontis 2003). This study aims to analyze major antecedents, i.e., variables that affect the degree of marketing adaptation, which have mostly not been analyzed before. The focus is put on internal antecedents, such as strategic considerations of the company and subsidiary characteristics. A number of external variables representing the context in the foreign market are also included in the research.

PROPOSED RELATIONSHIPS

Proponents of the standardization approach bring forward that the world is converging. Reasons are seen in the internationalization of companies, the growth of international communication channels and media, the Internet, travel activities of consumers, etc. As the main benefits from standardization, economies of scale, a consistent image across the world and reduced managerial complexity are mentioned (Levitt 1983; Yip et al. 1988). Opponents of standardization argue that empirical evidence for convergence is not strong and heterogeneity between markets concerning demand patterns, purchasing power, culture, laws, and regulations is still great, necessitating the responsiveness of a company's marketing to the conditions in each market (Boddewyn et al. 1986; Douglas and Wind 1987; Theodosiou and Leonidou 2003).

Companies need to decide on the adequate level of standardization/adaptation considering both sets of arguments (Terpstra and Sarathy 2000). There are many empirical investigations into marketing standardization/adaptation. An extensive overview is given by Theodosiou and Leonidou (2003). Even though many antecedents of the adaptation decision have been proposed in literature (Jain 1989; Papavassilou and Stathakopoulos 1997), only a small subset of them has been analyzed empirically (Luo 2001). While it seems obvious, that environmental factors can severely restrict the company's ability to develop and implement a standardized marketing and therefore situational contingencies in the foreign market are often seen as the major influence on marketing strategy differentiation (Douglas and Wind 1987; Luo 2001), a rather large number of nonsignificant relationships between marketing adaptation and environmental influence factors in empirical investigations challenge this view (Theodosiou and Leonidou 2003). So other influences have to be considered as well, but empirical research on internal influence factors is rare (Solberg 2000). While a number of authors put forward company strategy to be considered as a factor of influence on international marketing decisions (Dunning 1993; Randøy and Dibrell 2002), strategic considerations of the headquarters have not yet been empirically investigated as antecedents of the marketing adaptation. Also, the role of the subsidiary is mostly assumed to be rather passive. The influence of subsidiary characteristics on the level of marketing adaptation is neglected. In management theory, following the resource-based view, however, the influence of subsidiary initiative on local strategy in foreign markets is now widely accepted (Birkinshaw and Hood 1998). Considering those research deficits, Figure 1 demonstrates the research framework employed in our study, indicating the three groups of variables investigated. Within each group, certain potential influence factors are analyzed, that appear to be the most important when considering the relevant literature, especially from the field of international management. However, there are certainly other variables in each group which should be considered in future research projects.

FIGURE 1
Research Framework and Proposed Relationships



Cultural distance represents the differences between the culture of the home country and the culture of the host country. It has been a prominent factor in international studies (see Shenkar 2001 with an overview) and is usually used to summarize the differences in the behavior of market partners, especially in demand patterns of customers. In the past, investigations into culture were often based on the cultural dimensions and empirical findings of Hofstede (1991), but recently, a new study (GLOBE) identified another set of dimensions and offers up-to-date data on country cultures (House et al. 2004). Increasing cultural distance leads to demand heterogeneity and therefore enhances the requirement for local adaptation (Jain 1989; Vrontis 2003). Differences in customer behavior are usually considered the most important pressure toward local responsiveness (Bartlett and Ghoshal 1989). Previous studies have shown that heterogeneous market conditions in different countries lead to a higher level of adaptation to these markets (Yip 1996; Grein et al. 2001; Alashban et al. 2002). Thus it is proposed:

H1: Marketing adaptation in a foreign market is positively associated with cultural distance between home and host country.

Bartlett and Ghoshal (1986) indicate that the importance of host countries for a company varies. Different characteristics, such as market size, technological know-how, demand structure, presence of important customers and/or competitors, can constitute an important market. Market size characterizes the demand potential in the foreign country. Considering the additional costs that are usually connected to marketing adaptation, the higher sales from larger markets are more likely to cover those added costs as compared to smaller markets (Chhabra 1996). Which attributes of a market enhance country importance is likely to be company-specific, so that this attribute includes a strategy element in the individual weights placed on certain attributes. Independent of the individual weights, however, the more important the market is, the more important it is to be successful in this specific market. When the subsidiary operates in an essential market for the company, the influences of such a market are accepted to a higher degree (Luo 2001). This effect is strengthened by internal relations between headquarters and subsidiary. Representing a more important country is likely to shift the power balance more toward the subsidiary, which usually leads to a more locally adaptive behavior as well (Solberg 2000). This is postulated as:

H2: Marketing adaptation in a foreign market is positively associated with the importance of the host country to the company.

The income level within the host country reflects the standard of living (Grein et al. 2001). At the same time, it is often argued that cultural influences in different countries are persistent and not easily changed in the short-run (Hofstede 1991; House et al. 2004). While the aspect of lifestyle and culture that is related to income differences between home country and host country is at least partially included in the cultural distance between the countries, it can be argued that more discretionary income will give people more freedom to express themselves and to consume according to their own, specific cultural patterns (de Mooij 2000). Following this perspective, it seems reasonable to believe that at a given level of cultural distance or differences in demand preferences in different markets, a higher income level in a foreign market makes marketing adaptation to local preferences more necessary. This implies:

H3: Marketing adaptation in a foreign market is positively associated with the income level in the host country.

The major benefit of marketing standardization is seen in cost reduction through economies of scale (Levitt 1983). This implies that a standardized product offer is mainly produced geographically centralized, mostly in the home country. One major argument against such a centralized manufacturing unit is logistics. Geographical distance is directly linked to transportation costs in an export strategy. Thus, the more distant a foreign market is from the home country, the more likely the company is to serve this market by local production units in the country (e.g., Porter 1986). Customizing marketing to this market, then, is not increasing costs significantly anymore. The following relationship is therefore expected:

H4: Marketing adaptation in a foreign market is positively associated with the geographical distance between home country and host country.

According to industrial organization theory, competition is one of the most important influence factors on companies' conduct (Caves 1980). Thus, the marketing adaptation is likely to be influenced by industry structure in the host country. In the absence of competition in a foreign market, a company may standardize its marketing. However, intense competition in a host market may necessitate adaptation for a firm to gain an advantage over competitors by providing a marketing mix that more closely matches local demand. In this case, a foreign company needs to be more responsive to customer needs, implying that local differences in preferences cannot be neglected (Luo 2001; Jain 1989; Alashban et al. 2002). In the study of Boddewyn et al. (1986), competition is identified as the most important obstacle of international marketing standardization. Thus it is proposed:

H5: Marketing adaptation in a foreign market is positively associated with the competition intensity in this market.

One environmental characteristic that has been analyzed intensively in organizational theory is the environmental complexity (Thompson 1967), which can stem from diversity of different characteristics in the foreign market as well as from market dynamism and uncertain developments (Nohria and Ghoshal 1997). Usually in complex environments decisions are rather taken at organizational levels that are closer to the market because information processing capacity of headquarters is limited and complex environments increase the necessary amount of information (Egelhoff 1991). Also, in more complex environments, the value of the subsidiary's know-how is enhanced, resulting in greater autonomy for the subsidiary. Flexible reactions to local conditions become necessary and standardization across the company is limited (Nohria and Ghoshal 1997). A study by Luo (2001) reveals that environmental complexity significantly affects the extent of local responsiveness. Thus:

H6: Marketing adaptation in a foreign market is positively associated with the complexity of the host country environment.

While the environmental factors in a host market influence all companies alike, there are company-specific, internal factors that lead to heterogeneous decisions concerning standardization/adaptation even in the same host market. Among others, it has to be aligned with the competitive strategy of the company. Porter (1980) put forward price/cost advantages and quality/differentiation advantages as the two generic competitive strategies that companies can pursue. While this positions price and quality as the opposite ends of one continuum, other authors, e.g., Gilbert and Strebel (1987), consider both dimensions as independent (cf., Miller 1992). A connection between the competitive strategy and the standardization/adaptation seems evident from the fundamental arguments of the debate. It is commonly argued that economies of scale resulting from marketing standardization would allow to decrease prices so far that remaining differences between customer preferences in different countries could be over-compensated by lower prices (Levitt 1983; Yip 1996). The findings of Alashban et al. (2002) support the assumption that cost savings are a main rationale for marketing standardization. Thus, marketing standardization seems to be especially suitable when price/cost is in the focus of the competitive strategy of the company. If, however, quality is in the focus of the competitive strategy, and quality perceptions of customers as well as relevant quality criteria are potentially different between country markets, a closer adaptation to the quality perceptions of each market seems more necessary. The following two hypotheses are thus proposed:

H7a: Marketing adaptation in a foreign market is lower the more important price is as a competitive advantage of a company.

H7b: Marketing adaptation in a foreign market is higher the more important quality is as a competitive advantage of a company.

A strategy variable that is often used in investigations in international management is marketing intensity (e.g., Erramilli et al. 1997). In this perspective, the resulting product differentiation and competitive advantage through established brands and the reputation of the company are put forward. Investigations in international marketing, however, rarely consider the fact that not all companies emphasize "marketing objectives," such as brand value, image, reputation, to the same degree and that the focus on marketing communication, advertising, promotion, etc. differs. Some authors argue that marketing standardization can lower a company's marketing costs, thus reinforcing its messages and brands (Buzzell 1968; Jain 1989). On the other side, especially when companies place high importance on marketing goals, a highly standardized market promotion and communication strategy can be counter-productive, since they neglect the cultural backgrounds of the different target markets. The same marketing content can result in different interpretations in different countries, thus resulting in different images (Papavassilou and Stathakopoulos 1997; Terpstra and Sarathy 2000). Especially a strong focus on marketing is therefore likely to lead to a stronger adaptation to local circumstances. This is consistent with the argument, that even in global industries, downstream value chain activities need to be performed close to the market in order to adapt them more easily, which has been brought forward by Porter (1986). Thus:

H8: Marketing adaptation in a foreign market is higher the more important marketing is considered to be in the company strategy.

Companies can follow different strategic orientations concerning their international operations. The framework of Bartlett and Ghoshal (1989) considers global integration of activities across countries and local responsiveness to specific needs in different markets as two independent dimensions and develops four international orientations (international, multinational, transnational, global) that have been widely discussed in literature. The two orientations that are exposing the greatest differences are the multinational orientation and the global orientation (Leong and Tan 1993; Harzing 2000). With a global orientation, companies primarily aim for global synergies, cost advantages through economies of scale and worldwide company goals. Differences between countries are considered less important than interdependencies across different units in foreign markets to maximize overall corporate success. Centralized decision making and a very standardized approach all over the world are the consequences of a global orientation (Grein et al. 2001; Leong and Tan 1993). Multinationally oriented companies view themselves as holdings, managing a portfolio of multiple national entities, whose task is to exploit local market opportunities. Such a multinational approach reflects a decentralized federation with delegated responsibilities (Leong and Tan 1993; Bartlett and Ghoshal 1989). To exploit market opportunities, subsidiaries have to be very adaptive to the local conditions, therefore, multinationally oriented companies allow their foreign subsidiaries the necessary flexibility to adapt to their specific situation. Considering the argument of Bartlett and Ghoshal (1989) and others, however, multinational and global orientation are not the opposite ends of one continuum, but have to be considered separately. Therefore, two hypotheses are proposed:

H9a: Marketing adaptation in a foreign market is negatively associated with a global orientation of a company.

H9b: Marketing adaptation in a foreign market is positively associated with a multinational orientation of a company.

While previous research often neglected differences in the resource base of companies, the resource-based view (e.g., Barney 1991) emphasizes sustainable heterogeneity in the resources of organizations, which can also be considered between different subunits within the same company (Peng 2001). To ensure the ability to flexibly respond to local conditions and actively pursue local business opportunities, the subsidiary has to have the necessary capabilities to perceive, understand and respond to the local market conditions. Considering the local responsibility for adapting the marketing strategy as an enhanced charter of a subsidiary, it is assumed that the adequate level of capabilities has to fit this charter (Birkinshaw and Hood 1998). Especially in locally adaptive marketing strategies, subsidiaries have to have the necessary competence to develop their own, often location-bound knowledge and subsidiary-specific competitive advantage in the host market (Rugman and Verbeke 2001). The influence of subsidiary capabilities can also be considered as important from a power perspective. The relations between a company's headquarters and a subsidiary are influenced by the power balance between the two, which affect the locus of decision power. Critical capabilities at the subsidiary level can ensure more decision authority at the subsidiary level, usually leading to increased marketing adaptation (Solberg 2000). This is proposed as:

H10: Marketing adaptation in a foreign market is positively associated with the foreign subsidiary's capabilities.

Similar to the level of competence, subsidiaries can be distinguished by the value-added scope they realize in the foreign market (White and Poynter 1984). While some subsidiaries only sell products which are produced by the headquarters or other organizational units, others realize a complete value-added chain. Generally, export-oriented companies are considered to be less responsive to local market conditions in foreign markets than companies localizing production in the host country (Luo 2001). One reason is that exporting companies have the opportunity to gain economies of scale by standardizing the products for different markets while local production in the host market already sacrifices some economies of scale making it easier to adapt production to the market. So with increasing value-added scope of the subsidiary, increased localization of production seems likely and consequently increased adaptation. Jarillo and Martinez (1990) even operationalize the "local responsiveness" of a subsidiary with the number of value-added functions that are carried out locally, indicating the strong connection between both constructs. Thus:

H11: Marketing adaptation in a foreign market is positively associated with the value-added scope realized by the subsidiary.

In most investigations, it is implicitly assumed that the main motive for establishing a subsidiary in a foreign market is the local demand potential. However, Dunning (1988) categorizes the main motives for a local presence in three groups: market seeking, resource seeking, or efficiency seeking. Only if the market seeking motive is dominant, a strong influence of the local market on the marketing strategy can be expected, in other cases (e.g., efficiency seeking), standardization could be the preferred approach:

H12: Marketing adaptation in a foreign market is positively associated with the market seeking motive of a company for operating in a certain foreign market.

RESEARCH METHOD

Data for this investigation was collected through a written survey (mail/e-mail). We sent a questionnaire and a link to an online-questionnaire to company headquarters in Germany in the sectors "engineering industries" and "services" concerning one of their subsidiaries in a selected foreign market. Thirty-five hundred service companies with international activities were identified from addresses compiled by the address provider Schober Direkt. For engineering companies the sample was drawn from a database of the Bundesverband der Deutschen Industrie (Association of Germany Manufacturers) and more than 10,000 companies contacted with a first contact letter, mainly by e-mail. However, this data base did not contain the information whether the company has any international activities, which severely reduced the response rate. After two weeks, a reminder was sent to all companies for which e-mail-addresses were available and about 1,000 companies for which phone numbers were available were contacted by telephone. After those two rounds of reminders, there were 408 questionnaires to be included in the study. With this procedure, it is difficult to calculate an exact response rate. Partly, the contacted companies were not international, partly the e-mail-addresses not valid anymore, partly our e-mails rejected by spam-filters, partly companies did not have foreign subsidiaries for their international operations. Also, as in basically all studies on this topic, information on the total population is lacking, so that probability sampling is not feasible. However, due to the difficulty with data collection concerning international activities, the procedure employed seems to be adequate. Many empirical studies on the standardization/adaptation issue use sample sizes below 100 respondents. In our study, 408 questionnaires can be included. However, a thorough analysis of a possible nonresponse bias has to be carried out. We assessed nonresponse bias with the procedure proposed by Armstrong and Overton (1977). Early respondents (first quarter of respondents) were compared to late respondents (last quarter of respondents). Both groups did not differ significantly in share of service companies in the group, size of the company (turnover and number of employees), size of the subsidiary (turnover and number of employees), duration of engagement in the considered foreign market, and share of international turnover of the company. So, nonresponse bias, if any, should be negligible, which indicates that the data is robust even though the response rate is rather low. The host countries of the subsidiaries are spread over the world (mainly Western Europe 40.1%, Eastern Europe 22.1%, Asia 18.3%, and Northern America 13.5%).

To measure the constructs in the study, scales from previous research or modified versions of these scales were employed in the study whenever possible. Table 1 summarizes variable measurement. For all multi-item scales, reliability was tested by calculating coefficient α, which shows sufficient internal consistency among the measures, and the construct value was determined by factor analysis.

ANALYSIS AND RESULTS

To assess the influence of various determinants on marketing adaptation, standardized regression analyses were first conducted for each of the variable groups separately, which is used to test the hypotheses, then all proposed antecedents variables are integrated in one model (Table 2). The variance inflation factors (VIF) in all four models reject multicollinearity (highest value is 3.92).

H1 suggests that companies adapt their marketing more closely to a foreign market when this market is culturally distant from the home country. The positive and significant coefficient shows that this proposition is supported by the data. Also, H2, in which a positive influence of the importance of the host country on marketing adaptation was proposed, can be confirmed. As was expected, the importance of the host country to a company is positively correlated to the market size ($r = .345$; $p = .000$). Obviously, companies accept the idiosyncratic conditions of important country markets more easily than of less important markets. The effect turns nonsignificant, however, when the internal variables are put into the model.

The income level of the host country has a slightly positive, but no significant impact on marketing adaptation ($p > .1$). H3 is hence rejected. The analysis of the influence of income level might cause a problem, because the home country in the sample was for all respondents Germany. So a higher income level might still – as was

TABLE 1
Measurement of the Variables

Variables	*Measurement*
Marketing Adaptation	4 items following Harzing (2000), Gates and Egelhoff (1986) (7-point scales; e.g., extent of adaptation of product offer to host country from "not at all" to "to a large extent"; $\alpha = .787$).
Cultural Distance	Index based on the established procedure by Kogut and Singh (1988), modified to use the new cultural country data of the GLOBE-study (House et al. 2004).
Importance of Host Country	1 item (7-point scale from "not important at all to our company" to "very high importance").
Market Size of Host Country	Gross National Product in bill. US-$ from CIA World Factbook.
Income Level in Host C.	Gross National Income per capita in 1,000 US-$ (PPP) from Worldbank-Statistics.
Geographical Distance	Distance between Frankfurt/Germany and capital of host country in 1,000 km.
Competition Intensity	1 item following Nohria and Ghoshal (1997) and Alashban et al. (2002) (7-point scale from "low competition" to "very intense competition").
Complexity of Host Country Environment	1 item following Nohria and Ghoshal (1997) (7-point scale from "not very complex" to "very complex").
Quality as Competitive Advantage	1 item following Porter (1980); Miller (1992) (7-point scale from "not important to our strategy" to "very important to our strategy").
Price as Competitive Advantage	1 item following Porter (1980); Miller 1992 (7-point scale from "not important to our strategy" to "very important to our strategy").
Marketing Importance	2 items concerning advertising intensity and value of company brands (7-point scales from "lower than competitors" to "higher than competitors"; $\alpha = .763$).
Multinational Orientation	1 item following Harzing (2000) describing the four alternatives, respondents self-classify.
Global Orientation	Their companies' orientation; 3 items used to validate the answers.
Subsidiary Capabilities	8 items concerning capabilities/resources in 8 different fields following Nohria and Ghoshal (1997) (7-point scales from "low capabilities/resources" to "very high capabilities/resources"; Cronbach's $\alpha = .728$; factor analysis results in two factors, which are interpreted as process capabilities (e.g., operations, develop ment of production processes) and marketing capabilities (e.g., marketing/sales, customer relations).
Value-Added Scope	Index following Jarillo and Martinez (1990); Morrison and Roth (1993); aggregation of 8 dummy variables ("activity carried out in subsidiary by at least 1 full-time employee," e.g., advertising, sales, strategic marketing, operations, R&D; yes = 1, no = 0).
Entry Mode	1 dummy variable (export = 1, production in host country = 0).
Market Seeking	1 item (following Dunning 1988) (7-point scale from "not important at all" to "very important motive"; 1 item (share of foreign sales of sub) following Shi et al. (2001) to validate measurement ($r = -.215$; $p = .000$).

TABLE 2
Results of Regression Analyses – Determinants of Marketing Adaptation

Variables	*Hypothesis/ Expected Sign*	*Model 1 (Environment) (ß)*	*Model 2 (Company Strategy)(ß)*	*Model 3 (Subsidiary Characteristics)(ß)*	*Model 4 (total) (ß)*
Cultural Distance	**H1, +**	**.202***			**.163***
Importance of Host Country	**H2, +**	**.204******			**.059**
Income Level in Host Country	**H3, +**	**.035**			**.056**
Geographical Distance	**H4, +**	**.143*****			**.139***
Competition Intensity	**H5, +**	**.135***			**.068†**
Complexity of HC Environment	**H6, +**	**.047**			**.066**
Price as Compet. Advantage	**H7a, -**		**.014**		**.071**
Quality as Compet. Advantage	**H7b, +**		**.054**		**.013**
Marketing Importance	**H8, +**		**.163*****		**.167*****
Global Orientation	**H9a, -**		**-.019**		**.001**
Multinational Orientation	**H9b, +**		**.162*****		**.115***
Subs. Capabilities – Processes	**H10, +**			**.225******	**.191******
Subs. Capabilities – Marketing				**.252******	**.187*****
Value Added Scope	**H11, +**			**.153*****	**.116***
Market Seeking	**H12, +**			**.132***	**.088†**
n		**404**	**345**	**338**	**306**
adjusted r^2		**0.132**	**0.049**	**0.202**	**0.279**
F/df/p		**8.278/6/.000**	**3.889/5/.002**	**18.056/4/.000**	**7.580/15/.000**

Dependent variable: marketing adaptation; significance levels: †: p < .1; *: p < .05; **: p < .01; ***: p < .001 (one-tailed).

suggested in the hypothesis – increase customer demand for products adapted to their preferences, but on the other side mean, that the country becomes more similar to the home country. Jain (1989) suggests that in markets that are economically alike, standardization becomes more practical. A general question in the questionnaire ("How similar are market conditions in the host country to your home country?") confirms this notion with a Pearson's correlation coefficient to the income level of .349 (p = .000). So in order to test the influence of income level further, studies with several, and heterogeneous home countries of companies would be necessary.

The results show that the geographical distance significantly influences the marketing adaptation. This empirical evidence supports H4. The intensity of competition in the foreign market is significantly and positively associated with the extent of marketing adaptation. Strong competition necessitates marketing differentiation in order to adequately respond to local market conditions. H5 is supported. In model 4, the coefficient for the variable is lower and only significant to p < .1. Further analysis shows a relationship with subsidiary capabilities, with more marketing capabilities for subsidiaries in markets with a higher level of competition (r = .342; p = .000). This seems plausible and helps to explain the reduced coefficient in model 4 as compared to model 1. H6 suggests that subsidiaries in more complex host country environments use marketing adaptation to a higher degree. The positive, but nonsignificant coefficient, however, indicates no support for this hypothesis. It is thus rejected.

Two potential competitive advantages of a company have been suggested to affect the marketing adaptation. Quality orientation positively and price orientation negatively. However, for both variables, the coefficients are nonsignificant. H7a and H7b have thus to be rejected, an influence of the competitive strategy on marketing adaptation cannot be confirmed. This challenges Levitt's main argument, that low prices are the main benefit of global standardization (Levitt 1983), and supports the argument of Wind (1986) who offered examples of global products that are rather expensive. Maybe a globally standardized product offer can add to the quality perception of customers, thereby making standardization suitable to quality leaders as well under specific circumstances (Alashban et al. 2002).

The importance of marketing for the company is positively and significantly associated with marketing adaptation. H8 is supported by the empirical data, confirming the proposition that companies that put the value of their brands, their image and reputation and their marketing communication in the focus of their strategy are more prone to adapt their marketing to the local markets than other companies. Notwithstanding the fact, that examples of very successful globally standardized brands can be found, marketing importance on average obviously still leads to a more customized behavior.

The negative coefficient for global orientation implies that a global orientation (i.e., a general preference of uniform strategies, emphasizing the integration of activities across markets) reduces local marketing adaptation. However, the relationship is only weak and nonsignificant, so H9a has to be rejected. On the other hand, a multinational orientation is, as was proposed, significantly and positively related to marketing adaptation, lending support to H9b. Companies who focus on the exploitation of market opportunities in each country market and accept the different market conditions indeed do adapt their marketing more closely to each market. That a global orientation does not necessarily lead to a more standardized marketing first show, that multinational orientation and global orientation are not opposites of one dimension, but, as modeled in the framework of Bartlett and Ghoshal (1989), have to be described along two dimensions. It secondly shows, that even in the case of a global strategy on the company level, differences between local markets are not totally neglected for each foreign subsidiary.

On the level of the subsidiary characteristics, all proposed relationships are supported. H10 suggests that marketing adaptation in a foreign market is positively related to the capabilities of the subsidiary in this market. Factor analysis showed that subsidiary capabilities can be distinguished in two dimensions, process-oriented capabilities and marketing capabilities. Both dimensions show positive and significant coefficients, supporting our proposition. Subsidiary capability enhances the likelihood of local adaptation strategies. The value-added scope is positively and significantly associated with marketing adaptation. This empirical evidence supports H11. The underlying reason put forward for this relation was that value added scope represents the localization of the operation processes, making adaptation strategies easier than with export strategies. This was analyzed separately. Comparing export oriented strategies with host country production strategies, value-added scope differs significantly between both (F = 65.472; p = .000), with higher value added scope for local production strategies, as expected, so the main argument H11 is also supported. H12 was formulated to point out that not all subsidiaries' main task is to exploit the market potential in the host country but that other motives in the host country might be more important. The positive and significant coefficient shows that it really is necessary to consider the motives for the establishment of the subsidiary. H12 is supported, the level of marketing adaptation varies with the extent to which the market seeking motive is relevant for the subsidiary.

Since the sample was composed of service companies and manufacturers, it was tested, whether an influence of the industry exists. However, the level of marketing adaptation does not differ significantly between both groups (F = .306; p = .581). Model 4, which includes the variables from all three partial models, shows that the antecedents together explain about 28 percent of the variation in marketing adaptation to local markets. Among the predictor variables, subsidiary capabilities (both dimensions) have the strongest impact on the marketing adaptation, followed by a strategic consideration of the headquarters, namely the marketing importance. Cultural Distance also exerts a strong influence.

CONCLUSION AND IMPLICATIONS

This study examines factors influencing local marketing adaptation. While a number of previous studies already found an influence of external variables, which has at large been confirmed in this study, it was an objective of this investigation to analyze internal determinants of the decision. While the company's competitive strategy has not proven to exert an influence on the marketing adaptation, other strategic considerations of the parent company affect the decision. Multinationally oriented companies, implement local responsiveness in foreign markets and marketing oriented companies adapt more closely to foreign markets. Besides the support for those two antecedents, this result encourages the investigation into other facets of company-level strategy as an important direction for further research. Modern models of international companies (network models) put forward the possibility of strong and strategically important roles of subsidiaries. Even though this is demanded for about two decades now (cf., Bartlett and Ghoshal 1989), the heterogeneity of subsidiaries is rarely considered in international marketing research. As early as 1986 Bartlett and Ghoshal warned that subsidiaries in important markets without adequate competence are "black holes" concerning their contribution to company competitiveness. This is especially true when they are supposed to adapt their marketing to the local market. Our research confirmed an influence of four different subsidiary characteristics, with capabilities as most important antecedents. The increasingly active roles of subsidiaries in the strategy development should be taken into consideration when analyzing international strategies in the future. Lastly, a replication of this study in different countries would be important to assess generalizability of the results. Respondent companies in this study were Germany-based, and it will be of particular interest to study companies headquartered in other countries.

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DETERMINANTS OF SUPERIOR FIRM PERFORMANCE IN THE INTERNATIONAL CONTEXT: AN EMPIRICAL EXAMINATION OF KEY ORGANIZATIONAL FACTORS

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SUMMARY

Understanding the underlying determinants of the international success and failure of firms has long been a focus of international business research (Peng 2004). Central to this research has been the question of how firms can accumulate and deploy their resources and capabilities to effectively and efficiently implement their strategies while overcoming the many liabilities of foreignness they face in the international markets (Caves 1996; Peng 2001). While a considerable amount of work has been dedicated to enhance our understanding of the determinants of MNC performance recently, our knowledge of how strategy, structure, strategic fit between the firm's strategy and its environment, and the firm's resulting strategic behavior in the international arena remains limited.

Most of the existing studies have focused on understanding the congruency between the firm's strategic behavior and its external environment, inspired by the notion that while offering new opportunities to firms, globalization has placed a new demand on firms to create strategies that are more efficient in matching the firm to its expanded and more challenging environment. They have not focused sufficient attention on the implementation of strategy to drive a desired performance effect (however measured). They have not studied, comprehensively, the impact that the acquisition and internalization of specific skill and capability sets might have on enhancing performance outcomes (Venkatraman and Camillus 1984).

The purpose of our paper is to contribute to this void by offering a more comprehensive framework of the antecedents of firm performance in the international context. We agree with Peng's (2004) call for the incorporation of a wider set of ingredients in calibrating performance, and in doing so blend softer ingredients, such as systems, shared values, skills, staff, and style, to the harder inputs, such as strategy and structure, as identified by Peters and Waterman (1982) as the seven ingredients that lead some firms to outperform others. While empirically examining the impact of each of these seven ingredients, we follow Fawcett and Cooper (2001) and Vorhies and Morgan (2005) and explore both the functional (each dimension is assessed separately) and the integrative (all dimensions assessed collectively) influences of these dimensions on MNC performance.

Based on the existing literature, we first hypothesized direct effects of the seven key organizational factors (Global Strategy, Global Organizational Structure, Global Management Systems, Global Leadership, Global Culture, Global IT Capabilities, and Global Management Style) and firm performance. While each of these seven organizational elements can, by itself, be a critical success factor in achieving superior performance in the international arena, achieving appropriate fit among all of the seven will also have significant performance implications. As such, we further hypothesized a positive effect of the fit among these seven factors and firm performance.

To empirically test our hypotheses, we obtained a sample of 206 MNCs drawn from Dun and Bradstreet Information Services (D&B). We followed a three-step approach to assess the validity and reliability of our measures following the procedures outlined by Churchill (1979) and Anderson (1987). First, we calculated the reliability of each scale using Cronbach's alpha. Second, we conducted a confirmatory factor analysis (CFA) to examine the convergent validity of the constructs. Third, we assessed the discriminant validity of the measures via pair wise tests. Hypothesis 1 is concerned with the main effects of the seven key organizational factors on firm performance, and as such we test it by using a main effect SEM model in which all seven factors directly influence firm performance. Hypothesis 2 is tested using a second-order construct, the congruency among the seven dimensions to be aligned. The two models were run on EQS 6.1 (Bentler 1995) using ERLS procedures.

Hypothesis 1 received only partial support as only one of the seven organizational elements we tested for showed a direct main effect on firm performance; tests for all others were inconclusive. Hypothesis 2 received full support, as the coefficient loadings of the seven first-order constructs on the second order construct were all significant in the congruence model. In addition, the coefficient of the element interdependence on performance was also significant at the .05 level, lending full support to Hypothesis 2.

An interesting result of our work is that global IT capability showed a dual influence on firm performance. On the one hand, it showed a functional influence in that it has an individual main effect. At the same time, it also appeared to contribute to the collective influence of the congruence among the seven organizational factors. The reason for this finding might be that compared with other elements, global IT capability might have a more general application scope which offers it the ability to exert influence even if the other organizational elements are absent in the multinational firm. While our findings are not as encouraging as we would have liked, we feel that we can safely conclude that global organizations need derive and implement strategies that are congruent not only with their external environments, but also need to be internally consistent and work in concert toward achieving the synergies that lead to high performance. References available upon request.

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ORGANIZATIONAL INFRASTRUCTURE FOR GLOBAL ACCOUNT MANAGEMENT: DRIVERS AND OUTCOMES

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SUMMARY

The concept of account management, which can be defined as "an organizational form and process in multinational companies by which the worldwide activities serving a given multinational customer are coordinated centrally by one person or team within the supplying company" (Montgomery, Yip, and Villalonga 1999), has existed for a long time. Companies have been utilizing national account management processes to maintain relationships with their most important accounts. In essence, in these national account management approaches, one executive or teams take overall responsibility for all aspects of a customer's business, either directly or by coordinating the activities of others (Shapiro and Moriarty 1980). The concept of GAM, in essence, extends account management beyond country borders, to the most important countries in which the most important customers are located (Montgomery, Yip, and Villalonga 1999). It may be regarded as a response to the globalization of supplier-customer relationships (Yip and Madsen 1996).

Three aspects of GAM have been described in the literature. First, GAM has been described with respect to the set of supplier activities needed to acquire intelligence about global customers and then respond accurately to their requirements (Arnold, Belz, and Senn 2001). Second, GAM has been described as involving dedicated personnel within a supplying company who centrally coordinate the worldwide selling activities to a global account (Montgomery, Yip, and Villalonga 1999). Harvey, Novicevic, Hench, and Myers (2003) also focus on coordination but take a broader view in their description of GAM as "a dependency arrangement between the customer and supplying organizations (or their parts) that are interrelated through both formal and informal ties at multiple levels across national borders." Third, Homburg et al. (Homburg, Workman, and Jensen 2002) present GAM as a design configuration involving human resource development, functional resource access, specialized account management activity, and formalization of account management structure. In their work, they explore the impact of GAM program design on performance

Thus, three principal perspectives emerge about GAM – organizational motivation, environmental context (i.e., demand of customers), and configuration of the relationship with the global account. And yet, no explicit integrative conceptualization of these three constructs and their impact on GAM performance has been formulated. In other words, a comprehensive framework that encompasses all three perspectives and ties them to the GAM performance does not exist. Therefore, we know little about the specific processes that impact superior GAM performance. Based on three important theories of sustainable competitive advantage, we propose a model to determine the drivers of GAM performance.

Specifically, the contribution of this study to the extant GAM literature is three fold. First, this study formulates and tests a conceptual model in which global environment, organizational, motivational and GAM structure are expected to impact on performance. Although there are various studies on GAM, an integrative framework has never been formulated and tested. Second, this study attempts to determine whether the investments to realize effective GAM practices are driven by suppliers or by the industrial context in which buyers operate. We try to answer the question: "Are suppliers willingly or unwillingly implementing GAM practices?" Third, we analyze the elements of GAM infrastructure in an organization: standardization and coordination. Standardization activities refer to the suppliers' efforts to respond to its customers' global standardization demand, whereas the coordination activities refer to the coordinated planning and execution of value-adding activities on a global chain between a supplier and its global account.

We found that GAM performance was largely determined by vertical coordination. To be more precise, our findings suggest that coordination in marketing mix elements have significant impact on GAM performance. This finding is important in the sense that it underscores the impact of relation-specific assets in generation of superior relational rents, which lends support to the relational view (Dyer and Singh 1998). Amalgamating this outcome with the insignificant impact of standardization and vertical coordination, it can be argued that firms should focus on leveraging the efficacy of communication between them. Besides, insignificance of standardization and vertical coordination may be attributed to several factors. First, standardization of activities, just like coordination of activities, requires both financial and human capital to establish. However, considering the fact

dynamism, and pace of change in today's business environment may render even newly developed practices and routines obsolete, if not useless, we may argue that it is normal that flexibility, which enables the firms to adjust to the changing conditions better, gained through coordination may be a more significant determinant of performance than standardization, which, by definition, entails a more static structure. In a similar vein, insignificance of vertical coordination may be explained by high turnover rates in business. That is to say, firms may have to rejuvenate vertical coordination attained through at the top management level, should there be a change in that level in any part of the dyad.

Further, our results showed that globalizing conditions are significant drivers of all suggested GAM practices. This result supports the IO theory, which argues that industry conditions determine the firms' strategies. As managerial implication we may argue that merely firm level initiatives may not result in a desired level of coordination and standardization. Instead, there should be an external force, which will make the other party in this dyadic relationship to approve and, possibly react to, these activities.

It was interesting to find that the level of competition has no impact on GAM practices. This result suggests that it is not the magnitude, but the mode of industrial dynamics, which make the firms to form relatively closer relationships with their global accounts. References are available upon request

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CONSUMPTION ATTITUDES AND ADOPTION OF NEW PRODUCTS: A CONTINGENCY APPROACH

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SUMMARY

A major research stream on new product adoption (NPA) focuses on the influence of personal characteristics such as demographics and psychographics, which has important implications in market segmentation. Consumers who are younger and have higher income and better education have been suggested to accept market innovations more quickly (Gatignon and Robertson 1985). Certain psychographic characteristics such as innovative predisposition and attitude toward risk have also been shown to be related to NPA (Gatignon and Robertson 1991; Midgley and Dowling 1978; Rogers 1995). Yet, findings regarding the simple effects of these personal variables are often inconsistent across studies (e.g., Gatignon and Robertson 1985; Rogers and Shoemaker 1971; Steenkamp, ter Hefstede, and Wedel 1999). Therefore, contingency approaches are called for to better account for consumer innovativeness.

The purpose of this research is to advance our understanding on the joint effects of two groups of personal characteristics, namely, consumer demographics and consumption attitudes, on adoption of new products. We draw on Schwartz's (1992) personal values framework to develop hypotheses relating consumption attitudes to NPA. Schwartz's universal personal value typology includes a dimension of openness to change versus conservation that is pertinent to consumer innovativeness (Steenkamp et al. 1999). Three value types underlie its conservation pole: conformity, security, and tradition, while the values of self-direction and stimulation form the openness to change pole. Within this framework, we examine the relationship between five consumption attitudes (attitude toward personal advice, attitude toward savings, attitude toward existing products, independent decision making attitude, and preference for high-tech products) and NPA. Following a contingency approach, we hypothesize that consumption attitudes interact with demographics to affect consumers' NPA such that the effects of consumption attitudes are stronger for (a) older consumers, (b) consumers with lower education, and (c) consumers with lower income.

We acquired secondary data from the China National Readership Survey (CNRS) that were collected between 1999 and 2000 via personal interviews with 11,029 consumers aged 21 to 70. We estimated a series of negative binomial regression models with the number of new product adoptions as the dependent variable and the consumption attitudes and demographics as independent variables. Negative binomial models were specified because the dependent variable was a set of nonnegative integers that included responses of zero adoptions.

The regression coefficient for personal advice was not significant, and perceived importance of saving was found to increase new product adoption. Attitude toward existing products, independent decision making attitude, and preference for high-tech products showed negative, positive, and positive associations with NPA, respectively. Five interactions were found to be significant: attitude toward existing products by age, preference for high-tech products by age, attitude toward existing products by income, independent decision making by income, and attitude toward savings by income. We did not find any significant interaction between education and consumption attitude variables. These interactions between consumption attitudes and key demographics suggest stronger effects of consumption attitudes on NPA among older and less affluent consumers. The results offer support for the contingency approach.

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PREDICTING CONSUMER INNOVATIVE BEHAVIOR USING ALTERNATIVE THEORIES AND LIKELIHOOD MEASURES: A LONGITUDINAL STUDY

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SUMMARY

This paper reports on a longitudinal study of consumers, where two dominant theories that purport to predict innovative behavior are applied and compared directly, using a methodology suggested as ideal by past researchers. Predictions made prior to launch were then evaluated against multiple measures of purchase likelihood, and against actual adoption behavior up to 12 months after launch. The results of this study suggest that perceptions of the innovations characteristics (PIC) predicted the self-reported likelihood of adoption better than the Domain Specific Innovativeness (DSI) scale, a personality-based measure. Prediction of actual adoption was largely inaccurate and both theories massively over predicted adoption levels, however the DSI scale was slightly more accurate. The conclusions here are that no one theory could make adequate predictions of behavior, that purchase likelihood measures are a poor substitute for measuring actual behavior but that purchase probability scales should be used more often in adoption research.

Background

Being able to predict the market reaction to a new product, prior to its launch, allows marketers to plan their tactics to achieve the optimal take-up rate and depth of market penetration (Bass 1993). Since the marketing of innovative, or very new, products are a major source of competitive advantage, a method that accurately predicted the number of likely adopters and identified those people most likely to adopt early (innovators) would be highly valuable. At present, such a methodology does not seem to exist, however there are a number of alternative theories as to what is the best way of predicting market reactions to innovative products.

The field of individual adoption research has been criticized over the last two decades for being in a "malaise," bogged down by conceptual vagueness and flawed research methods (Gatignon and Robertson 1985, p. 849). In order to help guide future research efforts, this paper presents a test of the predictive abilities of a variety of the two dominant theories on what drives individual adoption behavior. Such a test of competing theories in marketing research has been strongly advocated (Armstrong, Brodie, and Parsons 2001) and given the number of plausible alternate explanations and predictive methodologies for identifying innovators, it would seem ideally suited to consumer diffusion research. This paper outlines a longitudinal study of the diffusion of one specific innovation, and compares directly the predictive ability of competing theories that purport to be able to identify the likely first purchasers (innovators) of that innovation.

Method and Results

Critics of past adoption work have attacked the use of hypothetical products and studies of already completed adoption behavior when assessing predictive theories. So as to provide a more rigorous test of these theories, a longitudinal methodology was employed here, in line with what has been deemed to be "ideal" adoption research practice (Rogers 1995). The first stage involved examining past literature to determine what the major theoretical perspectives were, and to identify the measurement instruments that best represented them. Two theoretical perspectives were found to represent the bulk of adoption work to date; one based on the personality traits of the consumer (of which Goldsmiths and Hofacker's (1991). "Domain Specific Innovativeness" (DSI) scale was identified as the most widely used example), and the other based on consumer Perceptions of the Innovation's Characteristics (PIC) (of which Tornatsky and Klein's (1982) scale was chosen).

After careful screening, an innovation (a University smart card system) was selected prior to launch and adoption tracked over 20 months. The entire market for this product (661 staff members) was surveyed regarding their personal characteristics, perceptions of the product, attitudes towards adoption and purchase likelihood just prior to the launch of the product. This produced a sample (n = 228) that allowed predictions to be made based on each of the theoretical perspectives, and based on purchase likelihood (intention and probability) measures.

Both the DSI and PIC scales were reasonably good predictors of purchase likelihood measures, but in line with the findings of Ostlund (1974) and Frambach et al. (1988), the PIC scale was superior. The DSI and PIC scales predicted the purchase probability within four weeks moderately well ($r^2 = 0.22$ and 0.24 respectively) but the PIC scale gave a much stronger prediction of intention to adopt ($r^2 = 0.18$ vs. 0.33). Actual adoption of the product was then tracked progressively through until

12 months after launch, with 164 of the 228 respondents agreeing to have their actual behavior tracked. The number of staff adopting the product, and the actual individuals adopting it, were then compared to the predictions made based on each theory.

This comparison showed that both theories of adoption behavior and both purchase likelihood measures massively over-predicted the number of likely adopters at the four-week and 12-month mark (by up to 500%). Actual adoption was very low, but no theory or likelihood measure, gave any warning of this. The theories also did not accurately classify the individuals likely to adopt early. The best predicting theory, the Domain Specific Innovativeness (DSI) Scale classified 20 percent of the respondents as "innovators" whereas even after six months only 12 percent of the sample had adopted. Not only did the DSI scale overestimate the number of likely innovators, but it only classified 8/22 of those actual innovators correctly. The PIC scale fared marginally worse, with 18 percent of the respondents classified as likely innovators, but only 5/29 (17%) of those actually adopted.

Discussion

A number of conclusions can be drawn from the analysis of the predictive power of these theories. Firstly, and most importantly, no single theory has shown to be a strong predictor of the probability of adoption either within four weeks or within one year, or of a more general intention to adopt early. The DSI and PIC scales were reasonably good predictors of these purchase likelihood measures, but this bore little relation to actual adoption behavior, leaving us with the reservation that these predictions may be more statistically significant that practically meaningful. Neither theory predicted actual adoption behavior well, or gave indication that adoption levels would be low. Probability measures, however, appear to be better predictors of actual adoption behavior than intention measures. Careful framing of probability questions may further improve their accuracy. As a final note, the use of the "ideal" methodology suggested by past researchers, whilst being complex, did have substantial advantages over commonly used alternatives. While, for practical reasons, it is not always possible to undertake a longitudinal study that begins prior to launch, it should be noted that the alternatives involve large compromises that raise questions about the validity of some past studies. Longitudinal studies of actual innovations, although difficult, appear to be the only way to gain an accurate assessment of our ability to predict consumer reactions to innovative products.

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THE EFFECTS OF NEW PRODUCT ANNOUNCEMENTS ON FIRM VALUE: AN EVENT STUDY INVESTIGATION OF THE PHARMACEUTICAL INDUSTRY

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SUMMARY

While the literature generally assumes that firms derive positive rents from innovative activity, surprisingly few empirical studies have been conducted to determine the precise nature of this relationship and its conditional influences. This study attempts to shed light on this fundamental assumption in marketing by empirically examining the effects of new product related announcements on firm stock prices. In particular we: (1) examine the effects of different announcement types on the firm's stock price; and (2) classify the new product into two different innovation types – based on therapeutic potential and chemical composition – and test whether these different innovation types exhibit differential impact on the market value of the firm. The degree to which a new product related announcement affects the stock price of the firm is investigated.

Event study methodology is employed to capture this impact. T*he NDA Pipeline Database* served as the principal source of data for new products in the pharmaceutical industry. Hierarchical linear modeling (HLM) is employed to test the relationship between the impact of top-level management prestige, new product announcements and the firm's future performance. The primary advantage of HLM is that it allows the researcher to explicitly model both individual and group-level residuals, and hence recognize the partial interdependence of individuals nested within the same group (in contrast to OLS regression where individual- and group-level residuals are estimated together). Moreover, our hierarchical linear model examines the higher order effects of the top management team's prestige on the relationship between the announcement and the firm's stock price.

The empirical findings confirm the expectation that new product announcements trigger favorable reactions from the stock market, producing positive abnormal returns. This finding is consistent with previous studies. Interestingly, abnormal returns on stock price of the firm have an inverse relationship with top-level management compensation. This suggests that, the lower the compensation, the greater the incidence of stock appreciation. There is an expectation that new product announcements *ought to* result when top management is adequately compensated.

Surprisingly, without controlling for the effect of firm size, the empirical findings do not support the premise that the *type* of new product announcement has a positive significant impact on stock price. The results do, however, point to complex relationships between firm size and types of announcements. While announcements alone have a significant negative effect on abnormal returns, the impact of the interaction of firm size and the type of announcement has a significant positive effect. Interestingly, the greater the firm size, the greater the likelihood of the market's positive reaction to new product announcements. In particular, the investors' market reacts especially favorably when an approval or an expectation of approval have been announced, in comparison to announcements of actual launch. This suggests that investors place more value on announcements associated with the approval of a new product. Interestingly, even the *expectation* of approval conveys a message to industry investors regarding potential investment returns.

The interaction of firm size and innovation type produces a significant result in terms of abnormal returns to firm's stock price. We find that, as the firm size increases, the effect of radical innovations on abnormal returns increases. All in all, firm size proves to be an important control variable, pointing to complex relationships between stock market appreciation, on one hand, and type of announcements and type of innovations, on the other hand. The findings, by underscoring the importance of firm size, may also point attention to the relevance of firm resources. Comparing smaller firms with larger firms within the pharmaceutical industry, a key difference between the two types may be in terms of marketing and publicity. Hence, it is likely that larger firms will find it easier to grab the attention of the investors when they make formal announcements. Put in another way, the market may take greater notice of new product announcements when such announcements are made by larger companies.

The results of the hierarchical linear model, which account for the effects of top management team (TMT) prestige, suggest that the greater the senior manager's prestige, the greater the effect of: (i) an announcement relating to expectation of approval, as well as (ii) the innovation type on the change in the firm's stock price. In other words, it is not simply the *announcement*, but also

the *announcer* (i.e., top management team member) that plays a role in exerting significant effects on the market value of the firm. Also, when accounting for firm size, we see the same effect for larger firms making announcements relating to the expectation of product approval. It appears that investors react strongly when well known, prominent TMT members in the pharmaceutical industry make announcements regarding the expectation of product approval. Interestingly, even though official product approval has not been granted by the FDA, industry investors view these preapproval signals as significant indicators of future cash flow.

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CAUSE MARKETING: DOES CAUSE/BRAND "FIT" AFFECT BRAND ATTITUDE?

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SUMMARY

The number of causes that have been used to improve the image of a brand has increased dramatically over the last few years. While Hoeffler and Keller were some of the first researchers to mention the possibility of increasing performance or brand image through strategically matching the brand with a particular cause, this concept of brand/cause "fit" has received limited empirical support (Hamlin and Wilson 2004).

This study attempts to re-test the fit hypotheses first presented in Hamlin and Wilson's (2004) paper, due to the belief that their study suffered from a methodological limitation. In experimental advertising studies, fictitious brand names are commonly used whenever possible to avoid the familiarity bias that can be introduced when utilizing real brand names (McSweeney and Bierley 1984; Kennedy 1995; Till and Busler 1998; Dudley 1999; Till and Busler 2000; Smith and Stutts 2003; Shimp and Stuart 2004; Liu and Johnson 2005). In Hamlin and Wilson's (2004) experiment a local brand was employed, which meant that they measured all of the preconceived notions regarding consumers' image of the brand, referred to as the brand familiarity effect (Smith and Feinberg 1998). Therefore, this paper is an attempt to replicate their study using fictitious brand names. This study contributes to the literature by adding to academic knowledge regarding the value of brand/cause "fit" on brand attitude.

H1: The use of a cause that fits well with a brand will result in a more favorable brand attitude than will the use of a cause that does not fit well with the brand.

In addition to testing a brand/fit hypothesis, we also explore the effects on brand attitude of causes that are geographically proximate to the target audience. Is it sufficient for a cause to have a natural fit with a brand or does it also have to be locally oriented? A previous study has shown that consumers prefer local companies that conduct cause marketing over similar campaigns run by non-local companies (Clark and Ellen 2001). In other areas, there is also evidence that businesses prefer to donate to local charities (Hardwick 1973; Smith and Alcorn 1991), so it may be argued that consumers also prefer to donate to local causes. Thus, we suggest the following hypothesis:

H2: Given that a cause is a good "fit" with the brand; brand attitude will be higher for the product when it is paired with the local cause.

This study utilized an experimental design in order to test the aforementioned hypotheses. Mock ads were created which paired a product with (1) national cause that was a strong fit (2) a national cause that was not a fit (3) a local cause that was a strong fit and (4) a local cause that did not fit the product being advertised. Following an ANOVA analysis, we used planned contrasts to test whether differences between groups were significant and in the expected direction. The dependent variable was a brand attitude measure, which was constructed based on Stuart, Shimp, and Engle's 1987 measurement of brand attitude, considering components of both brand attitude and overall brand affect.

The experiment yielded mixed results. More specifically, this study used two different types of products in which to test the hypothesis, and in the case of one set of products (baby formula and diapers), both hypotheses were supported. For our second set of products (adult diapers and protein drink), however, neither hypothesis was supported. Leading us to believe that there is still more work to be done in order to discover whether fit is important, and if so, in what instances is it important.

More importantly, we find some evidence that the best cause for a firm to support is one that is both strategically fitting and local. In our first experiment (conducted with baby products), we show that a product that is associated with a local well-fitting cause is perceived superior to a cause that has a good fit with the product but on a national level. This is an exciting prospect for future research.

Other avenues for further research may be to determine the most effective way to establish fit. For instance, in testing our first hypothesis, we considered fit in terms of target market, such as pairing children products to children's charities. In testing our second hypothesis, however, we established fit in terms of product category, such as pairing food items with a local foodbank. In any case, it would be beneficial to know if consumers respond differently to different types of fit, or if there is a more effective way to strategically fit the brand with the cause. References available upon request.

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BUILDING BRANDS THROUGH BRAND ALLIANCES: RISK REDUCTION OR BONDING?

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SUMMARY

Interest in brand alliances has grown since Rao and Reukert's (1994) seminal paper, academic publications addressing brand alliances have increased from only five published papers prior to 1999, to seventeen such papers in the six-year period between 1999 and 2004 (Voss 2006). Brand alliances are cooperative marketing activities involving short- or long-term combinations of two or more individual brands (Rao and Reukert 1994; Rao, Qu, and Reukert 1999; Simonin and Ruth 1998). A recent development in brand alliances is the partnership of one focal brand with multiple brand allies. Examples include: YUM! Brands, Inc. building restaurants carrying two or more of their five major brands; Hewlett-Packard computer ads with allies Microsoft and Intel; a T-Mobile ad which included the logos of seven partners; and a Samsung ad in partnership with Circuit City and the Joe Torre Safe at Home Foundation.

The purpose of this paper is to test two competing explanations of how consumers evaluate brand alliance information. Signaling theory contends that the producer has superior information regarding their product's inherent quality relative to the product's customers (Akerlof 1970; Rao and Reukert 1994). When the quality of a good cannot be determined prior to purchase and consumption (called *experience goods* {Nelson 1970}), this asymmetry in information motivates the producer to engage in marketplace signaling. Within the signaling theory tradition, there are two possible ways in which a brand signal might work (Montgomery and Wernerfelt 1992). The bonding hypothesis holds that the potential loss of future profits and/or prior investments in reputation building will act as a bond for the brand's quality (Rao and Ruekert 1994). The risk reduction hypothesis suggests that the brand signal is an indicator that reduces the likelihood of a bad outcome for the buyer (Montgomery and Wernerfelt 1992). In this paper, we provide a test of whether the bonding hypothesis or the risk reduction hypothesis provides a better explanation of consumers' brand alliance evaluations.

Published brand alliance studies using signaling theory have almost exclusively considered the bonding hypothesis and focused on alliances between two brands (e.g., Rao and Ruekert 1994; Rao, Qu, and Ruekert 1999). Since we envision consumers as preferring savings for themselves relative to punishing the sender of bad signals, we suggest the risk reduction hypothesis is a better explanation of the brand alliance effect. A relevant issue is whether or not the addition of a second ally provides marginal benefits for the primary brand (Voss and Gammoh 2004). We suggest that the addition of a second ally is a key test between the alternative explanations offered by the bonding and risk reduction hypotheses. Since the risk reduction hypothesis argues that the signal indicates a narrow variance in quality (Montgomery and Wernerfelt 1992), a second brand ally should have little impact on consumer evaluations of the focal brand. Whereas the bonding hypothesis would suggest that, since the size of the posted bond increases as allies are added, there should be some marginal impact on consumer evaluations of the brand.

We generate and test four hypotheses: H_1: Perceived quality of an unknown experience brand when a well-known, reputable ally is present will be higher than when no ally is present; H_2: Perceived quality of an unknown experience brand when two well-known, reputable allies are present will be higher than when no ally is present; H_3: Perceived quality of an unknown experience brand when two well-known, reputable allies are present will *not* be higher than when one ally is present; H_4: The effect of the brand alliance manipulation on perceived quality will be mediated through perceptions of reduced search costs and not through perceptions of potential loss to the ally.

Randomly assigned participants were exposed to a product concept description for a chocolate cake mix with peanuts. The product concept descriptions were identical except for the addition of the names of one or two brand allies. Two allies (Food Network [FN] and Better Homes& Gardens [BH&G]) were selected from compatible product markets. This study involved a 2×2 factorial design. We measured perceived quality (PQ), perceived reduction in search costs, and exposure to loss by the firm. We also collected a brand recall measure as a manipulation check for our brand alliance manipulation. Participants were 156 students at a major university located in the southwestern U.S.

All of our measures achieved acceptable reliability levels (PQ = .82, risk reduction = .82, bonding = .83). Exploratory factor analysis indicated that for each construct all items loaded on a single factor. Regarding the manipulation check, 98 subjects (63%) correctly indicated the number of brand names contained in the ad to

which they were exposed. An analysis of variance (ANOVA) on the perceived quality measured resulted in a significant model ($F = 4.14$, $df = 3$ and 152, $p = .007$). The model resulted in a significant main effect for BH&G, but not for FN, and a significant two-way interaction. Planned comparisons indicated support for H_1 and H_2, the data failed to reject H_3. Most importantly, processed mediation indicated reduction in risk, but not exposure to loss, mediated the treatment effects on perceived quality supporting H_4.

The manager's decision to use multiple brand alliances likely depends on the purpose of the alliance. Our studies suggest that if the main purpose of the brand alliance is signaling quality, then one reputable ally is probably sufficient. However, if the goal is to signal the presence of two or more specific attributes, build brand awareness, build brand image or corporate reputation, or improve channel penetration multiple brand alliances may still be warranted. References available upon request.

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BRAND EXTENSION: AN INTEGRATED FRAMEWORK OF AFFECT TRANSFER

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SUMMARY

This study addresses the issue of affect transfer process in the context of brand extensions. Key contributions of the study include two aspects: from academic perspective, it provides a conceptual framework that well integrates two main dimensions in the literature and provides a theoretical foundation of affect transfer process in the brand extension context. From a practitioner point of view, two factors (expectancy and relevancy) have direct impact on the affect transfer process and incorporate different variables studied before. It provides a pragmatic way to measure consumers evaluations of brand extensions.

Previous studies in this area focused on either one of two dimensions: the relationship between the original product category and extension product category (P_0 and P_e) and the relationship between the brand associations and the extension product category (B_0 and P_e). In the first stream of literature, consumers prefer the P_e that has a close relationship with P_0. Studies differ in their ways of defining and measuring the relationship between two product categories. Three constructs are used to measure such relationship: the perceived fit between P_0 and P_e, the typicality of P_e to P_0 and usage similarity between P_0 and P_e.

An alternative perspective suggests that the relevancy of the brand concept also influences the affect transfer process. Research in this stream differs from the preceding one in that the role of a brand is emphasized. Two constructs are used to capture the relationship between B_0 and P_e. The first one is the consistency between a brand image and category associations. The literature suggests that affect transfer will occur when two products share a similar image as either more utilitarian or more prestige-oriented. Another construct to reflect the relationship between B_0 and P_e is the relevancy. Here the relevancy refers to the importance of B_0 associations to P_e. Studies suggest that a brand with relevant association to the extension category is more preferred than a brand with less-relevant associations even with high brand affect.

Our study proposes an affect transfer framework that integrates both dimensions. Fiske (1982) proposes a model suggesting that schematic match-up determines the affective responses. If an item is congruent with an existing schema, people are able to receive the affect linked to that schema. Such transfer will not take place when the item is incongruent with existing schemas. Two factors were found to be important to congruence: expectancy and relevancy.

In the context of brand extension, we define expectancy as the degree to which the extension product is expected by consumers. Comparing with the concept of similarity, expectancy is a broad concept that incorporates consumers' individual brand knowledge, product familiarity etc. The second dimension underlying the congruence is relevancy as suggested by Heckler and Childers (1992). In the context of brand extension, the relevancy is indicated by the extent to which the B_0 is important in the P_e. If the brand associations are highly important to the product category (such as fresh-feeling to the mouthwash), we consider those associations highly relevant. The concept of relevancy captures the relationship between B_0 and P_e.

In our framework, expectancy reflects common expected attributes between P_0 and P_e. Relevancy indicates the relationship between B_0 and P_e. We propose that, at the attribute level, most affect will transfer via those attributes that are relevant to P_e. We also propose that most affect transfer will occur when the brand is highly relevant to the extension product category and the extension category is highly expected by consumers.

We conducted two experiments to examine our framework. Two experiments investigate the brand extension evaluations at two levels: at product level (the factor of expectancy) and also at the attribute level (both factors: expectancy and relevancy). Two experiments follow the same instructions except that we use a strong brand (Dell) in the first one and validate the results in the second experiment with a weak brand (Gateway).

Our results indicate several interesting findings: first of all, consumers evaluations of the high-expectancy category are higher than that of the low-expectancy category across two experiments. In the first experiment, more affect was transferred via high-expectancy attributes than via low-expectancy attributes and more affect was transferred via high-relevancy attributes than via low-relevancy attributes. In a weak brand situation, same pattern was observed. However, results from experiment

two are not significant except that, in the situation of high-expectancy extension, more affect transfer via high-relevancy attribute than via low-relevancy attribute.

Based on our results, we suggest that a strong brand has the ability to stretch further than a weak brand. Affect transfer to a low-expectancy category can be observed in the case of a strong brand but not a weak brand. Another important implication for a weak brand is that more affect transfer via high-relevancy attributes than via low-relevancy attributes. But same conclusions cannot be drawn when comparing the amount of affect transfer via high-expectancy attributes versus low-expectancy attributes. Thus, the factor of relevancy seems to be more important than the factor of expectancy for a weak brand extension. References available upon request.

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THE ROLE OF SOCIAL INFLUENCE ON ADOPTION OF HIGH TECH INNOVATIONS: THE MODERATING EFFECT OF PUBLIC/PRIVATE CONSUMPTION

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SUMMARY

As technological innovations have become an integral part of the world economy in recent decades, predicting acceptance of those products has become a major goal of many researchers in academia and industry. Besides attitude, *social influence* could influence intentions as well, especially in the consumer context. This means that adoption decisions may be influenced not only by one's own attitude about a product but also by socialization forces due to our desire to align our behavior with referent group norms. The importance of social influence as a determinant of technology acceptance and usage has mostly been examined up until now in an organizational setting. Very few studies have examined the role of social influence in the adoption of high-tech innovations by consumers. In addition, past research has suggested that the public/private nature of a product can have a significant effect on consumption decisions. Hence, there is a reason to believe that the relationship between subjective norms and adoption intention could be affected by the perceived nature (public/private) of the product being consumed. Given that, the main objectives of this research are twofold. First, it empirically tests the role of social influence in determining adoption intentions. Specifically, it is proposed that social influence has a direct and positive effect on consumer intention to adopt an innovation above and beyond the role played by attitude. Second, it is proposed that the relationship between social influence and adoption intention is stronger when an innovation is publicly vs. privately consumed.

For direct effects, it is hypothesized that social influence will have a positive effect on consumer intention to adopt the innovation. Further, attitude toward the act (A_{act}) of adopting a particular high technology innovation has a positive effect on consumer intention to adopt the innovation. For moderating effect, it is hypothesized that the more a product is viewed as "publicly consumed," the more positive the relationship between social influence and adoption intention of high technology products. The results provided support for the main effects of both social influence and attitude on adoption intention of technology. For moderating effect of public/private nature of a product's consumption, the findings provide support for this relationship as it pertains to a high tech products. It seems, therefore, that adoption decisions regarding technological innovations are susceptible to social influence and this influence is greater when consumption of the product tends to be visible to others.

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TOWARD A FRAMEWORK FOR EVALUATING CONSUMER RESPONSE PATTERNS TO HUMANLIKE ROBOT IN A SOCIAL CONTEXT

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SUMMARY

The Rise of Consumer Robotics

Organismic technologies such as consumer robots are technologies that "mimic human intelligence and also serve human needs at a higher level," (Venkatesh, Karababa, and Ger 2002, p. 447). Clark's (2003) study suggests organismic technologies such as consumer humanlike robots (CHR) are different from other technological devices because they represent a comprehensive prototype of a nonbiological resource with the potential to create unique or ultimate self-extended perceptions in humans. It is worth noting that self-extended perception in individuals may be possible with any consumption item – as suggested in some consumer behavior studies (e.g., Tian and Belk 2005). Having said this, the contention that CHR's represent the comprehensive user sensitive technologies with the capability to mimic human intelligence at a higher level than other consumption items suggests that individual interaction with CHR may provide more in-dept insight into consumers' self-extended perception.

A recent report by the United Nations Economic Corporation for Europe (UNECE) suggests that the consumer robot market is at the onset of a "diffusion process comparable" to other commonly used technological innovations such as personal computers, mobile phones, the Internet, etc. (cf., The Economist 2004). The UNECE report also indicates that the use of domestic consumer robots will increase sevenfold by 2007 (UNECE is one of the five regional commissions of the United Nations focusing on global economic analysis). Future Horizon,[1] Europe's leading semiconductor analyst predicts that the total revenue from the robotics market will surge from $4.4 billion in 2003 to $59.3 billion in 2010.

The Hybrid Consumer and the Changing Nature of Consumption

Researching the pattern of consumers' responses to organismic technologies is also important to researchers in marketing. With current advances in the application of user-sensitive technologies and "cybernetic life forms," several consumer behavior researchers (e.g., Venkatesh, Karababa, and Ger 2002; Venkatesh 2004; Davis 1998; Giesler 2004; Giesler and Pohlmann 2003) have begun to question our present-day understanding of the traditional consumer. These researchers have advocated the need to develop studies that will advance the theory of posthuman consumer culture. They suggest that researchers should rethink their understanding of the consumer's identity in the wake of an emerging posthuman lifeworld populated by organismic technologies. For example, Giesler's (2004) study provided some support for the emergence of posthuman consumption culture in the context of entertainment using ethnographic data from the consumers of Napster. Venkatesh (2004) also suggests that future advances in "posthumanism" are likely to have a significant impact on world consumption and consumer interaction with organismic technologies is likely to be relevant to our understanding of the make-up of a posthuman consumer.

Overall, these background issues suggest that researchers are making efforts to develop studies that will help rethink the traditional subject-object view of the consumer in an emerging world of posthuman consumption. The underlying premise of this paper concerns the notion of the hybrid consumer and the changing nature of consumption. In line with that view, this study attempts to augment the notion of the emerging posthuman consumption culture by seeking evidence in the context of consumer response patterns to CHRs. Developing a study to explicate consumer interaction response patterns to organismic technologies such as consumer humanlike robots (CHR) will be useful in extending previous theoretical findings about the changing nature of the consumer or the "hybrid" consumer – the notion of the hybrid consumer is important considering the interaction with the CHR is interpreted not as with a "thing" but an "other." It is anticipated that the explication of individual response patterns to CHRs will provide useful insights and advance challenging questions about the emerging posthuman consumer.

Drawing knowledge from previous posthuman consumer culture (e.g., Giesler 2004; Shih and Venkatesh 2004) and human-machine interaction studies (e.g., Lee and Nass 2005; Libin and Libin 2003; Lombard, Reich, Grabe, Bracken, and Ditton 2000; Thrun 2004) and insights from the evaluation of two sets of qualitative data gathered from a focus group session on human robot interaction, the author hypothesizes that differences in the consumer's response patterns toward "organismic" technologies such as consumer humanlike robots (CHR) can be attributed to the consumer's propensity to seek intervening control over their actions in a social context, which is termed perceived sense-of-disextension (SOD).

The SOD construct indicates the possibility of unique differences in the disposition of the posthuman consumer. The intensity of disaffection with the CHR is significantly related to high levels of SOD perception. Perhaps individuals who desire intervening control are less of a cyborg than individuals who indicate less intervening control with CHR. The SOD construct is included in a framework that identifies relevant antecedent variables such as "willingness to suspend disbelief," perceived compatibility, previous experience and anthropomorphism as predictors of "sense of social presence" and emotional response toward a CHRs. The contribution of the study includes the conceptualization of the SOD construct and the explication of a framework of individual response to a technology that is close to an ultimate representation of a posthuman consumption condition. References available upon request.

ENDNOTE

[1] http://www.futurehorizons.com/

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IMPACTS OF VIRTUAL COMMUNITY PARTICIPATION ON CONSIDERATION SET SIZE, BRAND SWITCHING INTENTION, AND BRAND LOYALTY

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SUMMARY

Consideration set formation refers to the stage prior to choice processes, during which the consumer uses simple, or heuristics criteria to screen the available brands to form a smaller set that he/she would extend effortful evaluation (Chakravarti and Janiszewski 2003). It can be explained by the concept of bounded rationality (March and Simon 1958) and economic rationale (Stigler 1961) that account for the consumer's trade off between the cost (effort) and benefit of using consideration sets of different sizes and compositions. As a fundamental element in the consumer's decision making process, consideration set has generated a stream of well-documented research since its inception by Howard and Sheth (1969).

In recent decades, research in this area has focused on examining the influence of marketing mix elements (Mitra and Lynch 1995), individual heterogeneity (e.g., price sensitivity) (Mehta, Rajiv, and Srinivasan 2003), and contextual factors (e.g., entry of new brand) (Lehmann and Pan 1994) to maximize the consideration set's utility. These studies assume that consumers selectively consider a small number of brands because they have limited ability to acquire and process information. Thus, they assume that the costs for information search are relatively constant and the process is independent of other consumers' influence. We argued that Internet and the changes it brings to peoples' life could offset these assumptions. Internet as a medium has undeniable superiority in providing a speedy, efficient, and interactive platform for information exchange. The characteristics of "machine interactivity," which allows consumers to "participate in modifying the form and content of a mediated environment in real time" (Steuer 1992, p. 84), marks a radical departure from traditional marketing environments. Message board, the most consumption related virtual community is a typical example of how the Internet may affect consumers' brand consideration set formation. We propose that it functions in four aspects.

First, participation in a virtual community of consumption increases a consumer's exposure to multiple brands. Second, it enhances a consumer's product knowledge. It not only greatly reduces the costs of information search but provides consumers with diversified information from alternative sources. Third, "virtual communities of consumption" (VCC henceforth) reduce traditional market power and increase a consumer's susceptibility to VCC members' opinions in the decision making processes (Kozinets 1999). The influences may include both informative and normative aspects. Forth, participation in the community may also exert impact on a consumer's motives in brand selection. On the one hand, the culture of multiple-brand comparisons on the message board encourages a consumer's variety seeking motive in brand selection. On the other hand, the diversified, and both positive and negative comments on the brands may enhance a consumer's risk-aversion tendency.

The objective of this study is to fill this gap by empirically investigating the impact of the consumers' participation in message boards, a form of VCC, on the consumer's consideration set size, brand switching intention and brand loyalty. We would also investigate the potential mediating role of the consumer's product knowledge, susceptibility to the community's influence, and motives in brand selection.

We conducted a survey with more than 900 members of a VCC of beauty enthusiasts, a message board affiliated with a popular female website in China. We chose it because beauty products are among the most heavily advertised product categories in China (CTR Market Research 2005). Consumers of beauty products are faced with not only various products and brands with few intrinsic quality cues but also a high volume of marketer-induced information, signifying the role of VCC for consumers.

Most of the items on the survey were adapted from existing scales to fit the context of a message board. Results of CFA showed that our constructs fulfill the criterion for adequate convergent and discriminant validity. We ran regressions to test the hypothesized relationships. The results supported that participation in a message board increase a consumers' consideration set size, brand switching intention, and, rather unexpectedly, loyalty to the focal brand. Moreover, we found that the impacts of message board participation were fully mediated by a consumer's product knowledge, informative and normative susceptibility to the community influence, the risk-aversion and variety-seeking motives in brand selection.

While previous research primarily focuses on the knowledge development function of VCC (Chiou and Cheng 2003), our study show that aside from information seeking, other forms of participation (networking, active participation, and emotional involvement) also affect a consumer's brand selection processes. In addition, we found that networking behaviors played a determining role affecting a consumer's susceptibility to normative influence from the community and brand loyalty. Our findings imply that although the message board is open to multiple brand comparisons, consumers may prefer to form niches and network with those who use similar brand, which in turn enforces their loyalty towards the focal brand in a manner reminiscent of traditional brand communities. In sum, as a preliminary study, the current study advances our understanding of the functions of VCC in consumers' brand selection process. While we only focus on a single message board about a single product category, the complex functions of VCC awaits for more future research efforts. References available upon request.

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DOES AFFECTIVE TRUST MATTER IN INTERFIRM RELATIONSHIPS? THE SUPPLIER'S PERSPECTIVE

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ABSTRACT

This study investigates the role of affective trust in interfirm relationships and the process by which affective trust is developed. The LISREL approach is employed. The empirical results support the moderating role of affective trust. Academic and managerial implications are discussed.

INTRODUCTION

Trust is considered a critical construct in the development of sustainable long-term, relational exchanges between business partners (e.g., Dwyer, Schurr, and Oh 1987). Previous research has addressed several aspects of trust in terms of its antecedents (e.g., Morgan and Hunt 1994; Doney and Cannon 1997) and its outcomes (e.g., Hewett and Bearden 2001). The categorization of trust into cognitive, affective, and behavioral dimensions has but lately attracted research attention in areas such as management (e.g., McAllister 1995; Doney, Cannon, and Mullen 1998) and recently in the area of services marketing (e.g., Johnson and Grayson 2005). McAllister (1995) and Johnson and Grayson (2005) conclude that both cognition-based trust and affect-based trust should be treated as separate constructs as they independently affect business relationships in different ways. According to Johnson and Grayson (2005), cognitive trust "arises from an accumulated knowledge that allows one to make predictions, with some level of confidence, regarding the likelihood that a focal partner will live up to his/her obligations" (p. 501). This form of trust is based on rational processes which determine whether the other party in the relationship is reliable and competent, and therefore, can be trusted (McAllister 1995; Doney et al. 1998). Affective trust is generated by feelings of concern and care that one partner displays for the other (e.g., McAllister 1995; Johnson and Grayson 2005). Strength of the relationship or the level of security felt in it further characterizes affective trust (Lewis and Weigert 1985; McAllister 1995). This form of trust is rather subjective in nature, as the perceived trustworthiness of one party is based on emotions and moods felt for the other (Hansen, Morrow, and Batista 2002).

While trust theoretically is considered an important element in business-to-business relationships, few studies that categorize trust into cognitive and affective dimensions have focused mainly on the cognitive trust development process (e.g., Doney and Cannon 1997; Doney et al. 1998). Since organizations in exchange relationships are considered both economic and social actors, it is conceivable that while they enter into business relationships for economic reasons, they develop and express their feelings in close emotional relationships. This study investigates the role of affective trust in interfirm relationships. In particular, this study examines the antecedents of affective trust and the process by which affective trust is developed. The empirical analysis is based on a questionnaire survey. To analyze the data, the LISREL approach is employed. Academic and managerial implications will be discussed.

RESEARCH HYPOTHESES

Based on prior research (e.g., McAllister 1995; Johnson and Grayson 2005), a conceptual model is proposed. The antecedents (cognitive trust, buyer reputation, mutual goals, and total interdependence) have been consistently identified as important factors in promoting trust or emotional attachment in the channel literature (e.g., Morgan and Hunt 1994; Kumar, Scheer, and Steenkamp 1995). The two outcomes comprise of supplier flexibility and supplier performance. The former represents the behavioral dimension of trust while the latter has long been debated in the relationship marketing literature and requires further investigation (e.g., Doney and Cannon 1997).

Previous studies have indicated that cognitive trust is conceptually different from cognitive trust (e.g., McAllister 1995; Johnson and Grayson 2005). It can be argued that a channel member who cognitively trusts the other partner's capabilities may not like that partner or vice versa. The link between cognitive and affective trust, therefore, requires empirical testing. Theoretically cognitive trust and affective trust may develop concurrently, however, in business relationships it is more likely that cognitive trust precedes affective trust. This is consistent with the results of past studies (e.g., Johnson and Grayson 2005; McAllister 1995).

H_1: The greater the level of the supplier's cognitive trust, the greater the level of its affective trust.

Within a business relationship buyer reputation "is both a symbol of value reciprocation and an expression of empathy for the customer" (Johnson and Grayson 2005, p. 502). Perception of an exchange partner's fairness and honesty is key (Doney and Cannon 1997). A good reputation also can be secured by being seen to do the "right thing" (Drumwright 1994). Organizations that take into account their partner's needs are more likely to be trusted than those that strictly advance their self-interests (Ganesan 1994). Such acts of consideration and morality suggest buyer reputation leads to affective trust.

H_2: The greater the supplier's perception of the buyer's reputation, the greater the level of its affective trust.

Mutual goals refer to a set of aims and objectives that buyers and sellers have in common with one another (Zineldin and Jonsson 2000). In essence, the relationship between channel members occurs for the purpose of pursuing mutually beneficial goals (Oliver 1990). Adherence to negotiated, mutual goals is not automatic in business relationships. An exchange partner may pursue self interest without regard to mutual goals. If this occurs, the other partner is more likely to respond with economic or social sanctions to such action and/or withdraw from the relationship (Meeker 1983), resulting in loss for both partners. Overtime, exchange partners learn to regulate their own behaviors to achieve mutual goals. Relational bonds are strengthened and affective trust is developed.

H_3: The greater the supplier's perception of mutual goals, the greater the level of its affective trust.

Total interdependence is the combined extent to which both partners need and rely on one another for essential resources to achieve their objectives (e.g., Gundlach and Cadotte 1994). This suggests that both partners are motivated to maintain and strengthen the relationship to gain benefits that interdependency brings (Kumar, Scheer, and Steenkamp 1995). According to the concept of bilateral convergence which portrays the interdependence structure in which interests of the channel members are convergent, a high level of total interdependence generates a supportive climate in which emotional bonds can be developed from a functionality of a deepened relationship (Kumar et al. 1995).

H_4: The greater the supplier's perception of total interdependence, the greater the level of its affective trust.

In relational exchanges, exchange partners are expected to exhibit relational behaviors that help them cope better with unexpected contingencies (Noordewier, John, and Nevin 1990). Flexibility refers to the extent to which suppliers are accommodating in their dealings with buyers. In addition to information exchange and cohesion, flexibility is regarded as an important relational norm influencing channel relationships (Heide and John 1992). In an unpredictable business environment an exchange partner's flexibility assists the adaptation process, which in turn enhances performance (Lusch and Brown 1996). It is argued that the supplier who affectively trusts the buyer will avoid opportunistic behavior (Donney and Cannon 1997), make sacrifices (Ganesan 1994), and become flexible when the buyer encounters unexpected circumstances.

H_5: The greater the degree of the supplier's affective trust, the greater the degree of its flexibility toward the buyer.

The effect of trust on business performance has been a central debate for researchers and practitioners (e.g., Atuahene-Gima and Li 2002). Past studies show trust, as operationalized as a global construct, to enhance business performance of exchange partners (e.g., Hewett and Bearden 2001). It is argued here that the supplier's affective trust of the buyer is directly responsible for making a close working relationship with the buyer possible. The supplier's confidence in the buyer's goodwill and social bonds leads to cooperation between both parties (Morgan and Hunt 1994). The cooperation between supplier and buyer can manifest itself in the form of innovation and learning, leading to joint improvement in the distribution process and enhanced performance (Sako 1998; Jap 1999).

H_6: The greater the degree of the supplier's affective trust, the greater the degree of its satisfaction with business performance.

The main premise of this study is to examine whether affective trust matters in interfirm relationships. Past research provides some evidence that the proposed antecedents directly enhance exchange outcomes. For example, Lambe, Spekman, and Hunt (2000) propose that in the interimistic relational exchange constructs such as total interdependence and an exchange partner's reputation for fair dealing can potentially replace trust as governance mechanism. Buyer reputation is found to affect a customer's cognitive trust which enhances the service provider's sales effectiveness (Johnson and Grayson 2005). Therefore, in order to refute or support the role of affective trust in the interfirm relationship with regards to its effect on the outcomes, this hypothesis is proposed.

H_7: Affective trust is a mediator to the relationship between the antecedents (cognitive trust, reputation, mutual goals, and total interdependence) and two outcomes (supplier flexibility and supplier satisfaction with business performance).

RESEARCH METHODS

A questionnaire, utilizing the key informant approach, was the primary method used to collect the data. A database of randomly selected Australian suppliers within manufacturing industries was purchased. Telephone calls were made to verify the list and to elicit participation from key informants. Key informants are employees of the firms who deal directly with the buying organizations and thus have high levels of knowledge about the organizational relationship with the buyer (Kumar, Stern, and Anderson 1993). Two mail-outs with a reply-paid envelope were sent to 335 key informants who verbally agreed to participate in the study when they were contacted by phone calls. In all 163 usable responses were returned, resulting in a 48.7 percent response rate. Non-response bias was assessed using a technique recommended by Armstrong and Overton (1977) and no significant difference between responses received from the first mail-out and those from the second mail-out was found. Missing data were handled using mean replacement.

Measures

All model constructs were multi-item constructs drawn from previous studies. For example, cognitive trust and affective trust are adapted from McAllister (1995). The survey questions and more specific operational definition of term used in the study are available from the authors. All constructs were measured with seven-point Likert scales ranging from "strongly disagree" (1) to "strongly agree" (7).

Validation of the Measurement Model

The measures were purified through confirmatory factor analysis (CFA) using LISREL 8.7 to ensure construct validity and reliability. To verify unidimensionality of the scale, each construct was subjected to CFA individually, and then all constructs were subjected to a combined CFA to make sure that items did not cross load onto more than one construct. Items that cross loaded onto more than one construct were deleted. The measurement model obtained in this step indicates a good fit ($\chi^2_{(244)}$ = 283, ρ = 0.00, GFI = 0.87, CFI = 0.98 and RMSEA = 0.04). All factor loadings are significant for the t-values range from 6.75 to 16.452. All constructs also show reasonably high levels of construct reliability (CN), ranging from 0.76 to 0.94. The average variance extracted (AVE) ranges from 0.53 to 0.84, exceeding the recommended threshold of 0.5. Thus, convergent validity for all constructs is supported. Discriminant validity is also achieved since the squared correlation between any two constructs ranges from 0.04 to 0.64 and does not exceed either of the respective construct's AVE (Fornell and Larcker 1981). Also, the unity test was used to assess the discriminant validity between cognitive and affective trust. The χ^2 difference test for the constrained ($\chi^2_{(9)}$ = 121.14) and unconstrained models ($\chi^2_{(8)}$= 20.78) is significant ($\Delta\chi^2_{(1)}$= 100.36). This indicates that the two trust constructs are different.

RESULTS

Structural equation modeling was employed to test the hypotheses. Table 1 shows that the proposed fully mediated model provides a reasonably good fit ($\chi^2_{(139)}$ =167.90, β = .05, RMSEA = 0.036; CFI = 0.99 and GFI = 0.90). From Table 1, it can be seen that most hypotheses are supported. Cognitive trust is positively and significantly related to affective trust (β = 0.42, t = 4.53, p < 0.01). Reputation is positively and significantly related to affective trust (β = 0.37, t = 2.96, p < 0.01). H_3 is rejected since mutual goals are not significantly related to affective trust (β = 0.05, t = 0.62, p > 0.10). Total interdependence is also found to be positively and significantly related to affective trust (β = 0.20, t =3.29, p < 0.01). Affective trust is found to be positively and significantly related to both flexibility (β = 0.41, t = 4.79, p < 0.01) and satisfaction with performance (β = 0.46, t = 5.58, p < 0.01).

Rival Models

Model A contains direct paths from the proposed antecedents to the two outcomes and three additional paths from mutual goal, reputation, and total interdependence to cognitive trust. These paths are modeled to examine (1) the direct effects of the antecedents on the two outcomes and (2) the direct effects of reputation, mutual goals, and total interdependence on cognitive trust. As shown in Table 1, Model A, cognitive trust has a significant direct effect on supplier satisfaction with performance (β = 0.20, t = 1.93, p < 0.10) and total interdependence has a significant direct effect on supplier flexibility and the supplier satisfaction with performance (β = 0.27, t = 3.07, p < 0.01 and β = 0.26, t = 3.20, respectively). Reputation has a direct effect on cognitive trust (β = 0.67, t = 5.59, p < 0.01).

To test H_7, the mediating effects of affective trust, the results of Model A are compared to those of Model B, which allows for partial mediation by affective trust and a direct effect of reputation on cognitive trust. As suggested by Baron and Kenny (1986), the variable is a full mediator if a relationship between the antecedents and the outcome variable is reduced to a non-significant result after adding a path between the mediator and the outcome variable. As shown in Table 1, once the mediator (affective trust) is included into the model (Model B), the significant path from cognitive trust to supplier satisfaction with performance becomes insignificant (β = 0.15, t = 1.41, p > 0.10). However, the significant paths from total interdependence to both supplier flexibility and supplier

TABLE 1
Results for the Three Structural Models

Proposed Model Fully Mediated Model (Affective Trust as a Mediator)		Rival Model A		Model B Partial Mediated Model	
Paths	**Std. Estimate**	**Paths**	**Std. Estimate**	**Paths**	**Std. Estimate**
CT → AT	**0.42** (4.53)***			CT → AT	**0.42** (4.48)***
RP → AT	**0.37** (2.96)***			RP → AT	**0.37** (2.93)***
MG → AT	0.05 (0.62)			MG → AT	0.05 (0.63)
TI → AT	**0.20** (3.29)***			TI → AT	**0.18** (2.78)***
AT → SF	**0.41** (4.79)***			AT → SF	**0.30** (3.16)***
AT → SP	**0.46** (5.58)***			AT → SP	**0.23** (1.79)*
		RP → CT	**0.67** (5.59)***	RP → CT	**0.64** (6.99)***
		MG → CT	-0.05 (-0.47)		
		TI → CT	0.01 (0.14)		
		CT → SF	0.18 (1.56)		
		MG → SF	0.08 (0.70)		
		RP → SF	0.05 (0.34)		
		TI → SF	**0.27** (3.07)***	TI → SF	**0.24** (2.72)***
		CT → SP	**0.20** (1.93)*	CT → SP	0.15 (1.41)
		MG → SP	-0.04 (-0.38)		
		RP → SP	0.19 (1.29)		
		TI → SP	**0.26** (3.20)***	TI → SP	**0.22** (2.72)***
Model fit	$\chi^2_{(139)}$ =167.90		$\chi^2_{(90)}$ =104.75		$\chi^2_{(136)}$ =151.49
ρ	.05		0.14		0.17
RMSEA	.036		0.032		0.027
CFI	.99		0.99		0.99
GFI	.90		0.93		0.91
IFI	.99		0.99		0.99
PNFI	.78		0.72		0.76

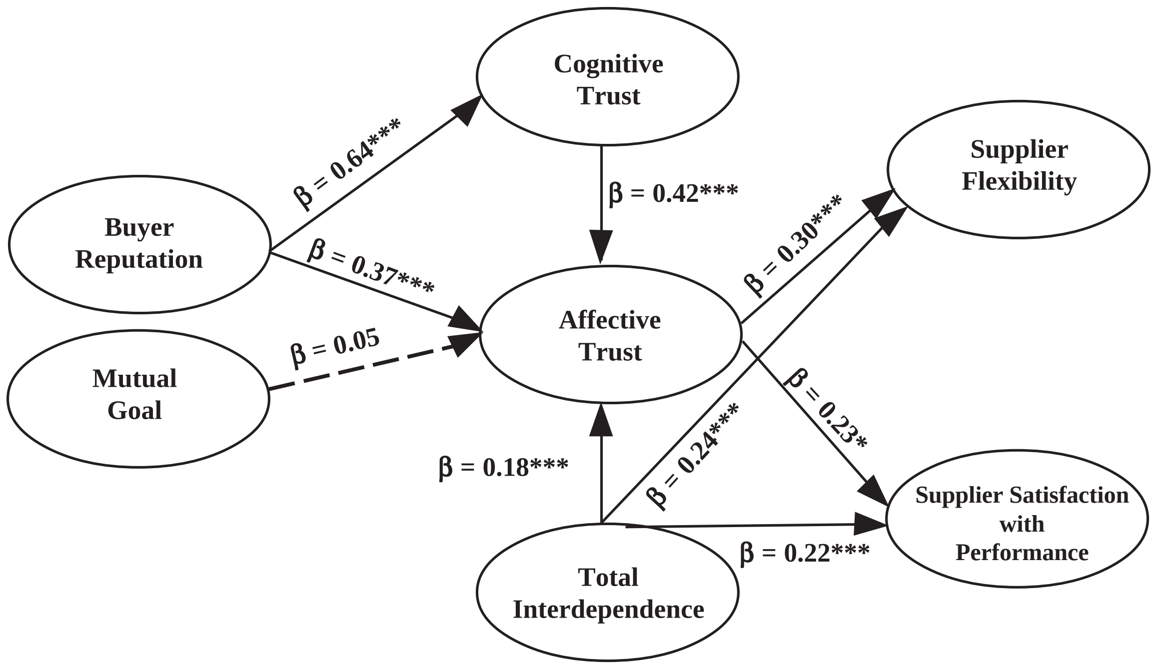
Note: * < .10 (two-tailed test), ** < .05 (two-tailed test) and *** < .01 (two-tailed test)
CT = cognitive trust; AT = affective trust; MG = mutual goal; RP = reputation;
TI = total interdependence; SF = supplier flexibility and SP = supplier satisfaction with performance

satisfaction with performance remain significant (β = 0.24, t = 2.72, p < 0.01 and β = 0.22, t = 2.72, p < 0.01, respectively). These findings indicate that affective trust is a full mediator of the relationship between cognitive trust and performance satisfaction, and a partial mediator of the relationship between total interdependence and the two outcomes, showing H_7 is partially supported. Accordingly, Model B is presented as the final model as shown in Figure 1.

DISCUSSION AND IMPLICATIONS

Since channel members are seen as economic and social actors who depend on each other's resources to create value in business exchanges, the categorization of trust into cognitive and affective trust gives insights into the underlying motives of behaviors and interactions in interfirm relationships. Based on the concept of bilateral convergence, it is proposed and found that cognitive trust and total interdependence lead to affective trust. Additionally, buyer reputation is found to promote both cognitive trust and affective trust. Apparently, reputation enhances credibility (Ganesan 1994) and the mutuality of interests motivates exchange partners to understand and support one another's goals, interests, and expectations overtime (Dwyer et al. 1987; Doney and Cannon 1997). Management should search for reputable buyers and then allow time for reciprocity norms to be developed to

FIGURE 1
The Final Model



promote commitment and trust within the relationship (Kumar et al. 1995). Management also should be aware of the concurrent demands total interdependence can place on relationships and make sure not to overextend their resources.

In particular, the results of the study mostly support the mediating role of affective trust. Affective trust is found to be a full mediator of cognitive trust with respect to supplier flexibility and performance satisfaction. The results of the study also show that cognitive trust does not affect supplier flexibility directly, but it indirectly does so through affective trust. These suggest that suppliers who exhibit only cognitive trust may still wish to be flexible in their relationship, but flexibility also incurs costs which may not promote sales and profits in a short time. Although not all suppliers are invested emotionally in the relationships with their buyers, those who are concerned about their partners' interests and welfare may be more willing to help out their partners in difficult times to ensure the long-term continuance of their relationship. The results also indicate that suppliers who like their buyers tend to be more satisfied with their own performance. Management should not neglect the importance of affection when choosing business partners.

Unanticipated, yet significant, are the direct relationships found between total interdependence and both outcomes of supplier flexibility and performance satisfaction. These unanticipated results are consistent with those of Hibbard, Kumar, and Stern (2001) in that suppliers who perceive high levels of interdependence report higher satisfaction with business outcomes. Lusch and Brown (1996) find that when there is a high level of bilateral interdependence (a multiplicative term of the dependence of each partner on the other), exchange partners use a normative contract (information exchange, solidarity, and flexibility norms) to govern exchange relationships. Also, mutual goals are found to be unrelated to affective trust. In part this insignificant result may be attributed to the way in which mutual goals is measured and perceived. The operationalization of mutual goals as a global construct may not capture the construct well. Further research is recommended.

With all research limitations exist, this study is no exception. Data were collected from Australian suppliers, and thus, it is unknown whether or not the buyers hold similar views with respect to trust. Responses of both partners in a dyadic relationship should be examined. Another limitation is the potential existence of respondent bias, due to having only one informant per each supplier company assess levels of trust as well as its satisfaction with performance. In many situations, a number of employees in an organization may in fact deal with the same buyer. Future studies should ask multiple informants.

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DOES EMOTIONAL INTENSITY MATTER IN INTERFIRM RELATIONSHIPS?

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SUMMARY

Inter firm buyer-seller ties are vital to understanding the formation of commitment. Drawing upon the tie strength sociology literature, this study conceptualizes four dimensions of inter-organizational tie strength and examines their effects on the buyer organization's commitment to the selling organization, as well as the impact of commitment on favorable customer behavior. Surprisingly, the B2B literature has placed little emphasis on the emotional content of inter-organizational relationships instead focusing on the behavioral-based dimensions. This lack of emphasis is a concern because interpersonal affective dimensions of buyer-seller relationships have been linked to relationship development outcomes. Consequently, research on the emotional dimension at the interorganizational level is necessary.

In addition, existing research has tended to treat tie strength as a holistic or global construct, and to ignore its multi dimensional nature. Research on the strength of ties has typically conceptualized the construct as recency or frequency of contact, relational embeddedness, or resource commitment (amongst other uni dimensional conceptualizations). Tie strength has been argued to influence a range of relationship outcomes, such as information quality, cooperation, influence, trust and governance. Due to the diversity of its effects, and the potential for both emotional and behavioral influences, it is necessary to more completely conceptualize the dimensions of tie strength, and examine how each impacts commitment.

In the tie-strength sociology literature, Granovetter (1973) conceptualized four dimensions of tie-strength: relationship length, emotional intensity, mutual confiding, and reciprocal services. With some adaptation for the B2B context, this framework can offer an expanded view of B2B relationships by including both emotional and behavioral dimensions. Such a conceptualization is used in this study.

Data is collected from 119 industrial purchasing managers in regard to a relationship with one particular manufacturing organization. Analysis using structural equation modeling reveals that three of the four identified properties of tie strength (reciprocal services, mutual confiding, and emotional intensity) are positively related to commitment. Interestingly, the strongest relationship was found between emotional intensity and commitment – an understudied dimension of B2B relationships. Further, no relationship was found between the length of the relationship and commitment. As well, commitment is positively related to favorable customer purchase behavior.

Several conclusions are drawn from this research. First, the results of this study challenge the predominant viewpoint of tie strength between business organizations as being uni-dimensionality and devoid of emotional content. Drawing upon the tie-strength sociology and marketing literature, we found empirical support for four distinct properties of tie-strength. Importantly, three of these four properties, including mutual confiding, reciprocal services, and emotional intensity, were positively related to commitment. This evidence suggests that using a holistic (global) tie strength construct will not adequately reveal how tie-strength influences commitment.

Second, the findings of this study suggest that B2B relationships are not devoid of relevant emotional content. Emotional intensity was found to be an important driver of commitment. Our research suggests that the emotional content of relationships can be viewed as independent of, and an antecedent of commitment.

Finally, no relationship was found between relationship length and commitment in buyer-seller relationships. Our results support the notion that the link between relationship length and commitment may be context dependent when viewed with other commitment research. That is, this relationship has been found significant in some service relationships (e.g., Tellefsen and Thomas 2005), but not in industrial buyer-seller relationships. Our findings indicate that, in business-to-business relationships, suppliers are continuously monitored on an ongoing basis and evaluated on the qualities of the relationship, regardless of how long the relationship has been in place. Buyers may resist long-term relationships that restrict them to an incumbent vendor. This study suggests that in business to business relationships, managers need to revisit their relationship marketing strategies to consider both behavioral and emotional ties with buyer organizations. References available upon request.

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CUSTOMER SHARE IN BUSINESS-TO-BUSINESS MARKETS: ANTECEDENT, OUTCOME, CONTINGENCY

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SUMMARY

Marketing metrics are an issue of growing concern to practitioners and scholars alike. From a managerial perspective, top management increasingly calls for "marketing accountability" pressuring marketers to produce metrics that document marketing's ROI. In turn, from an academic perspective, there is a growing body of research focusing on performance metrics in the marketing field. Along with the recognition of the strategic importance of marketing metrics, the focus of interest gradually shifted from traditional aggregate performance measures – such as market share, sales, or profits – to performance indicators measured at the individual customer level.

Among performance measures at the individual account level, customer share has emerged as a concept of growing popularity in the marketing discipline. Indeed, shifting attention from market share to customer share is considered as a more cost-efficient means of increasing overall profitability. Such a focus on customers' share of business is particularly rewarding in business markets, in which suppliers typically focus greater proportions of their efforts on a smaller number of customers. Yet, empirical research on the drivers, outcomes, and contingencies of customer share is limited. Based on a literature review, we propose a conceptual model that links customer share to customer value, trust, and ease of switching.

Empirical Study

Empirical data were gathered in a cross-sectional survey among purchasing managers in manufacturing companies. The study was conducted in cooperation with the Institute for Supply Management. One thousand nine-hundred fifty members of ISM were randomly selected from the association's database. We selected only senior-level managers indicated by job titles, such as VP Procurement, Director of Global Sourcing, Director of Supply Chain Management, Purchasing Manager, or Senior Buyer. In addition, only manufacturing companies (Standard Industrial Classification codes 28–30 and 33–39) were selected. Overall, 421 questionnaires were returned. Twenty-seven were dropped due to low respondent competency or excessive missing data yielding a net response rate of 20.2 percent. To test our conceptual model, we employed Partial Least Squares analysis. Figure 2 summarizes the parameter estimates. All parameter estimates are significant at the 5 percent level. Customer value has

FIGURE 1

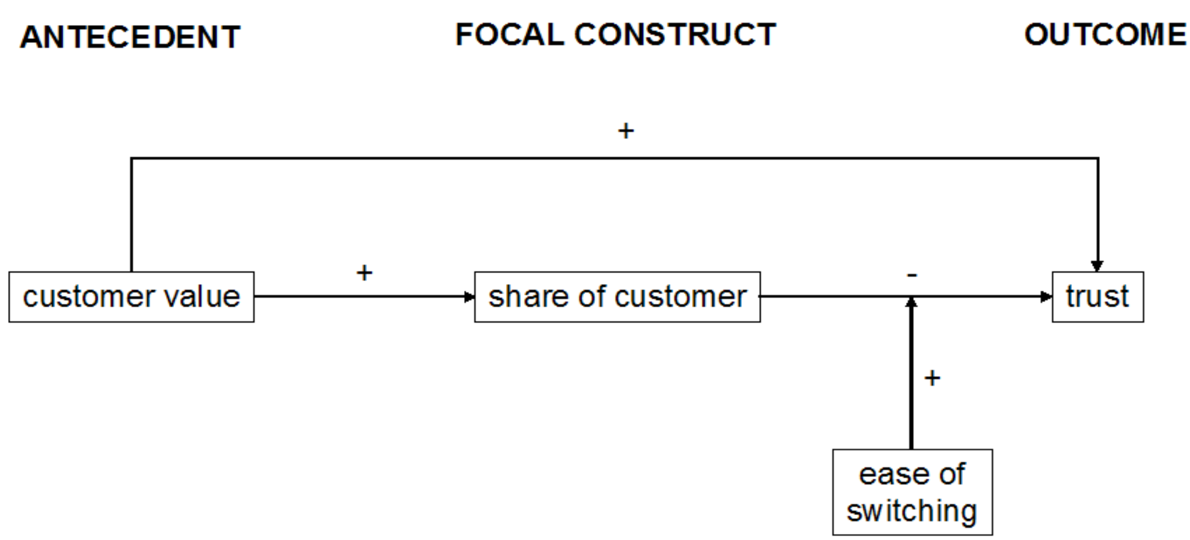
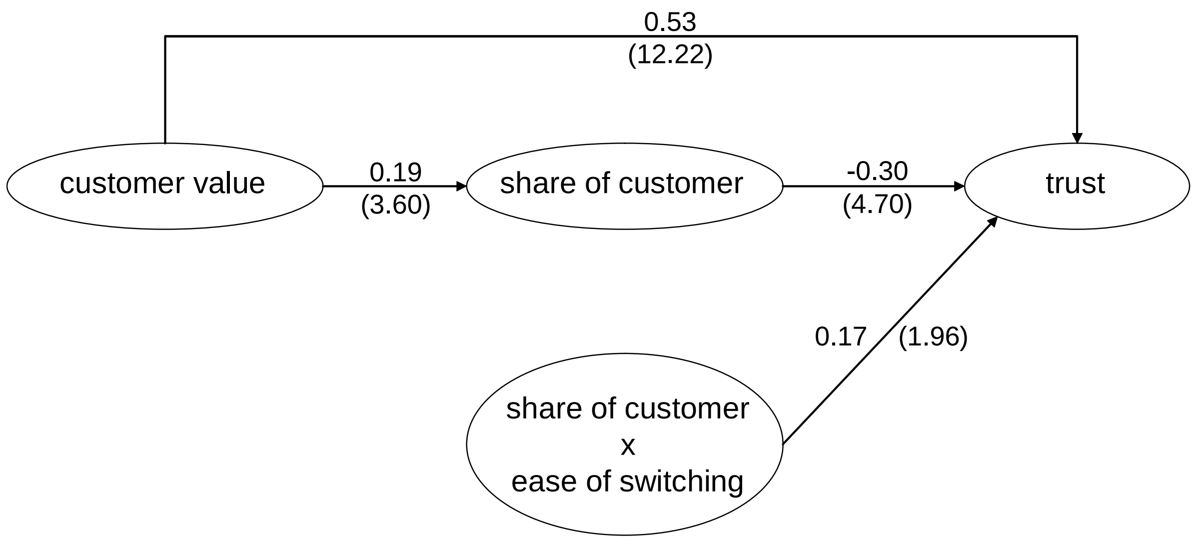


FIGURE 2



a positive impact on customer share and trust. Customer share, in turn, is negatively correlated with trust. However, there is a positive interaction term between customer share and ease of switching.

Discussion

Building close relationships with selected customers is the very essence of relationship marketing. This research contributes to our understanding of buyer-seller relationships by exploring customer share as a key marketing metric at the individual customer level. More specifically, it establishes a link between the focal construct and customer value as an antecedent and trust as an outcome variable. Based on a cross-sectional study among purchasing managers in manufacturing industries, we find a positive and significant link between customer value and customer share. In addition, we show that customer share can have both a positive and a negative effect on trust. When a customer firm finds it difficult to switch to another supplier, the level of customer suspicion grows with the share of business awarded to a specific supplier. If the customer firm can easily switch to another supplier, however, the detrimental effect becomes smaller and eventually even changes to a positive effect. Therefore, our findings question the usefulness of lock-in strategies in a relationship marketing context. Vendors should be aware that a lock-in strategy may actually reduce customers' trust. Stressing the customer-perceived freedom to exit a relationship may be the better choice for a supplier striving for a high share of its customers' business. References available upon request.

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BUILDING CONSUMER RELATIONSHIPS IN TRANSITION ECONOMIES: A MARKETING CAPABILITIES PERSPECTIVE

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SUMMARY

Scattered evidences suggest that in transition economies, consumer knowledge and customer relationships may evolve differently from Western markets (Coutler, Price, Feick, Mick, and Smith 2005). Adopting a dynamic capabilities view (Teece, Pisano, and Shuen 1997) we explore how marketing capabilities affect the quality of customer relationships in the context of a transitional economy. Using ratings of relationship quality perceptions from a sample of Russian physicians, we demonstrate that firms' marketing capabilities directly affect perceptions of relationship quality and are positively associated with market performance in this market.

Relationship Quality

The relationships hypothesized and tested in this study are depicted in Figure 1. Relationship quality may be defined as an overall assessment of the strength of the relationship between a company and a consumer (Garbarino and Johnson 1999). We conceptualize relationship quality as a higher-order construct indicated by trust, relationship satisfaction, and commitment.

Previous research has identified market-sensing and customer-linking as major types of marketing capabilities (Day 1994). Market-driven firms engage their customers in joint programs (Dorsch, Swenson, and Kelly 1998), share information, and fulfill commitments in a timely manner. Based on findings from the relationship marketing literature (Doney and Cannon 1997; Hewett, Money, and Sharma 2002; Morgan and Hunt 1994) we expect relationship quality to be positively associated with performance, even in a transitional economy. Therefore,

H1: In transition economies firms with superior marketing capabilities will have higher perceived relationship quality with customers.

H2: Firms perceived as having higher quality relationships with customers will achieve higher levels of performance in transition economies.

FIGURE 1
Conceptual Diagram of the Impact of Marketing Capabilities on Relationship Quality and Performance

Data Collection Method

Questionnaires were distributed among 93 physicians (general MDs and pediatricians) attending regional medical conference in Russia (response rate = 38%). Physicians were asked to respond to questions concerning the quality of their relationships with four pharmaceutical firms, and then to indicate how often they prescribe brands of expectorant drugs.

Preexisting measures were identified where possible and were adapted based on phenomena under study. We used data from PharmExpert and information provided by a marketing manager at one of the firms to assess marketing capabilities. First, detailing is the crucial element in drug promotion and a firm's marketing ability, and is directly related to the quality and the size of its sales force. Therefore, we used size of the firm's sales force as an indicator of its customer-linking capability. Second, we used marketing expenses as a proxy for marketing capabilities. Finally, we obtained information about regional medical conferences and professional meetings, which these companies sponsored in 2004–2005. Pharmaceutical companies see these conferences as unique opportunities not only to promote pharmaceuticals, but to interact with physicians and review market trends. Therefore, we use the number of conferences sponsored by each firm in a year as an additional proxy for its marketing capabilities

Results of Hypothesis Tests

As our results (Table 1) suggest, all three measures of capabilities are directly related to relationship quality, which is positively and directly linked to prescribing behavior ($\beta = .371$; t-value = 4.84; $p < .01$). After accounting for the effect of relationship quality on physicians' prescribing behavior, the relationship between capabilities and prescriptions becomes statistically nonsignificant (see Table 1), which supports the mediation effects of relationship quality.

TABLE 1
Results of Mediation Analysis of Marketing Capabilities
Prescription Frequency as the Dependent Variable
(t-values in the parentheses)

	Path	Marketing Capability (IV)		
		Marketing Budget[1]	Sales Force[1]	Conferences[1]
1	IV → Relationship Quality (MED)	.234(2.71)**	.238(2.76)**	.266(3.10)**
2	IV → Prescriptions (DV)	.151 (1.71)*	.124(1.41)	.139(1.79)*
3	IV and MED → DV IV	.07(.80)	.04(.43)	.04(.50)
	Relationship Quality (MED)	.36(4.17)**	.36(4.24)**	.36(4.18)**
	Mean	3.41	52.50	15.25
	St.D.	2.99	39.76	5.74

[1] – Standardized coefficients
* - p<.10
** - p<.05

Discussion of Findings and Implications

Our study may have limited scope because we studied pharmaceutical industry, and it is unclear that our results would be generalizable to other industries. Next, Russia is in transition now; however, it may have peculiarities that make it distinct from other transitional economies. Our finding that the relationship quality – performance relationship holds in a transitional economy suggests that managers from Western firms may find fewer differences than previously expected as they enter these markets.

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AN EXPLORATION OF WORK-RELATED VALUES AMONG YOUNG EXECUTIVES IN CHINA AND THE UNITED STATES

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SUMMARY

The changes occurring in the global business environment cause one to wonder if traditional stereotypes of western and eastern cultures still hold. Of particular interest is what entrepreneurial values are now important to younger managers, since they profile the direction in which a country is headed. It is important to differentiate the behaviors of these individuals from those of older functionaries who are less representative of their country's future direction. Are the ethical values of young executives in different countries converging to a common global business culture? How do work-related values in the east (e.g., China) compare to those in the west (e.g., U.S.) at the present time? This study is undertaken as a preliminary attempt to answer the preceding questions.

In this study, we argue that cross-cultural differences underlying ethical conflicts should not be reduced to that single value dimension. In our two-phase study, we applied both attitudinal and scenario-based measurements in testing the strength of four cultural patterns in China and the U.S. A total of 140 businesspeople from the U.S. (70) and PRC (70) participated in Study 1. To compare groups who differ in culture yet are relatively similar otherwise, we recruited respondents from college graduates with business experience who had sought additional executive training within a university setting in each country. We use Singelis et al.'s (1995) SINDICOL scale to measure these two dimensions: vertical/horizontal and collectivism/individualism. Chinese respondents scored significantly higher on a dimension labeled as vertical than did the Americans, though the two groups did not differ significantly on the collectivism dimension. What is more worthy of attention is the equal importance attributed to individualism and collectivism by both the Chinese and American managers. In addition, the statistically significant difference in vertical dimension between the Chinese and American managers should not mask the fact that the horizontal score for the Chinese sample is greater than their score on the vertical dimension.

Does this emphasis on the horizontal as opposed to vertical approach to others by younger managers in China, as evidenced by our test scores, hold up under the pressures of resolving difficult ethical conflicts? Schwartz (1996) has shown that general orientations, as evidenced by test scores, are often sacrificed in value tradeoffs when people are faced with specific choices in actual situations. To investigate the validity of our findings, we undertook a follow-up study.

In Study 2, the scenario judgment method was used. The participants were asked to role-play as a managing engineer of a nuclear power facility in their home country (e.g., Chinese participants role-played managing engineers in a Chinese nuclear power facility). Forty respondents, twenty Chinese (from the People's Republic of China) and the rest Americans, took part in the study. Participants were asked to respond and debate using the information on hand. Every American was paired with a Chinese negotiator. The negotiations were taped. After the negotiation, participants completed a short questionnaire that contained Triandis' SINDICOL scale. The statements uttered in each of the 20 paired negotiations were analyzed and coded by five independent researchers as to how those statements embodied Schwartz's cultural value classifications. The American subjects applied Egalitarianism as their most frequent value of Schwartz's cultural dimension, reflecting their horizontal perspective. The Chinese subjects, in contrast, relied strongly on a vertical value system to resolve the ethical dilemma. Although both American and Chinese negotiators showed collectivist as well as individualist nature, their focuses were fundamentally different. The Chinese' main concern was their families' security and well-being, compared to the Americans' main concern about the weak in the society. For Americans, concern for the welfare of other people, especially those unprivileged or disadvantaged, was not uncommon. Their sense of belonging was very often associated with a group larger than their immediate family (e.g., community).

The value priorities found in our samples defy the categorization of these two nations as either individualist or collectivist. Our research findings question the adequacy of the individualism/ collectivism dimension alone to account for managerial decision making by the Chinese and U.S. sample members. Our study detects similarity in the collectivistic orientation of both countries. We suggest that the vertical/horizontal dimension might be more appropriate to differentiate the value profiles we observe in young executives in these two countries.

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FACTORS UNDERLYING ETHNOCENTRICITY AND ITS OUTCOMES IN A MULTI-ETHNIC STATE

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SUMMARY

As the ethnic composition of nation states becomes increasingly dynamic and visible, marketers need to gain an understanding of the interplay between ethnicity and consumption, and the impact of these factors on the society at large and on individual consumers faced with a broad choice of domestic and international product offerings. The objectives of this study were to test a model of consumer ethnocentrism antecedents and outcomes in a multi-ethnic transitional economy, and to examine consumer ethnocentrism and domestic purchase bias across various ethnic groups. Research was conducted in the multi-ethnic state of Bosnia and Herzegovina, which was, in the aftermath of violent ethnic conflicts in the Balkans just over a decade ago, divided into two major sub-regions inhabited by three major ethnic groups, i.e., Bosniacs (Bosnian Muslims), Croats, and Serbs.

Based on previous theoretical and empirical work on consumer ethnocentrism and country-of-origin studies, the conceptual framework was developed and research hypotheses constructed. Shimp and Sharma's (1987) definition of consumer ethnocentrism (CE) was adopted in the study. Our conceptual model suggests that CE evolves in constellation with socio-psychological factors, including National identity, Nationalism and Cultural openness. Not only we propose that CE is prompted by both national identity and nationalistic sentiment, but we also propose a negative correlation between national identity and nationalism. A negative correlation between an individual's openness towards the outgroups and a person's prejudice against them is proposed in the model. Moreover, we establish a link between CE and Domestic purchase bias (DPB), and postulate that consumer ethnic affiliation will directly affect CE and DPB.

A market research agency in the nation's capital was contracted to collect data from adult consumers in three major cities. Construct measures in our model were derived from the existing literature. Following guidelines for conducting international consumer research (Craig and Douglas 1999), the study instrument was carefully adapted to the cultural characteristics of each ethnic group. The final sample consisted of 580 respondents, including Bosniacs (43.8%), Croats (27.8%), and Serbs (25.0%).

The model was tested via Structural Equations Modeling (SEM) using the maximum likelihood estimation technique. A measurement model was analyzed first, followed by the evaluation of a structural model in order to assess the hypothesized relationships between constructs. The final measurement model included five, first-order reflective constructs and the thirteen indicators used to measure them. Once the construct reliability, convergent validity and discriminant validity were established, the structural model was evaluated to test the hypothesized relationships between constructs. Furthermore, the fit indices indicated an outstanding conformance of the model to the data. With the exception of the impact of Cultural openness on CE, all other hypotheses were corroborated. To test the three hypotheses related to the influence of Ethnic affiliation, the sample was split into three groups reflecting the ethnic groups of the citizens in the country (e.g., Bosniacs, Croats, Serbs) and a three-group analysis was conducted. The results confirmed significant differences in the levels of CE and DPB among the three major ethnic groups.

Our findings indicate that both National identity and Nationalism are significant predictors of CE in a multiethnic-state, and that the respondent's ethnic affiliation has, in fact, a direct effect on both the level of CE and on consumer preferences for domestic products/brands. On the other hand, we were unable to confirm the antecedent nature of an individual's openness towards other cultures in relation to CE. While it has been previously suggested that when consumers have dual allegiances (to the country and to the ethnic subgroup within that country) the construct of national identity may be of a lesser explanatory power (Heslop et al. 1998), our results attest to the value of both nation-state-level constructs in our model (i.e., national identity and nationalism) as reliable predictors of CE. The findings indicate that ethnic affiliation influences the level of ethnocentricity and consumer preferences for domestic products/brands, implying that a differentiated marketing strategy may be warranted upon entering multi-ethnic markets.

Although research on consumer ethnocentrism offers important implications for marketing practitioners, this area of consumer research has seen little application in the emerging transitional markets of Southeast Europe. The presence of several multi-ethnic states in the region may

pose an additional challenge for international marketers. Our findings show that when using ethnocentrism as the basis for market segmentation and product positioning strategies, marketers need to pay attention to the ethnic composition of a country. References available upon request.

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AN EMPIRICAL ANALYSIS OF STORE BRAND PURCHASE BEHAVIOR USING STRUCTURAL EQUATION MODEL

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SUMMARY

Store brands, especially in grocery items, have an important role in retail strategy due to their increasingly important strategic role for retailers. In this study, consistent with the literature, we define store brand grocery products as the products owned and branded by the retailer. According to some estimates, the share of store brands in grocery items in the U.S. continues to grow and accounts approximately 20 percent of unit sales and 15 percent of dollar sales in supermarkets in 2004 (www.plma.com). Moreover, the store brands have an established and recognized status in some European countries such as France and the U.K.

It may be argued that the popularity of the store brands in grocery products are due to a set of interrelated factors including concentration in retailing (well-organized large supermarket chains), which enables retailers to develop their own brands, changes (reductions) in consumers' loyalty levels toward established national brands, and relatively improved consumers' attitudes toward store brands partially due to significantly improved quality of store brand grocery products over the last several decades. Moreover, well-organized large retail chains have significant promotion budgets used to communicate with their customers more effectively (Steenkamp and Dekimpe 1997), and using effective marketing strategies, such as advertising manufacturer brands to attract customers to the store and then emphasizing store brands while consumers are in the store (Hoch and Banerjee 1993). The challenge facing the marketers of store brands is that despite the lower prices, quality improvements, retailer guarantees, and more effective communication by the retailers, consumers continue to prefer national brand grocery products over store brands, if the price is right (Shapiro 1993).

Although store brand purchase behavior is studied frequently in the literature, empirical studies provided inconsistent evidence in explaining purchase behavior. Since the classic work of Myers (1967), a number of studies have been undertaken to investigate the characteristics of buyers of store brand grocery products. In general, these studies concluded that consumers are reluctant to buy store brands because of their perceived poor quality (Richardson et al. 1994). However, the findings of these studies were not conclusive and at best presented a weak relationship among the variables investigated. Some of the studies showed that store brands were becoming increasingly more popular due to the fact that the consumer had greater trust in the quality of these products.

Utilizing the information presented in the literature, the purpose of this study is to examine the store brand purchase behavior by using a conceptual model, which incorporates various consumer level factors (such as brand, price and risk perceptions, involvement, experience, familiarity, as well as psychographic and demographic factors) that assumed to influence the store brand purchase behavior. Data for the study were collected as part of a larger study through self-administered questionnaires from residents in Pittsburgh and York, Pennsylvania. A total of 850 questionnaires were hand-delivered to respondents living in different neighborhoods and were personally picked up. Criterion used in the sample unit selection was that the person participating in the study should be the person responsible for grocery shopping. After a three-week period, of the 850 questionnaires distributed, 799 usable ones were retrieved. Data were analyzed using structural equation model.

Results confirm the hypothesized relationships between store brand purchases and the value consciousness, previous experience, and consumer perceptions. Our findings indicate significant links between *value consciousness* and *perceptions* and the *purchase behavior*. As expected, consumers experience is found to be linked to the higher order construct called "Store Brand Perceptions" and ultimately it is linked to the store brand purchase behavior. These findings indicate that consumers' value consciousness contribute positively to their perceptions of store brands and their previous positive purchase experiences contributes to the formation of their positive perceptions, which in return contributes positively to the likelihood of store brand purchase. Important managerial implications of this study may be noted. Retailers need to continuously focus their efforts in establishing a strong brand image through marketing communications for their brands and at the same time they need to encourage first time purchases through novel sales promotion methods and trial purchases for positive consumer experience.

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EFFECTS OF CONSUMERS' SHOPPING ABILITY ON LOCATION STRATEGY FOR RETAILERS CLASSIFIED BY BUSINESS CATEGORY

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ABSTRACT

This paper investigates whether a spatial competition model predicts strategic location decision-making of retailers. Choice of location is found to be affected by consumers' shopping ability. For stores selling convenience goods, consumers' transport ability is of particular importance, whereas for stores dealing in shopping goods, storage ability is more significant.

INTRODUCTION

As the link between producers and end consumers, the retail industry is vital to the functioning of a market economy. Traditionally, the retail sector has been characterized by a mostly competitive structure that typically has a large number of relatively small firms, with low entry barriers and high entry and exit rates. Given such attributes, the industry has undergone dramatic changes in the past two decades in many developed countries. New forms of competition have emerged, such as the growth in on-line electronic commerce, which does not establish physical retail outlets. Against this background of rapid change, the main purpose of this paper is to investigate whether consumers' ability to perform distributive tasks affects strategic spatial locations of retail stores based on a specific marketing science model. To achieve this purpose, a panel form data set for different kinds of retail businesses classified by the two- and three-digit Standard Industrial Code in Japan is examined. While data collection in many other advanced countries tends to concentrate on the manufacturing sector (Ariga 1993), the extensive statistics on the retail sector in Japan enables an excellent case study for testing theoretical models.

The theoretical background for the research is the spatial competition model formulated by Maruyama (1992), which simultaneously determines both strategic location and pricing decisions of retailers by introducing a game theory framework. The model takes into account two types of distributive ability of consumers: transport ability and storage ability. When these capacities deteriorate, consumers' distributive costs increase, and retailers are able to charge higher prices. In the longer term, this results in a greater number of stores under the zero-profit condition.

The major conclusion in this paper is that the location strategy of retail stores significantly reflects the ability of consumers to perform transport and storage tasks. In particular, stores dealing in convenience goods are found to be more sensitive to the transport ability of consumers. Since households consume convenience goods rapidly and therefore have to shop frequently, it can be inferred that transport costs decrease considerably if consumers' transport ability improves. On the other hand, the effect of consumers' storage ability on the number of stores is estimated to be large for stores dealing in shopping goods. As larger floor space is required for the storage of shopping goods such as apparel and furniture, compared with food or beverages, we may interpret this as indicative that consumers incur higher storage costs for those goods.

The rest of the paper is organized as follows. The next section provides an overview of the regulations governing the opening of new retail outlets, which potentially affect the location behavior of retailers. The existing theoretical and empirical research relating to the location of retail outlets is then reviewed. Building on this literature, those aspects of the marketing science model adopted for this study are highlighted. Using this model, empirical analysis on retail store location vis-a-vis consumer transport and storage capacity is discussed. Lastly, in conclusion, the paper argues that while there remains significant potential for further research, the model has significant predictive ability.

JAPAN'S REGULATION ON ESTABLISHMENT OF RETAIL OUTLETS

In relation to the location of retail outlets, it is important to note that regulation in many advanced countries often restricts spatial decision making for retail companies.[1] In the United States (U.S.), for example, local zoning laws, aimed at limiting urban – environmental impacts, tend to force the concentration of commercial activity into specific areas. By separating commercial establishments from residential districts, local zoning in the U.S. tends to favor larger stores over smaller ones.

By contrast, the Japanese laws generally pertain to large stores. The regulation that most directly influences decisions on opening retail stores in Japan is the Large Scale Retail Store Law (LSRSL). It is the essential reason why Japan has far fewer department stores and general merchandise superstores per person than other advanced countries. In 1973, the Large Scale Retail Store Act replaced the preceding Department Store Act and made the extent of floor space above which the law applied. The threshold was 3000m^2 in the largest cities and 1500m^2 in other districts. In addition, complex procedures of securing approval to open a large store were tortuous, sometimes requiring 10 years to complete (U.S. International Trade Commission 1990). When the Japan – U.S. Structural Impediments Initiative was held in the early 1990s, the U.S. regarded the LSRSL as a structural impediment and argued in negotiations with Japan for a relaxation of the law. As a direct consequence of the political pressure placed on Japan, the government shortened the process for examining applications and gradually raised the threshold. In 2000, the LSRSL was replaced with the new Large Retail Store Location Law, which placed the regulation of large stores under the control of prefectural governments. This law mainly aims to consider environmental factors such as noise and traffic, not protection for incumbent small stores.

Despite the presence of the regulation on opening retail outlets reviewed above, Flath (1990) and OECD (1995) have empirically demonstrated that such regulatory factors have little impact on the number of retail outlets per person within a specific region in Japan. These findings support the notion that retail companies do indeed have some degree of freedom to choose the location of stores.

PREVIOUS STUDIES RELATED TO RETAIL STORE LOCATION

Previous literature on retail store location has provided evidence that regulations have only a marginal effect on the number of stores opened within each region in Japan. From a marketing science viewpoint, this issue is associated with various location models. Hotelling's (1929) groundbreaking work on the problems of spatial location and the implications for competition generated significant theoretical research. Heal (1980) examined the equilibrium and socially optimal patterns of locations for retail establishments that provide consumers distributed around a circumference with a single product. In the same vein, Maruyama (1992) constructed the Nash equilibrium model incorporating both the location and pricing decision making of retailers. Furthermore, introducing a direct seller, Balasubramanian (1998) developed the circular market model and investigated how the direct seller influences conventional retail outlets and alters the basic conclusions. Using a similar analytical framework, Matsui, Lu, Nariu, and Yukimoto (2005) derived the optimal level of store density, which minimizes the social distributive costs incurred by both consumers and the distribution sector.

On the other hand, relatively little empirical work has analyzed strategic locational patterns of retailers. Pinkse and Slade (1998) examined whether specific retail businesses with similar contractual arrangements (gasoline stations) are more likely to cluster in particular locations. Netz and Taylor (2004) have also investigated both the strategic spatial and pricing decisions of retailers using data on the location and attributes of all gasoline stations in the Los Angeles basin. Nonetheless, empirical literature exploring the strategy to open stores by retail business remains relatively scarce. To investigate the determinants of the store locations empirically, Maruyama's (1992) theoretical model describing the strategic location behavior of retailers will be reviewed.

THEORETICAL FRAMEWORK

Maruyama (1992) theoretically demonstrated that the number of retail establishments in the competitive Nash equilibrium, n^*, is given by the following equation.

$$(1) \qquad n^* = \sqrt{2tc\delta/(c_1 c_2)}$$

Each parameter is defined as follows. n^* represents the number of retail stores opened within a specific area, the uniform density of consumers, t the transport cost per unit distance, and c the storage cost per unit. Both the transport cost and storage cost are incurred by the consumer, while the reorder cost, c_1, and the inventory cost, c_2, are borne by the retailer. (See the appendix for the detailed process to derive the equilibrium.) It is important to note that consumers' transport ability is inversely related to t and that their storage ability is inversely related to c. Likewise, retailers' transport ability is inversely related to c_1, whereas their storage ability is inversely related to c_2. To be tractable, we take the log-log form of Equation (1) as follows.

$$(2) \qquad \ln n^* = (1/2)[\ln 2 + \ln t + \ln c - \ln c_1 - \ln c_2 + \ln \delta]$$

Equation (2) is interpreted as the location strategy decision equation for retailers. The intuition behind this equation is as follows. A lower distributive ability of consumers will provide more business opportunities to the retail sector. As a consequence, more retailers will enter the market, and the number of stores accordingly increases when the zero-profit condition holds in the long term. Therefore, consumers' ability factors, which are reciprocals of t and c, have negative effects on the number of retail outlets. Using the Japanese dataset, the following section tests the validity of this proposition.

EMPIRICAL ANALYSIS

Data Description

Based on the strategic location model reviewed in the previous section and the appendix, an investigation is made as to whether the number of retail stores opened in each prefecture depends on the factors reflecting the ability to perform distributive tasks. For empirical analysis, official data sources published by the Japanese government are used. The central data source is the Census of Commerce compiled by the Ministry of International Trade and Industry. The Census reports the number of retail establishments for 36 retail business categories in 47 individual prefectures. As the Census covers the period 1979–1997 in three-year intervals, seven separate years (1979, 1982, 1985, 1988, 1991, 1994, 1997) are available, yielding a total of 329 observations per business category.

However, it should be noted that the variables that precisely measure the parameters used in Equation (2) cannot be obtained from a range of available data sources. For example, whereas the number of retail stores opened within respective regions is available from the Census of Commerce, the distributive ability of consumers is difficult to measure accurately. In an attempt to overcome this limitation, proxies have been constructed from other statistical sources.

The number of retail establishments (*NOR*) for each business category reported in the Census of Commerce is used as the dependent variable, n^*. With regard to explanatory factors, because the number of private cars (*NPC*) divided by the population (*POP*) is expected to correlate positively with transport ability; this variable is substituted for the reciprocal of t in Equation (2). Similarly, the number of commercial vehicles (*NCV*) divided by the population (*POP*) is used as the proxy for retailers' transport ability. Thus, this becomes the substitute for the reciprocal of c_1. The average floor space per dwelling (*FAD*) is drawn from the Housing Survey as a proxy for consumers' ability to store goods. Because the floor space of a house reflects consumer storage capacity, it is inversely related to the storage cost c. Thus, *FAD* is substituted into the reciprocal of c, and   is substituted for the population (*POP*) divided by the inhabitable land area (*LND*) in each prefecture. Because a suitable proxy for retailers' storage ability relating negatively with c_2 could not be found, this factor has been excluded from the empirical analysis. Table 1 reports the data sources providing observations for these variables. Furthermore, Table 2 shows descriptive statistics, and Table 3 shows the correlation matrix of each variable calculated from the sample.

The proxies proposed above are substituted for the unknowns in Equation (2).

(3) $\ln NOR_{it} = (1/2)\left[\ln 2 - \ln(NPC_{it}/POP_{it}) - \ln FAD_{it} + \ln(NCV_{it}/POP_{it}) + \ln(POP_{it}/LND_{it})\right]$

The subscript i indexes the i-th prefecture, and t the t-th year of observation. To be tractable, Equation (3) is rewritten as follows.

(4) $\ln NOR_{it} = (1/2)\left[\ln 2 - \ln NPC_{it} - \ln FAD_{it} + \ln NCV_{it} + \ln POP_{it} - \ln LND_{it}\right]$

Regression Analysis

It should be taken into account that the unit measured by each variable is different, such that *NPC* represents the number of cars and *FAD* is measured in square meters. The major purpose of the statistical analysis will be sufficiently attained by distinguishing whether each of the five independent variables included in Equation (5) has a positive or negative influence on *NOR*.

TABLE 1
Data Sources for Each Variable

Variable	Data Source	Publisher
Number of Retail Stores Classified by Business	Census of Commerce	Ministry of International Trade and Industry
Number of Passenger Cars	Japan Statistical Yearbook	Management and Coordination Agency
Number of Commercial Vehicles	Japan Statistical Yearbook	
Number of Population	Japan Statistical Yearbook	
Floor Space per Dwelling	Housing Survey	Ministry of Internal Affairs and Communications
Inhabitable Land Area	Local Economic Survey	Toyo Keizai Shinposha

Notes: Sample Period: 1979, 1982, 1985, 1988, 1991, 1994, 1997.

TABLE 2
Descriptive Statistics

	Mean	Standard Deviation	Minimum	Maximum	Skewness	Kurtosis
Total Number of Retail Stores	33903.94	27067.11	7979	162509	2.35	6.21
Number of Passenger Cars	714872.5	621180.5	132168	3181585	1.82	2.94
Floor Space per Dwelling	100.992	20.34239	55.188	156.858	0.29	–0.25
Number of Commercial Vehicles	384423.3	246722.7	84876	1226753	1.41	1.49
Population	2576541	2314042	602229	11680300	2.01	3.86
Inhabitable Land Area	2642.325	3630.369	802	26907	5.98	36.77

Notes: Floor space per dwelling is measured in square meters, and inhabitable land area is measured in square kilometers.

TABLE 3
Correlation Coefficient

	Total Number of Retail Stores	Number of Passenger Cars	Floor Space per Dwelling	Number of Commercial Vehicles	Population	Inhabitable Land Area
Total Number of Retail Stores		1				
Number of Passenger Cars	0.824	1				
Floor Space per Dwelling	–0.605	–0.473	1			
Number of Commercial Vehicles	0.885	0.930	–0.461	1		
Population	0.971	0.910	–0.603	0.908	1	
Inhabitable Land Area	0.177	0.272	–0.093	0.275	0.217	1

$$\ln NOR_{it} = \ln\alpha_i + \ln\alpha_t + \beta_1 NPC_{it} + \beta_2 \ln FAD_{it} + \beta_3 \ln NCV_{it} + \beta_4 \ln POP_{it} + \beta_5 \ln LND_{it} + u_{it} \quad (5)$$

α represents the area-specific effect, α the time-specific effect, and u_{it} a random factor.[2]

Equation (4) indicates that the predicted signs of the coefficients are $ß_1 < 0$, $ß_2 < 0$, $ß_3 > 0$, $ß_4 > 0$, and $ß_5 < 0$. Table 4 includes the regression results for each category based on Equation (5). In light of the purpose of this paper, fixed effect specification is identified.[3] The most funda-

TABLE 4
Regression Results

SIC		*NPC*		*FAD*		*NCV*		*POP*		*LND*		
		Coefficient	P-value	Coefficient	P-value	Coefficient	P-value	Coefficient	P-value	Coefficient	P-value	Adjusted R^2
	All retail business	–0.062	(0.016)	–0.332	(0.000)	0.040	(0.040)	0.442	(0.000)	–0.005	(0.903)	0.999
53	General merchandise	0.505	(0.076)	–2.091	(0.002)	0.085	(0.692)	1.461	(0.004)	–0.645	(0.172)	0.938
54	Dry goods, apparel and accessories	–0.027	(0.599)	–0.509	(0.000)	0.005	(0.901)	0.712	(0.000)	–0.254	(0.003)	0.998
55	Food and beverages	–0.101	(0.003)	–0.456	(0.000)	–0.004	(0.890)	0.379	(0.000)	0.027	(0.634)	0.999
56	Motor vehicles, bicycles and carts	0.146	(0.042)	0.172	(0.310)	–0.068	(0.211)	0.527	(0.000)	–0.225	(0.059)	0.996
57	Furniture, fixtures and household utensils	–0.089	(0.104)	–0.079	(0.542)	0.013	(0.747)	0.327	(0.001)	–0.144	(0.113)	0.998
58	Miscellaneous retail stores	0.054	(0.164)	–0.120	(0.192)	0.216	(0.000)	0.168	(0.014)	0.072	(0.266)	0.999
531	Department stores	0.791	(0.011)	0.640	(0.382)	0.637	(0.007)	–0.330	(0.544)	0.289	(0.573)	0.958
539	Miscellaneous general merchandise	0.784	(0.086)	–3.175	(0.004)	–0.813	(0.019)	3.587	(0.000)	–2.611	(0.001)	0.815
541	Dry goods, dress materials and bedding	0.080	(0.302)	–0.468	(0.011)	0.153	(0.009)	0.433	(0.002)	–0.055	(0.668)	0.996
543	Women's and children's clothing	0.029	(0.740)	–1.698	(0.000)	–0.035	(0.600)	0.953	(0.000)	0.112	(0.446)	0.995
544	Footwear	–0.103	(0.111)	–0.250	(0.103)	0.065	(0.187)	0.375	(0.001)	0.043	(0.688)	0.997
549	Miscellaneous retail trade – apparel and accessories	–0.150	(0.131)	–0.347	(0.141)	0.347	(0.000)	0.416	(0.018)	–0.492	(0.003)	0.995
551	Groceries	0.691	(0.000)	–0.123	(0.723)	–0.592	(0.000)	0.416	(0.107)	–0.015	(0.951)	0.979
553	Meat and poultry	–0.113	(0.356)	–0.740	(0.011)	–0.252	(0.007)	0.450	(0.037)	0.057	(0.779)	0.994
554	Fresh fish	–0.035	(0.775)	0.136	(0.639)	–0.096	(0.300)	–0.685	(0.002)	0.363	(0.075)	0.990
555	Cured food	0.222	(0.448)	0.890	(0.201)	0.968	(0.000)	–2.383	(0.000)	0.247	(0.612)	0.963
556	Vegetables and fruit	–0.257	(0.014)	–0.424	(0.085)	0.496	(0.000)	–0.267	(0.144)	–0.243	(0.159)	0.995
557	Confectionery and bakery	–0.204	(0.017)	0.418	(0.038)	0.194	(0.003)	0.318	(0.034)	–0.068	(0.632)	0.996
558	Rice, barley and other cereals	0.074	(0.452)	–1.337	(0.000)	0.010	(0.892)	–0.134	(0.442)	0.082	(0.616)	0.994
559	Miscellaneous food and beverages	–0.211	(0.019)	–0.807	(0.000)	0.013	(0.849)	1.222	(0.000)	0.041	(0.782)	0.995
561	Motor vehicles	0.246	(0.015)	0.060	(0.802)	0.328	(0.000)	0.051	(0.775)	–0.261	(0.119)	0.993
562	Bicycles, including motorcycles	–0.239	(0.319)	–1.058	(0.063)	–0.916	(0.000)	1.192	(0.005)	0.755	(0.059)	0.970
571	Furniture, fixtures and straw-mats (*tatami*)	–0.047	(0.615)	–0.326	(0.139)	–0.193	(0.007)	0.712	(0.000)	–0.334	(0.031)	0.993
572	Hardware and kitchenware, except agricultural	–0.077	(0.340)	–0.076	(0.691)	0.321	(0.000)	–0.485	(0.001)	–0.074	(0.580)	0.996
573	Chinaware and glassware	–0.269	(0.100)	–0.531	(0.170)	0.044	(0.724)	1.339	(0.000)	–0.562	(0.039)	0.978
574	Household appliances	–0.084	(0.154)	–0.103	(0.460)	0.004	(0.931)	0.327	(0.002)	–0.058	(0.552)	0.997
579	Miscellaneous household utensils	0.421	(0.246)	1.401	(0.104)	–0.157	(0.569)	0.554	(0.386)	2.193	(0.000)	0.905
581	Drugs and toiletries	0.089	(0.300)	–0.613	(0.003)	0.396	(0.000)	–0.287	(0.059)	0.369	(0.010)	0.995
582	Farm and garden supplies	–0.404	(0.027)	0.948	(0.028)	0.068	(0.619)	0.479	(0.135)	–0.292	(0.334)	0.962
583	Fuel	0.262	(0.000)	0.157	(0.253)	0.672	(0.000)	–0.322	(0.002)	–0.203	(0.035)	0.997
584	Books and stationery	–0.116	(0.077)	–0.154	(0.321)	0.263	(0.000)	0.042	(0.716)	0.107	(0.324)	0.997
585	Sporting goods, toys, amusement goods and musical instruments	0.082	(0.452)	–1.087	(0.000)	0.165	(0.136)	–0.172	(0.314)	0.745	(0.015)	0.997
586	Camera and photographic supplies	–0.144	(0.623)	–0.198	(0.794)	–0.222	(0.450)	0.899	(0.050)	2.747	(0.001)	0.983
587	Watches, eyeglasses and optical goods	–0.223	(0.032)	0.143	(0.595)	–0.213	(0.042)	1.903	(0.000)	0.033	(0.909)	0.997
588	Secondhand	0.250	(0.447)	3.224	(0.000)	0.022	(0.930)	2.017	(0.001)	1.000	(0.068)	0.945
589	Retail trade, not elsewhere classified	–0.019	(0.822)	–0.239	(0.221)	0.087	(0.166)	0.459	(0.002)	–0.116	(0.397)	0.995

mental regression result presented in the uppermost row reports that all the coefficients of the five independent variables have signs consistent with the analytical model. Furthermore, four independent variables except for the inhabitable land area have significant effects on the number of retail stores. The result suggests that a one percent increase in the number of passenger cars would cause a 0.062 percent reduction in the number of retail outlets, holding other factors constant. Likewise, a one percent expansion in average floor space would induce a 0.332 percent reduction in the number of stores. The results strongly support the theoretical implication that consumers' ability to perform distributive tasks has substantial impacts on retailers' location decisions.

The following compares the impact of each ability factor on the number of stores across the categories. Congruent with the spatial competition model, the sign of the coefficient estimate on *NPC* is negative and significant for "55 Food and beverages" among the six categories classified by the two-digit SIC. Because consumers are likely to use passenger cars when going shopping for convenience goods such as food and beverages, transportation ability would matter greatly for the location decision for retailers in these categories. Hence, the result that *NPC* has greater effects for these kinds of businesses is quite convincing. By contrast, the coefficient of *NPC* for "54 Dry goods, apparel and accessories" also has the predicted sign but is not significant. When buying these kinds of shopping goods, consumers are likely to go to commercial centers where boutique and accessory shops proliferate, using public transports instead of private vehicles. Therefore, the number of passenger cars per person is less likely to act as a measure of the consumers' transport ability. Contrary to the insights of the spatial competition model, *NPC* for "56 Motor vehicles, bicycles and carts" positively and significantly affects the number of stores. However, the result is not surprising because the number of establishments engaged in that business would be higher in areas where car ownership is more extensive. These results provide empirical evidence that the number of retailers dealing in convenience goods tends to depend more on consumers' transport ability.

Next, the effect of *FAD* on the number of stores is compared, representing consumers' storage ability across business categories. Among two-digit business categories, coefficients for "53 General merchandise" and "54 Dry goods, apparel and accessories" are greater in the absolute value than those for other categories. Because the coefficients on *FAD* are also larger in magnitude for "541 Dry goods, dress materials and bedding" and "543 Women's and children's clothing," both of which are classified under "54 Dry goods, apparel and accessories," the effect tends to be greater for stores dealing with shopping goods. Furthermore, in three-digit categories, the coefficients on *FAD* for "543 Women's and Children's Clothing," "558 Rice, Barley and Other Cereals" and "585 Sporting Goods, Toys, Amusement Goods and Musical Instruments" are negative in significance and greater in absolute value. As these goods tend to be bulky and larger spaces are necessary for storage, the result is convincing that *FAD* has a greater impact on the number of stores for these kinds of businesses. Overall, the spatial competition model for retailers yields high predictive power. It can be concluded, therefore, controlling for population and inhabitable land area, that retailers' strategic location decision making significantly reflects the ability of consumers to perform distributive tasks.

CONCLUSION

This paper has empirically investigated what factors affect the strategic location decision for retailers by examining official datasets. The results indicate that retailers' location behavior significantly reflects the ability of consumers to perform distributive tasks of transporting and storing goods. In addition, classified by kind of business, the decisions of retailers dealing with convenience goods are found to be more sensitive to consumers' transport ability, whereas the size of the effect of storage ability is estimated to be larger for stores dealing with shopping goods.

Although the framework in the current study has yielded relatively high predictive power, the implications require further investigation. For example, R^2 values in the estimation results exceed 0.9 for most business categories, implying that the statistical regression model performs extremely well. As noted earlier, this high predictive power is primarily due to the use of the three-factor model for the panel regression analysis. This specification has been employed partly because a large portion of the time series trend in the number of stores may be explicable not only by consumers' shopping ability but also by the improvement of firms' logistic technology. While this paper has concentrated only on the effects of consumers' shopping ability, Hall and Knapp (1955) have demonstrated that the number of stores, especially those dealing in convenience goods, reduces according to the development of retail stores' distribution technology. Since the number of retail stores in Japan has shown an overall negative trend recently, the growth of the technology may potentially affect the number of stores established. Such time series changes of the number of stores can be investigated by exploring the determinants of the time-specific and area-specific fixed effects from the regressions.

ENDNOTES

[1] Pilat (1997) and Boylaud and Nicoletti (2001) detail cross-country differences in the regulation of the retail industry in the OECD area.

[2] Equation (5) indicates that the error term is composed of the three factors. See Greene (1999) and Baltagi (2001) for an illustration of the methodology used.

[3] As the referee has correctly pointed out, adjusted R^2 in excess of 0.9 for most of the categories in Table 4 is extremely high. A possible explanation for this is that this result is primarily attributable to the specification of the three-factor model, which includes both area-specific and time-specific fixed effects. Because the three-factor model is equivalent to the regression specification, which includes time dummies and area dummies, most of the variations in the number of stores are likely to be absorbed in either area-specific or time-specific effects in this specification.

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APPENDIX
Strategic Location Model of Retailers

In this appendix, the Nash pricing and location model of retailers is reviewed. This has provided the theoretical rationale for the empirical results obtained in the main text. The model used has been constructed by Maruyama (1992), not by the author. As detailed explanations of Maruyama's model are available elsewhere, the following sets out the basic structure of the model, highlighting its applicability to this paper.

Following the assumptions of Salop (1979), the model presumes that retailers and consumers are located along a circle of unit circumference. Each consumer distributed with uniform density goes shopping and purchases a certain amount of homogeneous goods in every time period. Both consumers and retailers have Baumol-type inventory behavior, indicating that they determine the purchasing frequency and average amount of inventory per period. Therefore, they both incur two types of distribution costs: transport cost and storage cost. To minimize this combined distribution cost, each consumer chooses the frequency of shopping per period. Reevaluating the cost function at the optimal level of frequency provides the consumers' optimized costs.

Similarly, a retailer orders a certain amount of the homogeneous goods and incurs transport and storage costs. Each retailer chooses reorder frequency so as to minimize the distribution costs. Reevaluation of a retailer's cost function at the optimal frequency gives its optimized combined distributive cost function.

With regard to the commercial area that each retailer covers, the amount of goods supplied by the representative store is given by using the parameter representing the length of its market area. By using this parameter, the indifferent condition for a consumer to purchase from retailers located at either side is given. To derive the number of retail stores in the Nash equilibrium, this indifferent condition is defined as the first equation. Five equations are employed to derive the number of stores opened.

The profit function of a retailer is obtained by subtracting its optimized distributive cost function from the revenue, which is defined by multiplying the markup by the quantity sold. This provides the first-order condition of the profit by maximizing this function with respect to the retail price, which is used as the second equation. Furthermore, partial differentiation of the retail price with respect to the length of the commercial area from the first equation gives the third equation.

Based on the settings above, the existence and properties of symmetric zero-profit Nash equilibrium are explored. Substituting the symmetric Nash equilibrium condition indicating that the retail prices posted by all retailers are the same into the first equation, the fourth equation is obtained, which implies that each retailer's commercial area is the same length. Using this fourth equation, a reevaluation can be made of the third equation in the Nash equilibrium. Substituting this reevaluated condition and the fourth equation into the second equation yields the equilibrium retail price, which is used as the final fifth equation. Substituting the fourth and the fifth equations and zero-profit condition into a retailer's profit function provides the number of retail stores in a feasible Nash equilibrium (presented as Equation (1) in the main text). The most essential implication drawn from the model is as follows. The number of stores opened as a consequence of competition within a specific region depends positively on the following three factors: (I) transport cost for a consumer, (II) storage cost for a consumer; and (III) population density. By contrast, the number depends negatively on the following two factors: (IV) transport cost for a retailer, and (V) storage cost for a retailer.

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CONVENIENCE IN RETAILING

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SUMMARY

Socio-demographic trends have enforced two basic human tendencies: people try to minimize effort and time performing certain activities. However, all activities consume time and effort causing nonmonetary costs. Since this is equally true for shopping activities, retailers can differentiate themselves and gain competitive advantage by offering convenience, which reduces time and effort for their customers. People tend to substitute more and more time and effort for money (Longman 2003), which has considerably increased, e.g., on-the-go consumption or the demand of convenience services (Longman 2003; Seiders, Berry, and Gresham 2000).

Convenience comprises the avoidance or minimization of time and effort (e.g., Berry, Seiders, and Grewal 2002; Seiders, Berry, and Gresham 2000). The latter can be further distinguished in emotional, cognitive and physical effort (Mohr and Bitner 1995). As such, convenience in retailing is defined in the following way: *Convenience in retailing is the consumer perceived degree of avoidance of nonmonetary shopping costs, comprising time costs as well as emotional, cognitive and physical effort costs*.

Literature dealing with convenience conceptualizations reveal that (a) although existing conceptualizations seem to cover the construct very well (e.g., Berry, Seiders, and Grewal 2002; Seiders, Berry, and Gresham 2000), the construct is still conceptualized in slightly different ways (b) none of these works use a theoretical foundation to build their conceptualization upon and (c) existing conceptualizations of convenience only cover the dimensions of convenience and do not include any sub dimensions on a more subordinated level.

Due to the above-mentioned reasons we have built an additional conceptualization which is based on transaction cost theory, a very suitable and well established theoretical foundation. Irrespective of exiting findings this analysis brings out a conceptualization which is a combination of two of the present conceptualizations. In conclusion, our theory-based conceptualization confirms the existing conceptualizations of the dimensions of convenience, which are indeed intuitively very accurate. The four dimensions of our conceptualization of convenience are access, decision, transaction, and after-sales convenience. Additionally, we have built nine sub dimensions of the four dimensions, which haven't been included in any of the existing conceptualizations.

Beyond the task of the conceptualization the construct has to the best of our knowledge not been operationalized and measured yet. Previous conceptualizations have just as little discussed whether convenience is a formative or reflective construct. We perceive a gap in literature regarding these points. We operationalized convenience with 52 items as a multidimensional construct along the shopping process of access, decision, transaction, and after-sales convenience. These phase-oriented dimensions determine the overall level of convenience and a retailer might only aim to differentiate himself in selected areas of convenience. For that reason these four dimensions were specified as formative indicators of convenience in retailing (Jarvis 2003). Thus we show that convenience is a formative construct and aim to contribute to literature by justifying our decision. The nine subdimensions are formative items of the underlying dimension (Jarvis 2003).

Our convenience model was tested with empirical data. We cooperated with one of the major players in the German DIY-market. This branch was chosen because convenience plays a major role for retailers and for consumers. In June 2005 a personalized mailing with a questionnaire was sent to 6680 clients of a major German DIY-store. Our model was tested for content specification, indicator specification, indicator collinearity and external and nomological validity, whereas we couldn't detect any problems. We tested our model with PLS Graph, Version 3.00, which was kindly provided by Wynne Chin for beta testing purposes.

From a managerial perspective we investigated a need to understand which aspects contribute to convenience and thus provide promising areas regarding a differentiation for a retailer. This is associated with the question which aspects consumers' value most. Our model can be a guide for managers, as we have identified the areas which contribute most to an overall convenience perception. Decision convenience had, by far, the highest impact on overall convenience in retailing had, followed by access convenience. References are available upon request.

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THE VALUE IN COMBINING NETNOGRAPHY WITH TRADITIONAL RESEARCH TECHNIQUES

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ABSTRACT

With net-based consumption growing worldwide market researchers are increasingly exploring consumption in a virtual marketplace. Research techniques such as Netnography are useful in analyzing computer mediated forms of communication between consumers, and further value can be added by combining with more traditional research techniques such as depth interviewing. The following paper gives an example of the application of this mix of methods in the on-line auction environment, highlighting the value in combining forms of evidence collection when studying an entire system as opposed to individual channel users.

INTRODUCTION

Recent research has reinforced the growth of consumer interest in electronic means of consumption and communication, observing the development of a "virtual" marketplace and emphasizing the strategic implications of the existence of these consumption communities (e.g., Hagel and Armstrong 1997; Hakken 1999; Kozinets 1999, 2002; Shoham 2004). Along side of this, ethnographic researchers have begun to focus on the value of analysis of computer mediated forms of communication and consumption (e.g., Langer and Beckman 2005; Nelson and Otnes 2005) with the term "netnography" born of Rob Kozinet's application of ethnographic standards in an online world (2002). In light of the increased acceptance of netnography as a valid research technique, and given the increasing "net literacy" of the computer generations, it is thus important for marketing researchers to also recognize and capitalize on the benefits of combining such tools with more traditional research methods when studying a net-based system of consumption.

This paper details a current research agenda which explores the online auction world, considering specifically the views of different groups of stakeholders (consumers, auction-site providers, consumer advocacy groups, and regulatory bodies), toward counterfeit products that are represented as genuine. The research detailed in this paper is exploratory and in the initial stages of a larger, developmental research process, thus preliminary findings are presented in the form of a conceptual model, with an aim to further developing a number of testable research propositions. The paper also provides a useful basis for the discussion of the value of a mixed-method approach to social science research, and details a combination of Netnography and depth interviewing as a means to gaining access to different types of consumption system stakeholders.

A STUDY OF A CONSUMPTION SYSTEM

Services marketers have long understood the need for a "service dominant logic" based in concerning oneself with the overall outcome for the consumer rather than a focus on fiscal exchange as an end point (e.g., Vargo and Lusch 2005). As consumer goods marketers, we may find ourselves more concerned with tapping into the needs and wants of consumers than understanding factors that may make the consumption experience better for the consumer in the long term. The term "transformative consumer research" (ACR 2005) has been used as starting point for academics to highlight the theory gap in relation to improving systems and processes for the benefit of consumers, rather than the benefit of marketers of consumer goods. Transformative consumer research concepts suggest that by studying the system needs of consumers, as well as their activities or behavior, we can ensure a better overall relationship between all parties involved in the exchange relationship; be it the manufacturer, the retailer or the end user.

In terms of net-based consumption such as that provided by auction channels such as E-bay and Yahoo, consumers have expressed dissatisfaction with a number of elements of the exchange system. One of these elements is the lack of support for consumers who are unwittingly purchasing counterfeit or fraudulently represented items. The growth of independent "watchdog" groups dealing with issues of this nature highlight, the widening gap between what consumers perceive the responsibilities of auction providers to be and the willingness of auction providers to accept these responsibilities. This paper is thus concerned with the development of a conceptual model that details the impact that negative purchase experience with fraudulent or counterfeit products has on a consumer's willingness for future participation in the on-line auction setting, as well as identifying weaknesses in the overall system that can be explored further in order to improve the overall effectiveness of the exchange system itself.

Counterfeit Products on the Net and Consumer Watchdogs

Factors such as increased profit margins, tax free incomes and low overheads, when combined with the relative "safety" from prosecution that the internet provides, has contributed to the explosion of "fake" good that consumers are offered through mediums such as E-Bay and other on-line auction sites (Alcock, Chen, Ch'ng, Hodson et al. 2003). In the past it was generally accepted that consumers knowingly purchased these items as counterfeit, and were prepared to trade off inferior quality goods for the satisfaction of owning a luxury product they might not have been otherwise able to afford. The rise of the "super counterfeit" however, has meant that consumers are often paying large amounts of money for products they believe are genuine (Nia and Zaichkowsky 2000). The sale of branded goods identical in nature to legitimate articles is contrived to purposely deceive naive consumers (Ang, Cheng, Lim, and Tambyah 2001) as well as capture a segment of the consumer market who are willing collaborators in the trade (Tom, Garibaldi, Zeng, and Pilcher 1998).

A number of studies in recent years have examined the ability of consumers to differentiate between "fake" and genuine luxury products (e.g., Ang, Cheng, Lim, and Tambyah 2001), consumer demand for such products (e.g., Prendergast, Chuen, and Phau 2002; Tom, Garibaldi, Zeng, and Pilcher 1998), the value of these goods and consumer purchase intentions toward them (e.g., Cordell, Kieschnick, and Wongtada 1996; Nia and Zaichkowsky 2000) as well as means of preventing counterfeiting at the manufacturing end (e.g., Alcock, Chen, Ch'ng, Hodson et al. 2003). However, studies of this type do little to actually aid those consumers who are not willing participants in the trade of counterfeit goods – those who genuinely believe they are purchasing legitimate luxury goods.

Counterfeit products on the internet are somewhat of a hidden menace (Field 2005), particularly when they are positioned as genuine, and often sold through a team of sellers to avoid detection of large scale operations. Organizations such as the Anti-Counterfeiting Group (ACG) are useful in identifying and prosecuting large-scale offenders, however, this does not always help the individual consumer looking to buy a designer good at slightly less than retail. Firms such as Tiffany's have launched legal action against E-Bay as a response to the high numbers of counterfeit products sold through this medium; however Rolex's failure to successfully sue E-Bay's German site raises questions regarding the success of any such lawsuit (Passariello 2004).

Individual countries' (such as France's) tightening on the import of Asian-made replica products and the like has spurred the growth of sales of this type on the internet, as it becomes the most "easy way for a counterfeiter to get the product out to an end customer" (David Margolis, cited in Passariello 2004). Most luxury goods companies employ individuals to monitor representation of their products on the net, but these companies are more concerned with large scale fraud than the individual seller with one or two items on offer. In addition, programs such as VeRO (E-Bay's Verified Rights Owner program), which shift the burden of monitoring sales to the brand holder in return for an agreement to remove all infringing items at the brand's request, have not been successful, as the debate as to whose job it is to prevent sales of these items remains unresolved and most luxury goods brand (including Tiffany's and LVMH) have refused to join the program.

Given that the law is still somewhat behind in effectively policing trade of this type on the internet, some consumers, frustrated by stories of friends and acquaintances bad experiences of purchasing faux luxury goods, have set themselves up as self-styled "consumer watchdogs," campaigning about this type of fraud by educating their more naïve counterparts. Research into the self-styled watchdog groups that police this type of trade, while crusading to better educate consumers and forcing changes within the industry itself, is useful in that it will provide a greater understanding of the system needs of consumers in relation to protection from this type of fraud. A better understanding of these system needs will benefit not only the consumer, but also the auction channel provider, the legitimate internet trader and the owners of the brands currently targeted by counterfeiters. This initial exploratory research is therefore concerned with two key issues – developing an overview of the perceptions of key stakeholders (including consumer, channel providers, watchdog groups and regulatory bodies) to counterfeit product sales through online auction channels, as well as exploring the potential impact of a negative purchase experience on future system use intention by the consumer.

METHODOLOGY

The Mixed-Method Approach to Social Science Research

In current academic literature one can find many proponents of a mixed method approach to social science research (e.g., Perry 1998; Creswell 2003; Gummesson 2005), and given that one of the fundamental aims of humanistic inquiry is to construct thick description of the phenomena under study, in order to describe both complexity and internally constructed meaning (Geertz 1973; Hirschman 1989), it seems natural that researchers interested in net-based systems of exchange and consumption might combine more than one method of study.

Gummesson (2005) suggests that the true meaning of rigor in academic research is found in the ability of the researcher to use "all [their] senses including both cognitive and emotional abilities" and to acknowledge strengths, weaknesses and relevance of different techniques, creating a "personal package" of methods best suited to the phenomenon (or system) at hand (p. 325). To illustrate this, a framework for consumer research such as that proposed by Thompson (1997) can thus be adapted and applied to interpretive research that draws on not only the consumption experience of the consumer, but on the viewpoints of other channel members or industry experts as well. The key to this is to remain focused on the primary foundations of such research as posited by Thompson – (1) to discern individual patterns of meanings in relation to the research question; (2) to discern overall patterns of meaning from the different groups of individuals included in the research and; (3) to derive broader theoretical implications from analytical interpretation of the data collected from all sources (1997). Once we, as researchers, accept that a "bespoke" approach to research such as this holds merit, as long as we remain true to the existing scientific principles of each approach we choose to combine, we can undertake study most relevant in design to the particular context in which the research question is set.

Using Netnography in a Mixed Method Approach

Netnography as it exists at this point has been largely concerned with studying "communities of consumption" in an online sense, providing the researcher with information on the "symbolism, meanings, and consumption patterns of online consumer groups" (Kozinets 2002). The online world is said to provide a "unique experiential locale," fast replacing "diminishing communities of yore," where consumers interact with intentions to bond socially, find solutions to problems, to learn or to consume (Shoham 2004, p. 855). In the context of consumer culture research, netnography fulfils an important function in that it allows us, as researchers, to access groups of consumers and observe them as individuals, as interacting members of a community and as part of an overall system of consumption. The value of understanding consumption patterns is well documented in marketing literature, but receiving considerably less attention is the value in understanding the system needs of consumers external to the act of consumption itself.

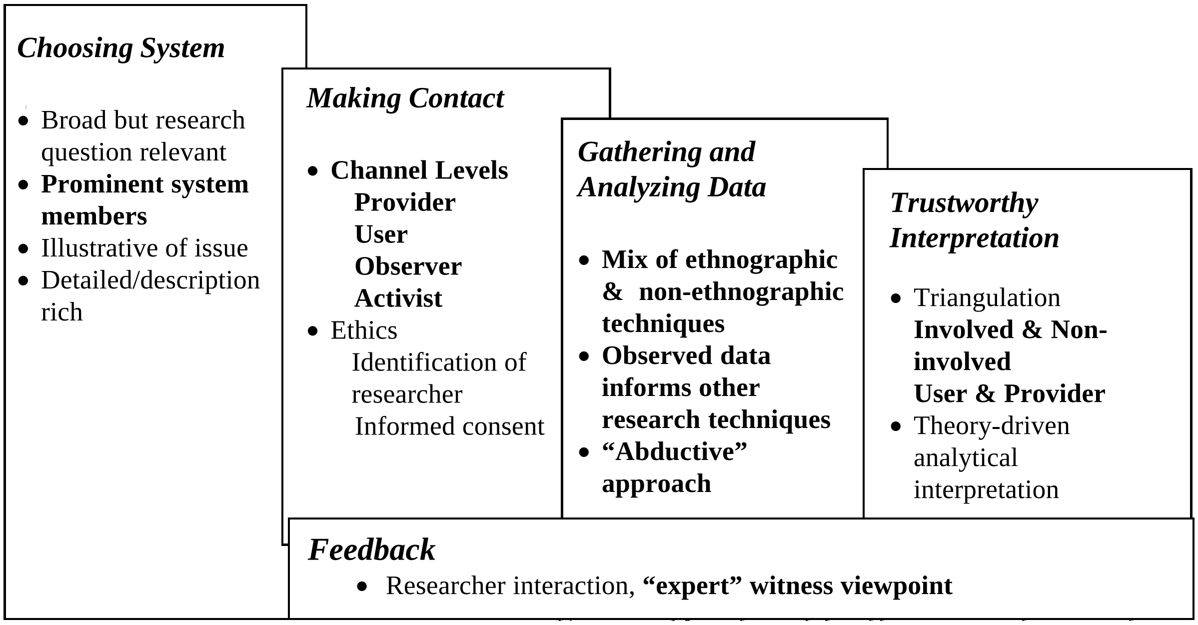
One of the central tenets of both ethnography and netnography is inherent flexibility; this in keeping with the overall philosophy of those who believe that good research techniques should be adaptable to the interests and skills of the researcher (e.g., Glasser 1992; Gummesson 2005). However, as Kozinets notes in his overview of the development of netnography, it is important "to provide a general description of the steps and procedures involved in conducting netnography as they are adapted to these unique online contingencies" (2002, p. 63). The key stages of netnographic inquiry as presented by Kozinets (useful to illustrate central differences between this method and general ethnography) include factors such as selection criteria specific to net-based communities, categorization of member interaction by level, identification of the researcher and informed consent of participants, and the use of data copied directly from electronic sources. In providing an overview of these steps, Kozinets makes the point that netnography remains inherently flexible, and while remaining faithful to traditional ethnographic methodologies in many areas, these guidelines allow the method to be more rigorously applied by researchers (2002).

Recently however, there has been a call from marketing academics for the discipline to better address "the importance of the external reality of customers and competitors to marketing management" (Gummesson and Perry 2004, p. 318), and criticisms of narrow research approaches that do little to enhance the understanding of the complex and often ambiguous nature of market economies that change and evolve over time (e.g., Gummesson 2005). Netnography, by providing a replicable approach to understanding a particular form of consumption channel, allows researchers to build a body of theory in relation to net-based consumption specifically. The application of this technique can be varied in terms of subject (e.g., Nelson and Otnes' 2005 study of brides-to-be or Langer and Beckman's 2005 study of cosmetic surgery), but the principle of achieving understanding through the study of language, text, symbols and interaction in an online context remains consistent (Kozinets 2002).

In a world where many consumption exchanges now take place in a virtual market, understanding crucial changes to, or shortfalls of, the exchange system requires research conducted with all channel members. Netnography gives us, as market researchers, an entry into the word of the consumer, whereas traditional tools such as depth interviewing are more suited to accessing channel providers and formal industry experts. A combination of netnographic techniques and traditional data collection techniques, selected on the basis of their appropriateness to the research issue at hand, is therefore wholly appropriate when exploring internet-based systems of consumption and exchange. Figure 1 details the process of applying netnographic procedure to a systems oriented approach to marketing research, as opposed to a purely consumer orientated approach.

This initial exploration of counterfeiting in an online auction environment was designed to be conducted in two distinct phases. A number of stakeholder organizations (including watchdog groups, online auction channel providers and regulatory bodies) throughout New Zealand, Australia, the U.K., and the U.S. have been identified to

FIGURE 1
A Systems Orientated Netnographic Research Approach



Source: Developed for this research project

form the basis of the initial development of the research, with depth interviews conducted with individuals representing these organizations. The second phase of the research involves qualitative analysis of consumer responses to a number of watchdog sites and online auction chat forums. Responses were analyzed to determine overall themes and these informed the development of an initial conceptual model detailing the impact of negative purchase experience on a consumer's willingness for future participation in the on-line auction setting. From this conceptual model four key propositions have emerged to guide future research in this area, with the eventual aim of improving the overall effectiveness of the exchange system itself, thus allowing greater protection of consumer interests than is currently provided.

Sampling

Four the initial, developmental phase of the research two watchdog groups, one dealing specifically with counterfeiting issues, the other with general net-based fraud were selected, along with a large scale auction channel provider and a national regulatory body that deals with consumer purchasing issues. For the consumer sample, pertinent threads that dealt *specifically* with the issue of *unwitting* purchase of counterfeit products (as opposed to purposeful selection of these products) were identified in chat rooms linked to major online auction sites in the U.S., the U.K., Australia, and New Zealand. Further detail regarding these stakeholder groups selected for examination is given in Table 1.

INITIAL RESEARCH FINDINGS

The Development of Internet Auction Consumer Watchdog Groups

The decision to start a watchdog group seems to stem from one of two key issues for these consumers, either they are a passionate advocate of a particular favored brand or product (a collector, "obsessionist," or loyal consumer), defining the time they spend helping others as a "crusade" for the particular brand they hold an emotional link with, or they are individuals committed to upholding consumer rights and devoted to protecting more naive net-purchasers in an absence of legal protection.

Comments made by the founder of a website devoted to Louis Vuitton products highlight the first of these two forms of watchdog groups, as she notes "As an LV [Louis Vuitton] lover and avid consumer advocate, I am on a crusade to teach others why they want the real thing. More importantly, anyone who wants to buy online should know how to avoid buying fakes!" (Ange, MyPoupette.com). This type of watchdog group limits its

TABLE 1
Participant Details

Watchdog Groups:	**Expertise**	**Anti-Counterfeiting Services**	
Scambusters (NZ)	All net-based fraud	Consumer rights advice, lobbying	
My Poupette (US)	Counterfeit luxury products	Authentication, consumer rights advice, interface with manufacturers	
Channel Provider:	**Trade**	**Anti-Counterfeiting Measures**	
Marketing Manager, Auction site "A"	Facilitates private and commercial sales of goods and services	Agreement with major brand owners to monitor listings under their brand, consumers can "nominate" potentially fraudulent listings, but no guarantee of action.	
Consumers:	**Contribution**	**Channel User Type**	**Threads Chosen**
U.S. auction site users	Predominantly heavy chat room contributors	Split between buyers and sellers	1 key thread identified, over 2500 individual posts
U.K. Auction site users	Predominantly heavy chat room contributors	Predominantly buyers	3 key threads identified, over 30 posts per thread
NZ Auction site users	Split between heavy to light chat room users	Split between buyers and sellers	2 key threads identified, over 25 posts per thread
AUS Auction site users	Split between heavy to light chat room users	Predominantly buyers	2 key threads identified, over 30 posts per thread
Regulatory Body:	**Remit**	**Services**	
CEO NZ Commerce Regulatory Body	Monitors all commercial trading behavior	Consumer advice, facilitates prosecutions under Commerce & Consumer Guarantees Acts, government lobbying	

monitoring activities to items carrying a particular brand, or within a particular product category, whereas the second form of watchdog group identified is far more general, examining everything they perceive as a potential "scam" for innocent consumers. Involvement in this sort of watchdog group has generally been spurred by either a bad experience with online trading themselves, or a lack of confidence in the current consumer protection offered by the system in which they are involved. The following story given by one watchdog group about their development is reflective of most of this second type of group: "We're a small group of traders who frequent [a major online auction site]. While we all enjoy trading on the site, in 2003 we couldn't help but notice an increasing number of scam auctions being listed there. For almost a year we operated quietly in the background, identifying scams and rallying enough support to have them "*voted off.*" By the beginning of 2004 we were catching up to 50 scams in a single day. Our amateur scambusting had become a full-time job" (Scambusters.co.nz).

Both types of watchdog groups provide a number of pre- and post-purchase services to consumers, including information about sellers, products and transaction safety, as well as assessment of completed transactions and often assistance in pursuing legal remedies to a bad consumption experience. In addition, these watchdog groups often contact brand owners and sales channel providers with information on suspect sellers and products, however this communication tends to be unsupported and one way. This lack of support from channel members is a key source of frustration for watchdog groups, almost as frustrating as the rouge sales they are trying to eradicate on the net: "we asked [the auction site] management to take over the role. The site's owners have access to more detailed information than us and disabling obvious scams the moment they are listed would be a lot easier for them. . . . We don't believe that they're in bed with the scammers but their attitude to our suggestion has moved from an initial stoney silence to a silencing of our members" (Scambusters.co.nz).

The response from auction channel providers tended to center on the question of whether there was actually a problem at all – the general feeling seemed to be that consumers only purchase counterfeit products knowingly, and that, as long as the channel provider was not breaking any laws, that consumers should effectively look after themselves. One channel provider's response to the issue of consumer complaints regarding counterfeit goods was to note that: "We'd probably get a thousand (complaints) in a week, but that isn't all counterfeit goods, in fact counterfeit goods is probably low in the priority. It's more likely that a good just hasn't been described accurately or that a good does not match the thing in the picture . . . that sort of thing is what people would more commonly [complain about]" (interviewee A, marketing manager, auction site).

When asked about interactions with consumer watchdog groups, it was interesting to note that the term "watchdog" was replaced with "pan organization" by the auction channel provider as they stated: "In terms of "pan-organization" groups, and particularly "pan-organization" website groups, we haven't had a lot of interaction with them . . . generally we [have contact with] the holder of the trademark or copyright, overall this is a relatively cost-efficient process for us" (interviewee A, marketing manager, auction site). The focus on profitability evidenced in this quote as opposed to consumer welfare is common amongst auction channel providers and brand owners, and consumer welfare experts agree that this has been a problem in the past; commenting that "by stating the obvious online sites' prime objective is to make money. Given this financial imperative they have tended to allow all comers the ability to sell" (interviewee C, CEO, NZ, Commerce Regulatory Body).

The Impact of Failure to Protect Consumers in Internet Auctions

Examination of the large number of threads devoted to counterfeiting in internet auction site chat rooms suggests that, despite claims by auction channel providers that consumers are aware that products are likely to be counterfeit and that the problem is negligible, many consumers are still being "duped" by the sale of non-authentic items as the real thing. The issue of channel provider responsibility in policing counterfeit product sales is hotly debated in a number of chat forums linked to the auction sites themselves, with many consumers agreeing that site management are not doing enough to protect the more naive consumer: "This really pips me off! I understand it's against the law and [the auction site] turns a blind eye to this kind of thing happening. Sure there are traders that state they have authentic goods but in the end it's buyer beware . . . [the auction site] is turning into one of the greatest fake clearing sites in the world and nothing is being done about it. That's my two cents. (Real not fake)" (Billite, NZ, Dec 03 05). In addition, many consumers, frustrated with the apparent lack of interest in their predicament by the brand owners as well as auction site management, are promoting watchdog groups and resources actively in chatrooms and message boards run by the auction site itself.

Consumer rights experts suggest that auction channel providers will move toward tighter controls over the listing of potentially counterfeit items in the future, noting that: "Smart site operators see the benefit in weeding-out shady traders to protect a site's reputation. I think we will see an increasing trend toward ethical trading in the future – traders would be pretty dumb [not to]" (interviewee C, CEO, NZ Commerce Regulatory Body). Consumers, however, do not seem confident that this will be the case: "I am most upset with them not removing listings that were reported. I spent hours looking for listings selling fakes (when I should be working at my listings or doing something else). Yet, they won't do anything!" (Butadream, U.S., May 04 05). "Keep up the hard work! It's widely known that eBay can't (won't) remove ALL the reported listings, no matter how many times an item's been reported" (Vogue 1966, U.S., May 04 05). Figure 2 gives a representation of the impact of a counterfeit experience on the unsuspecting consumers' likelihood to participate in the consumption channel in the future, and highlights the key breakdowns in this exchange system as a whole, leading to four key propositions, namely;

P^1: That a counterfeit experience leads to negative associations with auction channel provider;

P^2: That negative associations with auction channel provider leads to reluctance to use channel in future;

P^3: That a counterfeit experience leads to negative associations with brand/product purchased and;

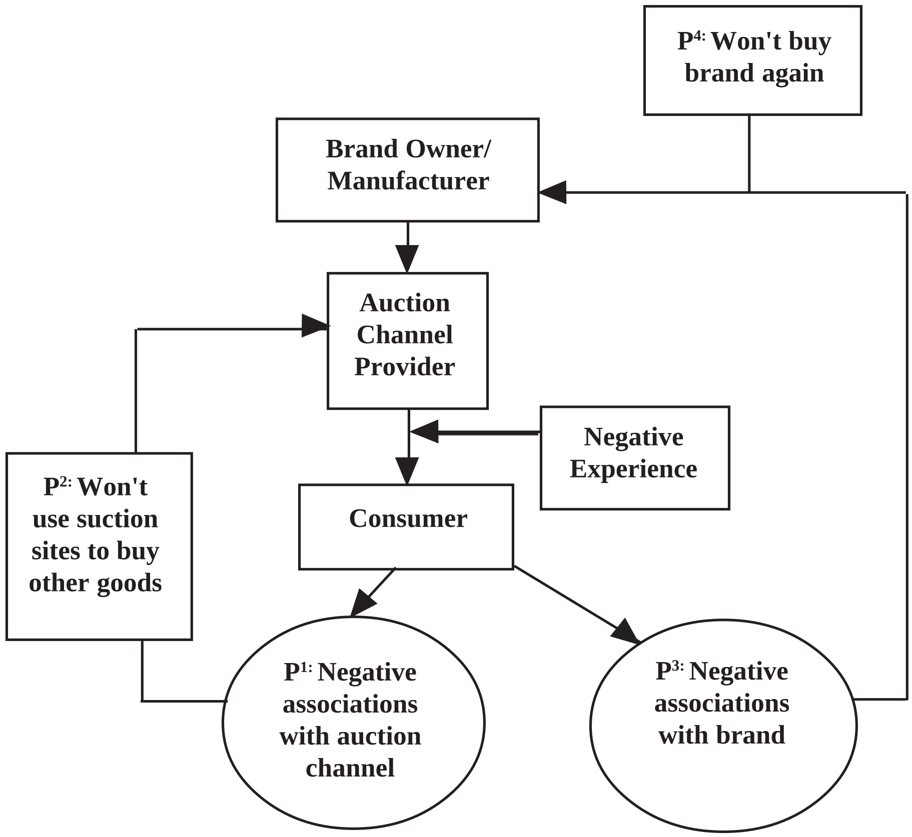
P^4: That negative associations with brand/product purchased leads to reluctance to purchase brand/product in future.

A negative experience with a counterfeit product purchased over the internet can result in not only the development of negative associations with the online purchasing experience by the consumer, but with the brand of the item purchased also. This leads directly to consumer reluctance to use an auction channel for subsequent purchasing, as well as the possibility of not wanting to purchase genuine items from the brand owner in the future, although this effect is unlikely to be as strong, and consumers tend to be more concerned with the existence of "fakes" negating the value of genuine items.

PRELIMINARY CONCLUSIONS AND FUTURE RESEARCH DIRECTIONS

The preliminary research has identified a growing, consumer-driven need for watchdog groups in the presence of limited regulations regarding online trading be-

FIGURE 2
The Impact of Negative Experience on Future Consumption



havior. A perception of reduced rights in an online setting has led to the development of consumer protection communities by those either passionate about a brand, or about consumer rights in general, with auction channel users commenting that they are "glad to see that steps are being taken to provide such authentication resources to buyers and sellers" but calling for greater involvement by channel providers and brand owners to help protect those "tricked" into spending hundreds (sometimes thousands) of dollars on a counterfeit item" (om*goddess, U.S., Jan 05 06).

Despite claims by auction site management that the problem is not an extensive one, and a refusal to accept that consumers don't know what they are buying (counterfeits) in many cases, consumer debate on this subject suggests otherwise. Evidence is apparent that negative experience in online auctions leads to negative perceptions of both the auction process overall as well as the brand purchased in some cases. Ongoing disputes between brand owners and auction channel providers over responsibility ignores the current issue of consumer dissatisfaction with all parties in the channel and the system of consumer protection itself. Consumers are prepared to do some of the hard work in monitoring and reporting on counterfeit auctions, but note that "We [consumers, auction sites and brand owners] have to work together" (om*goddess, U.S., Jan 05 06) – something that has not been successfully achieved to date. Future research is therefore intended to further explore the propositions developed from this preliminary study, as well as explore channel member reaction to the views expressed by consumers.

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THE QUALITY OF QUALITATIVE STUDIES: COMPARING FUNDAMENTAL RESEARCH PERSPECTIVES IN CONSUMER RESEARCH, MARKETING MANAGEMENT RESEARCH, AND ORGANIZATIONAL RESEARCH

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SUMMARY

There are interesting commonalities between the reflection of qualitative approaches in such academic disciplines as organizational and management research, marketing and consumer research, information systems research, psychiatric and nursing research, or educational research. First, many writers have noted a *disparity between the interest in and the adoption of qualitative approaches* (Lacity and Janson 1994; Van Maanen 1998). Second, across disciplines, this reluctance to adopt qualitative approaches is often attributed to *uncertainty about quality criteria for qualitative studies.* Uncertainty has been observed both on the side of the researcher considering the use of qualitative approaches (Bonoma 1985; Creswell and Miller 2000; Howe and Eisenhart 1990; Lincoln and Cannella 2004; Riege 2003) and on the side of the reviewer evaluating the quality of a manuscript (Elliott, Fischer, and Rennie 1999; Lee 2001; Sutton 1997). If this uncertainty keeps researchers from using qualitative studies and keeps reviewers from endorsing a paper, the marketing discipline cannot fully exploit the potential offered by qualitative studies. Against this background, the motivation underlying our research is to provide orientation about the quality of qualitative studies.

Much of the existing literature has approached the quality issue by comparing the ontological and epistemological foundations of different research perspectives. The conclusion was all too often that research perspectives are incommensurable and that common ground is nonexistent (Bochner 2000; Sale and Brazil 2004). Other literature has tried to translate abstract higher-order criteria for positivist, quantitative studies (objectivity, reliability, validity) into abstract higher-order criteria for non-positivist, qualitative studies (for instance, credibility, transferability, dependability, and confirmability). Several amendments to the higher-order criteria have been suggested. From a naturalistic perspective, Lincoln and Guba (1986) argue for ontological authenticity, educative authenticity, tactical authenticity, and fairness. Spiggle (1994) advances usefulness, innovation, integration, and resonance, proposing that her criteria reflect an interpretive style, but are also adequate to positivist inquiry. However, all too often the conclusion was that the search for common ground across research perspectives is fruitless (Guba 1987; Howe and Eisenhart 1990). In our research, we have turned this top-down logic around. We let operational quality criteria speak bottom-up, conducting a content analysis of the methodological literature. Our objects of analysis are editorial statements and articles from refereed academic journals that *focus on the methodology and quality standards* for qualitative studies. We have sifted 25 years of seven leading academic journals (AMJ, AMR, ASQ, JCR, JM, JMR, ORM), resulting in a total of 18 methodological reflections in consumer research, 7 in marketing management research, and 21 in organizational research. The content of the articles was separately coded by the two authors. Differences were discussed and reconciled.

The result of our approach is a surprisingly large degree of operational consensus between research perspectives, and a surprisingly long list of generalizable quality criteria for qualitative studies. Our paper argues that, across disciplines and fundamental research perspectives, researchers can agree on 20 key attributes of good qualitative research. We hope that our paper can serve as a platform for a quality discussion across disciplines and across research perspectives. Despite the differences on an ontological and epistemological level, there is much common ground between research perspectives on an operational level. Terminating any quality dialogue between research perspectives by pointing to incommensurability would throw out the baby with the bathwater. References are available upon request.

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HISPANIC CONSUMER EXPECTATIONS FOR SPANISH-LANGUAGE WEB SITES: SOME QUALITATIVE INSIGHTS

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SUMMARY

The Hispanic Internet user is a relatively unexplored consumer segment in marketing literature. In 2004 the Hispanic population in the United States was estimated at 40.4 million (Pew Research Report 2005), and, according to Korzenny and Korzenny (2005), almost 65 percent of them used the Internet in 2005. This surge in Hispanic online activity has not gone unnoticed by marketers. Internet sites that have targeted Hispanics with Spanish-language content have emerged as the most visited among Hispanics. Thus, the vast Hispanic online market cannot be ignored by marketers wanting to expand their revenues and consumer base. This study specifically explores the attitudes of Hispanic Internet users on how to culturally and linguistically adapt Web content to them. Focus groups and brainwriting sessions were used to generate an in-depth understanding of commonalities and differences in attitudes and expectations about cultural and linguistic characteristics of Web content among various Hispanic consumers. The study is based on 16 focus groups and 3 brainwriting sessions conducted in Miami, Houston, and Chico, California.

A total of 16 focus groups with 5–7 participants each were conducted. Focus groups were tape-recorded and later transcribed and analyzed. The themes and insights thus generated then served as a basis for further refining and idea generation using a brainwriting technique, a variation of brainstorming. The advantage of complementing focus groups with brainwriting is that the themes generated from the focus groups can then be presented to participants in brainwriting groups who can then use those themes as a basis for generating more ideas. The focus groups were conducted in Spanish and English, and frequently both languages were used during the sessions. Careful attention was paid to ensure that monolingual Spanish participants were grouped together. Except for two focus groups in Houston, all the focus group participants were bilingual. Participants in the brainwriting sessions were all bilingual.

The study conducted two unstructured and non-standardized groups in Chico to serve as the basis for developing a core set of standardized questions for the subsequent standardized focus groups. A focus group guide was developed that provided a general framework for discussions in all the focus groups. The guide was comprised of a core set of open-ended questions that were standardized across the groups, and a variable set of questions or issues that emerged in different groups in order to attain comparability across groups while still accounting for diversity and emergent needs of different groups.

The questions revolved around what cultural beliefs, issues, and values tend to be important to Hispanics. Values and issues like family, community, respect, status, risk avoidance, use of colors, use of Spanish, and Web navigation were the key issues identified in the initial unstructured focus groups. This was followed by careful analysis of focus group data, informal interviews and discussions with other academics at conferences to develop a general framework comprised of a core set of questions for conversation in the subsequent focus groups. The core set of questions focused on issues like Spanish language usage, core cultural values, gender role differentiation (machismo and Marianismo), importance of family and community among Hispanics and how to depict it on Web sites, importance of status-orientation among Hispanics and how to depict it on Web sites, and importance of safety and security on the Web. The core set of questions were only used as prompts for direction, and each focus group was allowed to vary according to the emergent needs of the group.

Focus groups were recorded, transcribed, and then coded. The authors took extensive notes on impressions, body language, and other nuances and important points that could complement the recording. After each focus group, the authors exchanged notes, analyzed the data, coded it carefully, and kept a reflective journal of all the important notes and experiences. After all the focus groups were conducted in Miami, Chico, and Houston (a period of 3–4 months), all the transcripts, audiocassettes, notes, and journal entries were reread and coded again. This analysis of the whole data helped us compare, check, code, and identify categories and themes that emerged across focus groups.

The major themes identified in the focus groups served as a basis for further exploration and idea generation using the brainwriting technique. The main themes were crystallized in the form of questions that were

carefully framed in consultation with authors and feedback from other researchers. Some of the questions included: (1) How should Web sites depict family-orientation? (2) How can a Web site show a sense of belongingness? (3) What information topics are of special interest to Hispanics? (4) How can status-orientation and prestige-appeal be reflected on sites.

At a methodological level this study shows how focus group methodology can be complemented with brainwriting techniques to generate unique qualitative insights. At a conceptual level the study shows that most Hispanics share a set of beliefs and expectations for Web site design and content creation that transcends all Hispanic sub-groups despite country of origin, educational level, generational level, and age. Thus, Web marketers can use the values, themes, and ideas identified in this study to design and create Web content that reaches a large segment of the Hispanic market. The findings from this study will prove beneficial to companies that don't just want to stop at mere translation of Web content but really want to hit the Hispanic consumer's sweet spot by communicating through their language and culture. References available upon request.

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CONSUMER SPENDING SELF-CONTROL: CONCEPTUAL AND MEASUREMENT REFINEMENTS

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SUMMARY

A variety of issues, including increased health care problems due to obesity in both children and adults, rising bankruptcies and foreclosures caused by over extension of credit, and a variety of addictions to both legal and illegal substances, are of interest to consumer researchers. A common link throughout these behaviors is self-control. Because of its centrality to understanding consumers' decision processes, consumer spending self-control is an important construct influencing many aspects of consumption, and therefore careful conceptualization and measurement of consumer spending self-control (CSSC) could prove valuable to future consumer research.

A focus on consumer spending is especially appropriate as bankruptcy filings reached an all-time high in 2004 (Fetterman 2005). Due mostly to out-of-control credit card spending, bankruptcy laws were revised as of October 2005, to force more consumers into Chapter 13 bankruptcy, which now requires a five-year plan for repayment of debt, rather than the more forgiving Chapter 7 terms (Borrus and Tergesen 2005). Exacerbated by this hyperconsumption financed by debt-spending is the fact that the U.S. savings rate has declined to the world's lowest rate (Colvin 2005). These staggering statistics help to explain the crises many older Americans are facing with insufficient funds for retirement.

Previously, Tangney, Baumeister, and Boone (2004) developed a trait measure of general self-control. However, the Tangney et al. (2004) measure is too general to tap into the issues specifically related to consumer spending self-control. The Tangney et al. (2004) scale is based on assessment of four primary domains of self-control identified as controlling thoughts, emotions, impulses, and performance. However, these domains are addressed across a wide variety of behaviors, and only marginally focus upon consumption-related phenomena. The purpose of the present research is to create and then apply a consumer self-control scale that specifically measures the individual tendency to control oneself as a consumer through purchase and spending decisions. Based upon definitions of both general self-control and consumer self-control, we introduce the following conceptual definition of consumer spending self-control (CSSC). CSSC is the ability to monitor and regulate one's spending-related thoughts, emotions, and decisions in accordance with self-imposed standards.

Constructs related to CSSC exist both in the psychology and marketing literature, and are important to consider in relation to the currently proposed CSSC construct. These constructs range from more general notions of self-control to very consumption-specific concepts such as impulse purchasing. The most important of these constructs, including general self-control, self-efficacy, frugality, materialism, excessive buying, and impulsiveness, are addressed in this research.

A series of studies are used to develop, purify, and validate a 10-item CSSC scale and demonstrate the usefulness of this construct. Results show that CSSC is distinct from existing constructs and provides additional explanatory power beyond the general measure of self-control. In addition, CSSC shows less susceptibility to socially desirable responding than related measures. The evidence from three studies suggests that CSSC can be measured through a 10-item scale that captures components of monitoring, self-imposed standards, and regulating. This short scale provides a parsimonious method for investigating differences in consumers' spending control that should prove useful in a variety of consumer research domains. Moreover, the relatively short length and simplicity of administering the CSSC scale is in line with Richins' (2004) recent recommendations about scale development.

Because CSSC is a more general construct than buying impulsiveness, compulsiveness, and excessive buying, it is useful for identifying a broader range of consumer behaviors with potentially negative consequences. Study 3 also offers evidence regarding the relationships between CSSC and savings rates, financial consequences, and credit balances. Furthermore, hypothesized relationships with consumer specific constructs were stronger with the CSSC measure than the more general measure of self-control.

In conclusion, the conceptualization and three studies demonstrate the sound psychometric properties of the CSSC scale. This measure can be used to effectively categorize consumers and to predict behaviors and consequences in a variety of consumer contexts. The impor-

tance of differences in consumers' ability to exercise control over their spending behaviors provides a valuable source of future research opportunities. References are available upon request.

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THE DIMENSIONS OF CONSUMER EMPOWERMENT

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SUMMARY

Pressures from social changes in concert with technological advances (e.g., Internet) have made it both possible and necessary to empower consumers. Consumers have been given the power to determine what promotions to watch (e.g., Tivo), where to buy a particular product (e.g., Internet or physical store), the final product produced (e.g., any pizza parlor), and in some cases, choose which price to pay (e.g., e-Bay). Thus, consumers have become increasingly empowered.

All of the above examples equate consumer empowerment with greater choice. While some research does equate consumer empowerment with greater choice (Jenner 1994), other research suggests that consumer empowerment also includes access to increased information (Keh and Park 1998), presumably to make more informed choices. Some research suggests that education is a dimension of empowerment, because education is necessary to be able to use increased information (Cutler and Nye 2000). Other researchers suggest that in addition to increased quantity of information, the information must be of increased quality, and include a component for finding the most relevant information (Rust and Oliver 1994) in order to empower consumers. A gap in the literature seems to be clarifying the dimensions of consumer empowerment. The objective of this study is to use the literature and a qualitative study to clarify the dimensions of consumer empowerment.

Consumer empowerment is an important research topic in marketing. Some researchers suggest that rising consumer empowerment foretells a new era in which marketing must shift from a primary role of persuading consumers to that of being an information provider and advisor to consumers, even to the point of recommending competitors' products (Urban 2005). Some argue that increasing consumer empowerment, while offering opportunities for marketers willing to change, will cause traditional marketing methods to lose effectiveness (Rust and Oliver 1994). From a consumer point of view, research suggests that empowerment is integral to self concept (Henry 2005). Given modern marketing thought that suggests consumers buy and use products for communicating and building self-image (Belk 1988; Fournier 1998), consumer empowerment is an important topic because of its impact on self-concept. These examples suggest that consumer empowerment has the potential to impact some important marketing areas. Clarification of the dimensions of empowerment will help researchers to more nearly focus their investigations of this construct.

Defining Consumer Empowerment

Consumer empowerment is defined primarily in two ways. First, consumer empowerment can be defined as giving consumers power through resources such as greater information or greater understanding (e.g., Brennan and Ritters 2004; Cutler and Nye 2000; Rust and Oliver 1994). Second, consumer empowerment is defined as a subjective state, caused by increasing control (Wathieu et al. 2002). In the literature, the term consumer empowerment is used to describe both of these concepts, causing confusion. We suggest that while both definitions describe consumer empowerment, they identify distinct dimensions.

Dimensions of Consumer Empowerment

We propose consumer empowerment is reflected by three dimensions, authoritarian consumer empowerment, capacity consumer empowerment, and psychological consumer empowerment. We define consumer empowerment as giving power to consumers but also recognize the different methods of giving power (cf., Thomas and Velthouse 1990). Authoritarian consumer empowerment is power that is given by increasing access. Examples include authorizing or allowing increased access to information, facilitating access to other consumers, and having access to certain necessary products (e.g., health care). The authority to access information is consistent with Thomas and Velthouse's (1990) definition of empowerment as authority. Capacity consumer empowerment describes giving power by providing consumers with the means to use information. Examples include increasing consumers' understanding of the information or their ability to efficiently search through that information. Giving consumers greater power to use information is consistent with Thomas and Velthouse's idea of empowerment as providing capacity. Psychological consumer empowerment refers to a subjective energizing experience. Psychological consumer empowerment is consistent with Thomas and Velthouse (1990) idea of empowerment as energizing and Wathieu et al.'s (2002) idea of empowerment as subjective experience.

Results of our literature review and a series of four focus groups suggest consumer empowerment is a multi-dimensional construct reflected by authority, capacity, and psychological empowerment. Consumer empowerment is higher in abstraction and thus more general than any of its dimensions. Consumer empowerment can refer to the granting or taking of power by consumers. This power can come from authority, capacity, or a subjective feeling of empowerment. We suggest that future research refer to the specific dimension under investigation or reference the more general construct. We hope that specific reference will aid researchers in clarifying the influence of consumer empowerment on marketing. References available upon request.

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INFORMATION TECHNOLOGY INFRASTRUCTURE AND NEW PRODUCT DEVELOPMENT PROCESS EFFECTIVENESS: THE MEDIATING ROLE OF ORGANIZATIONAL LEARNING

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SUMMARY

Although many elements that improve a firm's new product development (NPD) process have been identified, there has been limited investigation as to how information (IT) infrastructure affects NPD process effectiveness measures. Drawing from the resource based-view (RBV) and organizational learning (OL) theories, this paper develops a conceptual model on how IT infrastructure results in improved OL, NPD speed, product quality, and development cost.

IT investments represent an increasing portion of a firm's total capital spending and therefore play a major role in firm performance figures such as return on investment and return on assets. Subsequently, one of the true drivers of corporate success is a more effective deployment of IT infrastructure investments. Therefore, understanding how IT infrastructure affects business processes, such as the NPD process, would help justifying investments in IT infrastructure. Moreover, understanding how IT tools enhance a firm's processes would provide managers with useful levers to adjust for improving their firm's performance. In conclusion, I investigate the following research questions:

i. How does IT infrastructure capability influence the firm's NPD process?

ii. What is the role of OL in reaping the benefits from IT investments?

IT infrastructure is described by the concepts of reach and range, where the former refers to the locations and people that a firm's IT infrastructure is capable of connecting, and the latter is the spectrum of business activities that can be accomplished and shared seamlessly across each level of reach (Keen 1991). I argue that IT infrastructure, the combination of reliable services shared throughout the firm and the tangible assets it entails, is a capability of the firm. IT infrastructure is a capability, not just a resource because in addition to the tangible components, it encompasses the ability to effectively configure and reconfigure the reach and range of these tangible components in order to best serve the firm's information needs. Moreover, I assert that IT infrastructure capability is rare, unique, imperfectly imitable and imperfectly mobile. First, identifying and acquiring the right IT infrastructure components and establishing the right reach and range is a skill that is rare. Second, IT infrastructure capability is unique because each firm will have a unique combination of these components. Next, IT infrastructure capability is imperfectly imitable. This is due to the fact that even if a firm acquires the same IT infrastructure components as its competitors, there would still be some customization in the tangible components, resulting in different IT infrastructure in both firms. Finally, IT infrastructure capability is imperfectly mobile because the array of services provided within the firm, adjusting the reach and range of the infrastructure based on the firm's changing environment can be considered as co-specialized assets. These assets would be mobile to the extent that employees are mobile. In conclusion, based on the discussion above and drawing from RBV, I conclude that IT infrastructure capability can provide advantages such as improved process effectiveness for the firm, which potentially will be sustainable in the long-term.

The two endogenous constructs in this paper are OL and NPD processes. First, OL is a process by which organizations learn through interaction with their environments (Cyert and March 1963; Sinkula 1994). Huber (1991) identifies the following four constructs related to the OL process: information acquisition, information distribution, information interpretation, and organizational memory. Second, NPD process is carrying out a new product project from the idea stage to the market launch (Cooper 1994). Each of the activities in NPD such as idea screening, concept generation, testing has different requirements. As such, success of an NPD program depends on how well technical and market intelligence activities are harnessed efficiently to generate products that best satisfies the current and potential customers. Consequently, NPD speed, the quality of the new product and product development cost should indicate how well a firm's NPD process is.

In this manuscript, I argue that IT infrastructure capability enhances both OL and NPD process. For example, IT infrastructure capability facilitates coordination and collaboration within the NPD team, thereby reducing the necessity of co-locating during product development. The more the reach and range a firm's IT infrastructure embodies, the more its employees will be able to search for information in the digital world. This way, NPD team members would be aware of best prac-

tices within their own and other industries. As a result, the firm will acquire more information and more quickly owing to its vast spanning IT infrastructure. In conclusion, the higher the OL in a firm, the more extensive information the employees will have access to.

This paper fills a significant gap in the literature by providing a theoretical model on how IT infrastructure influences NPD process effectiveness and also highlights the role of OL in this relationship. This research has several managerial implications. For example, if firms can improve their IT infrastructure capabilities, it would in turn improve their NPD processes. Hence, this paper provides a theoretical support that IT infrastructure, when appropriate reach and range are put in place, can be a lever for managers in managing their firms' NPD processes. It therefore, provides a support for IT executives when they are proposing investments in major IT initiatives. The proposed conceptual model now needs to be tested in order to find empirical support for the posited relationships. References are available upon request.

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BUILDING LOYALTY BY SPONSORING VIRTUAL PEER-TO-PEER PROBLEM SOLVING (P3) COMMUNITIES

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SUMMARY

Customer loyalty is founded on trust, and increasingly, firms are investing to build both loyalty and trust through the sponsorship of virtual communities. Virtual communities connect customers to each other through chat rooms, bulletin boards, and product review pages. The most popular type of virtual community is the peer-to-peer problem solving (P3) community (Raine and Horrigan 2005). In P3 communities customers maintain textual conversations to find solutions, exchange best practices, and build expertise while forging meaningful social relationships (Mathwick, Wiertz, and de Ruyter 2005).

Three aspects of loyalty building in the virtual P3 community context are examined in this study: (1) the communication process that underlies virtual community interaction, (2) the role of trust in that communication process and (3) the loyalty implications of P3 community sponsorship. Social tie theory frames the initial examination of this communication process, which is believed to transform weak social ties between virtual community participants, into valued information resources characterized by strong social connections. Weak social ties of the type found in P3 communities, serve as bridges that facilitate the flow of information between isolated clusters of individuals. As social ties strengthen, they come to exert an inordinate influence on decision-making (Frenzen and Nakamoto 1993), establishing the relevant of this form of communication to marketers.

The second aspect of this study addresses with the trustworthiness of an online information source, which is believed to be the foundation for creating valued informational and social resources. This value ultimately influences a P3 community patrons' willingness to repetitively visit and extensively use the website (i.e., website stickiness). To determine whether website stickiness constitutes genuine loyalty, however, e-marketers must go beyond behavior to examine the relative attitudes consumers hold toward their brands (Dick and Basu 1994). Therefore, the third issue examined is the relationship between this communication process, website stickiness, and consumer intentions toward the brands of the community sponsor.

Research Design, Methods, and Conclusions

Data for this study were collected from visitors of a virtual P3 community sponsored by an office equipment manufacturer. The information content on this site deals with the development of skills relevant to the use of the site sponsor's product line, and is generated by current and prospective customers as well as by representatives of the sponsoring firm. Archived bulletin board discussions support two-way communication and serve as the primary interactive tool available to the community.

An invitation to participate in this study was extended to the registered website users via the sponsors' electronic newsletter and through postings on the website homepage and community bulletin boards. Five hundred eighteen individuals visited the on-line survey site and 290 completed the survey instrument. The sample is made up of 42 percent current and 58 percent prospective customers of the manufacturer's product line.

Exploratory and confirmatory factor analysis was used to ensure study measures exhibited acceptable psychometric properties. Structural equation modeling techniques were used to examine the structure of the communication process that transforms a trustworthy information source, accessed via weak bridging ties, into valued information resources, strong social ties, website stickiness, and ultimately loyalty intentions toward the brands of the community sponsor. The results indicate bridging ties positively influence source trustworthiness, which in turn mediates the relationship between bridging ties and the perceived value of the information resources. Social tie strength was directly influenced by linkages to bridging ties, while being negatively influenced by source trustworthiness. The information resources generated by the P3 community exerted the only significant influence on brand loyalty intentions. Website stickiness, which was positively influenced by both social tie strength and information resources, failed to exert a significant effect on brand loyalty intentions.

The structural relationships that emerged suggest two paths – a social path and an informational path – leading to different aspects of loyalty. Along the "social path," bridging ties linking to an extended network of contribu-

tors strengthened the social ties of the community. Despite the qualified degree of trust associated with these linkages, the camaraderie and support available via the social path, appears to create enough value to justify return visits to the website. While the website's stickiness increased as a result of the social ties forged by P3 community interaction, social ties did not translate into brand loyalty intentions. Rather, they appear to be an end unto themselves.

Along the "informational path" only trustworthy information sources could transform bridging ties into valuable information resources. Once created, however, these information resources directly influenced loyalty intentions toward the brands of the virtual P3 community sponsor. This relationship was the strongest relationship in the study. The value inherent in the P3 community's information content also combined with social ties to explain a significant portion of the variance in website stickiness.

The managerial implications of sponsoring a virtual P3 community are twofold: First, website traffic and brand loyalty intentions are primarily a function of the informational value created through P3 interaction. Extending bridging ties to diverse information resources may be a wise strategy, given these ties serve to establish trustworthy information content, enhanced social attachments, website stickiness, and ultimately loyal brand intentions. Secondarily, the social ties that develop, although not directly linked to loyalty intentions, provide an intrinsically compelling reason to return to the website. Therefore, P3 community sponsors are advised to nurture both "paths" to loyalty. References available upon request.

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GENDER DIFFERENCES IN TRUST FORMATION AMONG YOUNGER CONSUMERS IN VIRTUAL COMMUNITIES

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SUMMARY

GenX and GenY (birthdates 1965–1995) account for about one-third of the U.S. population and spend over $300 billion annually. These consumers might be open to building relationships in virtual communities, given their affinity for using technology. However, while trust is essential to marketing relationships (Morgan and Hunt 1994), and gender affects consumer behavior in online environments (Garbarino and Strahilevitz 2004; Fallows 2005; Phillip and Suri 2004), the effect of gender on trust formation in online environments is unknown.

In this study, we explore how gender moderates the trust formation process of younger consumers in marketer-sponsored virtual communities. We hypothesized that while direct determinants of trust (i.e., shared values, respect, and lack of opportunism) would be of equal importance to males and females, other determinants would be significant only for one gender. We use attribution theory to hypothesize that the efforts of a marketer, acting as a community sponsor, are perceptual cues that evoke consumer beliefs that facilitate trust in the community sponsor. The variables used to measure a community sponsor's efforts – perceived effort to provide quality content, perceived effort to foster member embeddedness, and perceived effort to encourage interaction, – and their effect on trust-building in virtual communities, are detailed in Porter and Donthu (2006).

Assessing the moderating effect of gender on the online trust-building process requires an understanding of how Dholakia et al. 2004 apply a uses and gratifications perspective to explain why consumers participate in virtual communities. Dholakia et al. suggest that consumers participate in virtual communities in order to satisfy needs that help them to fulfill core values (see Dholakia et al. for conceptual definitions of these values). In this study, we extend Porter and Donthu (2006) and Dholakia et al. by hypothesizing that the efforts of a marketer tap into consumer values and, in doing so, trigger consumer beliefs that facilitate trust. Here, we provide only a brief summary of how uses and gratifications theory explains the moderating effect of gender on the attribution-based trust-building process.

Consumers derive purposive value from participation in virtual communities by accomplishing instrumental tasks such as obtaining information (Dholakia et al. 2004). Thus, purposive value is related to the content provided by a community sponsor. Fulfilling purposive values related to content is hypothesized to be important to males and not females. Indeed, men are intensive information seekers and are more likely than women to use the Internet for functional purposes (Maltby et al. 2003; Philip and Sur 2004).

Interacting with community members for social support delivers the consumer value of interpersonal connectivity, and the value of self-discovery emerges when interaction helps one to define personal preferences (Dholakia et al. 2004). Thus, values of connectivity and self-discovery are related to the effort that a community sponsor makes to encourage interaction. Fulfilling values related to interpersonal connectivity and self-discovery is hypothesized to be important to females and not to males. Indeed, women value being connected to others, have a strong need for affiliation and are motivated to use the Internet for community and rapport-building (Garbarino and Strahilevitz 2004; Maltby et al. 2003; Venaktesh and Morris 2000).

Finally, consumers derive social enhancement value in virtual communities when they obtain social status within the community (Dholakia et al. 2004). Marketers can facilitate social enhancement value by fostering member embeddedness in a community. Since men are socialized to value having an impact on their organizations (Venkatesh et al. 2004), and women have a strong need for affiliation (Venkatesh and Morris 2000), fulfilling values related to social enhancement is hypothesized to be important to both male and female consumers.

Methodology, Results, and Contributions

We collected data from 232 consumers who were 18–40 years of age (n = 119 for males and n = 113 for females) and either current or former members of a marketer-sponsored virtual community. Multi-item scale items were used. A confirmatory factor analysis was conducted, and 34 items demonstrated good fit in the combined sample of 232 respondents ($\chi^2 = 1031.05$, degrees of freedom [d.f.] = 491, $p < .001$; comparative fit index [CFI] = .99), and in both the female and male sub-samples. The structural model was estimated using LISREL 8.54, and the results show sufficiently good fit between the model and the

observed data for the overall sample ($\chi^2 = 1147.97$, d.f. = 509, p < = .001; CFI = .99), male sample ($\chi^2 = 1101.13$, d.f. = 509, p < = .001; CFI = .98) and female sample ($\chi^2 = 947.94$, d.f. = 509, p < =.001; CFI = .98). The model explains 91 percent of the variance in trust for the combined sample and gender-based sub-samples. All of the hypotheses were supported except those that hypothesized significant effects for sponsor opportunism in the model.

In sum, our model explains the nature of gender differences in the trust formation process of younger consumers. From a theoretical perspective, we integrate attribution theory with the theory of uses and gratifications to illuminate how gender moderates a consumer's cognitive trust-building process. Indeed, we found that a marketer's effort to embed consumers facilitates trust by producing social enhancement value for both males and females. We also found that males respond favorably to a marketer's efforts to provide quality content whereas females did not. Finally, we found that females responded favorably to a marketer's efforts to encourage interaction whereas males did not.

Our findings also are important to managers seeking to execute relationship-marketing strategies with one or both genders. For example, sponsors of male-dominated gaming communities want to attract more female consumers. Our findings suggest that marketers should make efforts to encourage interaction, if they hope to develop trusting relationships with female consumers, once they become members. Finally, our findings suggest that a marketer's efforts in a virtual community are unlikely to destroy trust, even if consumers perceive marketers as somewhat opportunistic. Indeed, our findings encourage marketers to embrace virtual communities as a viable component of relationship marketing strategy. References available upon request.

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THE ROLE OF CONSUMER EDUCATION IN THE FUTURE OF RFID

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SUMMARY

The growing use of radio frequency identification (RFID) technology in retailing has the potential to shift the current focus from streamlining the supply chain operations to managing the consumer experience. RFID allows retailers to identify individual purchasers, collect and track their purchasing habits, and then turn that information into powerful customer service programs (Anonymous 2000). However, many consumer advocacy groups have voiced a variety of concerns about security and privacy. While some of these concerns are justified, some are perhaps myths. In this paper, we use Rogers' (1995) diffusion of innovations theoretical framework to explore the impact of consumer education and convenience on the consumer's adoption decision process.

Radio frequency identification technology (RFID) had its earliest use during World War II. The 1960s and 1970s was a time of commercial developmental work in RFID, followed by significant implementation and growth of this technology in the 1980s and 1990s (Landt 2001). In the last twenty years, RFID has been adopted for a variety of applications such as electronic article surveillance to prevent theft, electronic toll collection, pay-at-the-pump convenience devices, and animal tagging systems. RFID is currently used quite successfully in a number of point-of-sale applications such as payment systems and contactless smart cards (History of RFID n.d.). In its most basic form, an RFID tag is simply a microchip with an antenna. A major advantage of RFID systems is the ability to read tags without direct line-of-sight, giving this technology an efficiency advantage over bar-code systems that require accurate alignment with a scanner. While industry leaders champion the use of this technology to streamline the supply chain, many consumers object to RFID tags fearing they will be used to invade personal privacy. Indeed, privacy advocates view this as intrusive technology that provides the means for "Big Brother and Big Retailer [to] track consumers' every purchase and habit" (McGinty 2004, p.15). Additionally, some opponents are concerned with the health hazards of exposure to the electromagnetic radiation fields of RFID tags and readers. Advocacy groups further issued a policy statement on RFID use that outlined threats to privacy and civil liberties and called for manufacturers and retailers to voluntarily halt the use of RFID tags at the individual item level. More recently, privacy groups have called for legislation that embodies the policies of consumer notice and consumer choice as outlined in the Electronic Produce Code (EPC) global guidelines for RFID end-users (RFID Technology: What the future holds 2004).

RFID is poised to become ubiquitous, both behind the scenes in the supply chain and at the forefront, fully visible on store shelves if consumer resistance can be managed. Ohkubo, Suzuki, and Kinoshita (2005), and Eckfeldt (2005) call for public education to inform consumers of the benefits of RFID technology and mitigate the real or perceived risks of RFID. In an attempt to understand the conditions necessary for consumer adoption of RFID, we propose an extension of Rogers' (1995) diffusion of innovations model that includes convenience and consumer education as antecedents to the consumer persuasion process that leads to the decision to adopt or reject RFID. Convenience is defined by Brown (1990) as "anything that adds to one's comfort or saves work; useful, handy or helpful device, article, service etc." The major dimensions of convenience include ease of service access, convenient service locations, quicker service transactions times, and ease of service usage (Corby 1994). We propose that convenience dimensions (i.e., such as reduced transaction time and increased access convenience) have a positive influence on consumer persuasion process for RFID adoption.

Consumer education, by disseminating information regarding the application, further facilitates the adoption process (Peansupap and Walker 2005). Consumer education serves to acquaint consumers with the availability of lesser-known sources of information, and also helps consumers evaluate the relative quality of various information sources. We further propose that increased knowledge of RFID benefits attained through consumer education has a positive influence on the consumer persuasion process for RFID adoption. At the persuasion stage of the innovation-decision process, the individual forms a favorable or unfavorable attitude toward the innovation (Rogers 1995). Both the informative and normative influences reduce the risk of adoption and uncertainty for an individual, since these influences provide evidence indicating the legitimacy and appropriateness of the decision (Karahanna, Straub, and Chervany 1999). Hence, favorable/unfavorable persuasion has a direct relationship with consumer adoption/ rejection of RFID applications

The Internet is fast becoming an effective medium for companies to provide information to their customers.

Currently, 68 percent of American adults (138 million persons) use the Internet (Fox 2005). Most of the top 50 Fortune 500 companies (CNN 2006) are using RFID in their day-to-day operations, but our exploratory survey of these companies' Web sites showed there has been little or no effort made to justify the implementation of this new technology and address consumer fears. Locating RFID information on these firms' Web sites is also an active effortful process for the consumer. Millions of consumers are using the Internet to learn more about products and services and so we suggest that it behooves those firms that are implementing RFID technology to initiate online consumer education programs to mitigate the negative perceptions of this innovation. We suggest that corporations could actively integrate the benefits of convenience in their consumer education programs to help reduce user concerns and resistance. With an informed perspective from which to view the implementation of RFID, consumers may enter into adoption or trial with a positive attitude about the constellation of attributes that RFID technology has to offer. References available upon request.

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AN INVESTIGATION OF USER COLLABORATION IN WEB-BASED B2B FINANCIAL SERVICES

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SUMMARY

A research paper addressed the "dearth of research on how users are involved in new service development" through a case study of twelve Australian commercial banks (Alam 2002, p. 250). The study found that customer collaboration played a key role in new service development ("NSD") and that the customer role improved the NSD process and actually strengthened the relationship with the collaborating customers. Surprisingly – at least for this author – Alam found that the NSD process in the Australian banks followed a strict stage-gate™ type process. Alam (2002) suggested that his study should be replicated for financial institutions outside Australia, as Australia bankers may be more bureaucratic and partial to structured processes than their counterparts elsewhere.

An additional reason to take another look at NSD processes in commercial banks is the migration of commercial financial services to be web-based, a movement that began just as Alam's data collection ended in 1999. This study employs three detailed exploratory case studies of customer collaboration in the development of new web-based business-to-business ("B2B") financial service. Through detailed studies of leading providers of these three B2B financial services, propositions about the process of customer collaboration in new service development ("NSD") are developed. The key questions for the study are:

> How does collaboration occur in NSD and how is it encouraged? How did user collaboration in NSD change as B2B services migrated to the web? What are the benefits of user collaboration in NSD? Does NSD for B2B web-based services follow formal stages?

These questions will advance understanding of NSD for B2B web-based services and may provide insight into new service development generally. As services have grown to be a majority of GDP in developed countries, as service becomes a larger component in most products, and as "all marketing becomes service marketing" (Vargo and Lusch 2004), the next observation may be that "all NPD is becoming new service development."

Methods and Sample

Following standard guidelines for long interviews and case studies (Eisenhardt 1989; McCracken 1988; Yin 2003), informants for NSD in three leading banks in different institutional products provided detailed information about new service development. Detailed notes – approved and clarified and when-possible recorded conversations and transcripts were used. Each was first studied in depth individually and then compared to the others.

The banks, products and informants were carefully screened for key criteria: (1) the product had migrated to web-delivery a year or more earlier; (2) the bank was perceived as a leader in the online product [confirmed by customers, competitors, or third parties], (3) the key informant was involved in NSD for the product before, during and after the migration of the service to the web, and (4) the key informant was willing to spend four hours and several visits discussing and clarifying observations.

Results

The study found evidence of extensive customer collaboration in NSD of B2B commercial bank services before and after the migration of the services to be Web-based. After migration customer collaboration in NSD increased. Benefits to producers and customers from collaboration in the development of new B2B services, evident in the earlier Alam (2002) study were replicated. *However the formal staged process of Alam was not replicated, especially once the services became Web-based.* A summary of key propositions generated follows.

Summary of the Research Questions and Propositions from the Case Results

How does collaboration occur in NSD and how is it encouraged?

- Customer collaboration is more common in services than goods NPD.
- Customer collaboration is extensive in services, beyond ideation.
- "Customer Toolkits" – allowing customers to experiment – facilitate collaboration.
- Early collaboration with "typical users," later collaboration with lead users.

Summary of the Research Questions and Propositions from the Case Results (Continued)

How did user collaboration in NSD change as B2B services migrated to the web?

- Customer collaboration in NSD has increased due to the conversion.
- Web-based services direct attention to sticky information.
- Sticky information can be studied cheaply and remotely using log data.

What are the benefits to user collaboration in new service development?

- Iterative prototyping and pilot programs or alpha-testing.
- Collaboration in NSD strengthens the customer bond to the service provider.
- Customers become emotionally attached to an effective web site environment.

Does NSD for B2B web-based services follow formal stages?

- Maybe no phased NPD process; if stages exist, streamlined more iterative NSD.
- Multiple incremental changes to enhance speed and facilitate customer input.

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EMOTIONAL AND ATTITUDINAL RESPONSES TO WEBSITES: THE IMPACT OF BACKGROUND MUSIC IN ONLINE SHOPPING

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SUMMARY

Website design is a critical component to attract online shoppers to stay with a company website. A website could include text, pictures, graphics, sound, and motion to attract online shoppers attention (Rosen and Purinton 2002). Both companies and researchers paid more attention to visual components such as text, pictures, and graphics to improve the vividness of the websites. Audio stimuli have been neglected by companies and scholars. This study will fill the gap in this area and examine the effect of audio stimuli on online shoppers attitude formation especially when the audio stimulus is a piece of background music.

Music has been used in advertising and shopping environments intensively. When music is used in an advertisement, music can play a role of facilitator or inhibitor during the process of forming the brand attitude (Park and Young 1986; MaCinnis and Park 1991) and act as an attention gaining stimulus (Kellaris 1989). Music in an advertisement also can directly affect the product preference based on the likeability of the music (Gorn 1982) and the product perception based on the meaning of the music (Zhu 2005). Different music structures such as tempo and texture of music also affect consumers mood and emotions (Alpert 1990; Bruner 1990). Therefore, retailers and restaurants like to use background music to influence consumers speed of behavior in stores and spending in restaurants (Milliman 1982; North 1996).

Music also can be embedded in a website to gain attention from online shoppers. Using the model developed by Olney, Holbrook, and Batra (1991), we proposed that a website with background music will affect online shopper arousal level and the arousal will affect online shoppers attitudinal components: hedonism and interestingness. The hedonism and interestingness will further have an impact on online shoppers overall attitude toward the website. The overall attitude toward a website should have an impact on online shoppers behavior intention such as intention to revisit the website, buying a product from the website, and revisiting the website when need other products. Furthermore, a website with background music will create higher level of arousal, hedonic value, and interestingness among online shoppers than a website without background music.

An experiment was conducted to test relevant hypotheses. Ninety-five students from business school were recruited to review twelve homepages of twelve real websites which sell computers and other electronic products. Among the twelve homepages, two of them are embedded with background music. Emotional, attitudinal, and behavioral measures were taken after students reviewed all homepages. The results confirmed most of the hypotheses. The link between the overall attitude toward the website and behavioral intention is not supported. One of attitudinal components, hedonism, does not affect the overall attitude toward the website.

This study contributes to the current literature in two ways. First, this study made a contribution to website design. It is the first to examine the impact of background music of a website on online shoppers attitude toward the website. Second, music has been used in advertising and public commercial places intensively. In this study, we incorporate music into a website which is a new shopping environment for consumers after the emerging of the internet. The findings from this study also have a managerial meaning. It provides an evidence for managers that embedding background music in the homepage may generate a positive attitude toward the website. However, some limitations also exist in this study for future improvement. Future studies should examine the congruency between the background music and website design and the impact of background music of website on consumers information processing.

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THE EFFECT OF EMPLOYEE CONTACT IN TECHNOLOGY-BASED SELF-SERVICE RECOVERY ENCOUNTERS: A ROLE THEORY PERSPECTIVE

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SUMMARY

In the current period of rapid change and intensifying competition, businesses often incorporate self-service technologies (SSTs) in their service delivery. In certain conditions, turning the customer into the coproducer of a service can improve both efficiency and customer satisfaction. SSTs can include airline self-check-in kiosks, electronic stock trading services, and self-scheduling services for doctor appointments. Such technologies attempt to increase delivery efficiency, reduce operating costs, and offer competitive advantages. However, similar to other service encounters, SST interactions are subject to fail as a result of technology dysfunctions and/or customer errors. In a service failure situation, customers often are ignorant of what to do next and most SST users seek help from salespeople or technical support.

How will customer-contact employees attitudes and behaviors affect the customer outcomes? Role theory, a well-accepted social psychology concept in employee management and service marketing (e.g., Gronroos 1983), offers a useful approach to investigate this significant research issue. Previous research suggests that service encounters represent goal-oriented interactions that should contain learned and consistent behavior patterns for all players if the service tasks are to be executed smoothly (e.g., Solomon et al. 1985). Employees service roles in service recovery situations pertain to meeting customers immediate consumption goals and thereby retaining them for their future patronage. Meanwhile, customer contact employees in service recovery settings have their own attitudes and sentiments about the services they are providing, and the expression of these attitudes can have critical influences on their role performance (Ashforth and Humphrey 1993). We apply this theory-based logic to explain customer-employee interactions in technology-intensive, self-service environments.

Specifically, we attempt to answer two research questions. First, when technology-based self-service fails, how does a customer-contact employee role (dealmaker or educator) in recovering the service influence the customer evaluation of the self-service and future intention to use the technology? Second, does an employee attitude about the SST influence the customer evaluation of and adoption intention toward the SST?

To answer these research questions, we conducted a computer-mediated experiment with clinic patients using self-scheduling technology to obtain a doctor appointment. The results of the study provide support for the proposition that the employee organizational role as an educator and positive self-revelation about his or her attitude toward the technology can improve customer satisfaction, perceived control, and technology adoption intentions. Moreover, an employee self ole congruity can influence the customer evaluation and technology adoption intentions. When an employee makes favorable comments about the SST while serving as an educator, the customer satisfaction, perceived control, and technology adoption intention grow stronger.

In summary, we examine the customer–technology–employee relationship in SST contexts. The study bridges the role theory to the SST research, explores the customer psychology during SST recoveries, and suggests the alignment in managing SSTs and customer-contact employees.

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UNDERSTANDING CHINESE CONSUMERS IN SOFTWARE PIRACY

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SUMMARY

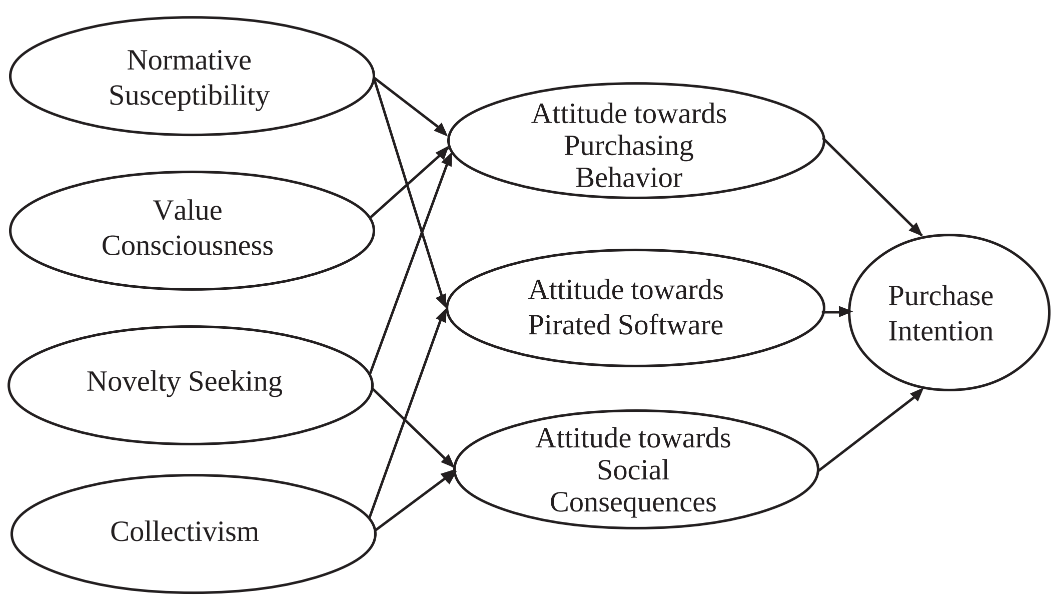
China (referring to mainland China) is an important area of study for software piracy. According to the Business Software Alliance (BSA 2004), China had the highest national piracy rate (92%) worldwide in 2003, and ranked the second in software piracy losses by country with a total estimated loss of $3,823 million. Compared to the less than 4 percent growth rate of the IT market in the developed world, the IT market in China grows by 20 percent annually (BSA 2004), predicting a more severe problem in the future. As multinational software companies dominate Chinese PC software markets and local Chinese software companies focus on business-to-business custom software, software piracy in China leads directly to losses for multinational software companies.

The studies by Ang et al. (2001) and Wang et al. (2005) provided useful insights in modeling non-financial characteristics of Asian/Chinese consumers in piracy and serve as foundations for this study. The study by Ang et al. (2001) established and tested a model examining social and personality effects on responses of Singaporeans toward pirated music CDs. Wang et al. (2005) extended the model by Ang et al. (2001) and examined Chinese consumers in purchasing pirated software. As software piracy research is still in the exploratory stage and the existing literature is not rich, both Ang et al. (2001) and Wang et al. (2005) took a conservative research method in testing models through multiple regressions, and did not test model validation.

A research model was constructed and shown in Figure 1 by comparing and extending studies of Ang et al. (2001) and Wang et al. (2005). This model focuses on the effects of four consumer characteristics, including normative susceptibility, value consciousness, novelty seeking, and collectivism, on purchase intention, through three attitude mediators, including attitudes toward purchasing behavior, pirated software, and social consequences.

Survey data from 226 Chinese consumers was collected and used to validate the model by LISREL. Out of 11 hypothesized paths, 8 (72.73%) were supported, including attitude toward pirated software to purchase in-

FIGURE 1
The Research Model



tention, attitude toward purchasing behavior to purchase intention, normative susceptibility to attitude toward pirated software, normative susceptibility to attitude toward purchasing behavior, value consciousness to attitude toward pirated software, values consciousness to attitude toward purchasing behavior, novelty seeking to attitude toward social consequences, collectivism to attitude toward pirated software. Two paths (attitude toward social consequences to purchase intention, and novelty seeking to attitude toward purchasing behavior) were not significant. Different from the negative relationship expected, the path from collectivism to attitude toward social consequences demonstrates a positive relationship.

This study was the first to examine three attitude constructs (attitude toward pirated software, toward purchasing behavior, and toward social consequences) in the research model, and demonstrated their different roles in mediating consumer factors and purchase intention. Consumer attitudes toward pirated software and purchasing behavior were more important than attitude toward social consequences in determining purchase intention. Compared to the path parameter of -.17 from attitude toward social consequences to purchase intention, the parameters of paths from attitude toward pirated software and attitude toward purchasing behavior to purchase intention are .37 and -.33, respectively. This implies that product differentiation between legal and pirated software and consumer knowledge on purchasing behavior should be the focus on anti-piracy strategies and educational programs in China.

An important discrepancy of the research model was the path from collectivism to consumer attitude toward social consequences. The theoretical analysis hypothesized a negative relationship as consumers who liked sharing may have neglected the social damage caused by software piracy, but analysis returned significant positive relationships. As the sample was composed mainly of people who have high education and income, a possible interpretation is that people who like sharing and share pirated software more frequently, may recognize the scale and scope of software piracy in China more significantly than those who do not pirate software. References available upon request.

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THE ANTECEDENTS AND CONSEQUENCES OF MARKETING LAW TRANSGRESSIONS

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SUMMARY

Marketing behavior is bound by a regulatory framework, as are many actions within the commercial environment. Laws have been put in place to regulate certain marketing activities, such as deceptive advertising, anti-competitive behavior, and product quality. These acts are often referred to as "consumer protection legislation" or "marketing law." The purpose of these laws is to protect consumers from certain potential marketing behaviors. An area that has seen relatively little attention in the marketing arena is research that addresses the reasons why firms transgress the law and the processes that lead to a transgression. Ultimately, it is the consumer that should benefit from greater awareness and enforcement of marketing law, since they are the ones that are misled by promotional material or have to pay higher prices as a result of anti-competitive conduct. Since the 1970s, a number of theories regarding the determinants of unethical and illegal firm behavior have been developed across a range of disciplines, however, empirical testing of these models has been limited and the results have tended to be contradictory and inconclusive. None have been tested within a marketing context.

In the early stages of our research (Gazley, Rod, and Sinha 2005), we attempted to overcome the problems outlined above by testing a static model, to determine the potential factors that cause firms to transgress laws specifically related to marketing in New Zealand. A combination of firms that had been investigated by the New Zealand Commerce Commission for breaches of marketing related laws (Fair Trading Act and The Commerce Act) and firms that had not been investigated were surveyed. The aim was to look for differences between the two types of firms as per Baucus and Near (1991). The findings of this research, combined with an analysis of the extant literature have led to the development of a revised model of transgressing the law that can form the basis of empirical testing within a marketing context. Unlike previous research in this area, the new model is dynamic, in that it recognizes the impact of repeat transgression by showing both the antecedents and consequences (in terms of firm behavior) of transgressing the law. Clinard and Yeager (1980) found that a small percentage of firms accounted for a highly disproportionate number of all transgressions. Finney and Lesieur (1982) also noted that models of corporate wrongdoing do not stop with the commission of the transgression, because past transgressions play an important role in decisions regarding future transgressions. Yet, previous empirical research has largely failed to examine this proposition and has tended to focus on the impact on share price and profitability rather the firm behavior.

In terms of the antecedents of transgressing the law, McKendall, DeMar, and Jones-Rikkers (2002) propose that three conditions are required for illegal action to occur; motive, opportunity, and absence of control. Motives are the reasons why transgressions occur, opportunities are conditions that exist allowing the transgression to occur, and controls are conditions that exist both within and external to the firm that prevent a transgression from occurring. From the literature it has been suggested that poor firm profitability is the main motive behind transgression (Finney and Lesieur 1982) and that larger firm size and transgressions by firm's competitors create opportunity for transgression (Baucus and Near 1991; Soutar, McNeil, and Molster 1994). Additionally, higher perceptions of the risk that a transgression will be detected and punished by regulatory agencies, combined with the use of compliance programs designed to make staff aware of legal issues, are controls that reduce the likelihood a transgression will occur (McKendall and Wagner 1997). The model also recognizes that in some situations, a transgression may not be intentional, and thus incorporates the concept of awareness (Baucus 1994). Some firms may transgress the law simply because they are unaware that what they are doing is illegal (Peterson 2001).

In the initial phase of this research it was found that in marketing, for the variables: "risk of detection" and "use of a compliance program," a significant relationship existed in the opposite direction to what had been predicted. The results suggested that firms without a compliance program and with a higher perception of the likelihood of being caught were more likely to have transgressed (Gazley, Rod, and Sinha 2005). A likely reason for this is the existence of temporal issues, as noted by McKendall and Wagner (1997). There is a danger that conditions within the firm will have changed in the time after the transgression has occurred and before the data is collected. What the results of Gazley, Rod, and Sinha (2005) suggest therefore, is that having been caught

transgressing, a firm's perceptions of the likelihood they will be caught again will naturally increase. Additionally, as a result of the transgression being detected and/or the higher perceived risk of future detection and punishment, a compliance program may be introduced. This should then influence awareness of the law and the likelihood of future transgressions occurring. By developing an understanding of what changes in behavior may result from a transgression being detected, regulatory authorities can gain better insights into the effectiveness of enforcement activities and the most effective methods of reducing the likelihood of future transgression.

In summary, if an initial transgression is intentional then it will occur as a result of certain conditions of motive, opportunity, and/or control. If it is unintentional then it may be due to a lack of awareness. If the regulatory authorities detect the transgression, the firm will either be punished or let off with a warning. This will lead the firm to re-evaluate the risk and, in particular, whether it is worth engaging in further transgressions, given ongoing conditions of motive, opportunity, and control. If they decide that the potential rewards are worth the risk, then further transgressions will occur. If they decide it is not worth the risk then they may introduce a compliance program, or look to improve awareness of marketing law through other means. This should result in no future transgressions (at least in those particular circumstances).

The proposed model adds to the literature, by investigating the dynamic nature of the transgression process, which has been inadequately addressed in previous research. The next phase of this research will be to test the model within a marketing context. Given that marketing is seen by many as the biggest culprit of all the business functions, in terms of "questionable" behavior (O'Higgins and Kelleher 2005), it is surprising that no research on illegal firm behavior, has focused on marketing. The testing of this model does not necessarily have to be limited to marketing however, as it could also be tested in a range of other commercial legal situations. References available upon request.

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DATA-OVERLAY APPROACH TO MEDIA PLANNING: IS PRODUCT-MEDIA USAGE STABLE OVER TIME?

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SUMMARY

Effective advertising rests upon getting the correct advertisement in front of the people most likely to buy the product. This is a simple idea, but one that is often complex in its execution. One difficulty comes in trying to determine who will be most potentially responsive to the ad and how to contact these potential consumers.

Generally this potential responsiveness can be represented by some form of product usage behavior (Tauber 1980; Assael and Cannon 1979). That is, media planners seek to match media to markets by identifying media whose audience members have a relatively high incidence of product usage. In the case of television media, the most commonly used forms of media data (Nielsen) do not contain product usage variables, so the matching is typically done through a demographic-based matching process. Advertisers determine what demographic groups are most likely to use the product. They then evaluate television audiences based on the concentration of the target demographics among audience members.

A more effective method would be to skip the demographic criteria and compare past purchase behavior directly with media viewing (Cannon 1986). This direct matching approach (termed single-source data) received considerable attention in the 1980s and 1990s (Eskin 1985; Garrick 1984, 1986; Stoddard 1986; Lu 1987; Sims 1987; Assael and Poltrack 1991, 1993, 1994; Cannon and Seamons 1995) and has recently received renewed interest (Assael and Poltrack 2002; Bailey and Boller 2001).

Despite initial interest by the advertising community, single-source data never achieved its full potential (Stoddard 1986). This is highlighted by the fact that IRI, who pioneered the electronic single-source approach (Garrick 1984, 1986), is now rarely used for media selection. The same is true for Nielsens' HomeScan and Arbitron's ScanAmerica. Assael and Poltrach (1986) explain that the failure was caused by industry concerns about sample size, the dependence on "people meters" and lack of demonstrated stability (of the data) over time for television media. Perhaps even more important is the fact that electronically gathered single-source data tended to be very expensive.

Despite the current state of single-source data, competitive pressures are increasing the importance of media selection efficiency. With the advent of integrated marketing communications, and the increase in the numbers of highly targeted media, any hope of efficiently and effectively evaluating media plans requires some kind of integration among data sets. The Data-Overlay approach is one such option (Cannon 1986).

The Data-Overlay approach multiplies the product-media selectivity indices (SI) from large, survey-based product-media usage data suppliers, such as SMRB and MRI by the more time-sensitive ratings data from television rating services provided by Nielsen. Thus, if a program's Nielsen rating were 20.0 percent, and the SMRB selectivity index for a particular product were 200 percent, the estimated target market rating would be (20.0 x 2.0 =) 40.0 percent. By combining existing databases that are already gathered, this approach provides a highly cost-effective means for creating efficient quasi-single-source data.

The "data-overlay" approach is founded on three assumptions: (1) The two data sets used must provide valid estimates of ratings and selectivity indices, respectively. (2) The two data sets used represent the same population, and (3) The patterns of buying behavior and television audience membership expressed in the selectivity indices are stable over time. Survey-based product-media studies, such as SMRB and MRI are typically gathered in two waves each year, and aggregated over a two-year period. If the data are not stable over time, the averaging process will compromise the temporal variations.

The purpose of this study was to evaluate the third assumption. To do this, we used data from the SMRB household population survey for the years 1998 and 1999. The more stable the audience buying behavior is over time, the higher correlation in the SI between years. The results of our study showed an average correlation of .723, indicating that SIs at one point in time explains roughly half the variance in those reported in a separate sample taken a year later. Recognizing that the unexplained variance could be due to both "noise" in the data and to actual changes in the SIs, we compared the results to a

prior study by Assael and Cannon (1979), in which SIs were compared from a split-half sample. The two halves had an average correlation of .73 across all the product categories studied. Because the samples were matched, all of the errors reported by Assael and Cannon (1979) had to be due to "noise." Given the similarity in results, we infer that most of the error in our findings is also likely due to "noise."

To further test the third assumption, we broke the 1999 data down by geographic regions, first using the top 12 DMAs in the United States, and . . . and then using the four major Census regions. The two regional breakdowns presented different levels of aggregation, and hence, sample size. The higher level was represented by the Census region breakout, for which we found an average correlation of .5699. We took the fact that this average correlation was lower than the average for the total population, even though it was only subject to sampling error, as an indication oft sampling error – "noise" in the data. This is another indication that the major problem is in the quality of the data rather than the stability of the selectivity indices over time.

With the advent of integrated marketing communications, new technologies and the proliferation of television media outlets, there is increasing need for efficient and effective methods for media planning. Our study finds support for the use of the Data-Overlay approach. References available upon request.

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THE PROGRAM CONTEXT OF WAR NEWS: AN EMPIRICAL INVESTIGATION OF INFLUENCES ON TELEVISION ADVERTISING EFFECTIVENESS

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SUMMARY

In light of recent events in the United States and in the world, it seems proper to investigate war news as a program context for television advertising. Never before have so many Americans been inundated with so much war news, so instantaneously, and from so many sources. Interested viewers can tune into traditional broadcast networks, twenty-four hour cable news channels, international satellite feeds (e.g., the BBC World News), and a plethora of on-line sources. Cable news ratings now report more than ten million viewers at any given moment in prime time, roughly three times what they were in 2002 (*LA Times*, April 2003). Concurrently, broadcast news amongst the three major networks reports an average of 34.7 million unique viewers (Hickey 2003). Certainly, a large percentage of the American public is keenly aware of military actions and political movements, regardless of geographical distance.

Advertisers are leery about running their commercials together with emotionally intense war news. They are worried about "rub-off" effects and the negative affect that must surely follow the viewing of the often-disturbing war news. But, is such apprehension justified? Is advertising less effective when it is aired during televised war news? Are advertising recall rates negatively affected? And, are consumer perceptions generally lessened by the program context of war news? The current study focuses upon the as-yet-untested program-contextual effects of war news and sought to provide precise answers to these questions.

In this case, experimental design revolved around advertisements inserted into pre-tested segments from highly emotional (less emotional) network war news taken from national nightly broadcasts. Researchers postulated that program intensity would transfer to viewers and negatively influence their abilities to recall the particular ads embedded in the wartime programming. Similarly, the highly intense news coverage would create negative perceptual effects relative to viewers' assessments of the advertisers and their products. The design of the experiment further necessitated two levels across the types of commercials inserted into the videos. Specifically, in order to test for consistency effects, both humorous commercials and serious commercials were used. Researchers posited that serious/somber commercials would lead to higher recall rates and more positive consumer perceptions.

Several dependent variables were tested, including ad recall rates, perceived message effectiveness, perceived product quality, perceived value, and purchase intentions. Results indicate that, across levels of empathy, ad and brand recall rates tend to be reduced after viewing highly emotional war news. In essence, it appears that firms are correct in remaining cautious regarding advertising during war news. As this program context increases in terms of emotionality, viewers are less likely to remember the ads and the brand names. Thus, the current study adds to the literature by partially resolving the apparent conflict surrounding whether or not emotional programming leads to higher (Srull 1983) or lower (Pavelchak, Antil, and Munch 1988) advertising recall. In the context of war news, the greater the emotionality of the programming the lower the levels of viewer recall.

Interestingly, viewer perceptions suffered no negative effects relative to program context. Researchers wrongly presupposed that since advertisers appear to be so wary of advertising during war news, a negativity bias must occur through associations with such negative programming. Yet, regardless of the intensity of the news videos, there appeared to be no significant negative effects on viewer perceptions. Thus, it appears that the single most interesting finding of this research is that program context does *not* seem to influence viewer perceptions of the ads, the products, or the advertising firms. That is, viewers seem to be perfectly capable of separating out the advertisements from the program context. Perhaps our student-based sample of subjects maintains an above-average level of media awareness and persuasion knowledge (Friestad and Wright 1995). Perhaps they are, in large part, too young and unaffected by war news. Maybe they think of the news as just another TV show that simply has to "pay the bills" with a commercial break. Regardless, future studies should incorporate a larger age range in order to evaluate possible differences.

Furthermore, the consistency effects theory did not show itself within this experiment. Serious advertising was not recalled with greater accuracy simply because it was congruent with the program context. In the case of

both experimental stimuli, subjects had greater recall rates for the humorous commercials compared to the serious/somber commercials. Perhaps the contrast effect, or novelty effect, is stronger than the consistency effect. Perhaps viewers, while more involved in the intense war news, are eager for a cognitive and affective "break." The television commercials that make us laugh are not deemed to be rude or insensitive, but rather they are a welcomed respite to be appreciated (to some degree).

Finally, the findings of this experiment shed light on the complex cognitive and affective processes surrounding the relationship between program context and advertising. Moreover, the findings indicate that the nature of viewer response and perceptual judgment cannot be summarily regarded as associative to the programming. Researchers did not find any rub-off effects. Products were not judged more harshly when embedded in emotionally intense programming. People report nearly equal purchase intentions. They have nearly equal affective reactions to the advertising firm. And, in this instance with this sample, it is not the case that advertisements are negatively judged simply because they occur in a negative program-context. References available upon request.

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EFFECTS OF BRAND PLACEMENT IN PC/VIDEO GAMES ON THE CHANGE OF THE ATTITUDE TOWARD THE ADVERTISED BRAND

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ABSTRACT

In this article, the effects of brand placement in PC/video games are analyzed. The results of the empirical study show that the placed products' target group should have a positive attitude toward the game and the game should enable game players to have a flow experience.

INTRODUCTION

Continuously increasing competition and homogenization of consumer goods force marketers to pursue exceptional communication strategies (Nebenzahl and Secunda 1993). In addition to traditional advertisements (e.g., print advertisements) which are most often ignored by consumers (Gupta, Balasubramanian, and Klassen 2000) there is an increasing number of special forms of advertisements, as for example website banners, brand placement in movies (Karrh 1998), music videos, or video games (Karrh 1998). *Brand placement* refers to the placement of brands or branded products as requisites in media for advertising purposes for which the advertising marketer has to pay (Babin and Carder 1996; Gupta and Gould 1997; Nebenzahl and Secunda 1993). Using brand placement marketers intend to improve consumers' brand awareness, to influence consumers' attitudes and purchase intention (Babin and Carder 1996). Marketers spend considerable amounts of money to place their brands in appropriate movies or PC/video games (Gupta and Lord 1998; Russell 1998). Whereas brand placement in movies is an often used advertising technique (Nebenzahl and Secunda 1993), brand placement in PC/video games is much less known and researched, although there are different arguments for analyzing effects of brand placement in PC/video games more in detail. First, game industry has passed the movie industry with regard to industry growth and playing computer games is a leisure activity preferred to going to the movie's (Nelson 2002). Second, brand placement in games has some advantages over brand placement in movies. As game players actively interact with the game, they have a higher involvement in the virtual environment where the real brand is placed. In addition, game players have more than one contact with the advertised brand because games are played more often than once, whereas movies are often watched only once. Moreover, PC/video games are much more vivid than movies and they thus attract more of the recipients' attention (Nelson 2002). But brand placement in PC/video games compared to brand placement in movies also has a disadvantage. PC/video games target a comparatively small group of people so that the reach of brand placement in games is less broad than the reach of brand placement in movies, but this disadvantage can also be regarded as an advantage, because the target group of PC/video games is homogeneous and clearly definable. Thus marketers can place their brands more target group oriented in PC/video games than in movies which have a comparatively heterogeneous spectator structure. Based on these considerations it is evident that effects of brand placement in PC/video games have to be analyzed separately.

PURPOSE OF THE ARTICLE AND THE CONCEPT OF BRAND PLACEMENT

In this article I analyze effects of brand placement in PC/video games using the example of the video game Gran Turismo 3. More in detail, I examine if playing a PC/video game can cause an attitude change toward the brands placed in the game. Provided that people change their attitude after the contact with brand placement, it is moreover worth identifying the sign of the attitude change. In addition to the analysis of brand placement effects, I also determine possible effects of the attitude toward the game as well as of a flow experience on attitude change. The problem considered here is theoretically relevant because the literature only provides very few empirical studies on brand placement effects (Gupta, Balasubramanian, and Klassen 2000; Gupta and Lord 1998). The existing studies are limited to using memory-based test procedures to measure brand placement effects in *movies* (Nelson 2002). Empirical research on effects of brand placement in *PC/video games* and on the attitude of PC/video game players toward the brand placement is scarce (Nelson 2002). As meanwhile, games are very realistic with regard to technology and esthetics (Nelson 2002) and as the PC/video game industry is continuously growing (Nelson 2002), this type of brand placement application is an additional and important advertising platform which is worth being analyzed empirically. The issue of this article is important to marketers because they are interested in the question how brand placement in PC/video games affects the attitude of game players toward the brands placed in that game.

In the literature, *brand placement* is also referred to as *product placement*, but different authors point out that *product placement* is a special case of *brand placement* and thus, *brand placement* is the more general term (Babin and Carder 1996; Karrh 1998). *Product Placement* aims at physically placing a product in a medium, whereas *brand placement* indicates more general the presentation of a brand which can consist in showing a branded product or only the brand name. Gupta and Lord (1998) and Russell (1998) differentiate into three types of brand placement in movies. Visual brand placement stands for showing the brand name or the branded product in a scene of the movie. This placement type is also suitable for PC/video games. Verbal brand placement is the integration of a brand into a dialogue. In addition, a brand can be used in the action of a movie by combining visual and verbal placement. Brand placement differs from traditional advertising (e.g., print, radio, or television advertising) with regard to the advertising environment and to advertising effects. Whereas traditional advertising is created around a brand, in the context of brand placement, the brand is integrated in an existing environment. Traditional advertising is intended to have both informative and affective effects and the recipients of traditional advertising are often confronted with traditional advertising without being asked. Brand placement mainly triggers affective processes (Russell 1998) and the recipients are voluntarily exposed to brand placement in PC/video games because they are actively involved in the use of the integrated brands (Nelson 2002). The following sections serve to present a theoretical background in order to derive research hypotheses from existing research.

THEORETICAL BACKGROUND AND EMPIRICAL REVIEW

Dependent Variables in the Context of Brand Placement

In many studies on brand placement effects, recognition and recall measures are the dependent variables (Babin and Carder 1996; Gupta and Lord 1998; Ong and Meri 1994), but recognition and recall values are sometimes criticized as dependent variables because memories are not stable over time and because direct links between recall and consumer behavior must not necessarily exist. In contrast to retrievals from memory, consumers' attitude toward the advertised brand is a construct which is able to predict consumers' purchase behavior (Allen, Machleit, and Schultz 1992). However, research provides almost no empirical evidence for brand placement effects on attitude change (Gould, Gupta, and Grabner-Kräuter 2000) although brand placement is supposed to have effects on attitude change beside its effects on brand recall (Karrh 1998). In PC/video games contacts between the game players and the placed brands are comparatively intensive because game players are actively involved in the game action. Thus, attitude change seems to be an appropriate dependent variable to derive recommendations on the use of brand placement in marketing practice.

Independent Variables

Given the lack of a special theory on the effects of brand placement effects, I apply common theories of marketing research to explain possible effects of brand placement in PC/video games. In addition I transfer findings on brand placement effects in movies to brand placement in PC/video games.

Effects of the Attitude Toward the Brand Placement on the Attitude Change Toward the Brand. An often analyzed variable in the context of brand placement is the attitude toward the brand placement (Gupta, Balasubramanian, and Klassen 2000; Gupta and Gould 1997; Nebenzahl and Secunda 1993; Nelson 2002). A positive attitude toward the brand placement is supposed to affect the acceptance of the advertised brand as well as the purchase intention toward the brand (Gupta, Balasubramanian, and Klassen 2000).

According to the theory of reactance (Brehm 1966), consumers might have a negative attitude toward brand placement because they might assume that marketers try to influence consumers subliminally with brand placement (Gupta, Balasubramanian, and Klassen 2000) without indicating the brand placement's commercial intention (Karrh 1998). Moreover, consumers might judge brand placement negatively because they might have the impression of not being able to avoid the contact with the brand placement (Gupta, Balasubramanian, and Klassen 2000). In addition the use of brand placement as an advertising technique, especially in movies, has increased significantly over the last few years (Gupta, Balasubramanian, and Klassen 2000), so that consumers might feel overloaded by brand placement.

On the other hand, consumers might develop a positive attitude toward brand placement because the placement of real brands in games serves to improve the games' authenticity and arouses a feeling of familiarity (Babin and Carder 1996; Nelson 2002; Russell 1998). Empirical results on brand placement effects provide support for the assumption that consumers most often judge brand placement positively and that they do not perceive brand placement as bothering. Furthermore, from the consumers' point of view, brand placement serves to increase the realistic appearance of movies or PC/video games (Gupta, Balasubramanian, and Klassen 2000; Nebenzahl and Secunda 1993; Nelson 2002). Thus, transferred to PC/video games, I assume that the attitude toward brand placement in PC/video games has positive effects on the game players' attitude toward the brands placed in the game:

H1: The more positive the attitude toward the brand placement in the PC/video game, the more intense is the change of attitude toward the placed brand into a positive direction.

Effects of the Attitude Toward the PC/Video Game on the Attitude Change Toward the Brand. As there are some parallels between traditional advertising and brand placement, basic insights of research on effects of traditional advertising can be transferred to explain effects of brand placement (Gould, Gupta, and Grabner-Kräuter 2000). A basic rationale of research on advertising effects consists in the assumption that the attitude toward an ad has effects on the attitude toward the advertised brand. The dual mediation hypothesis postulates that the attitude toward the ad has both a direct and an indirect effect via the perception of the advertised object's characteristics on the attitude toward the advertised brand (MacKenzie, Lutz, and Belch 1986). According to the affect transfer hypothesis, consumers transfer emotional elements of their attitude toward the ad directly to their attitude toward advertised brand (Biehal, Stephens, and Curlo 1992; MacKenzie and Lutz 1989; MacKenzie, Lutz, and Belch 1986; Mitchell and Olson 1981). In the context of brand placement in movies, researchers argue that the spectators' affective reaction to the movie affects their attitude toward the brands placed in the movie if these brands are placed in an emotional movie (Karrh 1998; Russell 1998). This emotional relation between the film story and the brand can lead the movie spectators to purchase the brand (Gould, Gupta, and Grabner-Kräuter 2000). Not only movie spectators but also the players of a PC/video game are supposed to show an affective reaction to the experiences made in the virtual world of the game which might have an effect on the change of the attitude toward the brand placed in the game. With regard to brand placement in PC/video games the question arises whether the brand placement itself or the game have the function of an ad. Ads serve to transport the advertising message and to present the advertised object or brand. Thus, in this context the game has the function of the ad, because the game serves to present the integrated brands.

In addition, research on behavioral consequences of virtual or interactive experiences provides an informative basis for the case considered here. According to Hoch and Deighton (1989) people judge a source as more credible if they choose the source themselves and if they interact actively with this source. Moreover, experiences in a vivid environment influence more strongly peoples' memory (Paivio 1971) and have stronger effects on these peoples' behavior than has passively received information (Fazio and Zanna 1981; Smith and Swinyard 1982). Furthermore, by interacting with a virtual environment, people experience the psychic state of telepresence (Coyle and Thorson 2001; Li, Daugherty, and Biocca 2002). Telepresence designates the illusion of being in a real world (Lombard and Ditton 1997; Steuer 1992) and this mental state results in improved learning as well as in a change of behavior and in the impression of having control (Hoffmann and Novak 1996). As a consequence telepresence can strengthen the attitude toward a presented product (Kim and Biocca 1997). Li, Daugherty, and Biocca (2002 and 2003) also argue that interactivity and the fact that certain environments are three-dimensional trigger consumers to process more intensively cognitive product information which leads to better product knowledge and finally to a more positive attitude toward the product. Transferred to PC/video games, it is obvious that the game players interact actively with the game and that they are integrated in the story of the game. In addition the professional fotorealistic presentation of PC/video games stimulates telepresence. Therefore, I argue that players of PC/video games develop a strong attitude toward the game by intensively interacting with the game and this attitude toward the game is supposed to affect the game players' attitude toward the brands placed in the game. Thus, the two approaches presented above lead to:

H2: The more positive the attitude toward the PC/video game, the more intense is the change of attitude toward the placed brand into a positive direction.

Possible Effects of the Flow Experience. In addition to the direct placement effect and the effect derived from research on advertising effects, there is another important effect which has to be considered. As PC/video games are characterized by a high level of interactivity, I have to also include the flow experience which is the most often analyzed variable in the context of interactive environments (Ghani and Deshpande 1994; Hoffman and Novak 1996). Flow is defined as a process of optimal experience which serves to explain the behavior of individuals (Csikszentmihalyi and LeFevre 1989). This state occurs while performing a task due to the fact that people completely delve into the task so that they lose their sense of time and place (Novak, Hoffman, and Yung 2000) and they feel happiness (Csikscentmihalyi and LeFevre 1989). Flow only occurs if the tasks people are performing are challenging, require concentration, give people the feeling of having control and offer the possibility of getting feedback. Flow effects have been mainly analyzed in the context of websites. Empirical results prove that flow has a positive effect on the intensity of using websites and that website visitors change their attitude toward the website into a positive direction if they have experienced flow (Novak, Hoffman, and Yung 1999). Consequences of flow are increased learning, the willingness to participate, intensified exploration and positive subjective experiences (Hoffman and Novak 1996).

PC/video games have an interactive and bonding character. While playing PC/video games, some game players are supposed to experience flow because PC/video games actively involve the players (Nelson 2002) and because the games offer challenges the players have to cope with. The players have to be concentrated to be able to cope with the task of the game. Consequently, players delve into the game and lose their sense of time and place. Moreover, game players have the feeling of having control while playing the game and they receive a feedback in terms of the reached score or game level. Thus, PC/video games have the potential to arouse flow in game players. In addition there are certain parallels between websites and PC/video games, e.g., the multimedia-based interactivity. Therefore, similarly to experiencing flow while visiting websites, experiencing flow while playing a PC/video game should lead to improved game playing skills as well as to an increased interest in experiencing new game levels. This behavior in turn causes intensified utilization. Thus, the attitude toward the PC/video game is supposed to change in a positive direction:

H3: The more intensely the game players experience flow while playing the game, the more positive is their attitude toward the game.

The consequences of flow described in the literature are only linked to the medium which causes flow when being used. In addition it is not evident why the strength of effects of the attitude toward the brand placement and of the attitude toward the game should depend on flow. Thus flow is supposed to have only effects which occur in connection with the PC/video game, but neither direct nor moderating effects. The assumed relations between the model variables are summarized in the research model shown in Figure 1.

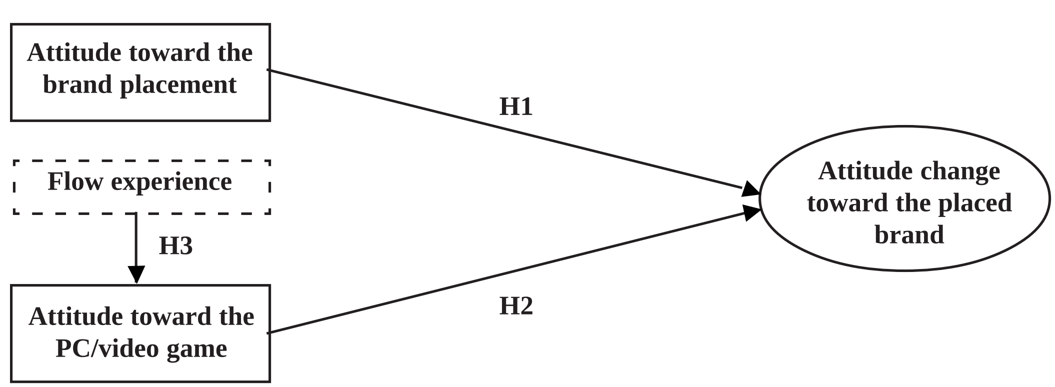
The chosen model implies that the independent variables "attitude toward the brand placement" and "attitude toward the PC/video game" are not or at least unsignificantly correlated. Although one could argue that the general impression of a game influences the attitude toward the brand placement in the game, the attitude toward the game is supposed to have a comparatively weak effect on the evaluation of the brand placement in the game because this evaluation is rather affected by a general attitude toward brand placement. In addition, the evaluation of the brand placement in a PC/video game might influence the attitude toward the game, but as the attitude toward the game is determined by many different factors (fotorealistic graphics, quantity and quality of integrated music, authenticity of the game story), the effect of the attitude toward the brand placement on the attitude toward the game is supposed to be of no importance. The hypotheses I have derived from the theoretical considerations are tested in an empirical study which is described in the following section. I will first explain the experimental design and the survey procedure. Afterwards I will go into the measures and the results of the empirical study.

EMPIRICAL ANALYSIS

Experimental Design and Survey Procedure

First of all I had to choose an enjoyable PC/video game which can be played shortly. The brand placement in the game should be realistic, the game should contain multiple placed brands, and game players should have the impression of lifely participating in the game. The car racing game "Gran Turismo 3" met these requirements. Choosing a car racing game is advantageous for the analysis of brand placement effects because stimuli in motion attract more attention than static stimuli (Blackwell, Miniard, and Engel 2002) and because motion strengthens the effects of brand placement (Gupta and Lord 1998). Brand placement is integrated in the game "Gran Turismo 3" in the form of realistically simulated perimeter fences with advertisements as well as in the form of authentic racing cars with advertising spaces. Players of the game

FIGURE 1
Research Model



see each placed brand for a few seconds. In a small prestest I asked ten game players to report the brands they have seen most often when playing the game. The brands reported as seen most often were chosen to make sure that the focus brands would be noticed at all. The placements of the different brands do neither differ significantly in distinctive features nor in the frequency of being shown. The brands placed on the perimeter fences are Opel and BMW and the racing car is pasted up with advertising spaces of D2/Mannesmann and Kärcher. In all of the different placements, the brand but not the product is visually placed.

Given the experimental set-up it would have been very time-consuming to gather a sufficient sample size. Therefore each of the 90 participants evaluated four brands (n = 360). Using different brands served to multiply the sample size, i.e., data of one person on different brands were treated as data of different persons on one brand. Differences in the participants' attitude toward the different brands are not problematic because these differences serve to generate additional variance in the dependent variable.

The experiment was conducted by two experimenters and took place in a private apartment in Augsburg/Germany in March 2004. The respondents participated in the experiment in groups of three to four people. Representative for the typical target group of this type of video games (fans of realistic video games and of car racing), 61 of the 90 participants were men and the age ranged from 18 to 39 years. The chosen participants were students and had a comparable game playing experience, i.e., I chose only people who indicated to play video games regularly or frequently. Considering the fact that the participants were students one might argue that the interpretation of the results will be limited to the group of students. But as especially students compose the target group of PC/video games, choosing students for this experiment should not pose a problem. The paddles were placed near to the TV set to make sure that the placed brands were optimally noticeable. Game versions and other settings were kept constant.

The participants first had to indicate their attitude toward the focus brands as well as toward four other brands which were not relevant but which were also placed in the game. The participants had to evaluate the additional brands because I wanted to avoid calling too much attention to the focus brands. Subsequent to the ex ante measurement the experimenters explained the rules of the game to the participants. Each person played the game for about 15 minutes. After having played the game for 15 minutes, the participants filled in the remaining part of the questionnaire which consisted of questions on the attitude toward the game, on flow experience, on the attitude toward the brand placement in the game, and of questions on demographics. In addition, the participants again had to indicate their attitude toward the *focus* brands using the same items like in the ex ante measurement. Thus the four *other* brands which had been evaluated additionally in the ex ante measurement were not evaluated again in the ex post measurement. The responses are based on seven-point rating scales ranging from 1 ("I do not at all agree") to 7 ("I completely agree"). I have to mention critically that the repeated measurement of the attitude toward the brand might have caused biased results, but this bias is assumed to be only marginal because between the initial and the repeated brand attitude measurement the respondents played the game and answered the other questions which might have distracted them from their initial answers.

Measures

The participants of the experiment were supposed to have already had an attitude toward the brands placed in the chosen game before the experiment because brand placement is generally used for popular brands (Russell 1998). In order to determine the attitude change toward the placed brand caused by the contact with the brand placement in the game, I applied a subtractive before/after measurement (Peter, Churchill, and Brown 1993). For further analyses I calculated the difference between the after scores and the before scores. The items which aimed at measuring the attitude toward the brand were statements on perceived product quality and direct statements on the attitude toward the brand (Biehal, Stephens, and Curlo 1992). In order to measure the attitude toward the brand placement I used statements which were similar to those used by Gupta, Balasubramanian, and Klassen (2000) and which were adapted to brand placement in PC/video games. In order to measure the attitude toward the game, I used items which aimed at the evaluation of the game, at the comparison with other games and at the intention to play the game again. Similar operationalizations are often used to measure the attitude toward websites (Chen, Clifford, and Wells 2002). Flow was measured by using statements on single aspects of the flow experience like fun, tension, and a loss of the sense of time and place (Hoffman and Novak 1996). Table 1 gives an overview of the measures and of the results of exploratory factor analyses and reliability analyses.

The results of the exploratory factor analysis prove that the single items can be clearly assigned to the factors they were intended to measure. The results of the reliability analyses show that the chosen items allow for a reliable and consistent measurement of the model variables. In addition to the exploratory factor analysis which aimed at a basic identification of the item structure, the four model variables were analyzed in a confirmatory factor analysis

TABLE 1
Measures, Results of Exploratory Factor Analysis and of Reliability Analyses

Construct	Item	Item Description	*Factor Loadings of an Exploratory Factor Analysis* *B*	*G*	*F*	*P*	*Cronbach Alpha*	*Item-to-total-Correl.*
Attitude change toward the brand (B): after-before	B1	I like this brand.	0.83	0.33	0.03	0.44	0.99	0.99
	B2	This brand stands for good products.	0.83	0.38	0.04	0.40		0.99
	B3	This brand is one of my favorites.	0.82	0.44	0.05	0.35		0.99
Attitude toward the game (G)	G1	I would definitely like to play this game again.	0.20	0.88	0.12	-0.13	0.91	0.94
	G2	Compared to other games this game is one of the best.	0.21	0.88	0.10	-0.21	0.91	
	G3	I like the game mode of this game.	0.24	0.87	0.09	-0.15		0.92
Flow (F)	F1	Playing the game Gran Turismo 3 is fun.	0.03	0.06	0.95	0.01	0.93	0.89
	F2	While playing this game time passes, but I don't notice it.	0.04	0.09	0.93	0.01	0.87	
	F3	Playing this game bonds me to the video screen.	0.01	0.12	0.92	-0.03		0.90
Attitude toward the brand placement (P)	P1	Brand placement does not affect the game experience negatively.	0.04	-0.13	0.00	0.97	0.98	0.99
	P2	With brand placement the game comes across more realistic.	0.29	-0.15	-0.01	0.94		0.99
	P3	I like the brand placement in this game.	0.38	-0.17	-0.01	0.90		0.99
	P4	Without the integration of the real brands, the game would be missing something.	0.41	-0.16	-0.01	0.89		0.94

with LISREL (Jöreskog and Sörbom 1997). The results of this factor analysis as well as of reliability and convergent validity analyses are summarized in Table 2.

The correlations between *flow* and *attitude toward the placement* as well as between *flow* and *attitudes toward the brand* are low indicating that these factors are nearly independent. The correlations between *flow* and *attitude toward the game* as well as between *attitude toward the game*/*attitude toward the placement* and *attitude toward the brand* are rather high indicating relations between the variables, but low enough to allow for distinguishing one factor from another. The goodness-of-fit measures show that the model is appropriate. The RMSEA value is 0.07 and the GFI, AGFI, NFI, and CFI values are only slightly below the often required value of 0.9 (Bagozzi and Yi 1988). Even the lowest t-value of the factor loadings is highly significant proving the existence of convergent validity (Bagozzi, Yi, and Phillips 1991). The item reliabilities all exceed the minimal value of 0.5 (Bagozzi and Yi 1991) and the factor reliabilities are higher than 0.9. The discriminant validity of the items can be proved by applying the Fornell-Larcker criterion (Fornell and Larcker 1981). The squared factor correlations and the *average variance extracted* values are summarized in table 3. Obviously, all *average variance extracted* values exceed the squared factor correlations proving discriminant validity of the model variables.

Results

In order to test the research model presented in Figure 1, I applied a structural equation model using the LISREL procedure. As the model variables were distributed normally, I used the maximum likelihood method of estimation. In Figure 2 the estimated path coefficients are summarized.

The goodness-of-fit measures show that the model fits acceptably to the data: GFI (0.82), AGFI (0.87), NFI (0.88), and CFI (0.89) values are only slightly below the often required value of 0.9 (Bagozzi and Yi 1988) and the RMSEA value is 0.06. First, I have a closer look at the direct effect of the attitude toward the brand placement on the change of the attitude toward the brand. The path coefficient corresponding to this effect is $\gamma_{BP} = 0.77$ ($t = 13.63$). Thus the effect of the attitude toward the brand placement on the change of the attitude toward the brand is significantly positive and hypothesis H1 is confirmed ($p < .05$). In other words, the attitude toward the brand placement in the game has an effect on the brand placed in the game. Considered more in detail, the results show that the more positive people judge the brand placement in a video game, the stronger is the change of the attitude toward the brand in a positive direction after having played the game.

Second, I analyze the effect of flow through the attitude toward the video game on the change of the

TABLE 2
Reliability and Convergent Validity of the Measures

Model Variable	*Item*	*Factor loadings λ value*	*Factor loadings t value*	*Item reliability*	*Factor reliability*	*Average variance extracted*		*Factor correlations B*	*G*	*F*
Attitude change	B1	0.98	25.56	0.95			*G*	0.49		
toward the	B2	0.98	25.68	0.96	0.98	0.95		(0.04)		
brand (B)	B3	0.97	25.04	0.93			*F*	0.09	0.21	
Attitude toward	G1	0.91	22.01	0.83				(0.05)	(0.05)	
the game (G)	G2	0.87	20.26	0.75	0.91	0.78	*P*	0.58	0.27	0.01
	G3	0.87	20.55	0.76				(0.04)	(0.05)	(0.05)
Flow (F)	F1	0.95	23.46	0.90						
	F2	0.88	20.62	0.76	0.93	0.81				
	F3	0.89	21.09	0.77						
Attitude toward the	P1	0.98	25.65	0.96						
brand placement (P)	P2	0.99	26.77	0.99	0.98	0.92				
	P3	0.99	26.57	0.99						
	P4	0.86	20.49	0.74						

Goodness-of-fit measures: GFI = 0.88, AGFI = 0.87, NFI = 0.88, CFI = 0.89, RMSEA = 0.07

FIGURE 2
Path Coefficients of the Structural Model

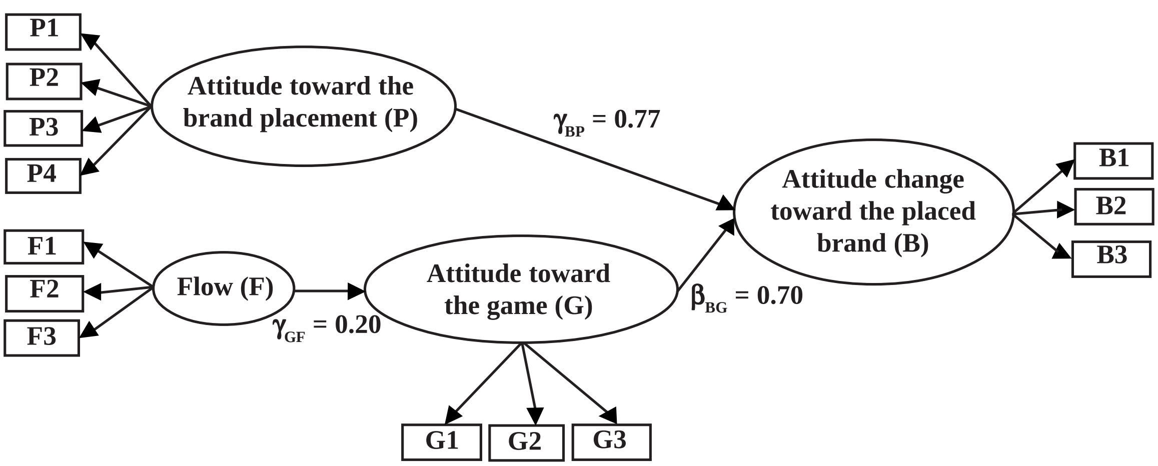


TABLE 3
Discriminant Validity of the Measures

Faktor		*B*	*G*	*F*
	Average Variance Extracted	*0.95*	*0.78*	*0.81*
B	0.95		*Squared Factor Correlations*	
G	0.78	0.24		
F	0.81	0.01	0.04	
P	0.92	0.34	0.07	0.00

attitude toward the brand. The intensity of the flow experience of the game players has a significantly positive effect on the attitude toward the game which is reflected by the path coefficient $\gamma_{GF} = 0.20$ (t = 3.68) supporting hypothesis H3. Thus, it is generally advantageous to arouse flow in game players because they evaluate the game the more positive the more intensively they experience flow. The coefficient $\beta_{BG} = 0.70$ (t = 12.78) shows that the attitude toward the game has a significant positive effect on the change of the attitude toward the brand ($p < .05$) confirming hypothesis H2. Thus, the players of a game show a stronger change of attitude toward the placed brands in a positive direction with an increasing positive attitude toward the game. There were no differences between men and women in the sample for the effects considered here.

CONCLUSION

Summarization of the Results and Implications for Marketers

The data presented above prove that brand placement in PC/video games can cause a positive change of the attitude toward the brands placed in the game if the game players evaluate the brand placement positively and if game players also judge the game positively. The fact that I found this effect of brand placement on the change of the attitude toward the brand using such a short-exposure period reveals the importance of the comparatively novel practice of brand placement in PC/video games. In addition, the data show that the flow experience of the game players is another construct which is relevant in the context of the advertising effects of brand placement in PC/video games. In the existing research on brand placement effects, the flow construct has not been considered but the results of my study show that the players of a PC/video game should have an intensive flow experience because in this case the game players evaluate the game more favorable and the overall effect on the change of the attitude toward the placed brand is more positive than in the case of a less intensive flow experience. Marketers who intend to integrate brand placement in PC/video games in their advertising campaigns should consider that different suitable games should be tested in a representative sample of the target group of the brand to find the game which is judged most positively by the respondents. Moreover, when testing different games, the flow potential of the games from the viewpoint of the game players should be measured because the players should have an intensive flow experience while playing the game. When planning the type of implementation of the brand placement, marketers should choose that type of integration which is most likely to be evaluated positively by the game players because positive advertising effects are only possible if the brand placement is judged positively.

Contribution of the Article to the Existing Body of Research and Starting Points for Further Studies

This article adds considerably to the existing body of marketing research because up to now, the dependent variable analyzed in the context of brand placement has most often been brand recall whereas the focus of this article has been on the attitude toward the placed brand, a variable acknowledged being relevant to purchase decisions. Moreover the integration of the flow concept is new in the field of research on effects of brand placement and represents an interesting approach to explain advertising effects of brand placement. Further research in the field of brand placement effects should concentrate on analyzing the data of larger samples and on comparing the data on different types of PC/video games to find out if the results presented above hold for all different types of games. In addition the playing time should be extended because a playing time of 15 minutes is shorter than the common playing time game players spend with PC/video games. Extending the playing time is supposed to intensify the flow experience and should thus lead to even more realistic findings on the effects of flow through the attitude toward the game on the attitude toward the brands placed in the game. Furthermore, it might be helpful to gain insights in effects of brand placement in PC/video games after repeated contacts with a game because games are usually played more often than once.

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STATE OF ORIGIN EFFECTS

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SUMMARY

A large number of studies on product origin have focused on the influence of country of origin (COO). COO, usually conveyed through labels such as "made in (name of country)," has been found to influence aspects such as consumers' perceptions of a product's quality, attitudes, and purchase intentions toward products, and product preferences (Verlegh and Steenkamp 1999). Some studies have shown that COO can also influence different aspects of evaluation, such as emotions (e.g., national pride) and "right way of conduct" (e.g., "purchase domestic products because it supports our home economy") (Verlegh and Steenkamp 1999).

A few product origin studies have been conducted on the more macro-level cues of region of origin (e.g., made in Latin America, made in Asia), however, little or no work has examined the more micro-level cues of U.S. state of origin effects. Although results from numerous studies investigating COO (e.g., Balabanis and Diamantopoulos 2004) have suggested that consumers have negative biases against certain other countries products and positive biases toward domestic products, findings from studies examining region of origin indicated no evidence of negative bias (e.g., Smith 1993). That is, consumers had more well defined images of country specific products than for region specific ones.

State of origin (SOO) is like region of origin and COO but at the U.S. state level. Since previous studies suggest that product-country images are better defined than product-region images, it is believed that if consumers use SOO as part of their judgments, product-state images could be as precise and well defined as those for product-country for some product categories.

The current research uses an exploratory study to examine SOO effects. The study investigates issues such as product-state match (e.g., Idaho potatoes, Minnesota wild rice, etc.) and positive/negative biases for home state products versus other state products. Since little is known about SOO effects and much research attention has been devoted to the study of COO, the current study' research questions and propositions are based on the COO literature.

Product-Country Match

Some studies have examined COO in terms of match between country and product category. For example, Roth and Romeo (1992) examined the question: what constitutes a favorable match between a country and a product? Findings from their study indicated that willingness to buy a product from a particular country will be high when the country image is also an important characteristic for the product category. For example, high tech products from Japan enjoy an advantage because of a perceived match between their national strengths and what is required to make high tech products, and preferences for German autos can be explained by perceptions of high quality workmanship of German engineers and also that Germany is a technologically advanced country. Roth and Romeo (1992) suggested a framework for matching the importance of product category and perceived strengths of the country. These researchers proposed that individuals prefer a certain country as an origin for a specific product when they believe that there is a match between perceived strengths of the country and those needed to produce the product.

Positive/Negative Bias

Over four decades ago, Schooler (1965) conducted the first empirical test of COO effects. Results from the study indicated significant differences in evaluation of products, although the products were identical in all respects except for name of country specified on the labels. The findings revealed that products from less developed countries were not evaluated as highly as domestic products and products from more developed countries. Numerous subsequent studies (e.g., Balabanis and Diamantopoulos 2004) confirmed these findings and also found that individuals exhibited a positive bias toward products from similar, familiar countries, and a negative bias against dissimilar, unfamiliar countries.

Drawing on the COO literature, the current research purports to examine SOO effects. Findings from our study suggest moderate to strong product-state associations and more favorable attitudes toward products made in the participants own states than in other states.

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GEOGRAPHICAL ORIGIN AND BRAND NAMES IN THE U.S. WINE MARKET

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SUMMARY

We observe price differences for otherwise similar products based on country or regional origin. Wine prices vary significantly despite very similar sensory quality attributes. For instance, wine from California's Napa Valley typically sells at higher prices than wine of comparable sensory quality from another region. Moreover, brand names increasingly dominate international wine markets despite the importance of geographical origin for wine quality. We explain such observations by positing that brand reputation indicators, variety, and regional origin affect wine purchase decisions. Consumers will pay much higher prices for reputable wines from a well-known producer and/or region because they do not have sufficient information or they are uncertain about wine quality. Given limited attention levels that consumers can expend, not all quality signals receive equal notice. Consequently, we assume that the attention level that consumers pay to positive (negative) quality signals is higher for producers that perform significantly above (below) their average peers. Then, unusually high as well as unusually low quality demonstration form a lasting producer quality signal in the minds of consumers.

Expert quality assessments are an important vehicle enabling consumers to learn about the reputation for quality of producers and/or regions. Tirole (1996) presents a model of collective reputation as an aggregate of individual reputations where current producer incentives are affected by their own actions and collective actions of the past. Shapiro (1983) models the effects of individual producer reputation on prices in competitive markets with imperfect information. Improving their knowledge about product quality is costly to consumers. Reputation allows high-quality producers to sell at a premium, which can be interpreted as return on investments in reputation building. In such an imperfect information environment, credible indicators of product quality and reputation can be effective in reducing decision-making costs to consumers.

In this paper, we estimate a hedonic model to evaluate the impact of brand name quality signals as well as expert evaluations, regional origin, wine variety, judging age on consumer willingness to pay for premium wine. Consumers form an impression about a producer's ability to deliver premium quality wine based on relative regional peer performance. Their willingness to pay depends on expert opinions, maturing potential, age and relative scarcity of the wine. In addition, they also have quality perceptions about grape varieties and growing regions when forming their buying decisions. To assess the significance of such subjective perceptions on wine trade, we estimate the impact of regional origin *and* producer quality signals on wine prices controlling for blind-tasted sensory quality and varieties.

We assess the value of brand names signaling high, average, and low quality relative to their regional average. Estimated premiums (discounts) range up to +20 percent (-10%) for high (low) quality brands while regional price differences range up to 50 percent. Thus, we argue that without adjusting for producer reputation, regional premiums cannot be interpreted as a pure country or regional "brand" value (or quality premium). In contrast to high quality Old World brands (e.g., France, Italy), prices of high quality New World wine brand never exceed those of an average Napa Valley wine brand. However, the laggard in the Old World (e.g., Germany, Spain, and Portugal) have been surpassed by the leaders in the New World (i.e., Australia and New Zealand). In terms of marketing implications, we argue that laggard regions can level the playing field with quality controls and generic promotions spearheaded by quality leaders emphasizing regional origin in their individual marketing efforts. References are available upon request.

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THE INFLUENCE OF ACCULTURATION ON PURCHASE BEHAVIOR AND LANGUAGE PREFERENCE IN ADVERTISEMENTS: THE CASE OF HISPANICS IN THE UNITED STATES

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SUMMARY

The Hispanic market is growing in importance in terms of both its physical size and purchasing power, and American businesses have taken note. A major issue facing marketers, however, is how to best reach this segment. This study seeks to address two research questions:

1. Does the use of Spanish in advertisements that are targeted to U.S. Hispanic consumers increase advertising effectiveness as measured by purchase intent?

2. If so, what are the relevant acculturative dimensions that maximize this relationship?

While previous consumer behavior studies have used acculturation to study purchase behavior, most have generally overlooked an important dimension of acculturation – discrimination. Thus, a central contribution of this study is its inclusion of discrimination as an acculturative dimension.

The research is framed using Padilla's (1980) four dimensions of acculturation. The first of Padilla's dimensions is cultural heritage and refers to the knowledge one has about their culture's artifacts. The second dimension, language preference, refers to one's choice of language in the home, work, and in social and private settings. The third dimension is cultural pride and it is very similar to cultural heritage but differs in the level of knowledge one has about their cultural identity. A person who has great cultural heritage understands very well the history, artifacts, and language of the original culture whereas a person who has cultural pride may not have deep knowledge of their cultural heritage but still readily identifies himself as a member of their ancestry of origin. Finally, the last acculturative dimension is perceived discrimination. This dimension refers to the professed or actual discrimination one believes emanates from the hosting culture. Discrimination may result from religion, skin color, or accented speech.

A stratified, random sample of Hispanics in the United States produced a total of 980 data points of which 368 were usable. Respondents were screened to be of Hispanic origin or ancestry, and surveys were collected via the phone about various economic, political, and social issues. Of concern for this study, were items related to purchase intention for products advertised in Spanish.

The data were analyzed using logistics regressions. Two of the four hypotheses were supported along with two demographic control variables. The results of this study confirm that acculturation plays a role in whether Spanish language in advertisements influences purchase behavior within the Hispanic population of the U.S. Hispanics who speak Spanish in the home and who have felt discriminated against while living in the U.S. appears to be less acculturated and consequently are more likely to be influenced by the use of Spanish language in advertisements. Low income and less educated Hispanics are also more likely to purchase products that are advertised in Spanish.

The idea that Hispanics who speak Spanish in the home are less acculturated and therefore more likely to purchase products that are advertised in Spanish is not necessarily a new discovery. What is interesting and new is that Hispanics who have experienced discrimination in the U.S. also are 2.4 times more likely to purchase products that are advertised in Spanish than those who have not been discriminated against. In fact, the regression coefficient and the odds ratio for perceived discrimination is approximately the same size as the more intuitive acculturative dimension of language preference in the home. The perceived discrimination finding suggests that some acculturating Hispanics maybe experiencing "cultural tension."

Just as important as the two acculturative factors of language spoken in the home and perceived discrimination, so too are the factors of cultural heritage and cultural pride. Their lack of significance in this study's results suggests that knowledge of one's ancestry and/or claiming membership to a particular ethnic group, while certainly important acculturative factors, appears to be not as salient to affect language preference in advertisements. These factors may be more useful in determining what actors and symbols to use in advertisements rather than language choice (Ueltschy and Krampf 1997). References available upon request.

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LINKING LOGISTICS CAPABILITIES TO STRATEGIC ORIENTATION: A COST AND SERVICE TRADE-OFF

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SUMMARY

Extant literature is replete with studies examining the impact of logistics strategy on firm performance (Bowersox et al. 1989; La Londe and Masters 1994; Daugherty, Stank, and Ellinger 1998; Lynch, Keller, and Ozment 2000). However, there is no consensus on what constitutes logistics strategy, and how to identify and explain differences in firms' logistics strategy orientation (McGinnis and Kohn 2002). According to Vorhies and Morgan (2005), firms can identity and benchmark capabilities associated with superior performance. This benchmarking would enable them to address the capability gap between their performance and that of top performing firms in the industry. However, no attempts have been made to identify and isolate logistics capabilities associated with best strategies and that contribute most to superior performance. The purpose of this study is to addresses this gap by examining firms' logistics activities and capabilities with a view to differentiating and explaining firms' logistics strategy orientation. Logistics strategy orientation refers to the emphasis a firm places in developing and utilizing specific logistics resources and capabilities to meet its customers' needs and competitive goals. Using discrimant analysis and survey data from grocery industry, the study differentiates cost- and service-oriented logistics strategies based on firms' logistics activities and capabilities. Analysis of results provide a better than chance prediction and explanation of logistics strategy orientation.

Logistics literature suggests existence of cost- and service trade-offs in logistics strategy formulation and execution (Stock, Greis, and Kasarda 1999). Firms can adopt a cost-oriented logistics strategy in which they ensure cost competitiveness in their operations (Fawcett, Calantone, and Roath 2000). They can also pursue a service-oriented logistics strategy whereby they place greater emphasis on service capabilities such as delivery timeliness, transactions accuracy, responsiveness to special customer requests, etc. (Stank et al. 2003). The resource-based view (RBV) of the firm stipulates that firms possess heterogeneous resources and capabilities, which enable to conceive of or implement strategies that improve performance, exploit market opportunities, or neutralize impending threats (Barney 1991). As Johnson et al. (2003) posit, availability and deployment of resources and appropriate capabilities gives firms viable alternatives in which to compete. This implies that when developing logistics strategy, firms take cognizance of their resource endowment and capabilities, and adopt the strategy that maximally utilizes these resources and capabilities. Consequently, examining firms' resources and capabilities could provide a basis for identifying a firm's strategic orientation and form an important basis for benchmarking performance.

The study uses Discriminant Analysis (DA) to distinguish statistically between cost- and service-oriented logistics strategies based on thirteen logistics capabilities in the grocery industry. The study hypothesizes that, "a firm's logistics capabilities provides better than chance prediction of its logistics strategy orientation." A sample of 83 was used, culminating in a ratio of 7-to-1 for each group, which exceeds the recommended minimum (Hair et al. 1998). The sample was split into two groups – "cost-oriented" and "service-oriented" strategy – comprising of 40 and 43 observations, respectively. A key informant survey research design was employed (Campbell 1955; John and Reve 1982). Subjects consisted of CEOs, VPs, and directors of logistics. To be included in final DA analysis, each variable had to be significant at $p < .05$ level. The discriminant model produced the following statistics: Wilk's $\lambda = 0.662$; $\chi^2 = 30.784$; $df = 13$; $p = .004$; Eigenvalue = 0.512 and Canonical Correlation = 0.582. The χ^2 value and p-value indicate that there is significant presence of differences among cost- and service-oriented logistics strategies. Eleven predictor variables had structure correlations (discriminant loadings) that exceeded the recommended ±0.30 value (Hair et al. 1998). Results show that the model was able to correctly predict 91.1 percent of "cost-oriented" strategy and 73.7 percent of "service-oriented" strategy, resulting in an overall accuracy of 83.1 percent. Hit ratios were compared against *maximum chance criterion* and *proportional chance criterion* to assess the predictive accuracy of the classification results. All hit ratios exceeded benchmark ratios of C_{max} = 54.2 percent and C_{pro} = 50.4 percent. *Press's Q* statistic indicated that the hit ratios were statistically better than chance. The results provide support for the study hypothesis.

The results have several implications. First, some logistics capabilities are better predictors of firm's strat-

egy orientation than others. Thus, logistics capabilities can offer an in-depth and accurate indication of firms' logistics strategy orientation, which implies that meaningful information on logistics strategy orientation can be gained by examining firms' logistics capabilities. Second, logistics capabilities provide a better indication of cost-orientation than service-orientation. However, cost-service trade-off is not necessarily a clear-cut distinction, especially from the senior managements' point of view. Although the proportional chance criterion shows that obtained classifications are better than chance, the hit ratios are not excessively high. This implies that managers may not necessarily view logistics strategy merely in terms of cost-orientation or service-orientation. Third, the study provides insights into how firms can benchmark their logistics activities against top performers. The use of discriminant analysis can help determine firm's strategy orientation. Consequently, when benchmarking, firms can use similar approach to identify, isolate, and rigorously examine specific logistics capabilities associated with superior performance. Finally, the study demonstrates the strategy-capability linkage, and how such linkage can advance logistics knowledge.

A major limitation of this study is that it is based on a single industry. Therefore, the results may not be generalizable across industries. Future research should explore the trade-off conceptualization of logistics in a more detailed manner, including examining longitudinal trends. Trade-off implies an either-or scenario. However, some studies have disputed the trade-off focus in logistics strategy and systems. For instance, Morash, Droge, and Vickery (1996) show that cost is not negatively correlated with demand-oriented capabilities such as service and responsiveness. Rather, what is observed is the logic of logistical excellence in which firms strive to excel in multiple logistics capabilities. Thus, it is important that this issue be addressed, considering the prevalence of trade-off perspective in logistics literature. Future research should also rigorously test the conceptual and theoretical soundness of trade-off perspective so as to identify opportunities for generalizations and theory advancement.

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LEARNING ACROSS BOUNDARIES: A CONTINGENCY PERSPECTIVE OF EXTERNAL LEARNING AND PERFORMANCE

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SUMMARY

Organizational learning as a potential source of competitive advantage can occur both within and across firms (Huber 1991; Hult et al. 2000; March 1991; Ingram and Baum 1997). While both internal and external learning are important to firm success (Schroeder, Bates, and Junttila 2002), some caution that merely learning from own experience may risk a firm into "competency traps," which can improve the firm efficiency but decrease its ability to adapt to fast-changing environment. To handle market turbulences more effectively, firms must actively learn across boundaries to avoid self path-dependency (Cohen and Levinthal 1990).

Other researchers disagree by suggesting that learning from others is unlikely to be a source of competitive advantage, because information external to the firm is generally available to all the players in the market and thus is not rare, non-imitable, and non-substitutable (Barney 1991). This controversy on the merits of external learning suggests that external learning may not unconditionally enhance performance. However, despite the growing interest in this area (e.g., Baker and Sinkula 1999; Schroeder, Bates, and Junttila 2002), few studies to our knowledge have assessed the contingency effects of external learning on firm performance.

To fill this research gap, we take a contingency view to study the boundary conditions of external learning. Based on Cohen and Levinthal's (1990) absorptive capacity perspective, we identify two types of contingencies, including organizational factors such as firm age and size as well as environmental conditions such as demand uncertainty and price competition, to assess how they moderate the effects of external learning on performance. These two sets of contingency factors are derived theoretically to capture their impacts on a firm's absorptive capacity and to reflect the contextual embeddedness of organizational behaviors.

Our hypotheses center on the effect of external learning on firm performance and its interactions with organizational characteristics (firm age and firm size) as well as environmental factors (price competition and demand uncertainty). We postulate that external learning has a positive effect on firm performance (H1) because it enables cognitively bounded firms to draw ideas from others to better deal with challenges they have never encountered before. According to extant literature, the performance implication of external learning depends critically on a firm absorptive capacity (Cohen and Levinthal 1990). Since absorptive capacity depends on a firm's accumulated knowledge base, which is a function of firm age, we hypothesize that the older the firm, the stronger the effect of external learning on performance (H2). We also argue that as an important proxy of firm resources, firm size may positively moderate the effectiveness of external learning (H3). The reason is that large firms often have more resources and capabilities to implement what they have learned from others and thus external learning is of greater value to them. Beside organizational factors, we further postulate that higher level of price competition enhances the effect of external learning (H4) for such competitive environment may increase firm's learning activities by creating a sense of crisis. Moreover, the higher level of demand uncertainty may decrease the effect of external learning (H5) because the unpredictability of the fast-changing external environment constrains a firm's absorptive capacity, thus damaging the value of external learning.

To test our hypotheses, we conducted a large scale survey in China. After deleting 40 firms with missing data from the total sample, we obtained 360 completed responses. We use two respondents for each firm to minimize the potential problem of common method bias. Our results show that external learning contributes to firm performance in China. We find that external learning has a stronger effect in enhancing firm performance as firm ages. In contrast, firm size does not have a significant interaction with external learning, signifying the role external learning will not vary across small versus large firms. In addition, the higher level of price competition and lower level of demand uncertainty do strengthen the effect of external learning on performance as we expected.

Overall, our study sheds some lights to the controversy of the merits of external learning by suggesting that its efficacy is context-specific and in emerging economies like China, learning from others is conductive to firm performance. Furthermore, this paper extends extant literature by showing that the value of external learning is contingent on two sets of factors: organizational variables and environmental forces. However, we do not find the

moderating role of firm size in the learning-performance relationship. Such results show although firm size and age have often been regarded as similar firm attributes and hypothesized to have similar patterns of effect in previous literature, they do play differential roles and should be considered as two distinct constructs. References available upon request.

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CUSTOMER RELATIONSHIP MANAGEMENT CONSCIOUSNESS IN INDIAN COMPANIES AND ITS IMPACT ON THEIR FINANCIAL PERFORMANCE

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SUMMARY

Customer relationships have been increasingly studied in the academic marketing literature (Berry 1995; Dwyer, Schurr, and Oh 1987; Morgan and Hunt 1994; Sheth and Parvatiyar 1995). Gronroos (1991) advocate that customer relationships ought to be the focus and dominant paradigm of marketing. *Return* on *marketing investments* has different meanings in different *marketing* situations. It is said that companies that implement *marketing* ROI programs, with integrated measurement of *marketing* expenses and performance, typically show meaningful ROI gains within two years (Cook 2004). Companies today must design and implement their own CRM programs to improve the quality and magnitude of their businesses. Hence, it is important to identify the types of CRM activities that companies can employ and to explore how these relate to company performance and profitability (Reinartz, Krafft, and Hoyer 2004). And CRM being a latent variable, a standardized measure, e.g., a scale, needs to be developed in order to measure it. In a booming economy like India, management of customer relations is going to be of utmost importance for companies to sustain in the competitive market. Till date, there appears to be no significant empirical study particularly in India, conducted on CRM consciousness of the company vis-à-vis its financial performance. This study is based on the premise that CRM consciousness in companies is paying dividends to those who follow it.

Methodology

Literature survey was carried out with the objective of finding out a comprehensive set of dimensions that would explain the concept of CRM activities. We referred to a number of studies on CRM and relationship marketing and conducted a few unstructured interviews with practitioners to identify what dimensions constitute the domain of CRM. A list of 14 dimensions was thus generated which included constructs like, customer need sensing, competition, communication, intermediaries, employee satisfaction, logistics, etc. A pool of items based on past literature and discussion with experts, was generated and appropriately assigned to the various dimensions. In all 108 scale items were selected for the initial scale and presented beside a 7-point Likert scale ranging from very strongly agree to very strongly disagree. Marketing managers at the head offices of manufacturing companies of eight different industry types in India were surveyed during the period September to February 2004. One hundred seventeen usable questionnaires were received.

The newly generated scale was refined using item and reliability analysis, wherein (1) each item in the subscale was correlated with its sub total score and those that correlated poorly were deleted; (2) items that did not have statistically higher correlations with the dimension to which they were hypothesized to belong in comparison to item-correlations with remaining dimensions' total scores were also deleted (Ruekert and Churchill 1984; Bearden et al. 1989; Tian et al. 2001); (3) Items that did not have corrected item-to-total correlations above 0.5 for each item's appropriate dimension were deleted (Nunnally 1967) and (4) items with both larger means (around 4.0) and larger variances (above 0.9) were retained (Kumar and Beyerlein 1991). The scale was finally left with 67 items. Content and construct validity of the scale were also established.

This reliable scale was further sent to 230 companies during the period April to July 2004. One hundred seventy-one usable questionnaires were used for the final analysis. To monitor the financial performance of the company, four indicators were selected viz., Profit before interest and taxes (PBIT), Profit after tax (PAT), Growth in Sales (GS) and Growth in Assets (GA). Data for the past five years (2001–2005) were collected. A composite index was constructed using factor analysis wherein it was seen PBIT and PAT loaded onto one factor and GS and GA loaded onto the second factor. The first factor was termed as profitability and the second as growth. Dummy variables were used to capture the effects of CRM consciousness and industry types. Industry type, leverage, capital intensity, skill, size and risk were the control variables.

Results and Discussion

It was found out that the impact of CRM on financial performance, even though positive, was insignificant in the case of both profitability and growth. This could be because firstly, the competition in Indian companies is not very high and practical applications of CRM do not provide a clear indication of what specifically constitutes the CRM process. Secondly, sometimes it is also possible that companies are reluctant to terminate relationships with customers who are not profitable. Thus they keep hanging onto those customers who in turn lower the profits for the organization. As a result, we can say that unnecessary deployment of financial and human resources in CRM processes are not justified as CRM seems to have no significant impact on financial performance of firms in India. This is in consonance with the findings of Reinartz, Krafft, and Hoyer 2004 (2004) wherein they say that a large proportion of CRM deployment may not yield the desired performance. References available upon request.

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ENHANCING CULTURAL POSITIONING: UNDERSTANDING THE SUCCESS AND FAILURE OF HOLLYWOOD MOVIES IN GERMANY

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SUMMARY

The U.S. motion picture industry today suffers from an enormous rise of production and marketing costs. Average costs for making a movie rose from $9.4m in 1980 to $96.2m in 2005 (MPAA 2006). Due to rising costs, a global perspective has become essential to profitably market American movies. While from the 1950s up to the 1980s exports constituted around one-third of American movie revenues, in 1997 overseas box office equaled for the first time the domestic figures. Today, the worldwide market is more than twice as large than the domestic U.S. market, with a total box office of $23bn and $9bn, respectively (MPAA 2006).

In many product categories, it is typical to adjust the positioning of a product for international markets according to market requirements. However, movie marketers can rarely build on comprehensive research when attempting to customize movies or movie-related communications to different cultural settings. We argue that though cultural positioning Hollywood studios can market their films more effectively in overseas markets. Generally, positioning aims at influencing potential customers' overall perception of a product (e.g., Urban 1975). The concept of positioning assumes that consumers evaluate and compare products on the basis of important features. Because a film's position is the way the film is defined by consumers on important attributes, each film's position, even within the same genre, can be quite different. Consumers can position a film with or without the help of movie marketers. However, movie marketers would be ill-advised to leave their films' positions to chance and hence, need to carefully plan positions that give their films the greatest advantage in selected target markets.

In a cross-cultural context it is possible to influence different product attributes in different countries. Richardson (1996) argues that firms can develop both a general market position and parallel cultural positioning. The latter assumes that there is a cultural best fit between the firm and the customers. Cultural positioning is then concerned with the task of identifying and producing that best fit. Understanding a product's cultural position is to understand why consumers in different countries are prompted to buy it in the first place. In analyzing the drivers of movie success in different countries (i.e., by distinguishing between important and less important product attributes in terms of product success) we can gain a better understanding of how U.S. movies should be positioned in other countries. To optimize the success of Hollywood movies in foreign markets a global perspective, a cultural frame, and an empirical foundation are needed. To consider the global perspective the research focus is the success of American movies in the German market. A cultural framework is developed to evaluate possible factors determining the success of U.S. movies released abroad and to derive hypotheses.

The hypotheses are empirically tested against a sample of 231 U.S.-produced motion pictures. In our study, we considered six variables; movies genre/themes, movie style, cultural familiarity, star power, domestic (i.e., U.S.) success, and awards. Our results show that different factors impact movie success in both countries. As to genre and themes, the results revealed that some genres have a differential impact on U.S. and German box office and generate different grosses. Important findings include that Germans like romantic movies. It appears, German moviegoers appreciate love stories which is in contrast with the Germans' image of being effective and rationale instead of "emotion-driven." For studios, our cultural framework suggests to reposition movies according to a country's moviegoers' preferences. For example, the movie FOR LOVE OF THE GAME might have been more successful in Germany had it been positioned as a love story (which it contains) instead of a sports movie (which it is). Furthermore, Germans are shown to be more likely than U.S. moviegoers to prefer movies that deal with sexual and erotic themes, which is consistent with our finding that family movies are more successful in the U.S. One implication for studios is that German film distributors might emphasize sex-related themes when advertising movies or even release, customized extended film versions abroad which contain more explicit material which have be cut out of the movie for its U.S. release.

The empirical results have implications for future research in terms of corroborating our findings. The results may be generalizable to countries sufficiently similar in movie consumption and in economic terms.

Replications could test our hypotheses in other countries as well as examine how certain movie characteristics (e.g., genre preference) vary according to the culture. The information provided here can be used to forecast the acceptance of a new motion picture in Germany even before the production stage of motion picture management, as well as adjust a film's positioning before its release. Gathering similar information for other important foreign markets can contribute to a global early warning system which may help Hollywood studios to enhance the effectiveness of movie-related cultural positioning and hence reduce the dangers of economic failures of future movies outside the U.S. market.

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A BRANDING STRATEGY FOR EMERGING MARKET FIRMS ENTERING DEVELOPED MARKETS

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SUMMARY

Firms headquartered in emerging markets face several challenges in their efforts to compete in developed markets. A lack of international experience and limited financial resources force these firms into becoming low-cost providers or equipment manufacturers for large corporations situated in the developed world; a strategy that generally leads to lower levels of performance.

In addition to the lack of financial resources, another obstacle that prevents emerging market firms (EMFs) from succeeding in the developed world is the negative stigma that consumers in the developed world have toward products made in emerging markets. Negative country of origin effects cause consumers to have lower expectations of quality and as a result, most are not willing to pay as much for products from emerging markets.

We suggest that EMFs can improve their ability to compete in developed markets and overcome the negative stigma caused by their country of origin by adopting brand names that conjure positive images for the consumer. Häagen-Dazs and Swiss Miss Hot Chocolate are examples of U.S. companies who through their brand names have been able to allow a positive country image (although not the firm's home country image) spill over and create positive brand equity effects.

This study makes a valuable contribution by suggesting and testing a branding strategy that will potentially help EMFs trying to compete in developed markets. Firms from emerging markets are taking on an increasingly important role in the world economy and there has been a relative dearth of research that has expressly dealt with the strategic implications of product-country image related marketing strategy. We also add to the country of origin literature by extending the use of signaling theory to the COO phenomenon. This is a recent advancement that deserves further exploration and empirical evidence. We also bring a unique focus to our study by examining the emerging markets of Hungary and Vietnam. Most previous "emerging markets" studies have focused solely on China.

Theoretical Framework and Hypotheses

General conclusions that can be drawn from decades of COO research include:

1. Country of origin **does** affect product evaluations.

2. The effect of country of origin differs based on economic development.

3. Consumers develop pricing expectations based on country images.

4. A country's image can be changed but it is a slow process.

Particularly worrisome for firms from emerging markets are that these COO effects tend to be especially adverse against these firms/countries. Therefore, it can be helpful for emerging market firms to develop alternate strategies to avoid suffering from these negative COO effects. Signaling theory is applied as the theoretical lens by which we examine this phenomenon.

Country of Origin Effects and Signaling Theory

Brouthers et al. (2005) introduced signaling theory to the COO literature and presented the following reasoning. When consumers in developed markets evaluate products from emerging markets, there are two signals (product cues) that are relevant. The first one is the made in . . . label and the second one is the firm's brand name. However, according to the premises of signaling theory it is only the brand name that is a valid signal, the COO information is NOT. For a signal to be valid, for information to be accepted as true, the signal must have a cost to the sender if the information is untrue (Rao et al. 1999; Kirmani and Rao 2000). A firm can guarantee its signal through product warranties or loss of brand equity (Erdem and Swait 1998). "If quality turns out to be lower than claimed, the firm forfeits money in the case of a guarantee or brand equity in the case of a brand name" (Brouthers et al. 2005). Following the logic of signaling theory, we hypothesize that products made in emerging markets can improve their product evaluations in developed markets by either (1) adopting a brand name associated with the host country or (2) adopting a brand name associated with the global leader. Although this is expected to improve product evaluations by EMFs, the global leader is always expected to be rated higher.

Method

Our hypotheses were tested in an experimental setting designed to measure subjects' responses to manipulations of country of origin associations with branding strategies. The experiments focused on watches and leather briefcases. Hungary and Vietnam were identified as emerging markets, Switzerland and Italy as global leader and the experiments were conducted with a sample of 237 U.S. students from a Midwest University.

ANOVAs and planned contrasts were used to test for differences between the groups. With Vietnam as focal emerging market, all hypothesized relationships were supported for both products. In regards to Hungary, the results were more tenuous. The hypotheses received partial support in the briefcase experiment but no support in the watch experiment.

Discussion and Conclusion

In this paper we propose and find evidence that EMFs can benefit from choosing a branding strategy where they adopt a brand name that connotes a more positive country image than their home country. Following the logic of signaling theory, the made in . . . label distracts the consumer from objectively evaluating the product's quality. However, based on our experiments, it appears as if firms can reduce the negative noise distraction from the COO and increase their brand's "signal" to the consumers by using brand names that connote a positive country image.

The fact that our hypotheses received stronger support for Vietnam compared with Hungary may be explained by the level of economic development. Vietnam has been slower integrating into the global economy and its GPD/Capita is roughly one-fifth of Hungary's. This finding may also be exaggerated by the Midwest location of the subjects who may be more familiar and comfortable with European emerging markets compared with their Asian counterparts.

Finally, this study has direct implications for managers of firms located in emerging markets that try to enter the developed world. Our empirical results show that emerging market firms can offset the negative stigma caused by their product origin and raise their product's perceived quality by adopting a brand name that conjures a positive country image. References available upon request.

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SOURCES OF GLOBAL HETEROGENEITY IN INTERNET ADVERTISING PATTERNS

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SUMMARY

With respect to the advertising function, the Internet's position in the media landscape differs widely across the globe. For instance, Internet advertising in 2000 accounted for 0.1 percent of the advertising market in India (Pai 1999) and 0.5–1 percent in the Asia Pacific region compared to 2–3 percent in the U.S. (Nua 2001a). North America's share of global online advertising in the same year was 25 percent higher than that in traditional media. In North American economies, the Internet has already become a primary advertising medium not only for firms involved in global business but also in local businesses. For instance, the Internet is the third most popular advertising and promotion medium for the local business markets in the U.S. after the yellow pages and newspapers (Nua 1999b). On the other hand, the Web is still a secondary media comparable to billboards and other outdoor ads in developing countries (Jütner 2001). Economies across the world are thus at various stages of Internet ad lifecycles.

We examine the impacts of economic as well as non-economic factors on Internet advertising. Major sources of the global variation include regulative institutions related to governments' orientation toward authoritarianism versus democracy and strictness of privacy laws; cognitive institutions related to surfing habits and meaning made of a website; and normative institutions in the forms of restriction on Internet advertising. Superimposed upon these institutions are advertiser specific factors such as business sector and consumers' nature of Internet access.

Institutions

North (1990) defines institutions as the macro-level rules of the game (p. 27). The rules can be formal as well as informal. We employ Scott's (1995, 2001) framework based on three institutional pillars – regulative, normative, and cognitive – to examine the institution-Internet advertising nexus.

Regulative institutions consist of "explicit regulative processes: rule setting, monitoring, and sanctioning activities" (Scott 1995, p. 35). For regulative institutions, we hypothesize that authoritarianism as well as the strictness of privacy laws are negatively related with the diffusion of Internet advertising.

Normative components introduce "a prescriptive, evaluative, and obligatory dimension into social life" (Scott 1995, p. 37). For normative institutions, we hypothesize that the degree of restriction or constraints placed by normative institutions on Internet advertising is negatively related with the Internet advertising diffusion curve.

Cognitive institutions are most closely associated with culture (Jepperson 1991), and for this reason, they shape consumers' habits and perception. This component represents culturally supported habits that influence how consumers evaluate Internet ads. They are associated with cognitive legitimacy concerns based on subconsciously accepted rules and customs as well as taken-for-granted cultural accounts of technology use (Berger and Luckmann 1967; Grewal and Dharwadkar 2002). For the cognitive pillar, we hypothesize that an economy with small language groups has an unfavorable impact on the Internet advertising diffusion curve.

Advertiser Specific Factors

Since organizations possess unique characteristics, the impact of institutional factors on the usage of Internet ad. varies across them. The perceived usefulness and the likelihood of adopting Internet advertising thus vary across organizations. In particular, advertisers' business sector influences the emphasis placed on Internet ads. We hypothesize that the degree of concentration of high tech firms in an economy is positively related to the speed of Internet ad diffusion curve.

Audience Specific Factors

Superimposed upon the regulative, social, cultural, and habitual impacts of institutions and advertiser specific factors are the characteristics of audiences. Consumers' attitude and behavior toward Internet advertising vary with their mode of interaction with advertising. We have developed propositions related to mobility feature (Internet ads. via cellular devices) and availability of bandwidth on advertisers' usage of Internet ads. We hypothesize that consumers show more favorable behavior (in terms of click-through rate) toward ads on mobile Internet than on fixed Internet. Thus, mobility feature of the Internet is positively related to the speed of Internet ad diffusion curve. Another audience specific hypothesis is: a higher bandwidth triggers consumers' positive attitude and behavior toward Internet advertising. Bandwidth intensive-

ness is thus positively related to the speed of Internet ad diffusion curve.

Discussion, Implications, and Further Research

An important contribution of this paper is to drill deeper than obvious economic factors to explore the global heterogeneity in Internet advertising. We discussed how regulative, cognitive, and normative institutions as well as the characteristics of advertisers and consumers shape Internet advertising patterns. A company's success in the electronic market is a function of the degree to which a company can adapt its business models to account for various institutional pressures.

Further research is needed to test the model proposed in this paper. Particularly fruitful avenues include time-series cross-section analyses of the determinants of online ads for markets across the world. Qualitative in-depth study of selected markets would also provide a deeper and richer understanding of the drivers of online ads.

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WHEN LEADERSHIP DOES NOT LEAD: STRATEGIC INCLINATION EFFECTS ON NEW PRODUCT DECISION-MAKING

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SUMMARY

Selecting new product investment opportunities is a highly critical strategic decision. Companies are racing to ramp up innovation spending, yet are dissatisfied with the results of their innovation investment. The Boston Consulting Group (BCG) reports that 74 percent of 940 executives surveyed in 2004 expected to increase spending on innovation in 2005. However, not even half were satisfied with the returns generated by their innovation spending (Boston Consulting Group 2005).

The question arises whether managers pick the right new product projects to invest in (Ali, Kalwani, and Kovenock 1993). Presumably, which *types* of new product opportunities to invest in is determined by the strategic direction given by top management. That is, top leadership in firms sets the tone in strategic decision-making. General Electric CEO Jeffrey Immelt, for example, requires business leaders to submit at least three "Imagination Breakthrough" proposals per year to explore new business opportunities (Brady 2005). However, while leadership can give strategic direction, the majority of NPD decisions are made by product or brand managers.

In this paper we assess the following research questions: (1) Do new product decision-makers always follow the strategic direction given by leadership? (2) If not, how and why do they digress from the leadership's strategic direction in their new product decision-making? We seek answers to these questions by taking a strategic motivation perspective and using Higgins's (1997) regulatory focus theory (RFT), which posits that individual and situationally-induced strategic inclinations both influence new product decision-making. We develop a conceptual framework, which suggests that strategic inclination (eagerness versus vigilance) influences new product decision-making in investment likelihood, risk propensity, and decision speed. We also discuss the interplay between situational (i.e., leadership, team) and individual motivational influences by examining the dynamics of strategic inclination fit versus non-fit.

Our framework and hypotheses have potential implications for both research and practice. Typically, NPD research examines team, leadership, and individual factors and their influences on NPD processes and outcomes independently. For example, Mullins, Forlani, and Walker (1999) assess how SBU performance, leadership reference points, prior decisions, and outcome attributions affect risky choice behavior. Each of the effects was assessed independently, without examining potential interactions. Our approach suggests that there are important interactions between situational and individual factors that attenuate, intensify, or even eliminate separate effects. Hence, we contribute to extant knowledge about individual and situational influences on new product decision-making.

There are also potential implications for practitioners. For one, our framework might explain why some businesses are able to hold on to top talent, who aggressively pursue goals (i.e., strategically eager individuals) while others are not. Apart from incentives and remuneration, individuals at either end of the continuum of strategic inclination seek "fit" with organizational cultures and leadership strategic inclinations to excel. Hence, our framework might add to our understanding of "self-selection." In addition, our hypotheses can guide companies in constructing teams that can work together more effectively and efficiently by developing strategic inclination fit within teams. References available upon request.

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ESCALATION OF COMMITMENT DURING NEW PRODUCT DEVELOPMENT: THE ROLE OF ANTICIPATED REGRET

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SUMMARY

One of the most challenging decisions for managers is whether to continue funding a new product development (NPD) project or stop it prior to completion. Escalation of commitment occurs when troubled projects are continued instead of being abandoned. A host of factors, including the amount of money already spent on a project (or sunk cost), can bias managers into committing more money and resources to a questionable project, even though the information suggests an eventual negative outcome. The practical importance of escalation of commitment has spawned a broad body of research about its antecedents in various contexts like information systems (Keil, Tan, Wei et al. 2000), new product development (Boulding and Staelin 1997; Schmidt and Calantone 1998, 2002) and others. Although competing theoretical perspectives have been offered to explain escalation of commitment, there appears to be a lack of consensus between researchers over the causal factors and their inter-relationships. Additionally the underlying mechanisms causing escalation of commitment remain relatively unknown and under-researched. The purpose of this paper is three-fold. First, we briefly review various theories which have been used to explain escalation of commitment. Second, we integrate the small but growing literature on anticipated regret theory into escalation of commitment. Third, we develop a conceptual model of the mechanism of escalation of commitment and develop research propositions for future empirical testing.

Anticipated Regret Theory

Anticipated regret has been defined as "a convenient generic term to refer to the main psychological effects of the various worries that beset a decision maker before any losses actually materialize" (Janis and Mann 1977, p. 222). Anticipated regret, then, is considered to occur prior to making a given decision, when a person considers the possibility of post-decision (i.e., future) regret (Lemon, White, and Winer 2002, p. 7). Anticipated regret is thus felt (1) before a decision is made and (2) before the outcomes of both the chosen, and the forgone alternative(s), are known, like what occurs when managers make NPD project continuation/termination decisions. It has been found that high levels of anticipated regret lead to hesitation and doubt (Janis and Mann 1977) and that when decision makers anticipate regret, they chose courses of action that minimize or avoid it (Hetts et al. 2000; Simonson 1992). Related research also suggests that people anticipate post-behavioral affective consequences of their actions and take them into account when making decisions (Bell 1982, 1985; Kahneman and Tversky 1982; Zeelenberg 1996, 1999).

Escalation of Commitment in New Product Development

We use NPD as the main context for developing a model of escalation of commitment; it has been used in previous studies (Boulding and Staelin 1997; Schmidt and Calantone 1998 2002) as is a very conducive setting for examining escalation of commitment. Most companies today use some form of a stage-gate NPD process (see Cooper 1990). In each stage, a variety of marketing, technical, and financial activities are undertaken concurrently. Following each stage is a gate where typically a manager or team of managers review the projected marketing, technical, and financial information gathered in the preceding stage and then determine whether to proceed with developing the project by continuing to the next stage of the process (i.e., "go" decision) or to terminate the project (i.e., "kill" decision) prior to commercialization. Scholars report that managerial commitment to failing NPD projects is a serious problem studies (Balachandra 1984; Boulding and Staelin 1997; Schmidt and Calantone 1998, 2002). We attempt to integrate anticipated regret (or regret before making the decision) and escalation of commitment in NPD projects. Anticipation of regret has been assumed to impact decision making under uncertainty when there is a no clear cut option (Zeelenberg 1999). In NPD, managers have to make decisions under much uncertainty and terminate the majority of new product ideas (Schmidt and Calantone 2002) in absence of really clear cut information regarding the best projects to retain. These circumstances are thus ideal to breed and generate anticipated regret on the part of the decision making manager. In the NPD context, the outcome of the development efforts can only be known at the successful commercialization of the product. If the product is terminated prior to commercialization, the decision-maker will never know what might have been had the project been carried through to completion.

Theoretical Development and Contributions

We posit that several factors can lead to escalation of commitment in NPD projects; however, there are two differences with our conceptualization of escalation compared to most previous research. (1) We examine a system of relationships rather than the bi-variate linkages that characterize extant research. For example, although personal responsibility and product innovativeness have been shown to lead to escalation behavior (Schmidt and Calantone 2002), we posit that their effects are not direct but rather mediated by other factors. (2) We incorporate anticipated regret which offers a rich theoretical base from which to better understand escalation of commitment. This study thus makes an important contribution by examining anticipated regret from the viewpoint of the manager who makes NPD continuation/termination decisions in NPD, and we believe it has three broad implications. First, it uses the hitherto unused theoretical perspective of anticipated regret to more fully understand the underlying mechanism and provide an alternative explanation of escalation of commitment in NPD. Second, it offers a unifying framework that parsimoniously explains how various factors in NPD influence escalation of commitment. Third, in the existing literature, anticipated regret has been examined in the context of consumer decision making (Simonson 1992; Zeelenberg et al. 1996; Zeelenberg 1999; Hetts et al. 2000; Lemon, White, and Winer 2002). This research extends it to a managerial context, i.e., NPD. References available on request.

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MARKET ORIENTATION IN ENTREPRENEURIAL FIRMS: DETERMINING THE INFLUENCE OF ORGANIZATIONAL DESIGN AND ITS EFFECT ON PERFORMANCE

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SUMMARY

Most studies suggest a positive impact of market orientation on company performance. There is also increasing support that this effect – despite their numerous particularities – holds true for SMEs (e.g., Pelham and Wilson 1996). However, whether market orientation also exerts a positive influence on entrepreneurial firms that are characterized by high levels of product innovativeness and a strong growth orientation differentiating them from "regular" SMEs is still a largely unexplored issue. Moreover, as prior studies indicate that research results in this field are highly sensitive to contingency factors such as company size and environmental conditions (e.g., Slater and Narver 1994; Pelham 1997), it is unclear whether the antecedents and drivers of market orientation that have been found for established firms and/or "regular" SMEs, e.g., organizational design, also play an important role in this context. As a consequence, the present study intends to address two questions: (1) how does organizational design influence the level of market orientation of entrepreneurial firms, (2) does market orientation have a positive impact on performance in this context despite the often high level of external uncertainty?

Thereby, the widely accepted behavioral view of market orientation is adopted. Specifying this perspective, Jaworski and Kohli (1996) define market orientation as (a) the organization wide *generation* of market intelligence pertaining to customers and competitors, (b) the internal *dissemination* of this intelligence, and (c) the reactive as well as proactive *responsiveness* to the intelligence. Accordingly, for measuring market-oriented behavior we used a modified version of the MARKOR scale by Kohli, Jaworski, and Kumar (1993) accounting for the particularities of entrepreneurial firms. In contrast to many other studies especially in the SME context, our analysis concentrates on the first-order construct level of the MARKOR scale. As the antecedent of market orientation we examine the impact of organizational design. Among possible organizational dimensions formalization, centralization, and coordination/departmental connectedness have emerged as the most relevant antecedents of market-oriented behavior (Jaworski and Kohli 1993; Matsuno, Mentzer, and Özsomer 2002). Again, we used modified versions of established constructs to measure these dimensions. Finally, performance measures tested in the context of entrepreneurial firms were included in the study. Based on these measures, we collected a cross-sectional sample of 252 young entrepreneurial firms based in Germany. Only independent ventures, i.e., no spin-offs, that (a) were a maximum of ten years old, (b) had between 10 and 100 employees, and (c) belonged to knowledge/R&D intensive industries[1] were included in the study.

As our model consists of formative and reflective constructs, we chose Partial Least Squares (PLS) as the most accepted variance-based structural equation modeling (SEM) approach to conduct our data analysis (Chin 1998; MacCallum and Browne 1993). The explanatory power and predictive relevance of our model appear satisfactory: R^2 values are (a) 0.54 for intelligence generation, (b) 0.65 for intelligence dissemination, and (c) 0.60 for responsiveness. The R^2 for firm performance as dependent variable is 0.22. The Stone-Geisser test criterion Q^2, which serves as an indicator for the predictive relevance of the model, yields (a) 0.19 for intelligence generation, (b) 0.25 for intelligence dissemination, and (c) 0.13 for responsiveness. For firm performance the Q^2 value is 0.49. The data supports our first hypothesis (H1) insofar that there is a positive relationship between formalization and intelligence dissemination (H1a) as well as for responsiveness (H1c). However, the expected negative impact of formalization on intelligence generation (H1b), while present in the data, lacks significance. H2 also receives mixed support: Decentralization enhances intelligence generation (H2a) and impedes dissemination (H2b). The predicted positive influence on responsiveness (H2c) is not significant. Also, none of the expected positive effects of departmental connectedness on the three dimensions of market-oriented behavior (H3a-c) proves statistically significant. In terms of the influence of market orientation on performance, H4 predicts a positive effect for all three behavioral dimensions. Based on our data, this positive and significant influence on company success can be confirmed only for intelligence generation (H4a) and responsiveness (H4c). The relationship between intelligence dissemination and performance (H4b), however, is positive but not significant. Finally, the posi-

tive relationship between each of the three dimensions of market orientation and its predecessor hypothesized by H5a and H5b receives strong support from the data. Apparently, all dimensions of market orientation are either directly or indirectly related to company success.

Overall, our findings suggest that organizational design exerts a strong influence on the market-oriented behavior of entrepreneurial firms and thereby also on their performance. Thus, owner-managers can systematically use the organizational structure as a differentiator from competition. On a more detailed level, a negative effect of formalization on intelligence generation cannot be established. This result yields important practical implications as owner-managers are often reluctant to introduce more rigid rules and procedures to their company. They are afraid of losing flexibility and entrepreneurial spirit (Kelley and Marram 2004). Our findings indicate, though, that a certain level of formalization is necessary not only to disseminate and respond to market-related information adequately, but also to generate this information in the first place. Thereby, formalization helps a firm to react to market changes in a flexible way. The negative influence of decentralization found on information dissemination supports the notion that differing goals among decision makers may impede the flow of market-related information and thus potentially causes coordination problems (Miller and Friesen 1983). Therefore, this issue should receive particular attention from owner-managers while coordinating the decision processes in their organization. The lack of a positive effect found for decentralization on responsiveness can possibly be explained by either (a) the level of decentralization not being strong enough to impose an effect on responsiveness, or (b) by contradicting effects that compensate each other. References are available from the authors upon request.

ENDNOTE

[1] Knowledge/R&D-intensity was measured by (a) the share of R&D costs of total expenditure, and (b) the share of academics of the total number of employees (Grupp et al. 2000).

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MANAGING THE GAP BETWEEN CORPORATE IDENTITY AND CORPORATE IMAGE: A CONTINGENCY FRAMEWORK

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SUMMARY

The dynamic environment in which organizations operate leaves managers searching for any chance to improve their strategic positions, but the answers may rest inside their own doors. Marketing and management researchers have devoted considerable attention to understanding the development and interaction of corporate identity and corporate image (Balmer and Gray 2000; Gray and Balmer 1998; Markwick and Fill 1997). The image communication process and the idea of identity management have been neglected in the marketing research, but they are worthy of investigation in a marketing context because within the consumer domain, marketers are often responsible for the creation and placement of communication messages.

Current literature does not offer consensus definitions of identity or image, so this research incorporates some widely recognized designations. Corporate identity has often been used to describe the actual attributes, characteristics, or established meanings that and organization uses to define itself (Olins 1989; Markwick and Fill 1997; Melewar 2003) or the reality of what the company is (Balmer 1998). On the other hand, corporate image deals with the individual's perceptions of an organization as a result of their interactions with the organization (Bernstein 1984; Topalian 1984; Markwick and Fill 1997; Melewar 2003), so it is an individually created set of meanings about the organization within those who have had contact with it. These different uses lead to two very obvious conclusions: (1) the corporate identity rests with the organization whereas corporate image is created by those who are exposed to the organization (Dowling 1986; Van Rekom 1997), and (2) there exists the potential for distortion between the allowed meanings of the sender (the organization) and the perceptions of the receiver (the customer, stakeholder, or prospect).

The current research extends upon the main effects presented in Balmer and Gray's (2000) corporate identity-corporate communication's process model by recognizing some of the contingencies that can interrupt successful transmission of the identity. The paper provides a contingency framework to identify and examine the possible barriers to congruence between, the set of meanings by which a company allows itself to be known and through which it allows people to describe, remember and relate to it (corporate identity); and the individuals' perceptions of an organization as a result of their interactions (corporate image). Marketing communication serves as the transfer mechanism mediating the link between identity and image. We posit that environmental, organizational, message, and individual characteristics can create noise which inhibits the successful communication of intended meanings.

We use Shannon and Weaver's (1949), transmission model of communication (TMC) as a framework for understanding the communication process and the problems associated with it. The TMC, recognizes six distinct elements of the communication process: a source, an encoder, a message, a channel, a decoder, and a receiver with one dysfunctional factor referred to as noise. These elements are critical for understanding how corporate image is perceived from the communication of the created identity. Our research advances understanding of the concept of noise (various stimuli that may inhibit the communications process by distracting consumers, Mowen 1995) by presenting a model that identifies the process contingencies that introduce noise. The contingencies in the model include individual characteristics, environmental characteristics, organizational characteristics, and message characteristics.

The research highlights the fact that transferring a corporate identity to external recipients is not a straight line from identity to image because the corporate image resides in the minds of every individual who comes into contact with the identity communication source. Managing this process requires a careful evaluation of the possible outside factors that can impact the success of the identity portrayal, communication, and reception. References available upon request.

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IDENTIFYING THE RETURN ON MARKETING ACTIVITIES: THE INTERMEDIATE EFFECTS OF MULTI-DIMENSIONAL CONSUMER-BASED BRAND EQUITY ON BRAND PROFITABILITY

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SUMMARY

The value created by marketing activities has been a topic of interest for some time; yet, a distinct gap in the literature exists regarding the drivers and the effects of brand equity dimensions on the profitability of a brand. Brand equity is an intermediate measure of particular significance because of the advantages it is believed that can be provided to the firm through price premiums in the short term and a competitive advantage in the long term. It is accepted that the primary means to achieving a differentiated position in the marketplace is through the strategic and tactical actions which create a strong brand in the minds of consumers, allowing the company to lower risks and enhance future profits (Srivastava and Schocker 1991). This suggests developing brand equity should have an impact on the profitability measure of performance of a brand. However, the aggregate effect of consumer-based brand equity on brand level profitability has not been considered in the literature. This study augments the current literature, by investigating the relationship between marketing related activities and market performance as mediated by multi-dimensional consumer-based measures of brand equity.

Recent research exploring the relationship between marketing mix elements and brand equity suggests that marketing mix elements are positively related to specific components of consumer-based dimensions of brand equity. Further Literature indicates that manipulations of brand associations through the marketing mix can influence brand image and brand attitude. Therefore, the expectation is that manipulation of marketing mix variables will lead to changes in profitability as mediated by the consumer-based dimensions of brand equity. The conceptual framework which emerges implies that brands send signals to customers via marketing mix actions, customers receive these signals as product cues, screen them, and use them as heuristics in their decision making process. Those brands which signal successfully are able to derive higher levels of economic rents, as exhibited through profitability.

A framework based on information asymmetry is employed. The basic argument is that buyers and sellers hold different information about a product; it is expected the seller holds a greater degree of information about the performance of their wares (Akerlof 1970). "Signals" are sent by the seller in order to communicate product quality, influence buyer's pre-purchase perceptions of their products, and ultimately sway purchase behavior. One such signal is a brand name (Akerlof 1970). A brand signal has been defined as a function of the present and past market mix activities associated with the brand (Erdem and Swait 1998). Thus, a brand name is a specific signal sent by the manufacturer to the consumer regarding the expected quality of their product (Dawar and Parker 1994). Erdem and Swaite (1998) present a perspective where there is an effect of marketing mix variables, operationalized by brand investments and brand consistency, on a causal string of relationships with the final outcome of expected customer utility. The reduction of perceived risk and information costs is a result of brand signaling. The implication which can be drawn is that this utility has a value which will be accrued to the brand in the form of economic rents, or profits. Empirical models to test our hypotheses are estimated within the context of the U.S. automotive market.

We consider all factors of the marketing mix, incorporating pricing, advertising, distribution and new product introductions as significant drivers of brand equity. The results indicate that the marketing mix variables have significant effects on brand profitability, as mediated by brand equity. Pricing is the marketing mix component that has positive effects on all dimensions of brand equity except perceived economy. Advertising is also a positive driver of profitability of the brand, as mediated by intended loyalty and perceived economy. The effects of distribution intensity are mixed, being a positive profitability driver through perceived economy, and luxury image but a negative driver through intended loyalty. Distribution intensity is the only marketing mix variable that has a direct effect on the profitability of the brand. This effect is negative and can be attributed to competitive pressures and rivalry among the dealerships, inducing lower profit margins. Innovativeness has a negative impact on loyalty, suggesting that frequent new product introductions may actually alienate the loyal customers of a brand who posses the older versions of the products

introduced. Yet, innovativeness may help the brand by inducing a more dynamic, sporty image that enables increased profit margins. The results also suggest that among the brand equity measures, intended loyalty, perceived quality, dynamic and luxury image dimensions are strong drivers of profitability, while perceived economy is a significant inhibitor of brand profitability. References available upon request.

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CONSUMER EVALUATION OF BRAND EXTENSIONS: INVESTIGATING THE NONLINEAR RELATIONSHIP BETWEEN PERCEIVED DIFFICULTY AND BRAND EXTENSION ATTITUDE

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SUMMARY

Brand extensions have received considerable interest over the past two decades. Research has focused on factors important in explaining attitudes toward brand extensions, including perceptions of parent brand quality, "fit" of the extension with the parent, transferability of parent brand knowledge and affect, and parent or extension category characteristics (e.g., Aaker and Keller 1990; Bousch and Loken 1991; Broniarczyk and Alba 1994; Martin et al. 2005; Park et al 1991; Sunde and Brodie 1993). Much of this research can be traced to the seminal work by Aaker and Keller (1990) which investigated how consumers evaluate brand extensions.

One particular factor of interest in Aaker and Keller's (1990) model is consumers' perceptions of the difficulty in producing products in the extension category. The focus on this particular aspect of brand extensions was driven by qualitative research which suggested that consumers have difficulty in understanding why a quality brand, like Rolex, would extend into an "easy-to-make" or trivial product category, like popcorn popper. It is believed that consumers perceive such a move as inconsistent with the parent brand's quality image and may even perceive it to be exploitative.

However, our understanding of perceived difficulty in consumer evaluations remains elusive. Although Aaker and Keller (1990) show an important positive influence of perceived difficulty on brand extension evaluations, this relationship has proven problematic in subsequent brand extension research. In a number of replication studies, perceived difficulty has generally been unrelated to extension evaluation (Sunde and Brodie 1993). Even after correcting for multicollinearity in the original datasets and conducting disaggregated analysis, subsequent research has found limited support for the relationship (Bottomley and Doyle 1996; Bottomley and Holden 2001).

The discrepancies found in past research can be attributed to the fact that in their theoretical arguments, Aaker and Keller (1990) only offered an explanation for a positive relationship when perceived difficulty is low (i.e., the trivial-category hypothesis), and did not elaborate on the processes which might occur when perceived difficulty is moderate or extremely high. As a result, the assumption going forward in subsequent research has been that the relationship is positive and linear, which has not been clearly supported. It is not likely that the psychological processes which dominate at lower levels of perceived difficulty are also equally likely to dominate at high levels as well. Intuitively, as perceived difficulty rises to a very high level, vis-à-vis moderate levels of difficulty, people are likely to be more skeptical about the ability of a brand to stretch into such a difficult extension (Aaker and Keller 1990). Thus, primary objectives of this research are to:

1. Better understand why perceived difficulty of making the extension should be related to extension attitude;
2. Investigate the extent to which the relationship between perceived difficulty and extension evaluation is nonlinear;
3. Examine the role of parent-brand quality and transferability as moderating the relationship between perceived difficulty and extension attitude.

We use a comprehensive data set assembled by Bottomley and Holden (2001) to test the nonlinear relationship between perceived difficulty and extension attitudes and also study the moderating effects of parent-brand quality, and transferability. To analyze our data we used mixed effect models, since these techniques enable the specification of within-respondent correlations. The independent variables were mean-centered prior to constructing the multiplicative interaction terms. We checked for collinearity problem using a variety of diagnostics: variance inflation factors, bivariate correlations, and the condition number based on the rescaled augmented moment matrix. All these diagnostic measures revealed no collinearity problems

Results indicate that there is a statistically significant, positive relationship between difficulty and extension attitude. Furthermore, there is a negative relationship between difficulty square and extension attitudes. Taken together, these two estimates suggest an inverted U-shaped relationship between difficulty and extension atti-

tudes. This quadratic relationship is strengthened at higher levels of quality. Checking for the moderating effect of transferability shows that the linear part of the relationship between perceived difficulty and extension attitudes is strengthened at higher levels of transferability. However, there are no curvature differences between the three (low, mean, and high) levels of transferability.

Our findings, based on a large sample and the use of appropriate statistical techniques that allowed for controlling for specific individual-, culture-, and brand-specific influences, provide a finer-grained understanding of the factors that contribute to overall collective knowledge of how brand extensions are evaluated. References are available upon request.

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CUSTOMER IDEA CONTESTS AT THE FRONT END OF NPD

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SUMMARY

The objective of our paper is to discuss customer idea contests (CIC) as a method to integrate input from the firm's periphery in the new product development (NPD) process. The idea of a CIC is to ask customers to submit innovative ideas and solutions to a given task within a given timeframe. The nature of a competition should encourage more or better users to participate, to inspire their creativity, and to increase the quality of the submissions. Submissions are evaluated by a panel of members from the solution seeker and ranked accordingly to a set of evaluation criteria. Solvers, whose submissions score highest, receive an award, which is often granted in exchange for the right to exploit the solution in the domain of the seeker. CIC may offer the potential for generating not only a wide range of ideas, but also to transfer ideas into concepts with supporting documentation. In many organizations, the selection of promising ideas and their conversion into a useful solution concept is problematic and expensive. A well-constructed contest can support these steps. New internet technologies allow today for a broad application of CIC, but little research documents their design and implementation. Using an approach of exploratory prototyping and piloting, the paper provides insights into the implementation, mode of operation, and performance of a CIC in an international sports goods brand ("SpoCo"). The CIC was SpoCo's first initiative toward customer-driven innovation. Thus, our research is exploratory with the objective to generate insights about the implementation, operation, and performance of a CIC.

Our research followed three stages:

1. Exploratory interviews were conducted with core members of SpoCo's NPD teams in order to generate an understanding of present practices of integrating customer input in NPD. In addition, we conducted interviews with experts on user innovation from academia and with practitioners who had already run a CIC in their company. Interviewees were identified by a pyramiding approach (Bijker 1995). Interviews were conducted face-to-face and evaluated according to suggestions by Yin (1994) and the example of Homburg, Workman, and Jensen (2000). This research indicated that NPD at SpoCo had been based exclusively on internal information (revision of last season's sales data, perceptions of designers). A CIC was envisioned as a first step to open NPD to outside information. Compared to other means of open innovation (e.g., toolkits or lead user workshops), CIC are rather easy to implement and do not demand changes in the existing organization during the piloting stage.

2. Following the idea of evolutionary prototyping (Jörgensen 1984), an internet-based CIC was implemented for one of SpoCo's divisions. After a pre-test with 50 users (convenience sample), and feedback evaluation by the expert group mentioned above, a group of actual customers (n = 136) used the CIC from June to December 2004. During the piloting period, 57 customers participated in the idea contest by contributing 82 submissions. Ninety-three customers participated in scoring and commenting contributions of other customers (482 evaluations and 97 continuative comments). Evaluations and feedback from other users helped also the ideas' originators to refine their ideas during the course of the contest in order to raise the overall quality of the submissions.

3. Ideas were evaluated by a panel of five SpoCo managers from different hierarchies and corporate functions, following the rules of the Consensual Assessment Technique (CAT) by Amabile (1982, 1996). The criterion evaluating the quality of a submission was its "creativity." The CAT construct of creativity consists of several dimensions which were proven to be reliable and valid in previous studies (Amabile et al. 1997): the novelty or originality of a submission, its usefulness (utility), and its level of elaboration. Usefulness was measured in our study by two scales (expected customer benefits and number of expected beneficiaries). All dimensions were measured on 7-point-Likert scales. With CAT, the consensus of the assessments of individual evaluators regarding the creativity dimensions of an idea indicates the quality of the evaluation. If consensus is high, the evaluation can be seen as reliable and valid (McGraw and Wong 1996; Shrout and Fleiss 1979). Using the Intraclass-Correlation-Coefficient (ICC), we show that our data surpasses the minimum ICC (0.7) with regard to all criteria. Combining the scores of all five experts in regard to one idea, an overall score could be calculated for each idea. The creativity distribution (scores) of all ideas resulted in a Gaussian distribution (Kolmogorov-Smirnov-test, p = .456). A few contributions (10%) were evaluated as only marginal creative. The majority (80%) of the contri-

butions could be seen as suggestions for improvements of current offerings. Ten percent of the ideas, however, were evaluated as radical new ideas, bearing the potential to expand respectively change SpoCo's business spectrum.

Our research finds empirical support that CIC are a feasible way to supplement existing practices of opening the NPD to external input. These practices include screening and pyramiding methods to identify innovative ideas from users. On the contrary, CIC are based on a two-stage self-selection process: First, potential idea providers show their motivation and perceived capability to contribute to the innovation process by their sheer participation at the contest. Conventionally, this behavior is subject to multiple screening scales or ex-ante assumptions about the behavior of users. Second, the quality of their submissions is a direct indicator of their innovativeness or their product knowledge. In our study, the winning ideas were not only highly creative, but contained also supporting documentation, transferring the idea already into a solution concept. The large number of comments and refinements of ideas by other customers supported also this process. As a result, the ease of utilizing a user idea can be increased significantly.

Our study has, however, several limitations. Participation was limited to actual customers of specific SpoCo shoes. This excluded not only those customers without the willingness-to-pay for these shoes, but also users of other footwear brands. Providing open access to the CIC could increase the scope and scale of participants and could generate more creative ideas. Also, using CAT as a method to evaluate the quality of submissions has limitations. Our evaluation panel was selected according to the requirements by Amabile (1986). But it did not include external experts. Evaluators from the organization initiating the contest may be biased by company culture or existing structures. It would have been insightful to include external experts and analyze its effects on the consensus of the evaluations (ICC measurement). A final limitation of CIC is a new kind of Not-Invented-Here problem within the manufacturer domain. A CIC has to be supplemented be adequate organizational procedures to transfer the generated concepts from the front end further down the NPD funnel. Future research has to identify promising practices how companies could become not only more open for ideas from their periphery, but also how they can increase their capacity to transfer and exploit these inputs internally. References are available upon request.

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EXTENDING LEAD USER THEORY: ANTECEDENTS AND CONSEQUENCES OF CONSUMERS' LEAD USERNESS

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SUMMARY

Contrary to conventional wisdom, manufacturers are not exclusively responsible for generating ideas for new products. In fact, users have often been found to be the initial developers of what later became commercially important products and processes. The majority of all-important innovations in snowboarding, windsurfing, and skateboarding equipment, for example, were originally developed by users (Shah 2000). Other documented first-of-type innovations by users range from computer innovations to petroleum processing and scientific instruments (for an overview, see von Hippel 2002/2005). Furthermore, user innovation is not a rare occurrence. Lüthje (2003), for example, studied surgeons working at university clinics and found that 22 percent of users surveyed had developed new products for in-house use. Similar percentages were found in the field of printed circuit CAD software (Urban and von Hippel 1988), library information systems (Morrison, Roberts, and von Hippel 2000), mountain biking equipment (Lüthje, Herstatt, and von Hippel 2005), and Apache server security software (Franke and von Hippel 2003).

This has given rise to a growing body of literature which aims to understand and explain the phenomenon of user innovation as well as efforts to reclaim the territory of user innovation for innovation managers. The first important question is whether there are any systematic differences between users who do and do not come up with attractive innovations. One promising answer is provided by lead user theory: Users who are ahead of an important market trend and expect high benefits from innovating ("lead users") will be most likely to develop attractive innovations (von Hippel 1986). The following example from the sport of windsurfing, as documented by Shah (2000), provides a vivid picture of the mechanism of lead user theory: In the late seventies, when the majority of windsurfers practiced this sport as originally intended (i.e., surfing on the water), some leading-edge windsurfers were trying to push the limits of the sport by developing aerial tricks (i.e., being ahead of trend). They painfully realized the limits of the available commercial equipment as they repeatedly flew off their boards and got injured (which prompted them to expect high benefits from innovating). Instead of quitting, they tackled this consumption problem directly and resolved it by inventing footstraps. Later on, the market trend of performing aerial tricks reached the mass market, and today footstraps are used in almost all windsurfing equipment (commercially attractive user innovation). A number of subsequent studies addressed lead user theory quantitatively and provided strong empirical support. Individuals' or firms' "lead userness" is significantly related to the likelihood of commercially attractive user innovation (e.g., Franke, von Hippel, and Schreier 2006).

Based on lead user theory, it has been suggested that these lead users should be integrated into corporate NPD efforts using the "lead user method" (Urban and von Hippel 1988; von Hippel 1986). Here, companies try to learn from lead users about the needs and solutions they encounter at the leading edge of the market. The ultimate goal is to derive promising new product concepts generated in the course of workshops in which lead users collaborate with company personnel. Several case studies highlight the commercial promise of lead user integration. Lead user concepts generated at Hilti (a major global manufacturer of construction-related equipment), for example, led to the introduction of a completely new line of pipe hanger products which enjoyed strong commercial success (Herstatt and von Hippel 1992). Furthermore, lead user concepts developed at 3M showed sales potential which was an average of eight times higher than traditionally developed concepts (Lilien et al. 2002).

Despite these encouraging findings, there is generally still a limited understanding of who lead users are and – even more importantly – why they are (or become) leading-edge in a given field. Consequently, one major challenge in applying the lead user method has been the reliable and efficient identification of leading-edge users in the first place (Lilien et al. 2002; Lüthje and Herstatt 2004; Olson and Bakke 2001). This problem seems most severe in consumer goods fields where overall user populations appear to be "unmanageably" large (i.e., several hundred thousand consumers or more). A thorough understanding of what factors impact consumers' leading-edge status and whether lead users can be differentiated from ordinary users by means of certain behavioral patterns might help in this regard. To this end, however, lead user theory has generated only limited advice up to now. In a nutshell, we only know the definitional characteristics of lead users (being ahead of trend and expecting high benefits from innovating), which in turn explain the likelihood of attractive user innovation.

In this paper, therefore, we aim to extend lead user theory by exploring the antecedents and consequences of being a lead user. In our analysis, we focus on individual end-users (i.e., consumers) as opposed to user companies (Morrison, Roberts, and Midgley 2004; von Hippel 2005). As regards antecedents, we develop and test the link between field-related as well as field-independent variables and individuals' lead userness. We propose that an individual's consumer knowledge and use experience in the underlying field as well as his/her personality (in terms of locus of control and innovativeness) will impact his/her leading-edge status. With regard to consequences, we develop and test the link between individuals' lead userness and new product adoption behavior. Here we propose that lead users will demonstrate innovative behavior not only by innovating on their own, but also by adopting new products faster and more intensively.

In order to test our hypotheses, we collected data from three extreme sports communities (sailplaners, tech divers, and kite surfers). As regards antecedents, we find that field-related variables (consumer knowledge and use experience) as well as field-independent personality variables (locus of control and innovativeness) explain an individual's "lead userness." These variables might therefore be used as a proxy to identify the rare "species" of lead users. With regard to consequences, we find that lead users demonstrate innovative behavior not only by creating new product ideas but also by adopting new commercial products more heavily and faster than ordinary users. This highlights the idea that lead users might not only be valuable to idea-generation processes for radically new concepts. Instead, they might also be relevant to more general issues in the marketing of new products. A full working paper including references is available upon request.

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THE ANALOGOUS MARKET EFFECT: HOW USERS FROM ANALOGOUS MARKETS CAN CONTRIBUTE TO THE PROCESS OF IDEA GENERATION

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SUMMARY

How useful is it to consult a person from a totally different field if one has a problem and lacks the skill to solve it oneself?

Conventional wisdom suggests to seeking advice from a specialist in the respective area. It is widely argued that detailed knowledge of a specific field is a prerequisite for finding solutions that are both novel and useful (e.g., Magee 2005; Mokyr 2002; Gavetti, Levinthal, and Rivkin 2005; von Hippel 1998). In the case of a manager seeking an innovative new product concept, he/she would therefore be well advised to turn to people who have much experience and knowledge in that area. The more competence and experience these specialists have, the higher the expected quality of their solutions (Antonietti and Gioletta 1995; Larkin et al. 1980; Walberg 1988; Weisberg 1993).

On the other hand, it is a well-known problem that experience and expertise tend to block creativity. Research on problem-solving reveals that individuals are strongly constrained by their past experience via an effect called "functional fixedness." This effect impedes individuals from using known problem-solving strategies in novel ways (Allen and Marquis 1964; Chrysikou and Weisberg 2005; Duncker 1945). This means that even an expert marketing specialist (Bolton 2003; Taylor 1975) or a lead user (von Hippel 1986) might suggest "innovative" new product concepts which are relatively close to existing solutions.

In order to overcome this problem, psychologists suggest using analogies (Gick and Holyoak 1980). Analogical thinking means that individuals transfer information from familiar base domains and use it to develop ideas in the target domain (Genter et al. 1997). It can be stimulated by techniques such as synectics (Gordon 1961) or other cues. Only recently, Dahl and Moreau (2002) showed in the context of product design that the extensive use of analogies (in terms of the number of analogies and percentage of far analogies used) significantly enhances the originality of ideas.

In our article, we add to the research on the value of analogies in the process of idea generation from a new perspective: Instead of the dominant *intra*-individual perspective, we take an *inter*-individual perspective. We do not analyze an individual's *thinking mode* but ask whether individuals from *analogous fields* are capable of finding more innovative ideas than individuals with expertise in the target field, all other things being equal. We can present two arguments as to why it might make sense to ask such people: First, they are less likely to be blocked by existing solutions in the target field, and second, they might possess knowledge of solutions which are worth transferring from the analogous field to the target field. There is supporting anecdotal evidence e.g., from studies on lead user idea generation (Herstatt, Lüthje, and Lettl 2002; von Hippel, Thome, and Saanich 2000; von Hippel 2005), and scholars working in this area recommend including lead users from advanced analogous markets (Lilien et al. 2000).

To shed more light on that inter-individual approach we conducted two studies with the first one providing explorative insights into the process and value of users from analogous markets and the second one testing the analogous market effect quantitatively. In Study 1 we analyzed six lead user case studies with both lead users from the target market and from analogous markets participating in the idea generation process. The analogy relationship in these studies was determined by the target market trend(s). We defined an analogous market as one facing the same trend, either in the same or an even more extreme form (von Hippel 2005). Users were selected by means of a combined screening and pyramiding search effort (von Hippel, Franke, and Pruegl 2005). Although frequent iterations of ideas between lead users were the norm and it is therefore difficult to credit a single lead user with each solution, we were able to observe that the transfer of analogous market solutions to target market problems very often formed a basis for the development of a new product concept.

In Study 2 we used an experimental design (n = 206) in which we asked users from three different markets to generate innovative ideas for solutions to specific problems in these markets. The analogy relationship among the three markets was determined by the common trend identified. Each user in each sample was asked for ideas both for his/her own market and the two analogous markets, thus all three markets are treated as target markets and as analogous markets. The quality of ideas was

evaluated by two independent experts in each of the three markets (total six). Using an OLS regression analysis with the quality of ideas as the dependent variable we found empirical support for the existence of an analogous market effect. We can show that being from an analogous market indeed has a positive and statistically significant effect on the innovativeness of users' ideas beyond well-known impact factors on the personal level (like lead user characteristics, personal creativity, technical expertise, and experience).

These findings have important implications. Companies seeking for truly innovative ideas are well advised to integrate individuals from analogous fields into their new product development process. Especially when the task is to develop breakthroughs users from analogous markets can make a valuable contribution to the achievement of that objective. A full working paper including references is available upon request.

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PUBLIC POLICY IMPLICATIONS OF DTC ADVERTISING OF PHARMACEUTICALS: CONSUMER CONCERNS AND ISSUES

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SUMMARY

Considered by some to be "among the most significant marketing phenomena of the past decade" (Farris and Wilkie 2005, p. 3) and "one of the more controversial health care issues" (Weissman et al. 2004, p. 219), direct-to-consumer (DTC) advertising of prescription pharmaceuticals involves large budgets, prominence in popular media, and has the potential to impact the lives of millions of Americans (Farris and Wilkie 2005). Within this environment come calls for *considerably more discourse on this topic* (Farris and Wilkie 2005, original in italics, p. 3) from the academic community in order to inform the debate as to the type and quantity of DTC advertising considered ethical.

While DTC advertising does provide greater information to consumers about new therapies and draw their attention to name-brand drugs for a wide-ranging list of healthcare needs, this revolution in marketing pharmaceuticals has come with much criticism about the practice and the resulting public policy implications. Admittedly, "we cannot and should not return to the old days when the prescription was a sacrosanct gift bestowed by an omnipotent physician upon a grateful, unquestioning patient" (Avorn 2003, p. 106). Yet, the public policy implications beg research that examines the public's views on DTC advertising.

While drug cost is certainly one public policy concern, another has to do with the oversight of pharmaceutical approval and DTC advertisements by the FDA. Though a number of stakeholders are involved with the DTC debate, the focus of this study is on consumers. In particular, this study addresses the following: (1) What are consumers' views of DTC advertising oversight? (2) Do consumers blame physicians or drug companies when drugs are found to have undisclosed risks? and (3) Does DTC advertising motivate consumers to seek further information about these products or see a physician based on symptoms described in the ads?

Results

Though research has shown that branded pharmaceuticals have benefited from DTC advertising (Sheehan 2003), our findings indicate that consumers are aware that the purpose of such ads is to sell these products. However, perhaps another unintended consequence of DTC advertising has been that consumers are better able to link a branded drug to its manufacturer. When DTC advertised, products are later found to have greater risks than previously thought, consumers largely blame the manufacturer over other groups involved in the drug approval process or the prescribing physician.

Most (51%) consumers believe that DTC ads are beneficial, but that drug companies do not provide adequate information to consumers about these products in advertising (59.5%). Even though consumers appear to be critical of DTC advertising, these advertisements appear to motivate consumers to seek more knowledge about the drugs or the possible medical condition mentioned in the ads. Almost one third (31.8%) of respondents indicated that they had attempted to gain more knowledge about a drug after seeing an ad, and one out of ten (11.1%) had scheduled an appointment with a doctor based on symptoms advertised. These responses suggest that DTC ads are effective in motivating consumers. Nonetheless, almost all (99.4%) reported relying on his or her doctor to select the best drug for them; and more than half (55.8%) indicated that they had never requested a specific medication from their physician.

Discussion

Although DTC advertising does place greater information in the hands of patients, these respondents do not believe that the ads provide full information or that the FDA adequately regulates DTC pharmaceutical advertisements. Both of these views raise questions of corporate responsibility and governmental oversight. Misinformed or under-informed consumers and physicians make poor choices with both economic and public welfare consequences (Beales 1991).

Conclusions

The results are clear that consumers are skeptical of DTC advertising and believe that not enough information is provided about these products. Furthermore, oversight of these ads by the FTC appears to be of concern to the public. Even though the pharmaceutical industry is attempting to self-regulate through a set of guiding principles set forth by its trade association, it remains to be seen whether firms will voluntarily adhere to these guide-

lines, and participate in public disclosure of complaints and remediation. It is also unclear whether government oversight of DTC advertising will increase in response to Congressional inquiries into the effectiveness of the FDA and class-action litigation involving high risk pharmaceuticals previously advertised to the public. While this study only addressed consumer views, our findings suggest that further governmental oversight may be needed in order to allay consumer fears and distrust of both the pharmaceutical industry and the FDA. References available upon request.

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MARKETING GOD: CONTINGENCY CONSIDERATIONS IN THE MARKETING OF RELIGION

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ABSTRACT

This conceptual paper argues that because of unique facets of worldviews, marketers of religions need to expand their typologies beyond those currently offered by the non-profit and services marketing literatures. The paper proposes three models of religion and develops nine propositions about integrating them with marketing theory and practice.

INTRODUCTION

It's not hard to find examples of the marketing of religion: the personal selling activities of door-to-door evangelists, a Jehovah's Witnesses' publication, "Watchtower," a United Church of Christ TV ad the showing congregants being ejected from the pews, the American Jewish Committee radio ad encouraging the observance of Shabbat, a magazine ad extolling the answers that Scientology offers, or a free calendar for visiting a Hindu website. However, it's also not hard to find examples of articles and publications chastising the practices. For example, after the popularity of Rick Warren's book, "The Purpose Driven Life" (2002), readers focused attention on his previous publication, "The Purpose Driven Church" (1995). In it, Warren argues for operating churches with a market centric perspective. This led to an answer by Warren Smith in his book, "Deceived on Purpose" (2004). Here Smith argues against segmentation and positioning practices saying that they are tools of "our Adversary," i.e., Satan (p. 8).

This conceptual paper argues that one of the reasons for the theological debate about the viability of marketing religion is that Marketing has not considered the unique facets of religion in its current models. Just as in 1980 Berry challenged services marketers to expand their typologies because of the differentiating characteristics of services versus tangible goods, marketers from religious institutions need to expand their typologies beyond those currently offered by either the non-profit or services marketing literatures. While the religious trade press is full of articles on marketing religions, current prescriptions are overly simplistic because they ignore fundamental differences in worldviews. For example, while a Baptist congregation may enthusiastically embrace a personal selling article on evangelism, a Jewish congregation would find the techniques unacceptable. If Marketing as a discipline is to address the needs of the religious community, it needs to examine its models to address religious differences.

BACKGROUND

While 90 percent of Americans claim to believe in God and 42 percent attend weekly worship services (Gallup 2006), our participation is waning (Putnam 2000). To address decreasing participation levels, houses of worship have been embracing more "consumer-oriented" mindsets and have used a number of marketing tools including advertising, consumer promotion, product modification, and repositioning (Wrenn 1994; Wrenn and Mansfield 2001). These practices have generated a firestorm of opinion pieces in the theological literature about the interface of Marketing and Religion. Authors, however, have tended to treat "religion" as a constant and have not addressed differences in belief systems. This paper argues that different tools in the marketing mix are differentially appropriate for different types of religions. The discussion below develops nine propositions as to how the marketing of religion may vary based upon theology and religious tradition.

CONCEPTUAL MODELS AND PROPOSITIONS

What Is a Religion's "Product?" – The Sacred Core

Before we begin to develop specific propositions on the interface between marketing and religion, we will first wrestle with the question of what actually is the "product" that religion offers. In the marketing literature, a product, be it a good or service, includes both a core product and an augmented product (Levitt 1980). Conceivably, the core product would include that which is sacred to the religion: what this paper will call "the sacred core." Just as Levitt proposed that a product's core must have certain elements or it ceases to be that product, a religion's sacred core represents that which cannot change or it ceases to be that faith. Synthesizing discussions of Durkheim (1912), Smart (1996) and Schmidt et al. (1999), sacredness seems to be a transcendent absolute that reflects some enduring order. Because religions see the sacred as being greater than mankind, they generally believe that the sacred cannot, or should not, be changed. Sacredness may come from any of seven different areas: (1) doctrine, (2) ritual, (3) narrative, (4) experiential/emotional, (5) legal/ethical, (6) social, or (7) material (Smart 1996, 2000).

This paper proposes that religious leadership will not consider modifying characteristics of the faith that are in their religions' sacred cores. They will, however, be more open to marketing techniques that impact aspects of the augmented product: those facets of the religious experience which are not considered sacred. For example, if a Christian congregation considers the use the organ as essential in worship services, organ music has become sacred to them by ritual. This congregation would not consider replacing the organ with guitars and drums. Doing so would violate their dimensions of sacredness.

The work of McDaniel (1989) and Stevens et al. (1995) provides some support for the perspective that clergy will view the core religious product as immutable while the augmented product will be changeable. In both studies, indicated that "updating basic church doctrine to keep up with changes in society" and "updating the church's views on acceptable individual behavior" were inappropriate. However, they rated as appropriate non-doctrine related activities, such as "providing social and service organizations for members of the church." This would seem to indicate that product changes would be more acceptable as the design of the religious product moves away from the sacred core product and more toward ancillary product features such as support programs.

> **Proposition 1.** Marketing-driven changes are not appropriate for areas within the sacred core of a religion.

Religions vary in the proportion to which their practices are sacred (Smart 1996, 2000). In Fundamentalist Islam, for example, the concept of the sacred covers most of life, including government, dress, diet, marriage, and daily behaviors. Conversely, in Unitarian Universalism, the adherent largely determines what is sacred. This paper argues that the more dimensions that are considered sacred by a religion, the larger their core products and proportionately, the smaller their augmented product. Because of the immutable nature of sacred areas, religions with proportionately larger sacred cores will seem to be less open to the use of marketing.

> **Proposition 2.** The appropriateness of the use of marketing methodologies by religions will vary inversely with the proportion of a faith that is within the sacred core.

Religion and the Divine – Locus of Faith

Religions vary in their treatment of the power and range of influence of God/the divine and the role of the individual (cf., Noss 2003; Smart 1996). Theologians broadly classify them as nontheistic, where the sacred is recognized personally, and theistic, where the sacred is embodied in a divine being or beings (Schmidt et al. 1999). Religions vary in their recognition of the role of the individual and the divine (Smart 1996; Noss 2003). To encompass these differing perspectives on the primacy of the roles of the individual and the divine, this paper proposes the concept of Locus of Faith (LOF). Locus of Faith is defined as the extent to which a religion's doctrine and practices focus on external deity(ies) versus the individual adherent. A religion with a high external Locus of Faith would be one in which guidance is felt to come predominately from God or other external deity(ies). Spirituality comes from serving an external deity. Hypothesized examples of faiths with external loci would be the theistic religions of Islam, Judaism, Christianity, and to a lesser extent, Hinduism. Conversely, a religion with a high internal Locus of Faith would propose that spiritual strength and achievement come from within the adherent. Assumed examples of these faiths would be the non-theistic branch of Buddhism and Jainism, as well as some newer religions such as Scientology.

Locus of Faith parallels a similar concept, Rotter's Locus of Control (Rotter 1966). While Rotter's work refers to an individual's belief about the extent to which outcomes in his or her life depends upon the individual's behaviors, internal Locus of Control, versus powerful others or luck, external Locus of Control, past studies have found no association between Locus of Control as a measure itself and religiosity (cf., Ritzema 1979; Furnham 1982; Ray 1982).

Given that most of the arguments against marketing religion relate to how marketing activities interfere with the role of the divine, religions with higher external loci of faith, and their higher emphasis on divinity, would seem to be less accepting of marketing practices. Conversely, because marketing practices focus on determining and meeting individual needs, internal locus of faith religions would seem to be more accepting of marketing.

> **Proposition 3.** As Locus of Faith moves from external to internal, the use of marketing practices will be increasingly appropriate.

Religion and Society – Behavioral Prescriptiveness

In addition to varying in their emphasis on the role of the divine, religions also vary in the extent to which they stipulate adherent behaviors and to the extent to which adherents are separate from society. To encompass these concepts, this paper proposes a second continuum: Behavioral Prescriptiveness (BP). At one end of the Behavioral Prescriptiveness continuum are prescriptive faiths. These religions, guided by strong scriptural, doctrinal, clergy, or communal expectations; are highly legislative. In addition to requiring strict spiritual disciplines, their doctrines frequently include behavioral expectations in areas such as alcohol consumption, smoking, dancing, and recreation. At the other end of the BP continuum are permissive religions. Highly permissive religions have few, if any, behavioral requirements for followers. These religions see themselves more as guides to encourage followers to identify and engage in those behaviors that the adherents feel will lead them to experience greater spirituality.

As one moves from permissive to prescriptive on the Behavioral Prescriptiveness continuum, it appears that the tools that a religion uses to impact believers will change. Religions that are highly prescriptive tend to use prohibitions and prescriptions to affect behaviors. The permissive religions may also espouse desirable behaviors; however, because they do not require behaviors, these religions rely on persuasion to get adherents to engage in the desired actions. Given that marketing, and particularly promotion, is concerned with persuasion, and given that permissive religions are likely to use persuasion to communicate with followers, it seems that the permissive religions would be more likely to see marketing as an acceptable tool. Prescriptive faiths, however, are dominated by "musts," so persuasion is not involved. To them marketing techniques could be seen as challenging obedience to religious tenets.

Proposition 4. As Behavioral Prescriptiveness moves from prescriptive to permissive, the use of marketing techniques will be increasingly appropriate.

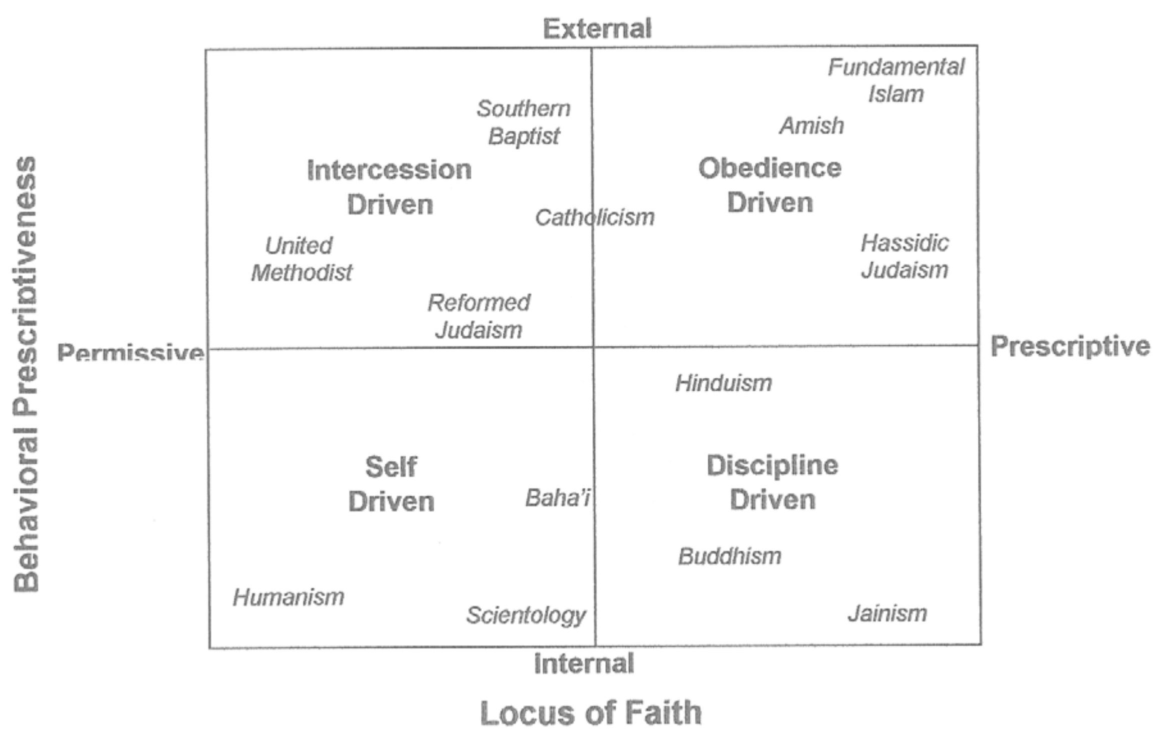
Combining Locus of Faith and Behavioral Prescriptiveness – The Adherent Driver Matrix

To develop the marketing implications of these constructs, Locus of Faith (LOF) and Behavioral Prescriptiveness (BP), are combined into the framework presented in Figure 1**.** The result is an adherent driver matrix with four basic classifications of religious philosophies. The authors have named these quadrants based on the assumed drivers for followers of religions in each quadrant: Obedience-Driven, Intercession-Driven, Discipline-Driven, and Self-Driven.

Highly prescriptive religions, which have a strong external LOF, conceivably such as Hassidic Judaism, Fundamental Islam, and Amish Christianity, are labeled Obedience-Driven. These followers believe in the power of a supreme being, and they believe that spirituality involves being obedient to their deity and to the prescriptive behavioral tenets of the faith.

Intercession-Driven individuals, with a high external LOF and permissive BP, also believe in a powerful

FIGURE 1
The Adherent Driver Matrix and Hypothesized Placements



supreme being, but they believe that they need to appeal to this external God in order to get him to intercede. Often they see prayer as a vehicle to get God to intervene in the world or in their lives. Examples of Intercession-Driven faiths could be most types of Protestantism and Reformed Judaism.

Like those from Obedience-Driven faiths, individuals from Discipline-Driven faiths, with an internal LOF and high Prescriptiveness, also believe strongly in the role individual behavior to guide the faith experience. However, while Obedience-Driven faiths believe that behaviors are to please God, Discipline-Driven individuals believe that behaviors lead to experiencing personal spirituality. They believe that control for religiosity lies within oneself. We hypothesize that many non-Western religions such as Buddhism and Jainism populate this quadrant.

With a permissive BP and an internal LOF, adherents to Self-Driven faiths believe that they are control of both their behaviors and their spiritual exploration. These individuals largely believe that they are responsible for their own conceptions of the sacred and for determining their own behaviors. We posit that this quadrant encompasses the more "post-modern" religions such as Baha'i, Unitarian Universalism and the New Age and Humanists Movements.

Relating this framework to marketing, we hypothesize that different marketing strategies will be differentially acceptable based upon a religion's location in the adherent driver matrix. Obedience-Driven faiths, with numerous behavioral prescriptions and a strong external Locus of Faith will have very large sacred-cores. Because most of the attributes of these religions are sacred, adherents would be expected to obediently accept the religion *en toto*. As such, we would expect little in the way of an augmented product to appeal to the religious marketplace. We would not expect these religious leaders to take a consumer orientation, but would expect to see leaders displaying a product orientation by focusing on the tenets of the religion, the core product, similar to the way a product orientation focuses on the attributes of the product and ignores the desires of the target consumer.

Diagonally opposite the Obedience-Driven faiths in the model are the Self-Driven faiths. We would expect these religions to be highly anthropocentric with their emphases on adherents determining both appropriate behaviors and their paths to spirituality. Following the earlier discussion, we anticipate these faiths as having very small sacred-cores because there are few absolutes. We would expect that these religions, with their emphases on individual adherents determining both their spirituality and behaviors, to be the most likely to have a consumer orientation and to embrace the marketing concept.

On the opposite diagonal are the Intercession-Driven and Discipline-Driven religions. The Intercession-Driven religions have a strong external focus on the divine, a core product attribute, but include an adherent-orientation by permissively allowing adherents to determine their behaviors. Conversely, the Discipline-Driven religions include prescribed behaviors in their core products but their augmented products allow adherents to explore their own paths to the sacred. Accordingly, these two quadrants would seem to embrace selling-driven marketing orientations. The selling-concept generally proposes that organizations will determine how products will be designed but then will aggressively promote those products in order to convince consumers of their desirability. Of note, we will discuss below the way we believe these two quadrants differ in their selling-orientations.

Figure 2 illustrates the progression of the marketing concept for the different religious quadrants and leads to the following proposition:

> **Proposition 5.** As religions move on the diagonal from Obedience-Driven to Self-Driven, the use of marketing techniques will be increasingly appropriate.

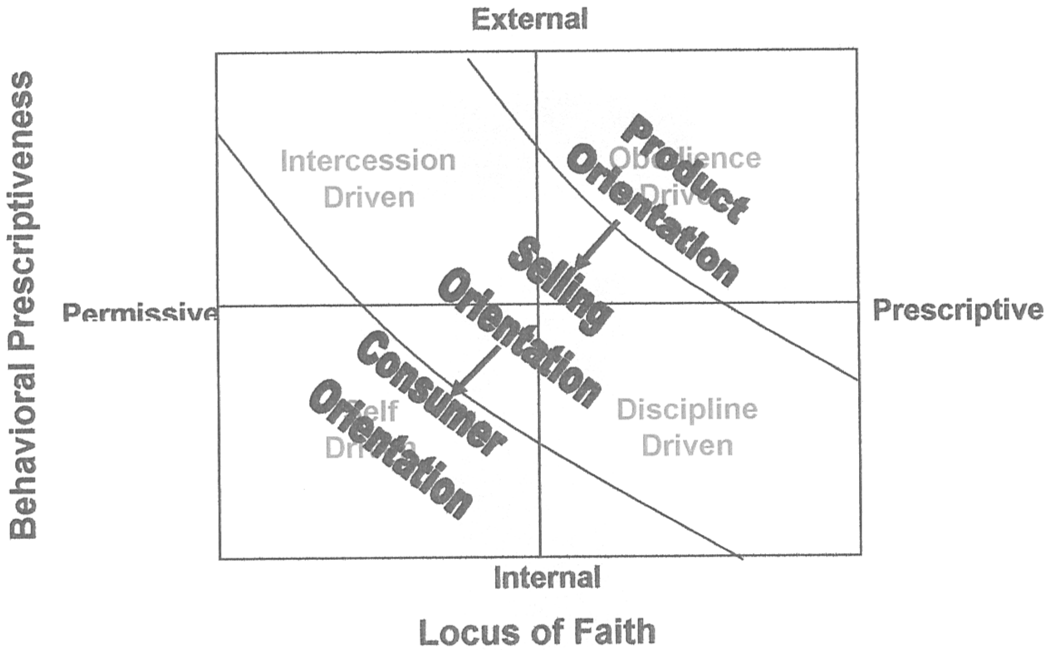
Marketing Orientations of Religious Orientations

As we build on the proposition above and attempt to identify how different religions will manifest their marketing orientations, it seems important to parse out the elements of different religions. The activities of religions generally focus on four different areas based on their audience emphasis – internal (congregational) or external (society), and relationship emphasis – vertical (divine/spiritual) or horizontal (interpersonal) (Shawchuck et al. 1992). Activities include worship (vertical/internal), evangelism (vertical/external), community (horizontal/internal) and social services (horizontal/external). The relative emphasis of these areas varies by religious tradition.

In this section of the paper we will use Ansoff's product/market expansion grid (1957) to explore how we believe marketing theory may relate to these different foci. As background, Ansoff's grid guides strategy decisions by encouraging decision-makers to consider whether a target market is new or existing to the organization and similarly whether a product new or existing. For religions, current adherents can be considered an existing market while society can be considered a new (potential) market. The current product for religions would be those activities and practices in which they are engaging, while new products would be things such as new worship formats or outreach programs.

As a religion focuses its efforts on developing community, it is essentially taking a current product to the

FIGURE 2
Hypothesized Relationship Between Marketing Orientations and the Adherent Driver Matrix



current target market. In this scenario, Ansoff prescribes market penetration. Market penetration strategies for a religion would include those community efforts which encourage adherents to become more involved in the religion such as small group studies, retreats, and social events. As religions reach out to society with their religious message in evangelism, they are taking their current product to a new target market. Such a format corresponds with Ansoff's definition of market development where a current product, the faith, is taken to a new consumer. Similarly, as a religion reaches out in social services, it can be considered analogous to Ansoff's prescription for diversification. Here the religion departs from its focus on its current product, worship services and community building events, and reaches out with a new, non-religious product to a new consumer.

Depending upon the extent to which a religion focuses on the Divine and on Society, its major area of focus may be on community, evangelism, worship, or social services. We opine that clergy will view as most appropriate the strategies from Ansoff's grid that are most consistent with their religions' major areas of foci as follows:

Proposition 6. As a religion's community focus increases, market penetration strategies will be increasingly appropriate.

Proposition 7. As a religion's evangelism focus increases, market development strategies will be increasingly appropriate.

Proposition 8. As a religion's social services focus increases, diversification strategies will be increasingly appropriate.

If one were to develop a one-for-one relationship between Shawchuck et al.'s and Ansoff's models, it would seem logical that the final relationship would include product development for religious worship. In product development, a religion would appeal to the current consumer, the adherent, with new product offerings, i.e., new forms of worship. New forms of worship may include music changes, environment changes, or even wardrobe changes such as casual verses formal dress. In dealing with religious worship, however, differentiating between the sacred and non-sacred seems significant. As discussed earlier, those areas of worship involving the core of the religion may be sacred and therefore would not see them as amenable to product changes. We hypothesize, therefore, that it would be appropriate to address only those areas of worship that are not included in a religion's core definition of the sacred.

Proposition 9. As a religion's worship focus increases, product development strategies in those areas that are not at the sacred core of the religion will be increasingly appropriate.

SUMMARY AND NEXT STEPS

This paper has proposed three concepts around which it developed nine propositions about how marketing science relates to the marketing of religion. The first concept developed was the Sacred Core, the proportion of a religion's doctrine, beliefs, or practices that are immutable and therefore better left to theologians than to marketers. Secondly the paper proposed the concept of Locus of Faith, the extent to which a religion's doctrine and practices focus on external deity(ies) versus the individual adherent. In addition the paper proposed the concept of Behavioral Prescriptiveness, the extent to which religions stipulate adherent behaviors. The combination of the concepts resulted in an Adherent Driver Matrix, in which adherents were classified as Obedience-Driven, Intercession-Driven, Discipline-Driven, or Self-Driven. Concurrent with these discussions, the paper developed nine propositions about how religious marketing efforts and strategies would vary based on these concepts.

As a conceptual paper, next steps would be to develop a research plan and test these propositions. If supported, religious marketers could benefit as they consider how the characteristics of their belief systems interface with marketing practices and theory.

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RESPONSIBLE CONSUMPTION

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SUMMARY

The extant research on green consumption shows a variety of approaches and inconclusive results. Numerous studies have emphasized the need for contingency- and context-sensitive approaches to the study of personal and social characteristics that facilitate pro-environmental behaviors. However, hardly any study has taken advantage of interpretive approach of ethnography to understand the meanings and experiences of responsible consumption. We undertake this task.

This ethnographic study underscores both the significance and complexity of a variety of behaviors among responsible consumers. It also highlights the interplay among major sources of motivation underlying such behaviors. Our aim is to complement qualitative work in marketing that examines the psychographics and lifestyles of environmentally conscious and active consumers (Dobscha and Ozanne 2001). We do not intend to provide a definitive test of specific propositions, but rather to put forth an organizing framework for future research (Pryor and Grossbart 2005).

The data and interpretations derive primarily from several in-depth interviews, ranging from 100–190 minutes. Most participants were professional adults in their late twenties or early thirties and represented a variety of educational fields and occupations. The interviews were conducted in informants' homes, accompanied by home tours. The interviews began with open-ended, grand-tour questions (McCracken 1988) and were individuated by probes (Price, Arnould, and Curasi et al. 2000). Informants were encouraged to express personal perspectives and to elaborate on their behaviors and experiences (Pryor and Grossbart 2005). Data analysis followed a trajectory of identifying emerging themes by noting instances, patterns, and models (LeCompte and Schensul 1999, p. 150). The authors perused the data several times and employed axial coding (Miles and Huberman 1994) to identify and arrange the emerging themes. Consistent with the bracketing practice (Denzin 1989; Price et al. 2000; Thompson et al. 1989), we developed a thematic outline, created a separate computer file for each theme, and augmented each theme file with pertinent supporting or contrasting data. We restricted our focus on the following most important themes.

The key finding of our research is the large variation in consumers' level of behavioral commitment to responsible consumption. Hence, we organize these behaviors along a passive-active commitment continuum. Passive responsible behaviors are convenient and mundane, for instance throwing a soda can in a close-at-hand recycling bin. Active responsible behaviors require significant initiative and conscious effort, for example becoming a vegetarian. Mixed passive/active responsible behaviors fall in the middle and require a moderate level of initiative and effort, for instance consuming organic food. We acknowledge that no responsible behavior is entirely passive; it always involves some degree of action and effort. What we mean by "passive" is more precisely a "minimally active" behavior. Since every informant displayed a mix of passive and active behaviors, the passive-active categorization pertains to *behaviors* rather than *people*. This is despite the fact that a fraction of informants mainly engaged in passive *or* active behaviors. The second important finding of our research is that consumers often have multiple, overlapping reasons for their responsible behavior: to place the least damage on the ecosystem, to contribute to a more just distribution of resources among members of society, or to enhance one's or a loved one's health status. We use the term "responsible consumption" to signify ecosystem-, society-, and health-friendly consumption behaviors.

The Responsible Consumption Framework is dynamic in the sense that consumers may move outward along the passive-active continuum over time. Often, changes in the consumer's behavior are triggered by particular catalysts. A catalyst is a facilitator of movement from passive to active behaviors. Familial background, formal and informal self-education, major life experiences, special events, health/safety concerns, travel, and friendship with certain people were the most recurring catalysts propelling informants to become a more actively responsible consumer. Different catalysts place varying degrees of emotional impact on the consumer.

Almost all of the informants engaged in passive behaviors. Compared to other responsible behaviors, passive ones are convenient and palpable. They require little effort and inconvenience on the consumer side. Passive behaviors all differ from one another in terms of underlying motivation. These behaviors include basing purchase

decisions on package and label claims, choosing to purchase from small/local businesses, and displaying a green image.

The mixed passive/active category encompasses responsible behaviors that fall somewhere between the two ends of the passive/active continuum. Like passive behaviors, mixed passive/active behaviors differ from one another in terms of underlying motivation. These behaviors include recycling (which consumer used to refer to a plethora of behaviors such as buying recyclable and rechargeable products, buying products made from recycled materials, buying used durable products and adopting rescued pets, reusing products for their original consumption purpose, reusing products for other consumption purposes, reusing disposable products for the same or different consumption purposes, selling the products no longer needed, giving away as gift the products no longer needed, and complying with the City's recycle program), conserving energy, learning responsible behaviors, teaching responsible behaviors, being friendly to animals, and consuming all-natural products.

Active behaviors represent high levels of commitment to responsible ways of living. They are usually accompanied by significant changes in lifestyle and require extra efforts on the side of the consumer. Like the other two categories of behavior, active behaviors differ from one another in terms of underlying motivation. Active behaviors include using alternative forms of energy and becoming a vegetarian.

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PROTECTING HOUSEHOLD ONLINE PRIVACY: WHO IS THE FIRST LINE OF DEFENSE?

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SUMMARY

Background

Two-thirds of United States households use the World Wide Web; 80 percent of parents with children under age 18 living at home go online (Lenhart 2005). Nearly 90 percent of American teens are Internet users, with half having made online purchases (Lenhart and Madden 2005). The Internet offers consumers a multitude of benefits including ready access to information, instantaneous communication, and twenty-four-hour shopping. Yet the benefits of this evolving technology are mirrored by an explosive growth of new risks. The burgeoning of both threats and solutions augments the challenge to online consumers.

Adult Internet users seldom engage in self-protection (Han and Maclaurin 2002; Miyazaki and Krishnamurthy 2002; NTIA 2000). At best, adolescent Internet users may be savvier than their adult counterparts, but if adolescent behavior mirrors that of adults, they are likely to suffer negative consequences that may have long-term implications. If, as with adults, privacy concerns inhibit teens' use of e-commerce (Lwin and Williams 2004), online marketers will not realize their full potential.

This study is a preliminary qualitative examination of adult and teen perceptions of online privacy threats, self-protection capabilities, and behaviors, using a social-cognitive model of *i*-Safety (LaRose et al. 2003; Rifon et al. 2005). The model incorporates concepts from Protection Motivation Theory, along with involvement and personal responsibility, to provide a framework for understanding individual online protective behaviors. The findings provide insight into the similarities and differences in online privacy protection perceptions and behaviors reported by teenagers and adults.

Method

Due to the exploratory nature of the study, focus groups were used for data collection. Four groups with adult participants were conducted in a fully-equipped focus group facility on the campus of a major Midwestern university. Six sessions with teenagers were held in high school computer classes. All sessions were videotaped.

Results

Both teen and adult focus group participants were aware of a variety of online privacy and safety threats, but differed in the types of risks they believed were likely to affect them. Both groups were cognizant of safety threats to their computers. But adults more frequently discussed privacy violations, exhibiting higher levels of involvement with the issue than teens, greater perceptions of their own vulnerability to the risk, and a sense of severe consequences.

Overall, adolescents had relatively strong confidence in their abilities to take protective actions, but little confidence in the efficacy of the response options. They were aware that personal information should be safeguarded, but consistent with previous research (Turow and Nir 2000), were not concerned about protecting personal data in commercial transactions. This pattern of strong self-efficacy, low response-efficacy, limited understanding and a sense of invulnerability may contribute to resulting inaction

Discussion and Implications for Future Research

Teenaged focus group participants, who have grown up with technology and computers the way many adults grew up with telephones, did not display the computer savvy that might be expected. Their general lack of knowledge and miscomprehension of computer safety cues demands further investigation, as well as attention by public policy and regulatory bodies.

Very few adults in our sample presented themselves as being responsible for their privacy protection. Indeed, most relied on well known brand names for programs that will take care of the problem for them. This may reflect their lack of confidence in their abilities as well as a view that privacy protection should be someone else's problem, not theirs.

The use of avoidance as a protection strategy by adults and teens should continue to be a concern to e-commerce. The industry needs to become more sensitive to consumer privacy concerns. While many ISPs offer virus and spyware protection to their customers, consumers must download, install, and use the programs for them

to be effective. Further, long and complex privacy policies provide little help to consumers who feel incapable of understanding them, and offer consumers few options for being online and controlling the disclosure of their information. Further research, then, can also provide guidance for online marketers.

These preliminary results indicate that adults and teens do not approach online privacy the same way. Yet adolescent use of the Internet and ecommerce are both growing (Lenhart and Madden 2005), with implications for online revenue near- and long-term. Marketers and regulators need to consider alternative protections for the online teen population and deal with consumer privacy and fraud issues in order to assure continued e-commerce growth. References available upon request.

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THE IDENTIFICATION CONSTRUCT: A REVIEW AND CONCEPTUAL FRAMEWORK

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SUMMARY

A review of prior research from cognate fields suggests the potential importance of identification theory to marketing, and particularly to the formation of relationships. However, studies of the identification construct are not well documented in the marketing literature, and those that are tend to focus on non-profit organizations. The authors take some initial steps toward addresses the proceeding gaps. Drawing on identification theory, and their review of past empirical research on the identification construct, the authors develop a conceptual model of consumer identification. A basic premise of the model is that consumer loyalty and word-of-mouth can be explained by identification, because consumers will act in ways that support companies with which they identity. Specifically, the model posits a key mediating role for the consumer – company identification construct. The antecedents and outcomes are drawn from extant literature and include satisfaction, trust, and attractiveness, and loyalty and word-of-mouth, respectively. The authors seek to contribute to the marketing literature by (1) reviewing the empirical literature on the identification construct and (2) conceptualizing a central role for identification in explaining consumer relationships. Directions for further research are explicitly considered and testable propositions are offered.

Readers of the marketing literature would understandably form the view that building, enhancing, and maintaining relationships with customers is the *raison d'etre* of the discipline. Meaningful customer relationships are manifest in several ways, most notably, in consumer loyalty and positive word-of-mouth (Agustin and Singh 2005; Zeithaml, Berry, and Parasuraman 1996). Consumer loyalty is considered particularly important by marketers, because of its links to financial and marketplace outcomes (e.g., charging price premiums, increasing market share) (Chaudhuri and Holbrook 2001). Not surprisingly, much of the marketing literature is directed toward understanding and explaining consumers' loyalty intentions and word-of-mouth communication. Although past findings have been mixed, satisfaction is often positioned as a prerequisite for achieving customer loyalty (Oliver 1999). Other research emphasizes trust as the cornerstone of customer relationships (Sirdeshmukh, Singh, and Sabol 2002). Taken together, satisfaction and trust are considered to be the defining aspects of relationship quality (Crosby, Evans, and Cowles 1990), and therefore key predictors of relationship success. Yet, other variables might help to explain customers' willingness to engage in relationships with companies.

Recently, there has been a shift in emphasis in the marketing literature to the potential role of consumer identification in explaining the formation of customer relationships (Bhattacharya and Sen 2003). Identification is reflected an individual's feelings of psychological attachment to a social entity, which might be a formal organization or an informal social grouping. Literature in this emerging concentration suggests that consumer relationships can be established through bonds of identification. For example, identification theory offers an explanation for the formation of relationships between a museum and its patrons (Bhattacharya, Rao, and Glynn 1995), the denotation behavior of alumni (Mael and Ashforth 1992), and the establishment of brand communities (McAlexander, Schouten, Koenig 2002). Each of these examples witnesses the formation of meaningful and enduring relationships between individuals and organizations or social groupings based on psychological identification with those entities. As these examples illustrate, however, much of the research on identification is situated in the context of relationships between individuals and non-profit organization. Building long-term customers relationships is important to profit seeking companies, and further research using an identification theory framework is warranted.

A basic premise of this paper is that bonds of identification are central to explaining consumers' relationships with companies. The authors take an initial step toward developing and testing this claim, and several aspects of the study are particularly noteworthy. First, the authors provide a selective summary of past empirical findings about the identification construct from marketing and related fields. A purpose of the review is to illustrate how identification theory has been used to explain relationship formation in cognate disciplines, and to provide a foundation for the model conceptualization that follows. Second, based on identification theory and proceeding review, the authors develop a conceptual model of the potential antecedents and outcomes of consumer identification with companies. The model seeks to extend past research in marketing and posits a central role for identification in explaining the formation of consumer relationships. Finally, based on the testable propositions offered, the authors suggest a potentially worthwhile direction for further marketing research using the identification construct. Their discussion begins with a review of empirical findings about the identification construct. References available upon request.

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THE APTITUDES OF CONSUMERS AND MOTIVATION TO CONSUME: A NEW THEORY AND EXPLORATION

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SUMMARY

Aptitudes possessed by consumers are proposed to influence consumption choice. It is suggested that aptitudes possessed in high degree (strong aptitudes) exist as *needs*. That is, the consumer feels unfulfilled if the aptitude cannot be expressed. The need to express the aptitude drives the consumer to seek out hobbies or activities where the aptitude may be used. The present paper contributes to the literature by proposing aptitude possession as a consumer motivation, conceptualizing strong aptitudes as needs, and linking aptitude expression to the "flow" experience described by Csikszentmihalyi.

Background

Aptitudes are defined as natural talents, special abilities for doing, or learning to do, certain kinds of things. Examples of aptitudes include manual dexterity, musical ability, spatial visualization, and memory for numbers.

Papers in the marketing profession have addressed "sales" aptitude. Also, consumer aptitude-like constructs such as need for cognition and visual versus verbal processing of information have been described. However, the relationship between these constructs and a specific pattern of consumption is not believed to be as direct and strong as the link proposed here for aptitudes.

The rationale for the interest in aptitudes lies in the possible linkage of aptitudes to the flow experience. Csikszentmihalyi has described a flow state, characterized by focused attention, altered sense of time, loss of self-consciousness, and feelings of enjoyment and self-affirmation that may arise when there is a match between challenge and skill. Csikszentmihalyi and his colleagues appear not to have investigated how skill arose, but rather, focused on the variables affected by the flow state, their measurement, and the occurrence of the challenge task. It is proposed here that aptitudes are the innate elements (what Csikszentmihalyi refers to as skill) that may enable a flow experience. That is, the combination of a strong aptitude (internal) met with a proportionate challenge (external) that taps the aptitude is believed to result in a flow state. This line of thought suggests that an analysis of the aptitude pattern of an individual should be able to predict *which* activities or situations would most likely to engage the person in a flow experience.

A New Theory

If aptitudes underlie flow experiences, as the preceding section suggests, then aptitudes may be conceptualized as *needs*. That is, the possessed aptitude drives the consumer to seek out activities and situations where the aptitude may be expressed and the consumer may feel the joy and self-affirmation of the flow experience. This is the basis for proposing aptitudes as a motivational force in consumption. Please note that the proposed theory does not suggest that aptitude expression is the *only* way to engage a flow experience. Rather, meeting a strong aptitude with a proportionate challenge is believed to be *one* way of eliciting a flow experience.

An Exploratory Study

A study was undertaken to test the association between spatial visualization aptitude and choice of pastime behavior and occupation. Spatial visualization is the ability to visualize in three dimensions, to mentally restructure or manipulate the components of a visual stimulus by recognizing, retaining, and recalling configurations. This particular aptitude was chosen as an exemplar for the universe of aptitudes because it was believed to be the most likely of all aptitudes to exert an obvious effect on consumption choice. The proposed theory suggests that there should be a difference in the activities and occupations sought out by consumers scoring high versus low on spatial ability.

Data were gathered by pencil and paper questionnaire from a convenience sample of undergraduate students at a large public university in the Southeast, U.S. A total of 129 questionnaires were distributed and returned. The questionnaire had two parts. Part 1 consisted of items related to hobbies and interests as well as demographic information. Part 2 was a pencil and paper psychometric test of spatial aptitude – the 20-item Purdue Visualization of Rotations Test (ROT).

Subjects pursuing pastimes likely to engage spatial visualization ability (any sport involving a ball, auto mechanics, woodworking) had a significantly higher mean ROT score than respondents choosing a non-spatial pastime (watching TV, reading, shopping). Further, subjects high in spatial ability were significantly more likely to choose a spatial occupation (architecture, medical surgery, sculpture) than a non-spatial occupation (accounting, acting, attorney). The results are generally consistent with the proposed motivation theory of aptitudes. That is, consumers gifted with spatial ability were more likely to choose pastimes and occupations in which this ability could be expressed than were consumers possessing only a low level of spatial ability.

Implications

The proposed theory helps to explain *why* consumers make the choices they do in pastimes and occupations. For example, a person high in spatial visualization ability might choose model railroading as a hobby. The proposed theory does not explain why this particular hobby was chosen, when auto mechanics allow expression of the same aptitude. However, the theory suggests that he would be driven to choose from among a class of activities that allow spatial ability expression. A second implication is cross-selling opportunities. For example, an avid model railroader is probably more likely than the average person to be interested in auto mechanics and woodworking. This is implied because all three hobbies utilize spatial ability. A third implication is that the theory of aptitude motivation may help to explain enduring consumer involvement with particular hobbies (as in the model railroader example just given).

The fourth implication is especially important. If, as suggested here, aptitude expression enables a flow experience to develop, then marketers now have a new opportunity in product development. Products can be designed with the intent to tap (challenge) specific aptitudes in order to elicit flow experiences. Given that flow experiences are highly desirable, such products should be sought after by consumers. Ultimately, consumer aptitude level may be a segmentation variable for goods and services used in the expression of the aptitude.

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INDIVIDUAL AND SOCIAL CAPITAL AS BASIC PILLARS OF CUSTOMER VALUE: TOWARDS A COMPREHENSIVE MODEL OF WORD-OF-MOUTH REFERRAL BEHAVIOR

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SUMMARY

Consumers are less likely to make their buying decisions isolated and to choose products without asking their reference group. Networks of relations influence consumer behavior and affect customer value. Companies are increasingly aware of the need to manage referrals and that leveraging Word-of-Mouth (WOM) by existing customers can have a huge impact on performance. Using his good name and referring the products to others through WOM activities, an existing customer generates added contribution margins stemming from new customers. The awareness and knowledge of a customer's social resources – his social capital – is, as well as traditional financial or individual dimensions, relevant to successful marketing.

Considering all different aspects of a customer's contribution to the company's success, we follow a profound supplier-oriented understanding of customer value which encompasses three highly interrelated forms of capital: a customer's financial, individual and social capital – each form is, at some point, convertible into money. According to our multi-dimensional conceptualization of customer value, a customer's financial capital addresses direct monetary aspects such as turnover, revenue and expected cross selling revenues, the individual capital dimension focuses a customer's personality, knowledge, skills and abilities, and a customer's social capital requires the existence of and the effects resulting from specific and sustained social relationships between consumers. In terms of a customer's reference value, social capital addresses his social resources and is related to effects of WOM referral behavior such as the opportunity, motivation, and ability to disseminate WOM as well as the scope, the contents, and the influence of the referral flows.

A better understanding and management of WOM referral behavior implies the in-depth analysis of its conditions and drivers, as well as the identification of those customers with the highest potential for network effects. WOM referral behavior is not simply tied to a set of individual characteristics like the individual lifestyle, socioeconomic status, personal values and traits, the level of specific involvement and knowledge etc., but instead also depends on the nature of the social environment in which an individual is embedded. To profile and target different types of social influencers – those with a certain personality to influence others, who know a lot and are asked for advice and those with comparable low levels of information, but good social resources to compensate – it is important to integrate both, individual and social aspects.

Focusing on the link between individual attributes and social resources, we examine the role of social context in determining WOM referral behavior. We suggest that an individual's WOM referral behavior is rooted in the presence of a certain predisposition or set of personal characteristics and in the structural, relational and cognitive properties of the social environment in which someone is embedded. To investigate how far social influencers are different from non-influencers and whether those differences are more closely tied to their set of individual characteristics or position in the social environment, we propose a conceptual model that leads us to believe that individual and social capital are the major determinants of WOM referral behavior. Based on both, a literature review and our multi-dimensional model, two sets of key propositions are developed: the first deriving from the perspective that social influencers like opinion leaders or market mavens possess individual attributes that distinguish them from non-influencers (individual capital), and the second deriving from the perspective that WOM referral behavior is tied to the characteristics of the social network in which the influencer is embedded (social capital). The model and propositions are also discussed with reference to their managerial and research implications.

Despite the limitations and necessary steps in future research, the primary contribution of our framework lies in developing and explaining a model of WOM referral behavior integrating the concept of social capital. Our framework gives reason for adding the construct of social capital to WOM research and already shows the efficiency of an integrated perspective for future research. The social capital dimensions could be used as a basis to develop a more robust measurement instrument to the identification of general market-place influencers and their use for more effective product and message diffusion.

Having more robust measures of WOM potentials is of course as well a key for managerial practice. In view of our propositions concerning the impact of social capital, marketers might discover the relevancy of data which are either already available or – compared to psychographic and personality variables – easily accessible (i.e., political and social participation, club memberships, holding a position, etc.). Overall, taking the interplay between individual and social capital into account, our framework already might lead to the opportunity of a better understanding of the conditions and drivers of WOM referral behavior and to come to a broadened view of customer value. This will of course enlarge the efficiency of selecting different customer groups and of encouraging appropriate key consumers to leverage their WOM potentials. In contrast to former studies identifying opinion leaders, market mavens etc., at least theoretically, we are able to identify a broader variety of potential influencers: Especially those, who do not articulate high referral potential and/or even themselves haven't discovered their referral potential yet, but posses a great amount of social capital. Encouraging such customer groups to efficiently use their potential and network positions might include the chance to more easily and sustainably convince them to support the company and build up a deeper relationship. References available upon request.

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ASSESSING PORTFOLIO EFFECTS ON ALLIANCE PERFORMANCE

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SUMMARY

Alliances are ubiquitous in today's competitive environment and account for an estimated 25 to 40 trillion dollars in economic value. Gulati's (1999) multi-industry study of 166 firms tracked from 1981 to 1989 reports an average of 14.4 alliances per firm; more recently, Wuyts et al. 2004 report an average of 6.33 alliances per firm in the pharmaceutical sector. Across diverse industries, and particularly in high-technology sectors, firms seek alliances (formalized non-equity collaborative arrangements) to exchange, jointly acquire, utilize, or develop R&D and/or marketing capabilities (cf., Rindfleisch and Moorman 2001).

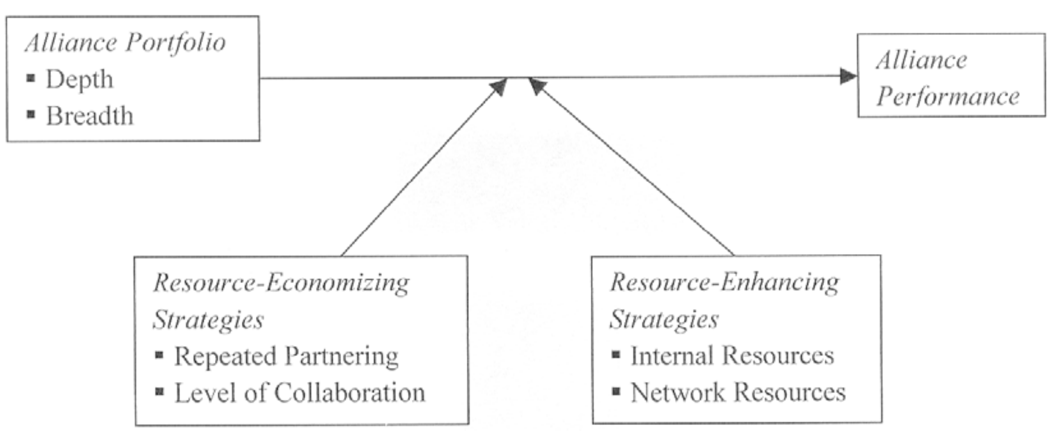
Alliances have been shown to create economic value (Anand and Khanna 2000), improve new product development efforts (Rindfleisch and Moorman 2001), and positively impact innovation and profitability (Wuyts et al. 2004). Thus, *prior research and field-based observation alike strongly imply that firms' performance objectives are best served by building extensive and diverse alliance portfolios.* However, alliances are also plagued by high failure rates, by one estimate almost 70 percent (Sivadas and Dwyer 2000).

The sobering failure rate may be attributed to the propensity of firms to routinely under-estimate the resources required to establish, coordinate, and manage multiple alliances. Not all firms have the necessary capabilities to build and manage a large alliance portfolio (Das et al. 1998). Beyond a threshold, the gains from an alliance may be more than offset by the costs and risks of managing a large alliance portfolio. The proposed research questions the strong endorsement of establishing alliance portfolios. Contrary to current conventional wisdom, *we argue that not all firms are well suited to undertake multiple alliances*.

In this research we focus on two characteristics of alliance portfolios (see Figure 1) – portfolio *depth* (the number of alliances the focal firm engages in) and *breadth* (the range of product-markets over which the firm has alliances). Relying on March's (1991) notions of exploitation and exploration, we expect firms with deep and broad portfolios to be able to achieve high levels of alliance performance. After a point, however, further increases in portfolio depth and breadth are likely to result in diminished performance, as the firm encounters resource constraints in managing these very same alliances. The question that arises is: *Do firms have the means to ameliorate (delay and/or weaken) the inevitable performance reversal?*

Integrating insights from organizational learning (Levinthal and March 1993), the resource-based view

FIGURE 1
Conceptual Framework



(Barney 1991), and network (Burt 1982) perspectives, we posit that *some* firms can beat the odds. The increase in number and diversity of alliances increase the resource requirements to successfully manage an alliance portfolio. Accordingly, we argue that firms can support a deeper and broader alliance portfolio by adopting resource-economizing and/or resource-enhancing strategies. Firms adopting resource-economizing strategies develop portfolio configurations that require lesser resources, either by partnering with other firms with whom they have already allied, and/or by optimizing the collaboration required across the alliances they undertake. A second means of coping with resource constraints is to adopt a resource-enhancing strategy – that is, to garner access to additional resources, either internal or network-related. Together, we propose each of the resource-economizing and resource-enhancing strategies to moderate the relationship between portfolio depth/breadth and alliance performance.

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MANAGING RELATIONSHIP STABILITY IN JOINT VENTURES

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SUMMARY

Previous research on cooperative interorganizational relationships (IORs) suggests firms' levels of satisfaction with the results of cooperate ventures have been less than optimal (e.g., Chattarjee 2004; Park and Russo 1996; Shamdasani and Seth 1995; Mohr and Spekman 1994). In explaining the stability/instability of JVs, previous studies have focused on a structural imbalance in terms of ownership and management (Blodgett 1992; Gomes-Casseres 1987), technical and managerial support provided by the partners (Steensma and Lyles 2000; Kogut 1989), interdependence between the partnering organizations (Inkpen and Beamish 1997), and potential interorganizational conflict and power imbalance (Steensma and Lyles 2000; Lusch 1982). However, the influence of interfirm commitment and trust as determinants of JV stability has not been investigated empirically.

The manuscript presents a model for managing JV stability based on an ongoing relationship perspective (Morgan and Hunt 1994). Consistent with Morgan (1999), trust and commitment are viewed as driven by economic (e.g., switching costs), resource (e.g., resource complimentarity) and social (e.g., communications) factors. Commitment and trust mediate the relationships between the drivers and JV stability. In order to capture the richness of the JV stability construct, our measures represent not only the probability of survival but also the level the focal firm's intent to cooperate in the future and breadth of cooperative activities.

Results

Based upon data generated from survey responses of 202 joint venture managers, we tested our hypotheses through an SEM model using MPlus 3.12 (Muthen and Muthen 2004). All constructs were drawn from existing literature. There measurement qualities were assessed and found in accordance with Gerbing and Anderson (1988). Overall model fit statistics for the structural model were generally favorable ($\chi^2_{(568)}$ = 938.05, CFI = .92, TLI = 0.92; RMSEA = 0.07).

Our results suggest relationship commitment was positively associated with the JV partner's intention to remain in the relationship (β = .61, $p < .001$), projected level of cooperation (β = .33, $p < .001$), and breadth of future cooperation (β = .55, $p < .001$). Trust was positively associated with their projected level of future cooperation (β = .35, $p < .001$). However, trust influences intention to remain and breadth of future cooperation only indirectly, through its impact upon commitment. In terms of trust-commitment drivers, the relationship between switching costs and commitment is only marginally significant (β = .20, p = .06). However, links between resource complimentarity and commitment (β = .40, $p < .001$) and trust (β = .40, $p < .01$) were significant and in the expected direction. Further, the expected relationship between partner communications and trust (β = .94, $p < .001$) was supported.

Discussion

In contrast to much of the prior literature in this area, which has focused heavily on structural- and power-based explanations for IOR stability, our study offers a compelling new perspective on managing joint venture relationships. We introduce the commitment-trust theory of relationship marketing (Morgan and Hunt 1994) into the context of joint venture relationships. Our model is parsimonious yet powerful, explaining 40 percent of the variance in the focal partner's intent to remain in the JV, 68 percent of their projected level of cooperation, and 40 percent of the expected functional breadth of their cooperation. Moreover, given the significance of our hypothesized paths, even after controlling for structural variables (JV age, JV size) and power (ownership structure), our results are robust.

Moreover, understanding that interorganizational relationship stability is driven by trust and commitment (Morgan and Hunt 1994) we make a significant contribution in addressing the economic, resource, and social drivers of joint venture relationship quality (Morgan 1998). First, firm commitment is shown as deeply impacted by issues related to the economic value structure of the relationship. Both the cost of terminating the relationship and/or the potential loss of a complementary resource can impact of partner commitment in interorganizational relationships. More specifically, creation of a joint venture can create large termination costs associated with the divestiture of a third party. Such a divestiture can also present a situation where complementary resources are

lost. Here both economic and resource related issues impact JV commitment and the long-term viability of the relationship. Second, when complementary resources are lost – commitment can be impacted through both a reduction in trust between the joint venture partners and through a direct loss of the resource content value between partners. It seems that resourced-based theory and resource acquisition strategies are tightly tied to relationship marketing and that the gain/loss of complementary resources may be at the core of managing JV Stability. Finally, we support the presumption that communication is at the core of interorganizational trust as a social component. Here communication may work as an updating or governance mechanism allowing firms to monitor partner behavior and properly value the relationship. Superior communication effectiveness thus has the potential to enhance the stability of the relationship while activities like information safeguarding may lessen JV stability through reductions in trust. In brief, if firms wish to effectively manage their JV relationships, they must manage their economic, resource, and social ties. References available upon request.

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ROLE OF COLLABORATIVE MANAGEMENT IN OUTSOURCING THE SALES FUNCTION: AN EXAMINATION OF THE CPG INDUSTRY

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SUMMARY

Outsourcing is the process of delegation of one or more internal operations of a company to an external resource that specializes in those operations. The study explains the role of collaborative management in such outsourcing relationships. Recently, there has been an explosion of interest around this phenomenon in various domains. Through a (1) literature search on outsourcing in various domains, the article presents (2) a conceptual framework based on interviews with senior executives (ranks of Vice-president or higher) of consumer package goods (CPG) firms, and (3) present an initial empirical test on part of the model from a survey of senior executives. The findings show that CPG firms use of both efficiency and effectiveness evaluations when determining their satisfaction with the sales and marketing agencies (SMAs) and the importance of collaborative management in determining the satisfaction with the SMAs.

This study has focused on the CPG Industry and studied the outsourcing the sales function to SMA partners. The major drivers of outsourcing sales and marketing functions in the CPG industries are: core capability focus, changing retail trends, price and margin pressures and marketing productivity.

It is the purpose of this study to present a thorough examination of outsourcing of the sales function SMAs as practiced by CPG manufacturing firms. Viewing the decision to outsource the sales function as strategic in nature, the primary research focuses exclusively on senior managers (vice-president or higher) of both CPG manufacturers and SMAs to understand the nature of the industry and the relationship with their partners. Based on the interviews and the relational theory underpinnings we develop a conceptual framework for understanding the outsourcing relationship. Later, we execute a survey with these executives to test a part of our conceptual model.

The research followed a multi-phase, multi-method approach to study outsourcing relationships.

Phase I Was Exploratory Research. The initial phase of research included a review of the literature that is published in various disciplines on outsourcing in general and outsourcing relationship in particular. We also studied the various available case studies and trade reports within CPG industry on outsourcing sales and marketing functions. This exercise showed that: While there has been a lot of research on antecedents and consequences of outsourcing, there has been very little work on managing the relationship, especially using a relationship framework.

Phase II Included Face to Face Interviews with Senior Executives. Onsite face-to-face interviews were conducted with senior executives (CMO, VP Marketing, etc.) from 20 different CPG manufacturers and SMAs, representing more than $500 billion in combined annual revenues. All interviews were conducted by the study authors. The interviews provided a broad understanding the current practices of outsourcing the sales function in the CPG industry, and formed the basis for developing a conceptual model. Phase II revealed a conceptual similarity between outsourcing relationship and relationship marketing theory. Thus to design the conceptual model, the outsourcing of the sales function was examined under the lens of relationship marketing theory to understand the outsourcing relationship between CPG manufacturers and SMAs.

This study views the outsourcing relationship as "an ongoing process of engaging the outsourcing partner in cooperative and collaborative activities and programs to create or enhance mutual value." This view enables us to draw the following parallels between the relationship marketing theory and outsourcing relationship. The four stages of the outsourcing relationship is based on relationship marketing theory was observed based on the interviews. Stage 1: Formation. In our case of outsourcing relationships consisted of the selecting the partner or SMA by the CPG company and the initiating the outsourcing relationship. Stage 2: Managing and Governance. The interviews revealed that after the outsourcing relationship is initiated, the various dimensions of managing the relationship included role specification, communication, common bonds, planning process, process alignment, employee motivation and monitoring procedures. Stage 3: Performance Evaluation. The extent to which

CPG manufacturers outsource and the way they manage the relationship with their SMAs results in performance. Stage 4: Evolution. The level of satisfaction leads to enhancement, termination or continuation of relationship. One or more of the satisfaction dimensions lead to evolution.

Phase III Consisted Administering a Survey. Collectively, Phase I and Phase II provided the exploratory basis for understanding the outsourcing phenomenon within the CPG industry, and to develop the survey instrument used to test part of the conceptual model in Phase III.

Objectives for the survey measurement included the role of collaborative management, the extent of outsourcing, and various levels of satisfaction. The findings show that CPG firms use of both efficiency and effectiveness evaluations when determining their satisfaction with the SMAs and the importance of collaborative management in determining the satisfaction with the SMAs. References available upon request.

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CUSTOMER ROLE CONFLICT, ROLE PERFORMANCE AND EVALUATIONS OF CUSTOMER, AND SERVICE PROVIDER SATISFACTION WITH A ROUTINE SERVICE ENCOUNTER

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SUMMARY

The focus of marketing since the 1990s has been toward the relational and interactive features of exchange (Broderick 1998) but the focus on behavior in a service context has tended to be from the provider side of the service interaction (Costa 1995; Namasivayam and Hinkin 2003). Nevertheless, role management is important in people-based services because interactivity requires mutuality and reciprocation (Broderick 1998). When roles are compromised in a service scenario, so too is the experience for all involved parties. Customer role conflict provides an example of how service encounters may be compromised. Customers can easily be interrupted to tend to the role of parent, child, significant other, friend, employee or boss in the midst of playing the role of a customer. If customers experience role conflict during a service encounter they may downplay the arguably lesser role of customer to focus on a greater role required of them. This, in turn, may have adverse effects on customer role performance and perceptions of customer and service provider satisfaction with the encounter. Recognizing customers' contributors to their own and other's service encounter satisfaction (Bitner, Faranda, Hubbert, and Zeithaml 1997) and combining the level of customer participation with the importance of the congruence of learned patterns of behavior as a determinant of service encounter satisfaction (Solomon, Suprenant, Czepiel, and Gutman 1985) leads us to the following hypotheses:

$H_{1:}$ A low level of customer role conflict will result in (a) more positive evaluations of perceived customer satisfaction (b) more positive evaluations of perceived service provider satisfaction (c) more positive evaluations of customer role performance than will a high level of customer role conflict during a service encounter.

H_2: Customer role performance during a service encounter is a positive predictor of (a) perceptions of customer satisfaction with the service encounter and (b) perceptions of service provider satisfaction with the service encounter.

Methodology and Results

A between-subjects design (n = 161) depicting two different service scenarios was employed. A 208-word high customer role conflict scenario depicted a customer on a cell phone during a service encounter and a 200-word low customer role conflict scenario depicted a service encounter without a cell phone call. Open-ended questions were included to ensure the scenarios and the task of rating the hypothetical target's experience were understood by the respondents. They were also used to assess attributions of perceived service encounter satisfaction. Multi-item measures were adapted and subjected to exploratory and confirmatory analyses to address issues of dimensionality, convergent, and discriminant validity (Anderson and Gerbing 1988; Joreskog and Sorbom 1993).

Hypothesis one was tested using MANOVA. Results suggest that low levels of customer role conflict lead to higher evaluations of customer satisfaction, provider satisfaction and customer role performance. Hypothesis two was tested using simple regression. An adjusted $R^2 = 0.210$ was obtained for $H_{2(a)}$ and as predicted, a positive significant effect of customer role performance on evaluations of customer satisfaction was found ($\beta = 0.463$, $p < 0.000$). An adjusted $R^2 = 0.702$ was obtained for $H_{2(b)}$ demonstrating a positive significant effect of customer role performance on evaluations of service provider satisfaction ($\beta = 0.839$, $p < 0.000$). Finally, a content analysis of the open-ended questions suggest that customer cell phone use is evidence of customer role conflict when viewed from the customer's perspective but is seen as evidence of neglect and disrespect from the service provider's perspective.

Discussion

Extending the line of research concerning manager and service employee role conflict (Lyonski 1985; Zeithaml, Berry, and Parasuraman 1988), this study considers customer role conflict as a possible explanation of why customers may not fully perform their customer roles during service encounters. Our findings suggest that customer role performance is an important predictor of customer and service provider perceptions of service encounter satisfaction. If customers resolve role conflict in a service encounter by tending to their non-customer roles at the expense of their customer roles, their performance as a customer may be compromised. This compromise appears to have negative implications for perceived customer and service provider satisfaction with a service encounter. Alternatively, when customers play their customer roles well, satisfaction levels are significantly more positive for both the customer and the service provider. In fact, the results suggest that service providers are perceived as being even more satisfied when customers do their part and more dissatisfied when they do not.

While customer cell phone use during a service encounter is only one potential example of customer role conflict, it is one that may be increasingly pervasive given that cell phone penetration in the U.S. has reached 65 percent of the total population (CITA 2005). Key study limitations include the use of a student convenience sample and the use of written service scenarios. Other limitations include confining the scenarios to a single low customer involvement service encounter, the operationalizing of customer role conflict in terms of its mere presence or absence and the use of a single role conflict coping strategy. Future studies should examine customer role conflict across service contexts and at various points in time throughout the service consumption process. Healthcare consultation and educational instruction are two services that can be impacted by customer role conflict as customers play their particular roles during and between these service encounters. References available upon request.

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EXAMINING SERVICE CONVENIENCE-CUSTOMER SATISFACTION-SHARE OF WALLET RELATIONSHIPS

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SUMMARY

Customer satisfaction is a key antecedent of customer loyalty (Seiders et al. 2005) and there is a great deal of managerial interest in the "key drivers" of customer satisfaction (Mittal, Ross, and Baldasare 1998). Service convenience may be one such key driver (Berry, Seiders, and Grewal 2002), but a review of the literature reveals that little empirical work has been done regarding the nature of the relationships of service convenience with customer satisfaction and loyalty (Berry, Seiders, and Grewal 2002; Seiders et al. 2005). Prior research primarily has also used behavioral intentions as a measure of loyalty (Brady et al. 2005) although intentions do not necessarily translate into behavior (Mittal and Kamakura 2001; Oliver 1999). Share of wallet (SOW) or expenditure at a specific store as a fraction of total category expenditures is arguably the most critical behavior-related marketing performance/loyalty metric (Zeithaml 2000). Yet, few studies employ this measure. The present study aims to address these issues and focuses on service convenience and examines its impact on customer satisfaction and share of wallet. In addition, the study incorporates household income as a control variable and moderator of the satisfaction-share of wallet relationship.

The present study adopts the dimensions of access and transaction convenience from Berry, Seiders, and Grewal's (2002) original classification, and proposes two new dimensions in the context of retailing: staff convenience and merchandise convenience. Access convenience involves a customer's perceived time and effort expenditures to acquire a retail service. Transaction convenience involves a consumer's perceived expenditures of time and effort to complete a service transaction. Staff convenience is conceptualized as the presence of sufficient number of employees at the store at any given time ready to help customers. Merchandise convenience is conceptualized as the availability and ease of access of a variety of merchandise in a retail store. A direct relation is hypothesized between the four dimensions of service convenience and customer satisfaction.

We use share of wallet as a measure of behavioral loyalty, which is considered to be a better reflector of customer retention (Reichheld 1996). Higher customer retention means a base of customers who buy more frequently, in greater volumes, and are more prone to try other offerings by the firms, thus increasing revenues (Reichheld and Sasser 1990). Customer satisfaction is hypothesized to have a significant direct influence on share of wallet. Furthermore, service convenience is hypothesized to moderate the customer satisfaction-share of wallet linkage in addition to its direct influence on customer satisfaction (Seiders et al. 2005). Finally, household income has also been shown to have an enhancing effect on the relationship between customer satisfaction and repurchase behavior (Seiders et al. 2005) as well as a direct influence on customer satisfaction and share of wallet. Hence, we attempt to replicate the moderating role of household income between the satisfaction – share of wallet.

The study was sponsored by a large retail organization that offers major merchandise and related services. Based on the insights from outputs of a series of focus group sessions and a review of the relevant literature, an initial questionnaire was designed jointly by the research team and management team and was pretested and further revised. A total of 90,000 surveys were mailed to randomly selected customers and 17,034 were returned (18.9% response rate). Measures of satisfaction (3 items), convenience (a total of 14 items), share of wallet (1 item), and household income (1 = less than $15,000, 6 = over $45,000) adopted for the study, are consonant with the measures in the extant literature (e.g., Fornell 1992; Oliver 1993; Macintosh and Lockshin 1997; Sen, Stafford, and Babakus 2005; Rust, Lemon, and Zeithaml 2004).

The results show that three out of four convenience dimensions have significant direct influences on customer satisfaction. Access convenience did not emerge as a significant predictor of customer satisfaction. Customer satisfaction showed a significant positive relationship with share of wallet. As hypothesized, income showed a significant negative influence on customer satisfaction and a marginally significant positive impact on share of wallet. In addition, although not hypothesized, merchandise convenience and access convenience have significant direct positive impacts on share of wallet. Household income positively moderates the relationship between customer satisfaction and share of wallet, but service convenience did not emerge as a moderator of the relationship between satisfaction and share of wallet. This latter result may be due to the nature of the retail context or differences in the measurement of the variables be-

tween our study and Seiders et al. (2005). These findings reinforce recent observations that consumers are increasingly selecting stores based on better assortment and shorter checkout lanes (Paulins and Geistfeld 2003). Hence, retail managers should focus on the speed of service and stocking merchandise conveniently in the store. Share of wallet is a complex function of a variety of factors such as relative price, quality, and value in addition to the variables examined in this study. Hence, while the current study makes a contribution to our understanding the role of service convenience, expanded models have to be developed and calibrated for better prediction of share of wallet. References available upon request.

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UNDERSTANDING THE DIFFERENCES BETWEEN CUSTOMER SATISFACTION AND CUSTOMER DELIGHT: IMPLICATIONS ON POST-CONSUMPTION BEHAVIORAL OUTCOMES

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SUMMARY

Satisfaction research has been of considerable interest to marketing scholars and practitioners as well. Research has long established the relationship between satisfaction and repeat purchase (Szymanski and Henard 2001), repurchase intentions (Anderson and Sullivan 1993) and retention (Bolton 1998). Also, satisfaction and associated service quality perceptions have been related to a number of important outcomes such as market share, profitability, customer retention and loyalty (cf., Zeithaml 2000).

The conceptual relationships between satisfaction and various managerial outcomes have evolved over time. For example, the satisfaction-loyalty relationship which has been viewed as linear (Fornell et al. 1996; Bearden and Teel 1983) is now acknowledged as more complex, non-linear (Jones and Sasser 1995; Coyne 1989); same pattern has been reported for the relationship between satisfaction and repurchase intent and repurchase behavior (Mittal and Kamakura 2001). Varying conceptualizations have translated into inconsistent effects of satisfaction on behavioral outcomes; some reasons for these occurrences have been forwarded by Finn (2005). One explanation refers to construct measurement and its shortcomings; another explanation is more consistent through its implications: the domain of satisfaction may have been enlarged, encompassing also the domain of customer delight. The debate in the satisfaction literature has thus been re-launched, with researchers trying to establish the bases of consumer delight while accounting for delight effects on firm's profitability outcomes (Rust and Oliver 2000; Keiningham et al. 1994).

The main objectives of the current study are twofold. First, it attempts to add additional evidence pertaining to the distinction between the constructs of customer satisfaction and customer delight as per Oliver, Rust, and Varki (1997) and Finn (2005). We accomplish this by showing that factors such as customer ego-involvement, relationship commitment, risk-aversion which have been shown to account for differences in satisfaction (Ganesh et al. 2000) impact delight differently. We also include a fourth factor, regret, which has emerged in the literature as a strong influencer of satisfaction (Oliver 1997) and switching behavior (cf., Tsiros and Mittal 2000). The second objective of the present study is to determine whether the pursuit of customer delight as a marketing objective has a beneficial impact on post-consumption behavioral outcomes such as willingness to recommend, negative word of mouth, immunity to competitive price and switching behavior.

The major findings of the study reveal and support the distinction between the two constructs. The results show that factors known to impact satisfaction in a linear manner have a different impact on delight. Contrary to Finn (2005), it seems that involvement can play a role in operation of delight and that the negative relationship at higher levels of ego-involvement can account for some of the inconsistent findings reported. If the level of relationship commitment or ego-involvement is too high, in other words, if a consumer is too much involved with the product or the service provider it can prove detrimental to the consumer and to the company.

Our study found no relationship between delight and post-consumption outcomes. The results are consistent with the findings showing that delighting the customers may not be always the best option to pursue (Rust and Oliver 2000; Ngobo 1999). One explanation can reside in delight being more of a temporary state, less enduring than satisfaction (Rust and Oliver 2000) and maybe less memorable, and thus, being less important as a determinant of behavior. This raises the question of whether and when delighting consumers is worth as an objective of a firm's retention strategy. According to Brown (2001), this should not be the case. Firms have forgotten that people get delighted in being teased, tantalized by desire. A way to accomplish this is by limiting product availability, delaying customer gratification, heightening expectations and fostering an air of unattainability. Our study shows that managers should consider delight in the acquisition of customers' phase, when they have at their hand the secrecy, exclusivity, surprise of creativity, and innovativeness.

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TOWARDS AN IMPROVED UNDERSTANDING OF SERVICE GUARANTEES: WHAT CAN WE LEARN FROM ECONOMIC THEORY?

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SUMMARY

Service guarantees have recently generated considerable interest in academic research (e.g., Baker and Collier 2005; Björlin-Lidén and Edvardsson 2003; Hays and Hill 2001; McCollough and Gremler 2004; Wirtz and Kum 2004). Service guarantees are a formal promise made by the service provider to deliver the service in a certain quality in order to satisfy the customer. If the service provider fails to keep his promise he will compensate the customer for his inconvenience. Therefore, consumers may perceive providers, which offer a service guarantee, as more attractive than other providers.

For a long time research on service guarantees was highly normative, prescriptive, and based on anecdotal evidence (Björlin-Lidén and Edvardsson 2003; McCollough and Gremler 2004). Recently more and more empirical research has been done: Empirical findings which are mostly based on the pre-consumption evaluation of services suggest that service guarantees can be seen (1) as a signal of service quality (Tucci and Talaga 1997; Wirtz et al. 2000), (2) as a powerful instrument to enhance the quality of services (Hays and Hill 2001), (3) as a tool to increase customer satisfaction (McCollough and Gremler 2004), and (4) as an instrument to effect service recovery and service development (Björlin-Lidén and Sandén 2004; Björlin-Lidén and Skalén 2003).

Most of the empirical research sheds light on the impact of service guarantees on consumer behavior from a socio-psychological perspective. However, some marketing researchers have established economic variables in the recent marketing research to enrich the understanding of consumer behavior (Kirmani and Rao 2000; San Martín and Camarero 2005). Therefore, the aim of our study is to assign the insights of economic theory to the service guarantee context to receive a more elaborate understanding of how service guarantees affect consumer behavior.

From a conceptual point of view, we develop a service guarantee model which is based on the insights of economic theory. For this we use two perspectives which have not been applied to marketing research so far: the measurement cost approach (Barzel 1982) and the risk sharing or insurance approach of warranties (Heal 1977). In our model we expect these two service guarantee dimensions to be an important antecedent of the intention to buy a service and of consumer opportunism, whereas the effect of the two dimensions on the intention to buy will be mediated by the customer's quality perception. These economic perspectives enable us to enrich the explanation of the impact of service guarantees on consumer behavior by giving evidence to the manner how the quality signal of a service guarantee works.

From a methodological perspective we develop multi item scales to measure the different guarantee dimensions. Potential items were obtained from the underlying theory and redefined and verified in a discussion group with several experts. The pool of items was pretested following conventional pretesting procedures (see Krosnick 1999) with 24 potential respondents out of the sample population to inspect the clarity of wordings and the perceivability of the different constructs. After respondents had completed the questionnaires problems concerning the understanding and handling of the pretest were discussed. Additionally, as we used a scenario technique to conduct the service guarantee manipulations the scenarios were pretested, too.

We quantify our theoretical findings using an experimental research design. In this experiential design we manipulated different guarantee designs, e.g., the compensation of the service guarantee. The structural equation model was estimated on data from 2,028 consumers using LISREL 8.72. The overall fit of the model indicates that the hypothesized model is a good representation of the structures underlying the observed data. All path coefficients are highly significant and in the hypothesized direction. Therefore, the insurance as well as the measurement cost reducing dimension of the service guarantee cause a higher quality perception and a higher intention to buy the service. But at the same time the insurance dimension will entail higher consumer opportunism, too. Thus, this results in a trade-off between the positive and negative outcomes of the service guarantee. The moderator analysis which has been tested using the LISREL multigroup approach indicates that these results will be affected by the design of the service guarantee. With our results we provide further insights in the applicability of economic approaches especially to marketing research.

Finally, from a managerial perspective we derive implications for the design and the communication strategy of service guarantees. References are available upon request.

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MEASURING THE VALUE OF WORD-OF-MOUTH AND ITS IMPACT IN CONSUMER COMMUNITIES

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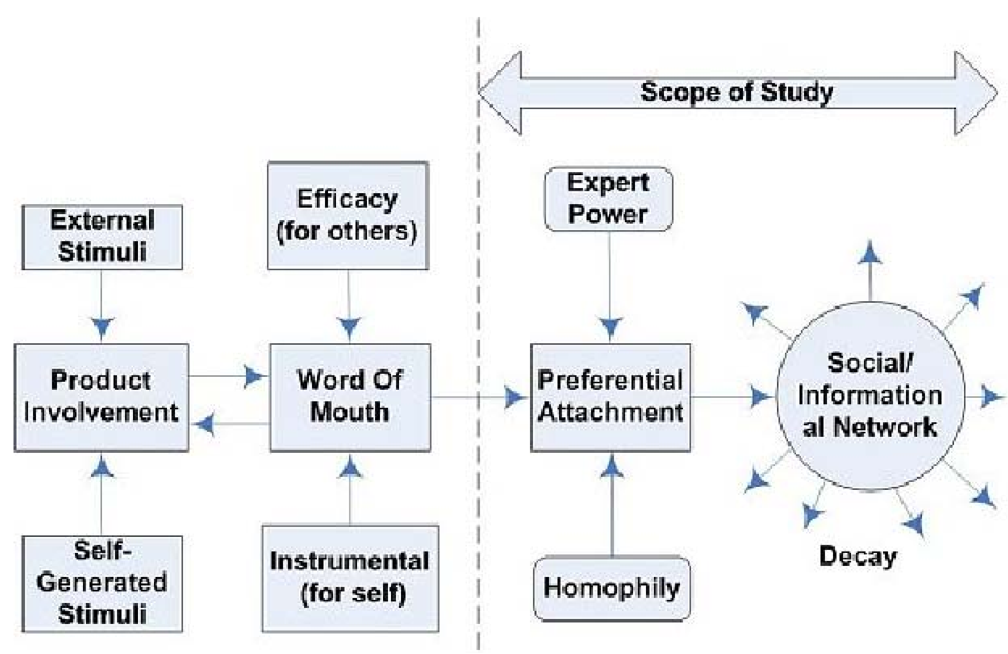
SUMMARY

Jim Nail (2005) of Forrester Research recently reported that VNU, a large market and media research company, purchased a stake in BuzzMetrics, a word-of-mouth measurement startup. He interpreted this move as a signal that the measurement of consumer-generated media was becoming as important as traditional market research methods. BuzzMetrics measures word-of-mouth as an indication of product involvement. The Advertising Research Foundation, American Association of Advertising Agencies and Association of National Advertisers seem to recognize that existing ways of inferring product involvement are inadequate as they have announced a joint-venture to define a "consumer engagement" metric to complement traditional exposure metrics (such as Nielsen ratings).

Even though the internet abounds in customer-generated media, most of it gets little attention. Current measures of word-of-mouth focus on quantity; there is a need for quantitative measures of impact or importance. There is also a need to determine the impact highly-valued word-of-mouth has on involvement. These are the issues addressed by this paper. Word-of-mouth is a network phenomenon: people create ties to other people with the exchange of units of discourse that link to create an information network while the people create a social network. As a result, this paper proposes a metric for word-of-mouth importance and investigates the impact highly-valued discourse has on product involvement.

This study proposes the model of Figure 1 to show how waxing and waning product involvement is responsible for the growth and decay of product-oriented online communities. The first phase of this study validates a metric derived from Google's PageRank™ algorithm for listing the websites returned from a search in decreasing order of popularity. This adapted PageRank™ (APR) metric is a better measure of information and social network importance (social capital) than the prevalent metric based on centrality (number of direct ties). Then the study demonstrates a practical difference between the two metrics by showing how they answer a question concerning the central influence in how people choose to join a network: Do people join a network by becoming friends with people similar to them or people with superior expertise? In so doing, the study shows that a person's

FIGURE 1
Conceptual Model of Consumer Network Dynamics



social capital is a measure of how much the community has appreciated their participation, not merely a reflection of the quantity and longevity of that participation.

The study demonstrates that new members are attracted by the information that was of highest value to the group, regardless of who the author is. Therefore *expert power,* not similarity nor social capital, is the primary attractor between members. It is interesting to observe that the highest density of ties between members is between those with the greatest expertise. Members with high expertise were shown to readily offer assistance to less knowledgeable members.

The archives of ten product-oriented Yahoo™ groups were used to construct the social and information networks studied. The Yahoo™ archives indicate the author of each message and the thread hierarchy of messages and their replies. This allows a knowledge network for each group to be constructed in addition to a social network between authors. These groups were purposely selected to get large, highly active groups with wide diversity in their underlying subject matter and large volumes of messages.

Companies should determine if their products or competitors are the subject of substantial online discussion. If a company's products get a lot of attention in online communities, they should host a blog to take an active role in conversing with their user community. High quality community content causes "lurkers" to become active contributors, probably increasing their product involvement. The same influence should invigorate customer-evangelists and increase sales.

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MEASURING BRAND EQUITY: A STUDY OF A NON-DURABLE PRODUCT

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SUMMARY

Academic literatures in the area of brand equity have examined the significance of brand equity and how an organization can have substantial competitive advantage by developing a strong brand (Hoeffler and Keller 2003). While there are numerous conceptual models of brand equity in the literature, there is no consensus on what constitutes the multi-dimensional aspect of brand equity. Research work measuring different components of brand equity has only examined durable products. This study extents this research by examining the different components of consumer-based brand equity and the sub-components which can play a significant role in determining the brand equity of a non-durable product.

A pre-test was conducted to determine the brands that were recalled frequently by beer consumers in New Zealand. The top four brands that were recalled were used in our study (Tui, Speights, DB, Lion). A survey questionnaire was then used incorporating questions to measure each of the components of brand equity. The components used were: brand awareness, brand personality, organizational associations, perceived quality and brand loyalty (Aaker 1996a; Aaker 1997; Aaker 1996b; Jacoby, Chestnut, and Fisher 1978). The variables used for measuring brand awareness were recognition, recall and top of mind. The variables used for measuring brand personality were "down-to-earth," "daring," "reliable," "upper-class," and "tough." The variables used for measuring the organizational associations were "like," "proud," and "trust." Brand loyalty was measured by asking some direct questions as to whether the consumers will purchase the brand if the opportunity arises, if they would continue to keep purchasing a particular brand, if they will be ready to pay a higher price for a brand and how committed they are to a specific brand. Respondents were asked to rate these questions on a scale of 1 to 7. The sample size for the study was 63 and the data was collected in New Zealand through a snow-ball sampling approach.

An exploratory factor analysis was undertaken for organizational associations, brand personality, perceived quality and the brand loyalty measurements. Three factors were derived, with the first factor explaining 31.59 percent of the total variance, the second factor explaining 19.3 percent of the total variance and the third factor explaining 15.36 percent of the total variance. A confirmatory factor analysis was estimated to verify the measurement model using the AMOS software. The overall fit of the measurement model is given as follows, CMIN = 61.13 p = .000 and RMSEA = .075. The global fit measures show that the model adequately fits the data (CFI -.944, NFI -.926, RFI -.834, IFI -.945).

From the model it was gathered that an organization will be viewed as a "brand" for a non-durable product. It can be easy for consumers to project the brand image onto the organization when they are familiar with a specific brand of a non-durable product and this is inferred from the study. The first two constructs (refer to the Appendix) project different dimensions of brand personality. The first construct can be seen as measuring the "Excitement" dimension ("Proud+Upper Class" and Daring) of brand personality whereas the second construct (Consistent quality, "Reliable+Trust," and Down-to-Earth) can be seen as measuring the "Competence" dimension of brand personality (Aaker 1997). Brand loyalty explained most of the variance whereas brand personality and brand awareness had very low variance. Brand awareness[1] had no relationship with brand loyalty or with any of the brand personality dimensions, contradicting the results of other research findings (e.g., Pappu et al. 2005; Keller 1993; Aaker 1996a). Unlike durable products, non-durable products are purchased more often, with more brands available in the market, with little differences across brands and with much less price commitment than the purchase of durable products.

Our findings suggest that it is important for organizations to include some "excitement" and "competence" when promoting their product so their brand stands out in comparison to other competing brands. Given that non-durable products are purchased more often than the durable products, the probability of a consumer being aware of brands in a non-durable product category could be high. However, they might not actually purchase the brand or have any type of brand association which could influence their purchase. The traits describing each of the brand personality dimensions in our study also differ from that of Aaker (1997). This could be because the brand personality scale developed by Aaker (1997) was tested with brands in USA and the stability of this scale across cultures is questionable (Alvarez-Ortiz and Harris 2002).

Consumers are not involved in significant information gathering when making a purchase decision of a non-durable product and hence perceived quality as a separate dimension explaining brand equity is minimal.

In this study, we selected a number of personality traits to measure each of the five dimensions of brand personality. In future research, we recommend a pre-test using the other personality traits as described by Aaker (1997) and test other parameters for organizational associations. A change in the brand personality traits and organizational association parameters could have impacted the results of this study. We also recommend a pre-test to identify the variables to measure "perceived quality" for a non-durable product. Previous research in this area shows that the quality perception of durable and non-durable products differ and consumers do not engage in significant information gathering when making a purchase decision of non-durable products (Moorthy and Zhao 2000). The variables used in this study did not sufficiently highlight the significance of the impact of perceived quality on brand equity. Brand awareness had no relationship with brand loyalty and brand personality dimensions. This area should definitely be revisited again to explain the significance of brand awareness component of a non-durable product.

ENDNOTE

[1] Brand Awareness includes the measures of Recall and Recognition. The fit did not considerably improve nor the relationships changed by just including each individual component of brand awareness.

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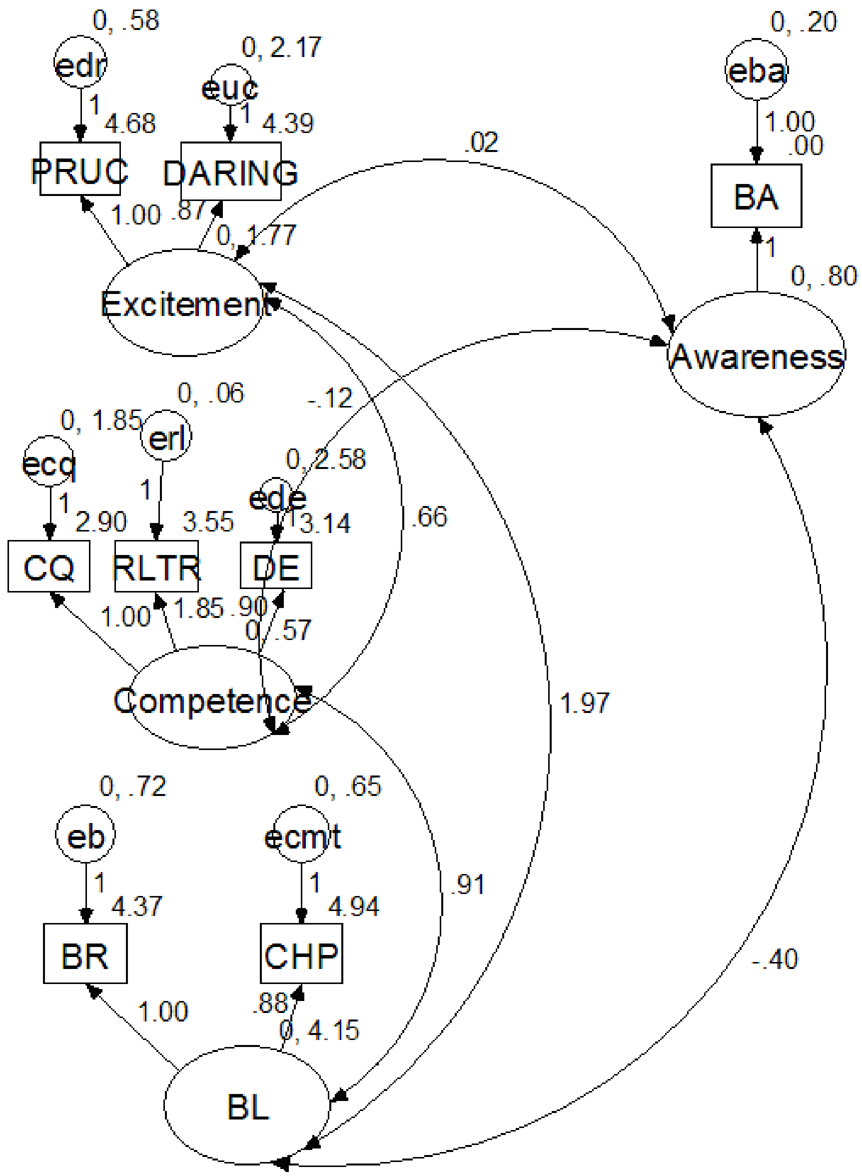
APPENDIX



Excitement: "Daring (DR)" and "Proud and Upper Class (PRUC)."
Competence: "Down to Earth (DE)," "Reliable and Trust (RLTR)," and "Consistent Quality (CQ)."
Brand Loyalty: "Commitment and High price (CHP)," "Likelihood of Purchase and Repeat Purchase (BR)."
Brand Awareness (BA): Recall and Recognition measures.

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MEASURING CONSUMERS' WILLINGNESS TO PAY WITH THE CONTINGENT VALUATION APPROACH

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SUMMARY

Knowledge of consumers' exact willingness to pay or reservation price is fundamental for a firm's pricing decisions and profitability. In the marketing literature, two main approaches to determine consumers' willingness to pay have been discussed (Iacobucci 2001; Wertenbroch and Skiera 2002): the contingent valuation approach and conjoint measurement. In the contingent valuation approach consumers explicitly state their willingness to pay for a specific product. In contrast, conjoint-measurement determines the consumers' willingness to pay indirectly (Sattler and Hensel-Börner 2001), i.e., consumers are not directly asked to state their willingness to pay. Conjoint measurement has often been preferred due to a presumed advantage in reliability and validity (Backhaus et al. 2005). However, recent empirical findings question the superiority of the conjoint-measurement approach (e.g., Sattler and Hensel-Börner 2001; Sattler and Voelckner 2002). In their meta-analysis Sattler and Hensel-Börner (2001) demonstrate, that the majority of the studies surveyed show either a non significant difference between the two methods or even a higher predictive reliability or validity for the contingent valuation approach. Against this background and considering the fact, that the contingent valuation approach offers some practical advantages such as easiness to use as well as cost and time savings (Arrow et al. 1993), the contingent valuation approach may be a promising alternative to conjoint measurement for eliciting consumers' willingness to pay. However, there is only very limited conceptual discussion and empirical evidence how the contingent valuation approach should be conducted properly. This research deficit provides a promising research opportunity which we address in our study. Specifically, in our study we will answer the following research questions:

1. Does hypothetical bias exist in the context of consumer goods when consumers' willingness to pay is measured with a contingent valuation approach using dichotomous choice (DC), payment card (PC), and open-ended (OE) question format?

2. If hypothetical bias exists in a contingent valuation approach, which question format yields the lowest hypothetical bias and hence the least biased results with regard to consumers' willingness to pay?

3. Does product-related involvement of the consumer have an impact on the hypothetical bias and hence the external validity of the contingent valuation approach for measuring consumers' willingness to pay?

4. Does the hypothetical value of the respective product have an impact on the hypothetical bias and hence external validity of the contingent valuation approach for measuring consumers' willingness to pay?

Results and Discussion

Our study dealt with the issue of how to properly conduct price surveys using the contingent valuation approach. More specifically, we investigated in our first research question, whether a hypothetical bias (defined as the difference between hypothetical willingness to pay (HWTP) and the actual willingness to pay (AWTP)) exists when eliciting consumers' willingness to pay with DC, PC, or OE question format in the case of a consumer good. Our results indicate considerable hypothetical bias for consumer goods no matter which question format is used. Therefore, we can conclude, that hypothetical bias not only occurs in the case of public goods, but also for private/consumer goods in contingent valuation approach-based surveys.

With regard to our second research question concerning the most appropriate question format to measure consumers' willingness to pay, we were able to show, that the PC question format yielded the least valid estimates of the consumers' actual (real) willingness to pay (AWTP), closely followed by the OE format. The DC format yielded the highest bias ratio and therefore the least valid actual willingness to pay estimates. Thus, market researchers are advised to use the PC format when conducting price surveys based on the contingent valuation approach.

Our third research question related to the situational variables that may impact the magnitude of the hypothetical bias and hence the validity of contingent valuation approach-based surveys. In this context, we were able to show that the measurement error, i.e., hypothetical bias is affected by the product-related involvement of the consumer. When individuals are highly involved, hypothetical statements of the willingness to pay seem to be more

accurate as compared to individuals with lower involvement. Therefore, marketing researchers should bear in mind, that the contingent valuation approach yields more accurate willingness to pay statements when product involvement is high. In other words, the contingent valuation approach is a viable alternative to conjoint measurement, especially when respondents are highly involved.

The fourth research question dealt with the impact of the stated hypothetical value of the product on the hypothetical bias and hence the validity of the contingent valuation approach. We found, that when the perceived value of a product is low, the contingent valuation approach seems to produce less biased willingness to pay statements, than when the perceived value of the respective product is high. In other words, the contingent valuation approach seems more promising to measure consumers' willingness to pay when the product value is low. References available upon request.

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THE ROLE OF TRUST AND COMMITMENT IN ADOPTING E-PROCUREMENT TECHNIQUES

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ABSTRACT

Based on social exchange theory, we posit the influence of trust and commitment in buyer-seller relationship on e-procurement adoption. A set of perceived drivers barriers are also proposed as antecedents of e-procurement. Type of procurement and the type of buying situation are proposed as moderators in the model.

INTRODUCTION

With the availability of Web-based e-commerce applications, organizations feel that new opportunities have been created to radically improve their business processes (Subramaniam and Shaw 2004). Among these processes is the purchase/procurement process. Procurement includes the process of strategy development, supplier selection, negotiation, supplier evaluation, and supplier development. It also includes the processes of purchase request, authorization, order delivery, and payment between purchaser and supplier (Sain et al. 2004).

As purchase/procurement processes have become costly activities for business over the years, top managers in organizations have begun to take active interest in them. With the proliferation of technologies, the resulting e-procurement practices have evolved to include a number of communication media such as: mail, phone, fax, EDI, e-mail, and the Internet. They also include diverse activities, such as electronic ordering, electronic submission of tenders, and electronic mail between buyers and sellers (Chakraborty et al. 2002, 2003; Kheng and Al Hawamdeh 2002).

Adopting e-procurement techniques depends heavily on the perceived benefits or drivers, such as reduction of transaction cost and better inventory management (Hawking et al. 2004; Kein, Frazier, and Roth 1990; Kheng and Al Hawamdeh 2002). However, these benefits are neither guaranteed upon implementation of an e-procurement system nor realized uniformly across different organizations.

Several costs or barriers have also been identified that are encountered in the adoption of e-procurement, such as issues of security and the cost of new technology platforms (Hawking et al. 2004; Kheng and Al Hawamdeh 2002; Subramaniam and Shaw 2004). In addition, the physical separation of buyers and suppliers entails a significant challenge in adopting e-procurement techniques, which underscores the importance of developing a trustworthy relationship (Ryssel, Ritterand, and Genunden 2004; So and Scull 2002). However, the way that trust may be gained and its impact on the adoption of e-procurement are not well understood in the literature.

This paper aims to objectively conceptualize trust and commitment to understand what roles they play in the adoption of electronic procurement. Many researchers have examined different antecedents of e-procurement adoption and have found empirical evidence to support their claims. However, most of these studies have ignored how the influence of these antecedents may vary depending on many factors such as type of procurement or complexity of buying situations. This is important because organizations will likely adopt different e-procurement techniques for different procurement types and in different buying situations.

Therefore, the objective of this research is to address this gap in the literature by building a model specifying the perceived drivers and perceived barriers of adopting e-procurement techniques from a customer perspective, and by showing how the adoption varies based on procurement type and buying situation. Furthermore, building on social exchange theory, this study proposes the role that trust and commitment play in influencing the perceived barriers and the adoption of e-procurement techniques.

The rest of the paper is organized as follows. First, we review and summarize previous work within the e-procurement literature. Second, we develop propositions regarding the antecedents of e-procurement adoption. Third, we use contingency theory to explain the moderation effect of the type of procurement and the type of buying situation on the relationship between the perceived drivers and barriers and the adoption of e-procurement techniques. Fourth, using social exchange theory, we develop propositions regarding the relationship between the perceived drivers and trust and how trust in turn influences the adoption of e-procurement techniques. Finally, the relationship between trust and commitment is explored in addition to the role that they play in affecting the perceived barriers of e-procurement adoption.

THEORETICAL FRAMEWORK

Social Exchange Theory (SET) provides a framework to examine the role of trust and commitment in adopting e-procurement techniques. Lambe, Wittman, and Spekman (2001) identify four premises for Social Exchange Theory (SET): (1) exchange interactions result in economic and social outcomes, (2) these outcomes are compared to alternatives, (3) positive outcomes over time increase trust and commitment, and (4) positive exchange interactions over time produce relational exchange norms.

Previous research examined the role of trust from multiple perspectives such as manufacturers' and distributors' perspectives (Anderson and Narus 1984, 1990), organizational networks' perspectives (Anderson, Hakansson, and Johnson 1994; Bucklin and Sengupta 1993; Claycomb and Frankwick 1997), and buyers' and suppliers' perspectives (Schurr and Ozanne 1985; Wathne, Boing, and Heide 2001; Wilson 1995). In addition, Ryssel, Ritterand, and Genunden (2004) examined the impact of technology deployment on trust, commitment, and value creation in business relationships. We believe that a model based on the social exchange theory will also be useful in studying the factors that influence the adoption of e-procurement techniques.

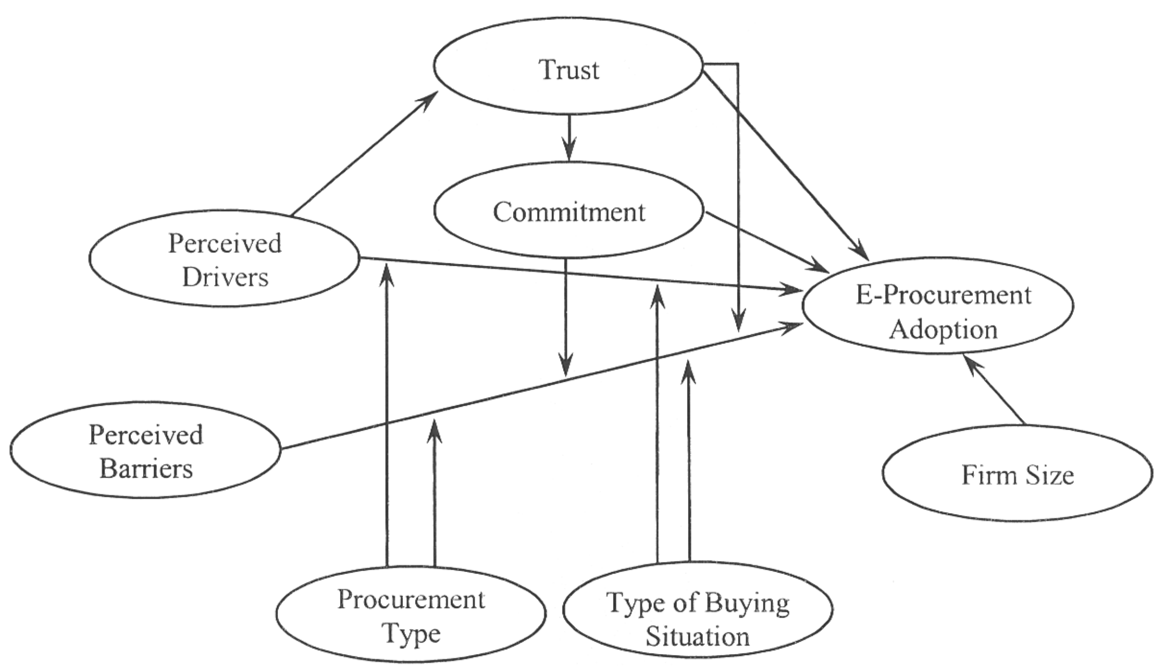
According to Morgan and Hunt (1994), trust and commitment play a major role in a successful relationship because they encourage marketers to: (1) work at preserving relationship investments by cooperating with exchange partners, (2) resist attractive short-term alternatives in favor of the expected long-term benefits of staying with existing partners, and (3) view potentially high-risk actions as being prudent because of the belief that their partners will not act opportunistically. Therefore, trust and commitment lead directly to cooperative behaviors that are conducive to relationship marketing success.

Figure 1 depicts a model that proposes relationships among the conceptual constructs examined in this paper. Each of the four constructs (perceived barriers, perceived benefits, trust, and commitment) in our model has been identified by prior researchers to directly influence the e-procurement solutions adoption. However, the moderation and mediation effects of trust and commitment in the proposed model are our contributions based on the conceptualization of these constructs by Morgan and Hunt (1994).

Barriers to E-Procurement Adoption

Adopting e-procurement is not costless. Several barriers emerge that challenge this adoption. Bingi, Mir, and Khamalah (2000) found that the major concerns that face electronic commerce adoption are the absence of technological infrastructures, information security, and privacy of exchange. Moreover, Kheng and Al Hawamdeh (2002) reported that the amount of required investment and the inadequate in-house skills are the main barriers that

FIGURE 1
The Role of Trust and Commitment in Adopting E-Procurement Techniques



Singapore companies faced in implementing e-procurement techniques.

Hawking et al. (2004) found that the lack of integration with business partners and the absence of corporate strategy with respect to e-procurement contributed to the barriers to adopting e-procurement techniques. Based on this review, we propose the following.

P_1: There is a negative relationship between business customers' perceived barriers and the adoption of e-procurement techniques.

For a summary of the barriers found in the literature and their references, see Table 1.

Drivers of E-Procurement Adoption

A large body of literature also delineates the benefits of adopting e-procurement practices as a solution for managing the order process. Hawking et al. (2004) found that companies adopt e-procurement techniques to improve market intelligence and to reduce the operational and inventory cost incurred in the transaction.

Kheng and Al Hawamdeh (2002) also assert that the premise of reducing overall purchasing and transaction costs seems to be the key motivation behind adopting e-procurement techniques among companies in Singapore. Accordingly, based on this discussion, we propose the following.

P_2: There is a positive relationship between the business customers' perceived benefits and the extent of adopting e-procurement techniques.

For a summary of the drivers found in literature and their references, see Table 1.

Procurement Type and E-Procurement Adoption

Procurement type is also considered an important factor in understanding the motivation for adopting e-procurement techniques. While there are many ways to

TABLE 1
The Perceived Barriers/Cost of Adopting E-Procurement Techniques

Barriers/Cost	**Reference**
Changing the way people work	Kheng and Al Hawamdeh (2002)
Lack of top management support	Kheng and Al Hawamdeh (2002)
Inadequate in-house technological infrastructure	Kheng and Al Hawamdeh (2002)
Inadequate IT personnel (in house)	Kheng and Al Hawamdeh (2002)
Concerns about security of information exchange	Bingi, Mir, and Khamalah (2000)
Inadequate technological infrastructure of business partner	Bingi, Mir, and Khamalah (2000)
Concern about privacy of information exchange	Bingi, Mir, and Khamalah (2000)
Concern about data confidentiality	Bingi, Mir, and Khamalah (2000)
High technological implementation cost	Kheng and Al Hawamdeh (2002)
Lack of IT system integration with the partner	Hawking et al. (2004)
Lack of corporate strategy with respect to e-procurement	Rajkumar (2001)
Drivers/Benefits	**Reference**
Low price	Kheng and Al Hawamdeh (2002)
Shorter cycle time for order completion	Subramaniam and Shaw (2004)
Reduce maverick buying	AGIMO (2004)
Increase accuracy of ordering	Subramaniam and Shaw (2004)
Low inventory carrying cost	Hawking et al. (2004)
Increase accuracy of planning	Rajkumar (2001)
Greater selection of suppliers	Bartizzaghi and Ronchi (2003)
Easy to switch among suppliers	Bartizzaghi and Ronchi (2003)
Easy to try new suppliers	Bartizzaghi and Ronchi (2003)
Low transaction cost	Kheng and Al Hawamdeh (2002)
Improved visibility of supplier product	Hawking et al. (2004)
Better inventory management	Konicki (2002)
Better decision making	Hawking et al. (2004)
Improved market intelligence	Hawking et al. (2004)

classify procurement types, the following is a commonly used broad-based classification in the procurement context.

- Direct materials: A production good directly needed for the main production of the buyer (Integrated Manufacturing System 2002). These are typically industry-specific.

- Indirect materials: Also referred to as MRO (Maintenance, Repair, and Operating) supplies. These are not used directly in production (such as copier papers) but are needed in any industry for smooth running of operations (Bartezzaghi and Ronchi 2003; Integrated Manufacturing System 2002; Minihan and Degan 2001).

Contingency theory suggests that the situation may influence the strength of relationships between constructs (Calantone, Garcia, and Droge 2003; Spekman and Stern 1979). In this case, the value-adding potential of a material and its supply risks jointly determine the material's strategic value. Hence, direct materials spending has more strategic importance than indirect materials spending. While electronic media may make transactions or communications efficient, many purchasing managers do not feel psychologically comfortable with procuring direct materials via electronic platforms because of their high strategic importance (Sain, Owens, and Hill 2004). However, firms are increasingly making routine purchases of items such as operating and office supplies through online sites (Hawking et al. 2004; Minihan and Degan 2001). Hence, business customers' adoption of e-procurement techniques will vary, depending on the type of procurement (i.e., direct materials or indirect materials). Therefore, we propose the following.

P_3: The type of procurement will moderate the influence of perceived barriers/ drivers on the adoption of e-procurement techniques and the magnitude of the moderation effect will be stronger for direct materials.

Complexity of Buying Situation and E-Procurement Adoption

The literature classifies buying situations into three main categories: straight rebuy, modified rebuy, and new task purchase (Kotler 2000; Robinson, Faris, and Wind 1967; Sain, Owens, and Hill 2004).

- Straight rebuy is characterized by reordering on a routine basis leading to little information search and less perceived risk on the part of buyers.

- Modified rebuy is either an upgraded "straight rebuy" or formerly new task that has become familiar with buyers. In these situations, buyers become active in searching for new information because they want to modify or change purchase conditions and their perception of risk increases from the level of risk in straight rebuy situations.

- New task occurs when buyers purchase strategically important products for the first time. There are no predetermined procedures to follow. Buyers typically perceive high risk and consequently engage in active and extensive information search.

As the buying situation moves from straight rebuy to new task, the purchasing task clearly becomes more complex. A buyer needs more information from its supplier and usually sets up a joint team whose objective is to design the new task buy (Sain, Owens, and Hill 2004). This means there will be additional investment in human and physical assets, along with a high level of integration and cooperation between partners that will differ among the levels of buying situation, which eventually will influence the use of e-procurement techniques.

Spekman and Stern (1979) argued that the degree to which buying center members are actively involved in the procurement process varied from a fairly routine situation to extremely complex one. Extending this to our context, the adoption of e-procurement techniques will likely vary among the levels of buying situation. Therefore, we propose the following.

P_4: The complexity of buying situation will moderate the influence of the perceived barriers/drivers on the adoption of e-procurement techniques such that the more complex the buying situation, the greater will be the influence of the perceived barriers/drivers on the adoption of e-procurement techniques.

Perceived Benefits and Trust

Trust has been conceptualized by many researchers in different contexts. Moorman, Zaltman, and Deshpande (1992) defined trust as "a willingness to rely on an exchange partner in whom one has confidence, p. 315." This view suggests that both beliefs and behavioral intentions must be present for trust to exist; as in the absence of beliefs about a partner's trustworthiness, reliance on him would be a function of power rather than trust.

Morgan and Hunt (1994) conceptualized trust as existing when a party has confidence in an exchange partner's reliability and integrity. The authors argued that one could not label a partner as "trustworthy" if one were not implicitly willing to take action. Ganesan (1994) extended the concept of trust to reflect two distinct components: (1) credibility, which is based on the extent to which the firm believes that the partner has the required expertise to perform a job effectively, and (2) benevolence, which is based on the extent to which the firm believes that the partner has intentions and motives that are beneficial to the firm when new conditions arise. By comprehending these definitions, we conceptualize trust as "the belief that partners possess the credibility and benevolence that are necessary to ensure cooperation between the two parties to meet the obligations of the exchange relationship."

Trust has also been studied in the context of information technology and online commerce. Empirical evidence supports the notion that the perceived benefits sought from IT deployments enhance a firm's trust in its partner as deploying information technology enables the partner to provide timely, accurate, and more reliable information to a business (Ryssel, Ritterand, and Genunden 2004). Based on this discussion, we propose the following.

P_5: There is a positive relationship between the buyer's perceived benefits of e-procurement techniques provided by his partner and buyer trust in his partner.

Trust and E-Procurement Adoption

Morgan and Hunt (1994) examined trust as an antecedent to ensure cooperation between two parties in a vertical integration relationship. Moreover, in his investigation of the role of trust in EDI adoption in Ford Company, Ratnasingam (2001) found that trading partner's trust was seen as an implicit and essential factor for EDI adoption. In the same context, Hausman and Stock (2003) found that high levels of trust between focal and recipient firms are positively correlated with cooperative adoption of EDI by recipient firms. Hence, trust is an important ingredient to facilitate the adoption of e-procurement techniques by buyers to ensure cooperative relationships with their suppliers. Therefore, we propose the following.

P_7: There is a positive relationship between buyers' perception of suppliers' trust and the adoption of e-procurement techniques.

Trust and Commitment

Like trust, commitment has played a substantial role in exchange relationships (Dwyer, Schurr, and Oh 1987; Moorman, Zaltman, and Deshpande 1992; Morgan and Hunt 1994). Dwyer, Schurr, and Oh (1987) defined commitment as "an implicit or explicit pledge of relational continuity between exchange partners, as they have achieved a level of satisfaction from the exchange process that virtually precludes other primary exchange partners who could provide similar benefit." Trust is also considered an integral concept in understanding expectations for cooperation and planning for relational contracts.

Firms believe that if the exchange relationship with a partner has met or exceeded their expectations, they will consider this relationship valuable and beneficial. Accordingly, Moorman, Zaltman, and Deshpande (1992) defined commitment as an enduring desire to maintain a valued relationship. The authors asserted that trust and perceived quality of interaction contribute most significantly to research utilization.

The Moorman, Zaltman, and Deshpande (1992) definition goes along with the Morgan and Hunt (1994) conceptualization of commitment: parties will commit to a relationship when they believe that it is worth working on to ensure that it endures indefinitely. Hence, we adopt the Morgan and Hunt (1994, p. 23) definition of commitment as "an exchange partner believing that an ongoing relationship with others is so important as to warrant maximum efforts at maintaining it, that is, the committed parties believe that the relationship is worth working on to ensure that it endures indefinitely."

Committing to a partner in an exchange relationship entails vulnerability (Morgan and Hunt 1994) and a propensity to engage in risky exchange (Moorman, Zaltman, and Deshpande 1992); therefore, parties will seek only trustworthy partners (Morgan and Hunt 1994). Therefore, we propose the following.

P_8: There is a positive relationship between trust and commitment.

Commitment and E-Procurement Adoption

The cooperative relationship in the form of e-procurement techniques adoption entails substantial investment in both human and technological assets (Kheng and Al Hawamdeh 2002; Rajkumar 2001). This investment is considered a sunk cost for both parties that has little value outside their relationship. As a consequence, it will enhance the closeness and the attachment between parties and hence the degree of cooperation between them. In this context, a positive link between EDI and buyer-supplier relationship has been proposed in the majority of research on EDI. These researchers noted that commitment between the trading partners must precede the EDI implantation efforts (Larson and Kulchitsky 2000).

In summary, empirical evidence has shown that commitment influences acquiescence to partner specific requests (Morgan and Hunt 1994) through the deployment of shared information technology (Ryssel, Ritterand, and Genunden 2004). Therefore, we propose the following.

$P_{9:}$ There is a positive relationship between buyers' perception of suppliers' commitment and the adoption of e-procurement techniques.

Moderation Effects

The role of relationship commitment goes beyond facilitating the exchange relationship. As mentioned earlier, committing to a partner entails vulnerability (Morgan and Hunt 1994) and propensity to engage in risky exchange (Moorman, Zaltman, and Deshpande 1992). Moreover, the willingness to make idiosyncratic investment (such as in specialized equipments) by suppliers provides evidence that the supplier can be believed and cares for the relationship (Ganesan 1994; Sahay 2003).

Houston (2001) emphasized the importance of trust in the e-business world. He asserted that many e-business relationships are highly collaborative, demanding the sharing of complex information yet potentially short lived. Moreover, relationship trust will reduce the concerns regarding sharing confidential information between parties that is needed in any partnership (Hart and Johnson 1999); this effect is expected due to risk of vulnerability. Furthermore, buyers could disclose information to the supplier's competitors. Thus, the cost of information being used improperly will be high (Kelly and Kerwin 1993).

Both trust and commitment act as buffers to protect the exchange relationship through the reduction of the perceived risk associated with the issues of investment and information confidentiality. Therefore, we propose the following.

P_{10}a: "Relationship Trust" will moderate the negative effect of the perceived barriers on the adoption of e-procurement techniques such that the stronger the buyer's trust in his supplier, the weaker the negative effect of perceived barriers on adopting e-procurement techniques.

P_{10}b: "Relationship Commitment" will moderate the negative effect of barriers on the adoption of e-procurement techniques such that the stronger the buyer's perception of his supplier's commitment, the weaker the negative effect of perceived barriers on adopting e-procurement techniques.

Firm Size

The importance of investigating the effect of firm size on technology adoption choice in e-procurement is derived from the fact that firms vary by financial resource levels, technical skills, and managerial skills. These will impact their ability to handle the level of software complexity and the amount of investment in e-procurement techniques (Kauffman and Mohtadi 2004). Managers of large companies believe that they have a greater differential in value (i.e., benefits outweigh cost) than smaller companies for adopting e-procurement. They perceive benefits' increase in relation to cost due to implementing EDI along a company's supply chain (Integrated Manufacturing System 2002). Hence, e-procurement adoption can imply greater scalability for business process as larger companies can derive greater return from e-business investment. Therefore, firm size is shown as a control variable in the diagram (Wu et al. 2003).

IMPLICATIONS

Based on a literature review and social exchange theory, we have developed a theoretical model to explain e-procurement adoption in firms. While some of the major constructs in our model (perceived drivers and barriers, trust, and commitment in relationship between buyer-seller) have been explored in prior research in the context of e-procurement and/or e-business, prior research has typically considered direct effects of these constructs. Our model incorporates those direct effects. But, more importantly, we also examine the presence of indirect effects (such as the indirect effect of trust via commitment on e-procurement adoption), moderating effects (such as the moderating effect of trust on perceived barriers influence on e-procurement), and mediating effects (such as the mediating effect of trust between perceived drivers and e-procurement adoption). We also consider the moderating effects of the type of procurement (direct versus indirect) and the type of buying situation (straight rebuy, modified rebuy, and new buy) on the relationships between perceived drivers/barriers and e-procurement adoption.

We believe that the delineation of these paths among these constructs in the e-procurement context is an important contribution to development of knowledge in this field. Of course, the real proof of whether this model adequately captures the intricacies inherent in the e-procurement adoption decision by firms must wait future research to empirically test and validate our model using a field-survey. Finally, given the recent evidence that business-to-business buyers differ in their perceptions of supplier's web sites between North American and European continents, future empirical research should investigate our model separately for buyers/sellers from these continents (Chakraborty et al. 2005).

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A FRAMEWORK FOR THE ADOPTION OF INTERFIRM TECHNOLOGIES IN CUSTOMER DRIVEN SUPPLY CHAINS

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SUMMARY

Customer driven supply chains are increasingly becoming popular and the primary focus of supply chains is shifting, from improving the material flow of a small selected group of first tier suppliers, to satisfying the ever-changing needs of the ultimate consumer (Svensson 2002). This change in focus can be primarily attributed to the increasing power of both the retailers and the end consumers (Martin 2004). Evidence of this change in supply chains can be seen in The Campbell Soup Company who, since 2001, has shifted its supply chain focus from reducing costs to concentrating more on their customer's needs (Clark 2004). Procter and Gamble also recently won a "Manufacturer of the Year Award" for developing a Customer Driven Supply Network that enables them to concentrate more on satisfying the rapidly changing needs of their customer (Sowinsky 2004).

Firms are increasingly relying on interfirm technologies to effectively respond to their customer's demand and also to manage their complex global multilayered partnership network (Grover 1993). The successes of companies like Walmart and Dell can, to a large extent, be attributed to their ability to use supply chain technologies to respond to their customer's demand. Recognizing the value of these technologies, information technology is now being considered by some to be the most important factor in supply chain management (Patterson et al. 2003). Examples of interfirm technologies include: Electronic Data Interchange (EDI), Radio Frequency Identification (RFID), Industry Data Warehouses (IDW), Point of Sale (POS) technologies, and Vendor Managed Inventory (VMI).

Although the value of B2B technologies is widely accepted (Xie and Johnson 2004), two key problems have arisen regarding the adoption of these technologies. First, companies are struggling to get their supply chain partners to adopt these technologies. For example, while 95 percent of Fortune 1000 firms have implemented EDI, only 2 percent of the remaining U.S. businesses have done so despite aggressive encouragement from the major players (Chwelos et al. 2001). Second, of the companies that have adopted interfirm technologies, a large numbers of these complex and expensive systems have failed. These problems suggest that substantial barriers exist regarding the adoption and performance of interfirm technologies in supply chains (Patterson et al. 2003).

Extensive research has been conducted on technology adoption, however relatively little of it focuses on adoption by organizations. The majority of technology adoption research found in the academic literature focuses on technology adoption by individuals (Rogers 2003). The existing interfirm technology adoption studies are inconsistent in their choice of constructs and as a result have been inadequate in their efforts to explain why companies adopt interfirm technologies. While each of the interfirm studies explores a portion of adoption, none of them has developed a set of constructs that adequately explains the phenomenon.

One particularly important area that has been ignored or inadequately covered in numerous interfirm technology adoption studies is the importance of interfirm relationships (e.g., Damanpour 1991; O'Callaghan et al. 1992). Relationship variables like trust and justice have been identified as very important influences of interfirm technology adoption (Grossman 2004; Hart and Saunders 1997), yet most of the interfirm adoption studies ignore them. Since the adoption of interfirm technologies in supply chains are usually initiated by a company that needs to convince its trading partners to adopt a complex and expensive technology, interfirm relationships are absolutely important in any effort to adopt an interfirm technology (Grossman 2004).

The goal of this research is to develop a framework that identifies the antecedents to the adoption of interfirm technologies by supply chains partners. The paper identifies constructs that are new to the interfirm technology adoption literature and offers some directions for future work in the form of propositions. References available upon request.

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MOVIE ANYONE? AN INVESTIGATION OF ONLINE REPUTATION MECHANISMS AS SOCIAL CAPITAL INFLUENCING CONSUMER NEW PRODUCT INTEREST

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SUMMARY

The digitization of word-of-mouth gave birth to the research stream of online feedback mechanisms (Dellarocas 2003). So far, the majority of empirical research on online feedback mechanisms has focused on how buyers and sellers build reputations in websites like eBay (e.g., Resnick and Zeckhauser 2001). We still do not know (1) how consumers use the information provided by online feedback mechanisms in their decision-making process, and (2) how online feedback mechanisms affect marketing communications such as advertising (Dellarocas and Resnick 2003). In order to answer the first question, this paper organizes the current online feedback mechanisms into a 2x2 matrix of communication mode (one-way vs. two-way) and information content (qualitative vs. quantitative) to depict the different types of online feedback mechanisms consumers are exposed to in their decision making process. For the second question, this paper conducts two studies, both an archival data analysis and a lab experiment, to measure the quadrants in the matrix and compares their effectiveness in persuading consumer adoption of a new product, a new movie DVD, versus when consumers are only exposed to advertising messages.

Online reputation mechanisms are defined as digitized word-of-mouth expressed in large-scale feedback systems that allow consumers to evaluate products, services, or individuals (Dellarocas 2003). In other words, reputation mechanisms can also build reputation for products too. For example, Amazon.com gives rankings to books and publishes consumer reviews and in turn increases the value of some obscure books (Bryjolfsson et al. 2003). IMDb.com aggregates opinions of consumers and give number of stars to movies. Netflix uses collaborative filtering to match consumers' tastes and past rental history of movie DVDs. Which format of information is the most effective in leading a consumer's decision toward purchase besides advertising? Since the Internet has enabled the delivery of both advertising and digital word-of-mouth simultaneously, consumers are no longer necessarily exposed to advertising first and word-of-mouth later as previously assumed in the Two-Step Flow Theory (Katz and Lazarsfeld 1955). Instead, the reverse could be true.

The underlying assumption of the added-value of consumer-led online reputation mechanism is Social Capital. It is consumer interactions within the network in cyberspace that drives or increases the persuasion power of consumer digital word-of-mouth beyond advertising. Most consumer digital word-of-mouth is contributed by fellow consumers who are strangers participating in knowledge sharing for social capital growth (Wasko and Faraj 2005). It is "the things that people do" in actual knowledge building and exchanges (Romer 1986) that form product reputations.

This paper organizes various pre-existing online reputation mechanisms in a two-by-two matrix of communication mode (one-way versus two-way) and information content (qualitative versus quantitative). Together they facilitate consumer information processing. From the matrix, this paper argues digital word-of-mouth facilitated by online reputation mechanisms increases consumer social capital, and its additive effect on advertising leads to the main hypothesis of consumers who are exposed to (a) one-way quantitative evaluation, (b) one-way qualitative evaluation, (c) two-way quantitative evaluation, or (d) two-way qualitative evaluation from fellow consumers have more interest or more likely to adopt the product than when they are only exposed to advertising.

The empirical results from the first study of movie archival data analysis found the interaction of two-way qualitative and two-way quantitative reputation mechanism has a larger impact on DVD sales than the interaction of one-way qualitative and one-way quantitative reputation mechanism (The Betas are .56 versus .23, both statistically significant). These are the multiple regression results from movie DVD sales in 2003 (dependent variable) and Yahoo movie votes (one-way quantitative), grade (two-way quantitative), reviews (one-way qualitative), messages (two-way qualitative), and other control variables of sequel and MPAA ratings. In the second study, lab experiment results confirm that only the two-way quantitative reputation mechanism statistically significantly increases consumer interest in watching a movie DVD beyond advertising. The main managerial implication of this paper is that managers should consider the possibility of substituting advertising dollars with free published digital word-of-mouth from online reputation mechanisms. References available upon request.

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THE SYMBIOSIS OF MARKETING AND SALES: A TAXONOMY

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SUMMARY

The interface between marketing units and sales units increasingly climbs up the research agenda (Dewsnap and Jobber 2000, 2002; Rouziès et al. 2005). The relationship between marketing and sales has been portrayed as far from harmonious (Dewsnap and Jobber 2002; Montgomery and Webster 1997). However, caution is warranted when general statements are made about marketing and sales: The literature indicates that the interface between marketing and sales varies tremendously across companies and industries: While the orientations and knowledge of marketing and sales are far apart in some companies, they are aligned in others (Anderson 1996; Carpenter 1992; Lorge 1999). While sales are centered about products in some firms, it is centered about customer groups in others (Homburg, Workman, and Jensen 2000; Webster 1997). While marketing has a driving role in some consumer goods firms, it has a very limited role in some high-tech firms (Cespedes 1993; Workman 1993). Research by Homburg, Workman, and Krohmer (1999), Piercy (1986) as well as by Starr and Bloom (1994) confirms a huge degree of variation in the relative influence of marketing and sales.

Day (1997) proposes a conceptual typology of three marketing roles: functional fiefdom, subordinate function, and central guidance function. However, to the best of our knowledge, there has never been a study that empirically classifies the varieties of M&S configurations. More fundamentally, the general lack of empirical academic studies on the marketing and sales interface is troubling. We are aware of only one published quantitative study that is dedicated to the M&S interface (Strahle, Spiro, and Acito 1996). There is a need for large-scale, quantitative studies to better understand how separate marketing units and sales units are configured.

This paper develops a multi-layer model of the marketing and sales interface. The layers refer to the information sharing, structural linkages, power relation, orientations, and knowledge of marketing and sales. Fourteen key constructs are identified within the layers. While information sharing, structural linkages, and power issues have received significant research attention, the orientation layer and the knowledge layer are comparatively less explored. In addition, while prior research has studied selected layers, but there has been little integrative research that considers all layers simultaneously. Thus, one particular contribution of this paper is its conceptual breadth.

The 14 constructs from the interface layers are then explored empirically through a cross-industry study of 337 companies. Five empirical archetypes of the marketing and sales interface are identified: "Market Myopia," "Brand-Focused Professionals," "Sales Rules," "Marketing-Driven Devil's Advocacy," and "Customer-Focused Symbiosis." The taxonomy shows that the role and characteristics of marketing and sales vary tremendously across these archetypes. This challenges existing stereotypes about marketing and sales.

Finally, this paper explores organizational outcomes of the five configurations. With respect to the perceptual performance measures, one configuration stands out from the rest: the "*Brand-Focused Professionals*" have a significantly higher cooperation quality and market performance than all other clusters. On the low end, "*Sales Rules*" has the lowest market performance, while "*Market Myopia,*" "*Sales Rules,*" and "*Marketing-Driven Devil's Advocacy,*" manifest the lowest quality of cooperation. Our findings suggest that the most successful configuration has a strong marketing function, while the least successful configuration has a comparatively weak marketing function. This exploratory finding is intriguing and supports earlier research that has emphasized the importance of functional marketing (Moorman and Rust 1999). Future research should further investigate the dialectical interplay of M&S acting as congenial partners. References are available upon request.

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THE IMPACT OF INTERNAL STRATEGY VARIABLES AND EXTERNAL ENVIRONMENTAL EFFECTS ON BUSINESS PERFORMANCE: AN ECONOMETRIC APPROACH

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SUMMARY

In the past three decades, the analysis of strategy factors that influence firm performance attracted considerable attention among academicians and practitioners (e.g., Nakanish and Cooper 1974; Gatignon et al. 1989; Farjohn and Lai 1997; Olson et al. 2005; Akan et al. 2006). Although previous studies contributed greatly to our understanding of strategy development and evaluation, there is no consensus as to the best approach in terms of measuring the impact of strategy variables on firm performance. While helpful to the understanding of the strategy-performance relationship, previous research is limited in several important ways. First, in previous research, the number of strategy variables employed was divergent. For example, Clarke and Dolan (1986) studied the effect of price on firm profit, while Dutta and King (1980) examined the impact of price and product quality on firm profit and market share. Second, most previous studies either examined internal or external variables in relation to firm performance, but very few considered both types of variables. Third, competitive interaction effects have been largely neglected or have been examined rather implicitly.

The present study aims to address these limitations by developing an econometric model that distinguishes between internal variables and external environmental effects, and captures the relationships between the variables and firm performance. Our model measures and quantifies the effects of 29 internal strategy variables and external environmental effects (including the competitors' marketing mix variables) on business performance, taking into account the condition of interdependence among firms competing in an oligopolistic market. The model is empirically tested with time series data collected from the U.K. passenger car market.

Existing studies on the effectiveness of strategy and on how internal and/or external variables influence business performance take three different approaches: (1) Examining the impact of internal variables on business performance; (2) Examining the impact of external effects on business performance; (3) Examining the impact of internal *and* external variables on business performance. These three streams of research have been reviewed and contributed to the construction of our model.

Hanssens (1980) argued that research on competition in the market should explicitly examine the competitive interaction's effects on competing firms. Similarly, Moorthy (1985) stated that the essence of competition in the marketplace is interdependence where the consequences of a firm taking an action are dependent not only on the firm's own action but also on actions undertaken by its competitors. However, most existing empirical studies have examined the effect of competitive interactions among the competing firms rather implicitly (e.g., White 1986; Lambkin 1988; Olson et al. 2005; Akan et al. 2006). In such empirical studies data was collected and analyzed as relative effort compared to competitors (e.g., relative price, relative quality, or relative performance). Given the significance of this issue, especially in the case of an oligopolistic market where a small number of companies compete closely, the approach adopted in the present study was to construct an econometric model with the view to examining the competitive interactions among competing firms in the market in an explicit manner.

Time series data representing six internal and three external strategy variables was collected from six car producers in the U.K. and employed in the model as independent variables. Competitors' marketing mix variables were directly included in the model as *micro* external strategy variables to examine their effect on each manufacturer's business performance. Gross profit was used as the dependent variable.

Similar to Rutledge and Wilson (1994), our model testing involved estimating the coefficients of the six car manufacturers' equations simultaneously taking into account the interaction effects among the six manufacturers. A common problem of simultaneous estimation is the possible correlation among residuals across equations if Ordinary Least Squares (OLS) method is used. As suggested by Rutledge and Wilson (1994) we used Seemingly Unrelated Regression (SUR) procedures in place of OLS to re-estimate the set of equations more efficiently.

Using simultaneous equation modeling, the resultant coefficients were grouped into three categories: (1) Internal strategy variables effects (ISVE); (2) External strategy variables effects (ESVE); and (3) Total strategic effects (TSVE). The third category combines ISVE and ESVE representing the sum of all coefficients estimated in the

equation. The results suggest that the six manufacturers have varying degrees of effectiveness in translating the collective effect of internal and external strategy variables into an overall positive effect. It was found that four of the six manufacturers have achieved a reasonable degree of "strategic-fit" between their internal and external environments. In other words, those four firms appear to have invested in their strengths and/or the available opportunities to overcome their weaknesses and/or avoid the emerging threats. It was also possible to conclude that companies five and six have competitive strategies that are offset by market and/or by competitive effects or have ineffective strategies for this market. The final results show that the external effects, including competitors' mix elements, have greater influence on a company's business performance than the internal strategy variables.

Our results show that strategists need to pay more attention to both internal and external effects. We believe that our study is an important step forward in providing the field with an empirically validated model that distinguishes between internal and external effects, as well as between macro and micro external environmental effects. Our primary contribution to theory lies in developing and testing a strategy-effectiveness model that contains two types of strategy variables in relation to firm performance. Finally, the linkages we found between the internal and external strategy variables and business performance/profit, support our view that an understanding of strategy variables is important for firms' strategic marketing activities. Further, the proposed model contributes to a more sophisticated understanding of the factors that lead to strategy effectiveness and builds on previous work (e.g., Rutledge and Wilson 1994; Olson et al. 2005).

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A FRAMEWORK FOR ANALYZING MARKET MANAGEMENT

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SUMMARY

The content, role and function of marketing have been heavily debated over at least the last 50 years. Many scholars have contributed to the understanding of the domain of marketing as an academic discipline as well as the role, nature and capabilities of marketing functions in corporations (e.g., Day 1994; Webster 1992; Homburg et al. 1999). In addition, the capability and resource-based view of the firm has been applied to the field of marketing resulting in suggestions of skills, capabilities, and competences of marketing (Conant, Mokwa, and Varadarajan 1990; Lambe, Spekman, and Hunt 2002; McDaniel and Kolari 1987; Sivadas and Dwyer 2000). These contributions have challenged and added to our understanding of the marketing function in the corporation and of the activities performed by this function.

However, there still remains uncertainty of the domain of marketing which also prevents the analysis and benchmarking of marketing capabilities. This lack is also one of the main reasons for the continued struggle to report ROI of marketing expenses. To solve this problem, this paper suggests an activity-based definition of the marketing domain (i.e., what is done) rather than a functional (where it is done) or role-related (who does) interpretation. The latter two issues are still of importance in understanding firms and their implementation of marketing but may not be applicable for defining the domain of marketing.

The paper develops a framework of market management capabilities revisiting Day's (1994) scholarly contribution to the field. By extending Day's framework, the following four areas are distinguished:

> Market-sensing is the "ability to sense events and trends in their markets ahead of their competitors" (Day 1994, p. 44). Market-sensing is the process of gathering market intelligence in order to understand the functioning of a given market. This has been heavily discussed under the heading "market orientation" (e.g., Jaworski and Kohli 1993). Gaining and processing a lot of information about a market is seen as a key driver of performance (Li and Calantone 1998). In this knowledge management effort, CRM software systems have been popular to manage the data wealth.

Market-Relating comprises all customer-contact activities. This area has been at the heart of many definitions of marketing, especially in relationship marketing and service marketing. "Relationship marketing is attracting, maintaining and enhancing customer relationships" (Berry 1983, p. 25). These relationships can have different properties, ranging from transactional marketing to interaction and network marketing (Coviello et al. 2002) and also includes branding and advertisements. Market-relating is therefore a capability along a scale of different relationship types rather than only focusing on partnerships. This set of capabilities is frequently associated with sales people for whom various sets of tasks and activities have been developed.

Market-prioritizing deals with identifying customer groups which are distinctly heterogeneous between each other but have homogeneous needs within a group (Wind 1978) as well as with offering (product and service) management decisions. Matching offerings and segments leads to prioritizing a firm's resources. Firms do have priority lists and need those in order to serve customers in different ways realizing a positive return on investments. Thus, data mining, statistical models, and portfolio planning become an important capability of a firm.

Market-making deals with the creation of market structures which are beneficial for a given firm. Markets have traditionally been regarded as given, so that marketing was concerned about the appropriate reaction to a given situation and including marketing research. However, "there is no 'invisible hand' creating a situation of efficiency and health. Instead there are several 'visible hands' that try to create situations that are beneficial to themselves" (Håkansson 1987, p. 89). "A market changes day by day through the very fact that goods are bought and sold" (Alderson and Cox 1948). Market-making can be distinguished into entering new markets, developing new business models and setting standards.

The four different areas of market management build upon each other, thus are interdependent (though different in nature): While relating to a customer, information about the market can be sensed. Also, the way the market is perceived influenced the way the firm relates to a given customer. The outcome of the prioritization determines the opportunities and constrains of the market relating process, and so forth. The link between sensing (the intelligence), relating (the use), prioritizing (the strategy) and making (the vision) is crucial.

The suggested view poses a challenge for the marketing discipline and its definition. Marketing in many firms

is understood as the part called market prioritizing, whereas market relating is done by the sales department. Strangely enough, nearly all business schools only have a Department of Marketing but no Sales unit. In contrast, firms normally have two separate units for sales and marketing – and usually a lot of coordination problems between them. Another problem with the term "marketing" (or "marketing management") is that it disregards the buyer. However, without a buying part, there is no exchange. Also, the four areas relevant for the buyer, as such they are generic. The buyer needs to sense the market, relate to suppliers, prioritize them and make rules and standards. Actually, in recent years, buyers have been much more active on markets and the purchasing literature is full of models suitable for the different boxes. Therefore, a better term is "market management" herewith also indicating that the market itself, its structure, and its rules, are subject of managerial action (market-making).

Organizing market management takes various forms in firms. Experience shows that many firms allocated market-relating into a sales unit and sensing plus prioritizing rests in a marketing unit. Alternatively, some firms adopt a version by which marketing fulfills only sensing tasks and sales makes priorities and relates to customers. However, there is an indefinite number of organizational solutions. The important thing is that the activities are fulfilled and that the organization has a clear picture of the allocation of responsibilities and the interplay between the different units (e.g., reporting line).

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ACHIEVEMENT GOALS, SELF-EFFICACY, AND CLASS SIZE AS ANTECEDENTS OF UNIVERSITY STUDENTS' ACADEMIC PERFORMANCE: AN EMPIRICAL ANALYSIS

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SUMMARY

The prediction and explanation of academic performance and the investigation of the factors relating to the academic success and persistence of students are topics of utmost importance in higher education (Ruban and McCoach 2005). Academic performance is an important predictor of performance at others levels of education and of other important job outcomes, such as job performance and salary (Kuncel et al. 2005). One of the most relevant perspectives in understanding academic performance is social-cognitive theory of motivation initiated by Dweck's work in 1986. Other researchers have used self-efficacy theory (Bandura 1977, 1986) to explain academic performance (e.g., Miller et al. 1996; Greene et al. 2004). In addition, "despite a long-running debate over the effects of class size differences on educational performance" (Blatchford et al. 2003, p. 15), only a few researchers have explored the relationship between class size and academic performance in a university context (e.g., Karakaya et al. 2001; Arias and Walker 2004).

The main aim of the present study is to develop and test a conceptual framework of the antecedents of student's academic performance that integrates the aforementioned variables in a university context. This is particularly important since, to our knowledge, this is the first study that attempts to test a causal model combining all of these constructs together in such a context. In addition, unlike prior research, we distinguish four different goals of learning: mastery, performance approach, performance avoidance, and work-avoidance goals. More specifically, the present study addresses three research questions: (1) Are the effects of goal motivations and self-efficacy on academic performance direct or mediated through study strategies? (2) What is the relative contribution of goal motivations and self-efficacy in predicting academic performance? and (3) To what extent class size has an impact on academic performance?

Participants in this study were 553 students (40% male and 60% female) from a university in Spain. Out of the total group of participants, 191, 68, 158, and 136 were 2nd, 3rd, 4th, or 5th year students respectively. Questionnaires were group-administered in 21 classes during the first two weeks of May (i.e., about one month before the final examination). Students were assured that their responses would remain confidential and that only the researchers would have access to them. None of the students, present in classroom while data were gathered, refused to participate in the study. Administration took approximately 30 minutes. At the end of the academic year, students' grades were obtained from professors of each course.

For our analyses, we use confirmatory factor analysis with maximum-likelihood estimation in LISREL 8.72. To assess the adequacy of our multi-item measures, we follow standard procedures employed in marketing research (Bagozzi and Yi 1988; Ping 2004), including assessment of item and scale reliability as well as convergent and discriminant validity. The final measurement had excellent fit using confirmatory factor analysis (χ^2 = 1212.45, d.f. = 349, p <.001; CFI = .93; RMSEA = .066). The structural model was estimated using LISREL 8.72 and the results show an excellent fit between the model and the observed data (χ^2 = 1360.63, d.f. = 406, p < = .001; CFI = .92; RMSEA = .065; SRMR = .061). The results of the hypothesized model provided support for 20 of the 29 hypotheses formulated.

The first contribution of this research has been to examine the effects of achievement goals and self-efficacy on academic performance through study strategies. An implicit assumption guiding the work of achievement goal researchers is that study strategies are an important area of inquiry because they account (i.e., mediate) the relationship between achievement goals and academic performance. Yet, according to Elliot et al. (1999, p. 550): "this underlying assumption has rarely been examined empirically." The present study expands significantly on earlier research (e.g., Simons et al. 2004; Dupeyrat and Mariné 2005), by providing support for the key mediational role of study strategies.

The second contribution of this research stems from the analysis of the relative weight of goal motivations and self-efficacy in predicting academic performance. The analysis of the four motivational variables revealed that only mastery goals had an indirect and positive effect on

academic performance through deep processing and/or effort. Consistent with previous research, our results highlight the important role of self efficacy in university students' development and use of academic competencies (e.g., Zimmerman 2000; Bong 2001). Self-efficacy was positively related to deep processing and negatively related to surface processing. Furthermore, self-efficacy had the strongest indirect positive effect on academic performance through deep processing.

The third contribution of this research is the incorporation into the analysis of the effect of class size on academic success. This is particularly relevant since researchers continue to seek a consistent, integrated explanation of "why" small classes have positive effects. Findings from this study add to the growing body of research indicating the positive effect of smaller classes on academic performance. Interestingly, class size had a positive effect on effort, and a negative direct effect on academic performance. We expand significantly on previous research by analyzing the effect of class size on academic performance through effort, and by gathering data from students of different faculties and enrolled in classes of different sizes. References available upon request.

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MARKETING IMPLEMENTATION COVERAGE IN THE MBA MARKETING MANAGEMENT COURSE

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SUMMARY

Very little research has been reported on the topic of marketing education regarding marketing implementation. What has been reported is research on education of marketing knowledge versus skills. Knowledge is defined as the conceptual and theory-based aspects of marketing (Davis et al. 2002). It is the learning that helps arrive at creative solutions to new problems. On the other hand, skills are abilities that can be acquired and refined through practice (Shipp et al. 1993). Superior marketing knowledge could help one produce superior marketing strategy. Similarly, superior marketing skills could help one execute the strategy superbly.

An exploratory study was conducted by analyzing MBA marketing management course syllabi. A total of 61 MBA marketing management course syllabi were compiled from U.S. universities in the summer of 2005. Syllabi came from the American Marketing Association syllabus archive, individual university Web sites, and general search engines. An attempt was made to select a cross-section of universities in terms of size, i.e., total student enrollments. A total of 46 percent of the 61 syllabi included the word "implementation." This is contrasted against all 61 syllabi that mentioned "marketing strategy."

> **Proposition 1:** Marketing implementation is not covered as much as marketing strategy development in MBA marketing management curriculum.

As part of "implementation," what is specifically covered under the implementation was indicated in a number of syllabi. Some of the topics indicated in the study were part of marketing planning such as budgeting, forecasting and internal capability analysis. In fact, 12 of the 61 syllabi (i.e., one-fifth) indicated that marketing planning was either the main thrust of the MBA marketing management course or one of the discussion topics within the course. One of the syllabi, for example, stressed the importance of marketing plan execution, nevertheless it did not show specifics of the plan execution other than "commit resources" and "stick to the implementation calendar." This leads to the next proposition.

> **Proposition 2:** Marketing planning covers marketing program development, the first half of marketing implementation; but it does not cover marketing program execution well, which is the second half of marketing implementation.

Five of the 61 syllabi indicated the use of marketing simulation (i.e., software simulation packages) as part of the MBA marketing management course. Along with marketing strategy development, marketing simulation looked into the marketing program execution such as project management and performance management. There are, however, some areas that marketing simulation does not cover well.

> **Proposition 3:** Marketing simulation covers marketing program development well, and marketing program execution reasonably well with a few areas that are not covered well such as inter-functional coordination.

The next questions are what constitutes marketing program execution and what skills are required for it. A closer look at the data in the study reveals the set of skills potentially useful and required for program execution. They are skills such as inter-functional coordination, project management, and external partner management. When one tries to view as a whole the skill factors identified in the study, marketing process management emerges as a common thread.

> **Proposition 4:** Skills required for marketing program execution are marketing process management and its component skills such as inter-functional coordination, project management, and external partner management skills.

Traditionally, a discussion of marketing organizations has been a major part of marketing implementation. Treatment of marketing organizations as a static state, however, may not be adequate any longer, given the accelerated changes of the marketplace and the changes in the role of marketing functions caused by such market changes.

> **Proposition 5:** Marketing organizations are no longer a major topic of marketing implementation in MBA marketing management curricula.

It is the experiential learning that has become the current thrust of educational approaches, reflecting a "learning paradigm" that replaces an "instruction paradigm" (Saunders 1997). Kolb's experiential learning cycle model lends itself to new pedagogical approaches.

In summary, marketing education should cover topics such as marketing program development and marketing process management. At the same time, other MBA curricula such as management course covers other generic managerial skills such as problem-solving and negotiation skills along with inter-functional coordination and project management skills. This can be done effectively when the totality of management curricula is assessed in terms of specific skill development required not only for marketing implementation but also for other functional strategy implementations. References available upon request.

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EXPLORING THE CONTRIBUTION OF DIFFERENT TYPES OF CITED MATERIALS TO MARKETING KNOWLEDGE OVER TIME: A CITATION ANALYSIS

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ABSTRACT

This paper examines the degree to which articles appearing in JM, JMR, and JCR cite different types of references (journals, books, book chapters, conference proceedings, professional and popular press, and "others") between 1975 and 2003. The results suggest that the number of citations to journals articles has increased over time and there have been significant falls in reference to non-journal sources of materials. References to some non-journal sources (i.e., newspaper and professional materials) have increased in JCR and JMR, but decreased in JM. The impact of shifts in the types of citation materials on knowledge development is also discussed.

INTRODUCTION

There is an increasing interest in the area of marketing knowledge, which has examined the sources from which ideas are drawn (Bettencourt and Houston 2001a; Baumgarter and Pieters 2003). This and other research has identified that published works draw on a range of multi-disciplinary sources (Bauerly and Johnson 2005), although there does seem to be some concentration of references within the marketing area (Bettencourt and Houston 2001b). However, there is scant discussion of the impact of differing sources of knowledge, i.e., journals, conference proceedings, etc. (Anderson and Haley 1984). The role sources on knowledge may vary. For example, Armstrong (2005) has suggested that there is limited marketing "theory" proposed in texts books. Others purport that guidance for practice might be communicated more frequently in non-journal sources such as professional publications, newspapers, industry/governmental reports, and corporate information (Rositter 2004; Uncles 2003).

While it could be argued that academic journals provide theoretical advances in knowledge, these are usually developed in an iterative process. That is the body of "knowledge" builds on a diverse range of supporting ideas, which is frequently refined through academic discourse in non-journal forums (i.e., conferences presentations, working papers, and Ph.D. dissertations). Non-journal materials, therefore, are likely to serve an essential function in the development of knowledge (Anderson and Haley 1984; Baumgarter and Pieters 2003; Fugate and Milliman 1988; Widing et al. 1989; Zinkhan et al. 1990).

In some cases, non-journals are recognized as disseminating valuable theoretical developments. For example, several studies that rank marketing journals have included conference proceedings (see, Baumgarter and Pieters 2003; Hult et al. 1997; Theoharakis and Hirst 2002). This is impressive, given that according to a search of the Ulrich's Publication Guide (2004), the number of marketing journals has increased from nine in 1970 to over 100 in 2003, not to mention an increase in marketing conferences and their associated proceedings. Therefore, academics have a larger number of marketing-focused journals and conferences in which to publish, as well as an increased number of journals and conferences to draw ideas from.

The objective of this paper is to examine what types of materials are cited within the leading marketing journals – *Journal of Marketing* (JM), *Journal of Marketing Research* (JMR), and *Journal of Consumer Research* (JCR), and to determine if there have been changes in citation-rates of sources over three points in time 1975, 1990, and 2003. That is, have marketers over time changed their source of ideas on which published journal works are based? One might anticipate an increased use of journals due to the increase in number of journals, combined with greater accessibility. The paper will conclude with some suggestions for future research examining the development of academic knowledge in marketing.

BACKGROUND

Past researchers have considered the diversity of disciplines and sub-disciplines cited in marketing journals (Bettencourt and Houston 2001a, 2001b; Baumgarter and Pieters 2003), but have not examined the contribution of different sources to marketing thinking. In fact, the role of conference proceedings, books, and professional publications in the development of marketing knowledge is not extensively discussed within the literature. Although, Widing et al. (1989) did look at how different "research" activities have been valued in regards to knowledge development. Others have suggested non-journal works, such as conference proceedings, serve a critical function in knowledge development (Fugate and Milliman 1988; Holbrook and Thayer 1985; Zinkhan et al. 1990).

Such a view is consistent with the philosophy of science literature that suggests knowledge develops by building on existing ideas, where theory is continually re-examined in an attempt to refine and develop thinking (Fuller 2003). It could be posited that the replication of existing research is essential for knowledge development (Berthon et al. 2002). This view has also been acknowledged by marketing academics, who suggest that knowledge builds on previous ideas (see Rossiter 2001, 2003, 2004; Uncles 2002).

Interestingly, some journal editors also recognize that the presentation and discussion of ideas in non-journal forums is essential for works to be developed to a publishable level for a journal (Wittink 2004). Yet there appears to be limited explicit "recognition" of the potential value of non-journal sources to knowledge development. While citation rates of non-journal materials within journals might possibly be low in comparison to journal citation rates (Armstrong and Pagell 2003), does this reflect a limited intellectual value, or might it be that than non-journal sources are less accessible (Polonsky et al. 1999; Zinkhan 2004)? Perhaps to evolve intellectually published journal works depend on the ideas proposed and discussed in non-journal materials. For example, the presentation of ideas at conferences (as presentations and included in proceedings) might be essential in forcing authors to focus their thoughts and integrate, or at least consider alternative perspectives, as well as defend their thinking (Fugate and Milliman 1988). Some conferences, such as the *Frontiers in Services*, don't even publish conference proceedings with complete papers, as they want to facilitate discussion and feedback on the most current thinking/research.

Might sources such as professional publications, governmental reports and newspapers serve as catalysts to developing ideas for research (Polonsky and Waller 2005)? Some types of research such as grounded theory explicitly draw on a diverse set of information sources, which are then triangulated to extract the underlying theory (Corbin and Strauss 1990; Goulding 2001). In these cases it is only after the processing of a range of information sources, journal and non-journal that structured communication of theory can be presented in a more formal academic format, such as a journal article.

Finally, at the very least, material presented within the professional and business press often serves as an example to support proposed theories within journal articles, and therefore plays a critical role in enhancing knowledge development (Polonsky and Waller 2005). In this way these non-journal sources provide contextualization of theory.

While researchers have examined the disciplines that are cited in marketing journals (Bettencourt and Houston 2001a, 2001b; Zinkhan et al. 1990) there has been limited examination of what sources are being cited. Work by Anderson and Haley (1984) examined the citation of conference proceedings within the JM, JCR, and JMR between 1975 and 1982. They found that the percentage of citations from conference proceedings was JM – 4.27 percent, JMR – 6.08 percent, and JCR – 7.36 percent of all materials cited, with the *ACR* being the most cited conference proceeding. More recently, Sivadas and Johnson (2005) also considered the citation to non-journal sources, although their results were equivocal and did not expressly examine the types of materials being referenced.

Zinkhan et al. (1990) examined the citation of the ARC proceedings within journals. Their work identified that the ACR has made a substantial impact on a range of journals, which is consistent with Anderson and Haley (1984). Zinkhan et al. (1990), however also identified that conference proceedings and presentations are essential to knowledge development generally.

This paper seeks to examine the citation rates of different types of materials within the three leading marketing journals at three points in time 1975, 1990, and 2003. Given the increased number of journals available (Hult et al. 1997); increased accessibility of these journals (Zinkhan 2004) the limited past literature examining citation sources, we propose that the proportion of references to non-journal materials will have decreased over time.

METHODOLOGY

A content analysis of the references cited in articles within the four issues of JM, JMR, and JCR published in each of the following years- 1975, 1990, and 2003 (i.e., 12 issues of each journal). The reason for selecting these three years was that 1975 was the first full year the JCR was published. The year 1990 was selected, as it was approximately the mid-point between 1975 and 2003. The rationale for focusing on these three journals is that they are frequently referred to as the leading journals in the marketing discipline (Baumgarter and Pieters 2003; Bettencourt and Houston 2001; Hawes and Keillor 2002) and thus should be representative of marketing journals more widely.

Reference pages from all articles, excluding – editorials, book reviews, as well as regular columns such as legal developments in JM and computer software reviews in JMR. References cited within each article were collected and then categorized as journals, books, book chapters, proceedings/conference papers, newspaper/professional magazine, and other (working papers, "unpublished Ph.D. dissertations," governmental reports, legal cases, etc.). Z-tests were undertaken to compare the citation rates for each relevant category type between pairs of years (i.e., 1975–1990; 1990–2003; 1975–2003) within a journal.

As was suggested earlier, the increasing number of journals between 1970 and 2003 would possibly result in a reduction of the proportion of citations coming from non-journal sources. In addition authors have easier to access journal content with full-text databases (Bar-Ilan et al. 2003; Herring 2002; Zinkhan 2004).

ANALYSIS

Table 1 provides the summary of the results for the study. The first three rows of Table 1 report the total references identified, number of articles and average number of references per article for each journal within each year. Clearly, the number of articles in each journal appears to have varied over time. Interestingly the number of papers published has reduced by half in JMR and JM between 1975 and 2003, where articles in JCR have increased. In regards to average number of citations, it should be noted that in 1975 some papers in JM and JMR did not include any references. This may relate to the limited existing literature base during the 70's or the journal's more applied focus (Green et al. 2003; Wittink 2004). An examination of the next two rows identifies that all three journals have grown in length over the time period examined, with average article length increasing. This might partly explain the additional use of references to "justify" ideas.

Across journals, the average number of references per article in 2003 had increased over the previous two periods and was nearly double to what it was in 1975. This might relate to the increased number of journals or indeed, might suggest there have been changes in academic stan-

TABLE 1
Comparison of Materials Cited 1975, 1990, and 2003
***z-tests significant at the p < .05 level**

	JCR (%)				JMR (%)				JM (%)			
	1975	1990	2003	Diff*	1975	1990	2003	Diff*	1975	1990	2003	Diff
Number of references	915	1349	2108		1190	1376	1603		633	1751	2042	
Number of articles	37	43	46		59	42	34		76	32	31	
Average References Per article	24.7	31.4	45.8		20.2	32.8	47.1		8.3	54.7	65.9	
Number of pages	319	482	604		421	455	476		324	412	496	
Average Pages per article	8.6	11.2	13.1		7.1	10.8	13.6		5.5	13.7	16	
Journals	52.90	56.93	68.2	B C	56.47	67.37	72.4	A B C	36.65	56.36	71.0	A B C
Books	18.80	20.53	16.4	B C	17.56	16.50	13.4	B C	18.01	16.79	15.5	
Chapters	11.26	10.08	9.7		8.23	6.69	4.7	B C	5.21	9.88	5.2	A B
Proceedings & Conferences	9.18	6.81	3.1	B C	7.39	3.92	1.5	A B C	4.42	4.40	1.7	B C
Newspapers Professional	0.66	1.70	1.4	A B C	2.35	1.38	3.3	B	14.06	3.37	4.8	A B C
Others	7.21	3.92	1.2	A B C	7.98	4.14	2.4%	A B C	21.64	9.19	2.8	A B C

Within Journal Comparisons:
A – 1975 to 1990 statistically different at the .05 level
B – 1990 to 2003 statistically different at the .05 level
C – 1975 to 2003 statistically different at the .05 level

Between Journal Comparisons:
Z– JCR–JMR statistically different at the .05 level
Y– JCR–JM statistically different at the .05 level
Z– JMR–JM statistically different at the .05 level

dards for supporting ideas and theory. However, more recent research suggests that full-text databases are also changing the way academics research, allowing individuals to access a wider sample of materials more easily (Bar-Ilan et al. 2003; Herring 2002; Polonsky et al. 1999; Zinkhan 2004).

The last six rows in Table 1 provide the proportion of overall citations to journals, books, book chapters, proceedings/conference papers, newspapers/professional publications, and others, for the three journals in 1975, 1990, and 2003. Z tests are used to compare citation rates between years for a journal.

For each journal there was a statistically significant increase in the proportion of citations attributed to journals sources between 1975 and 2003. This increase appears to have been incremental, as there was also an increase between 1975–1990 for JMR and JCR, as well as between 1990–2003 for all three journals. This implies that there was a decrease in the non-journal material cited, although the results for each non-journal category are less clear. The citation of books appears to have reduced over time, although these reductions are only statistically significant for the JCR between 1990 and 2003 and the JMR between 1990–2003 and 1975–2003. There is no statistical difference in book citations for any periods for JM. In regards to book chapters, these also seem to have reduced over time. There were no differences in citation of book chapter for JCR, but there was a decrease for JMR (1990–2003 and 1975–2003). For JM there was an increase in book chapter citation rates between 1975 and 1990, which then fell in 1990–2003 back to 1975 levels.

There was a clear reduction in citations to conference proceedings and papers presented between 1975 and 2003 for all three journals. The drop in citations attributed to conference works was statistically significant between 1990 and 2003 for all three journals, and was only statistically significant between 1975 and 1990 for the JMR. The significant drop between 1990 and 2003 could possibly be attributed to the development of the World Wide Web and other database technology allowing broader journal access, which only came into existence in this period (Bar-Ilan et al. 2003). Results related to the citation of references to professional publications and newspapers are mixed. These increased for the JCR, while decreasing for JM. Between 1990 and 2003 reference to the business press decreased in JCR, but increased in JMR and JM. Between 1975 and 2003 there was no statistical difference in JM for the citation of references to professional materials, statistically significant increases in JCR, and statistically significant decreases in JM.

Finally, there has been a decrease within all three journals in regards to 'other materials' cited for all pairs of comparisons (i.e., 1975–1990, 1990–2003, and 1975–2003). We did not tabulate the sub-groupings in this category (i.e., working papers, unpublished Ph.D. dissertations, governmental reports, legal cases, etc.), It did appear that in 1975 there were extensive citations to unpublished Ph.D. dissertations and working papers and the reduction may be related to the increased publishing opportunities for ideas.

LIMITATIONS

There is of course a range of possible limitations with the research. It is assumed that there is no bias in the work published in a given year. For example, extensive legally focused works would draw on legal cases (i.e., other materials) and possibly bias results. Thus, if there were a special issue or interest in such works in a given year it would impact on citations used. The categorization of materials as book chapters could possibly be problematic.

In some cases conference proceedings are published as monographs, which are not easily identified as such. If this were to occur, it would under-represent the impact of conferences proceedings and papers on knowledge development, via citations. It is unclear how various materials would be used. For example, methodological or statistical texts may be extensively used in methodology sections, where book chapters on more specialized topics might be used with sections of works focusing on theory development with applied works being used to identify the need for research into an issue (i.e., background) or to demonstrate the applicability of research to practice.

A final limitation is the lack of previous research on citation types. As readers will note many of the references within this paper discussing, conference papers are from themselves from conferences proceedings. This does not limit their relevance, but identifies that the issue is one that has not been extensively studied

CONCLUSIONS

The results suggest that citations within academic articles appear to rely on journal articles more frequently today than they did in 1975. There are differences in the citation of various non-journal categories of references within journals over time. While, on the one hand this might seem to suggest that non-journal materials contribute less to knowledge development, the number of marketing focused journals has expanded significantly since the early 1970's, and thus the citations of other materials should have potentially fallen even further, as more materials are available to be cited.

There are of course many issues that need to be examined in regards to how these non-journal materials have been, and are being used within academic articles to develop or assist in developing marketing knowledge. While not examined empirically, a cursory check of the data suggested that in the past, books cited included both general texts and methodology texts. The 2003 data seemed to suggest that there was a shift to more research focused books, with methodology books still being used as well. In the past, book chapters might have been associated with conference proceedings published as books. However, there now seems to be an increasing numbers of specialized edited books that might also be cited. Thus while not empirically examined in this research, the type of book chapter being cited may have shifted over time. In regards to conference papers, although these works may disseminate the latest ideas, their contribution to knowledge may not be recognized in the same way that journal sources are recognized. There may of course be good reasons for this view. As an increasing number of conferences publish abstracts rather than full papers, plus there is a lower level of dissemination of conference proceedings. However, given that some conference papers present early versions of leading ideas, one might be expected these conference works to be more highly cited. The reference to conference papers could possibly also benefit from the use of new technologies, i.e., the web, that potentially allow for wider dissemination of knowledge. This might partly explain why the ACR proceedings are still the most frequently cited in journals (Zinkhan et al. 1990). ACR works are now included in databases and searchable in their own right in this study, which from anecdotal evidence is the only conference proceedings listed in business related journals

In regards to professional materials and "other sources" the increased availability of journals might have also resulted in a diminished citation of these works in journal articles. Some could argue that this is a positive outcome, whereby researchers have increasingly drawn on more objective ideas and sources. But does this potentially mean that academics are ignoring valuable sources of information, and valuable ideas that could be applied within a more structured research context?

There is most certainly a need to examine the role of non-journal materials to knowledge development. In some cases these sources are essential for knowledge development. For example, how do conference papers contribute to the overall development of theory, research and knowledge? Even though there has been some suggestion in the literature that conference papers and proceedings are important for knowledge development, the existing literature does not consider the impact of formal and informal sharing ideas at conferences on knowledge development (Sellitto 2005). The intellectual discourse occurs at various levels within the conference environment, including; reviewer's reports, discussant's comments, audience input, stimulation from ideas presented in other papers, or two presenters may see links in their works and progress forward through collaborative partnerships (Fugate and Milliman 1988; Holbrook and Thayer 1985; Zinkhan et al. 1990).

As was suggested earlier, more examination as to how non-journal materials are being used within published works would also be useful. That is, are books in fact used primarily in regards to methodological issues? Is the popular/business press used to develop a rationale for research or possibly to support empirical findings?

Lastly, the role of technology, i.e., full text databases seems to be an issue that might impact on research activities in marketing (Polonsky et al. 1999; Zinkhan 2004). It might be expected that a broader set of materials from journal and non-journal sources may be cited, as these become easier to access. If this were to occur, academics might ultimately be more concerned with whether materials are listed in various databases (Harter 1998) rather than the "journals ranking" or "Social citation index impact rating," as access could then drive citations.

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TO BRAND OR NOT TO BRAND THE CORPORATION? EXPLORING CORPORATE REBRANDING CHALLENGES AT GUINNESS IRELAND

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ABSTRACT

The consequences of a corporate name change on the management of the corporate and product brand are explored through the case study of the rebranding of Guinness Group Ireland. Along with differentiated product branding strategies, corporate values and culture can be articulated separately in a renewed corporate branding program to shape different images suitable for each stakeholder.

INTRODUCTION

A recent Marketing Science Institute seminar addressed for the first time the issue of brand architecture and corporate reputation.[1] This is a topic that is still in its infancy. The recent surge of academic interest in the corporate branding phenomenon (Schultz and Chernatony 2002; Balmer and Greyser 2003; Aaker 2004; Berens, van Riel et al. 2005) mirrors the increased attention given by managers to the management of their corporate name as a branded asset (Muzellec 2005). Indeed, corporate rebrandings are frequently reported in the business press (Brook 2002; Dickson 2002). Illustrious corporate brand names such as Guinness, Philip Morris, Andersen Consulting, or CGNU are being discarded for unknown Latin-derived names such as Diageo, Altria and Accenture, and Aviva. For companies such as Diageo and Altria, the change of name suggests a move toward a "house of brands" architecture where corporate associations are avoided by maintaining individual names for each product line distinct from the corporate name (Aaker and Joachimsthaler 2000).

Yet, dispensing with an established corporate brand name is at odds with the idea that brand equity is built through many years of sustained investment (Kapferer 1995; Keller 1998). In order to comprehend this marketing challenge, one must explore the mechanisms underlying the decision to rebrand and the consequences of that decision. This paper sets out to understand how new corporate brands are built, to explore the relationship between corporate and product brands, and to analyze the consequences of modifying a brand architecture on product brands and corporate reputation. A "critical" case (Roche 1997) – that of Guinness Group Ireland becoming Diageo Ireland – is used to explore the theoretical and practical consequences of a transformation of brand architecture.

The literature review explores the evolution from product branding to corporate branding, marks out the boundaries of the two constructs and describes their interrelation within the concept of brand architecture. The case of Diageo Ireland is used to illustrate a rebranding phenomenon that has removed immediate connection between a corporation – the ex-Guinness Group Ireland – and one of its main products, Guinness stout. The results and analysis of the case reveal themes that challenge the conventional notions on corporate brand building.

LITERATURE REVIEW

Traditionally brand marketing has been concerned with building, managing, and measuring product brand equity (Kapferer 1995; Keller 1998). Indicative of this focus, definitions for the term "brand" initially referred exclusively to the product or services that they identified (Kapferer 1995). In a seminal article, King (1991) referred to the "company brand" that "will become the main discriminator. That is, the consumers' choice of what they buy will depend less on the evaluation of the functional benefits of the product or a service, but rather on the assessment of the people in the company behind it, their skills, attitudes, behavior, design, altruism, modes of communication, speed of response, and so on, the whole company culture in fact" (King 1991, p. 46). Recognizing this changing environment, academics created models that acknowledge links between the product brand and the organization, and recognize an audience beyond a singular customer (Urde 1994; Brown and Dacin 1997; Keller 1998).

Branding the corporation aims at improving corporate reputation by influencing stakeholders' images of the company (Balmer and Greyser 2003). Corporate reputation depends on a wide spectrum of expectations including financial performance and corporate social-responsibility as well as the promise delivered by the brand (Fombrun and van Riel 2004). The degree of synergy between the corporate brand and the product brand depends on the brand architecture (Keller 1998). The various relations can be illustrated along a spectrum from the "branded house" to the "house of brands," including "endorsed brands" and "subbrands" (Aaker and Joachimsthaler 2000). Most companies employ mixed strategies but it is useful to characterize the two extremes for the sake of clarity.

In a "branded house," the company is the brand and one brand name is used for all brand levels, e.g., Virgin. In such a context, corporate brands take on values from the corporation's culture and heritage (Aaker 2004) as well as from the product portfolio (Brown and Dacin 1997). The nature, role, and function of core values are considered an essential foundation of corporate branding (Urde 2003). As such, the corporate brand partially reflects external perceptions of culture (Kowalczyk and Pawlish 2002). For services, consumer images of the corporate brand are a direct result of their encounters with the company's personnel (de Chernatony 1999). For FMCG, corporate brands are used when a company operates in a tightly defined market such as Heinz in processed food (Laforet and Saunders 1994). In this "monolithic" structure, corporate, and product brands are tightly related to one another.

A "house of brands," in contrast, is made up of a number of different brands aggregated under a separate corporate name. For instance, Procter and Gamble is the owner of brands as diverse and disconnected as the fragrance Hugo Boss, the laundry powder Tide, the toothpaste Crest, the paper towel Bounty, the diapers Pampers. In such a context, product brand management is not tied closely to corporate brand management and the reverse is also true. Consumers may still form their brand images as a result of corporate behavior as they realize that there is a concrete business behind the offering (Fombrun and van Riel 2004). Yet, separating the corporate brand from its constituent sub-units limits the ability of corporations to leverage product brand equity – and vice-versa – and it equally reduces the impact of reciprocal adverse publicity (Laforet and Saunders 1994; Aaker and Joachimsthaler 2000).

Industry restructuring and changing market dynamics have forced a critical re-evaluation of how the various pieces of the brand portfolio fit together. As a result many companies have rationalized their brand portfolios and rebranded to adopt a new brand architecture (Muzellec and Lambkin 2004). Two broad strategic approaches can be observed among companies going through this process. Firstly, a majority of mergers and acquisitions are pursued in order to build scale and market share. To exploit the benefit of this increased market power requires greater corporate visibility and the simplest and most usual way of achieving this is to unite all acquired businesses under the one corporate name, usually that of the acquirer. For example, Vodafone and HSBC have gradually rebranded all of their local business units until all trade under a single name. In those cases, the brand architecture corresponds to a "branded house."

The second scenario is when a rebranding exercise is carried out in order to create a separation between the corporate brand and its constituent sub-units, such as the rebranding of Philip Morris into Altria or GuinnessUDV into Diageo. These companies typify the diversified multinational that has developed many product lines across product categories and sometimes industries. Given the quite distinct roles and stakeholders of the product and corporate brands, it seems a logical step to separate the name of the corporation from that of its products to gain even sharper focus in their respective roles.

Yet, modifying the brand architecture unsettles the foundations of the corporate brand. From a well-known branded house, built on core values and history, the corporation is adopting a contrived corporate name disconnected from the company's heritage and brand portfolio. This constitutes a conceptual marketing paradox as well as a managerial challenge, which this paper attempts to address. To understand the mechanisms provoking corporate rebranding and, in particular, the strategies that seek to increase the distance between the product brands and the corporation, the case of Diageo Ireland is now explored.

METHODOLOGY

A case study-qualitative-approach was chosen because of the exploratory nature of the research and of the empirical necessity to investigate the phenomenon within its real-life context. Furthermore, a case study is considered especially useful when the boundaries between a phenomenon and its context are not clearly evident as with the rebranding phenomenon (Yin 1994). Corporate branding, identity, and values are diffuse concepts embodied in a particular context (Czarniawska 2000). A single "critical" case can infer those concepts through qualitative data analysis. Reliance on a single case might limit the generalizability of the findings; however, a case study may be used as a way to modify existing generalizations (Yin 1994; Roche 1997).

The choice of Diageo was governed by two main factors. Firstly, Guinness was a very strong, iconic corporate name with a lengthy heritage and a high degree of positive emotional attachment (Byrne 1999; Griffiths 2004). Disregarding a name with more than 200 years of positive history to adopt a new, contrived name obviously challenges the notion that corporate brand equity is built through consistency and years of sustained investment (Aaker 1996; Balmer and Greyser 2003). The case of Guinness, which was the first highly publicized case of rebranding by a large international company, both epitomizes the notion of rebranding as a marketing paradox and illustrates an alteration of the brand architecture. Secondly, pragmatism also influenced the choice of the case. Access to internal data was a key criterion in the choice of the case and the two researchers knew several key informants within the corporation personally and these people provided further contacts with other senior managers as well as much valuable data.

The data consisted of semi-structured recorded interviews with seven key informants who were all managers involved in the administration of the corporate brand and/or the product brands: one senior executive of the company, two senior managers in charge of the "corporate brand," and four managers in charge of product branding. Interviews took place between February 2005 and November 2005 and lasted between one hour and one hour forty-five minutes each. The topics covered by the questions were threefold. The first set of questions pertained to the rebranding of GuinnessUDV as Diageo Ireland. The second series of questions pertained to the description and evolution of the corporate culture and values as well as product brand values over the past ten years. The third series of questions related to the interaction between the two levels of branding, before and after the rebranding. Additional data included internal memos issued at the time of the rebranding, the Diageo Ireland and Northern Ireland annual reports (year 1998, 2005), the Diageo Code of Marketing Practice for Alcohol beverages (2003), Diageo corporate websites (www.diageo.com; www.diageo.ie) and Guinness brand websites (www.guinness.com), press clippings from the *Irish Times*, in particular, the *Irish Times* supplement on "Diageo in Ireland" from Thursday, September 8, 2005. Secondary data were also collected from *Fast Company*, *Marketing News*, and a variety of websites such as (corporatewatch.org), (brandchannel.com), all accessed in 2005.

The guidelines provided by Miles and Hubermann (1994) were followed in the interests of improving the validity of the results of this qualitative study. Miles and Hubermann talk about a ladder of abstraction where the researcher starts with a text, codes the text into categories, then moves on to identify trends and themes, to then test hunches and delineate deep structures. The rebranding experience of Diageo was organized under three themes that will be developed in the next section. But first, it is useful to present the rebranding context and the history of Guinness Stout and Guinness Ireland, as well as to describe the rebranding process.

RESULTS: CONTEXTS AND PROCESSES

The case of Guinness demonstrates the practical problems and surfacing issues relating to the management of brand architecture. The rebranding marked the transformation from a situation where Guinness Stout and the St. James Gate Brewery were quintessentially Irish to a situation where Guinness became a global multi-brand company.

Situation 1: Guinness, Ireland, Stout

Guinness brewery was established in St. James Gate Dublin in 1759. In the 1860's, the Guinness Company registered its own trademark, consisting of the harp design and the trademark label – the Arthur Guinness signature – at which point Guinness officially became a brand. In the 20th century, Guinness started to develop a personality thanks to campaigns such as "Guinness is good for You" or "Guinness for Strength." Over the years, the name Guinness became assimilated in the mind of the consumer with the following key words: "Goodness," "Power," and "Communion" (Griffiths 2004).

Despite the fact that the corporate headquarters of Guinness PLC were based in London, Guinness Ireland benefitted from an exceptionally high level of support from the Irish.[2] This support was the result of a long history of outstanding corporate behavior both internally and externally. Internally, Guinness had a paternalistic approach toward its employees. In the late 1800's, the list of benefits for workers included wages at 10–20 percent above the local average, guaranteed widow's pensions, free medical care, homes and education (Byrne 1999).

Externally, Ireland and Guinness developed an entwined relationship thanks to Guinness's contribution to Irish life through corporate sponsorship and community involvement. Most significant examples include the donation of St. Stephen's Green to the people of Dublin; the renovation of Saint Patrick's cathedral and the Guinness Trust fund which built thousands of houses in the inner city. In 2002 the Guinness corporation was still enjoying an extremely high degree of favorability (74%) and familiarity (66%) (Source: GuinnessUDV 2002 Corporate Brand Tracker No 1). In sum, the Guinness corporate name could be considered as a valuable asset, as it enjoyed a high level of awareness as well as strong positive associations.

Situation 2: Diageo, Global, Multi-Brand

In 1997, Guinness PLC merged with Grand Metropolitan to form Diageo PLC. At the corporate level, the name change was considered a necessity because of the need to give a name to a new corporate giant, which owned a variety of brands all over the world. Grand Met-Guinness had operations in 180 markets (Diageo Annual Report 1998) and the new entity was involved in a variety of market sectors including packaged food and fast food which comprised Pillsbury, Green Giant, Haagen Daaz, and Burger King. The new name was to provide a single roof over a house which was now hosting a complex collection of brands. The name "Diageo PLC" which combines the Latin word for "day" and the Greek word for "earth" was chosen. Paul Walsh, Chief Executive of Diageo PLC explains "*We take this to mean every day, everywhere, people are enjoying our brands.*" (Walsh 2004).

The new name at the corporate level (i.e., London) was now Diageo. The issue of whether to rename the business units or not had then to be addressed. By 2000, Diageo PLC had divested several subsidiaries to concentrate on alcohol products which comprised a spirit side – mainly the legacy of GrandMet – and a brewing side – the legacy of Guinness. "*For most of the world, the spirit side of the business was stronger than the brewing side except for Ireland and Africa.*" In Africa, the name Guinness was retained; in Ireland, Guinness formally merged with United Distillers and Vintners to form GuinnessUDV. Grand Metropolitan brands were integrated into the company's portfolio. The corporate visual identity of GuinnessUDV first demarked itself from the traditional Guinness identity. In this transition period, a new logo was adopted (Figure 1).

In 2001, the decision was taken to integrate the various business units together and, following a brief internal debate, the executive board of Diageo PLC decided that the Irish operations would have to change their name. The implementation of the change, however, was left to the Irish management. The name was changed to Diageo for all stakeholders, with the exception of customers (i.e., the publicans), who continued to deal with "GuinnessUDV" until February 2004.

The rebranding of Guinness Ireland was not an absolute necessity. The heritage and equity embodied in the name Guinness as well as the predominance of the brewing side of the business in Ireland argued for retaining the old name. However, the name Diageo Ireland was imposed to reflect the global scope of the company and the breadth of its brand portfolio. From a brand architecture standpoint, the merger eventually meant that Guinness stout had become only one of the eight global priority brands.[3]

ANALYSIS

The juxtaposition of situations before and after the change of name (from an Irish mono-brand- corporation to a global multi-brand corporation) has pointed up the

FIGURE 1

main driving force behind the rebranding of Diageo: the imperative of reflecting a change of scope and scale in the company's operation. The next section takes a deeper look at the data using content analysis which reveals three deeper themes underlying the rebranding phenomenon which are labeled as follows: The corporate debranding of Guinness; Diageo – a business brand with socially responsible values; Guinness stout as the custodian of a lost corporate ethos.

Theme 1: Corporate Debranding

The flip side of Guinness's omni-presence in Ireland is that Irishness is also imbued in the Guinness name, which does not only present advantages for the corporate brand. The data reveal that the sense of ownership that Irish people developed over Guinness actually restrained the freedom of action of the corporation. In accordance with standard corporate brand models (Schultz and Hatch 2001; Urde 2003), corporate branding at Guinness Ireland had been traditionally rooted in the core values, the culture and history of the company. Although the rebranding was not triggered by a will to "debrand" Guinness – the name Guinness had always been considered by Irish managers as an asset more than a liability – a shift in the brand proposition became a managerial necessity in recent years. Guinness carried an emotional burden which was antithetical to the needs of a modern, international company. The repositioning meant that Guinness Corporation had first to be "debranded." Issues revolving around corporate sponsorship characterize this apparent incongruity. Guinness traditionally sponsored events that were at the core of Irish life such as the "Rose of Tralee"; (a nationwide beauty/personality competition). The sponsorship was aligned with the traditional ethos of Guinness Corporation in terms of community support and social activity. However, it locally grounded the corporation with a good but old fashioned image inconsistent with the vision of an imaginative, up-to-date corporation.

As Guinness (corporation) gradually pulled out of Irish life, it was not however being replaced by Diageo. As a matter of fact, the debranding of Guinness was replaced by what could be described as apathy in the corporate branding program. In many respects, Diageo was not being built as a strong corporate brand. On the contrary, the data indicate that the new name was a "void–brand." The new name received limited brand support and customers had no contact with the brand. As a result, the new corporate name bears no brand awareness, no brand meaning or associations, which are two fundamental constituents of brand equity (Kapferer 1995; Keller 1998). In July 2004, a survey indicated that only 28 percent of respondents were familiar or very familiar with Diageo; in comparison, the company name Guinness – which did not exist anymore – was still maintaining a rate of 69 percent (Source: Diageo 2005 Corporate Brand Tracker No 5).

Theme 2: Diageo – A Business Brand with Socially Responsible Values

If visibility is a key component of the "corporate covenant" (Balmer and Greyser 2003), ethos and culture should also be at the heart of corporate brand values (Balmer 2001). The branding of Diageo represents a change in corporate culture. The corporate ethos of Guinness Ireland historically referred to "*philanthropy and patronage*." This corporate culture was of course reminiscent of the mind-set of the Guinness family who over the years gave liberally to charitable works (Wilson 1998). Diageo's corporate culture is far less benevolent and more financially driven. One current employee expressed it thus: "*Thinking in terms of shareholders' values is the underlying mindset for each decision in a way that I have not seen in other companies*." The change of name to Diageo has maybe increased the perceptions of the company as being "*hard-nosed*" and "*results-oriented,*" even if respondents pointed out that "*the evolution started way before the merger or the change of name.*"

However if the ethos of the corporation had evolved, the espoused corporate values remained the same. GrandMet and Guinness both had well-developed Corporate Social Responsibility (CSR) programs. Following the merger, the GrandMet Foundation became the Diageo Foundation; Guinness initiatives such as the Digital Media Hub, or the Liberties learning initiative, were branded under the name Diageo. The evolution of the CSR program has been subtle. It is now being brought into line with the overall objectives and strategy of the company. CSR programs are driven by the need to be seen as a socially responsible participant in the alcohol sector. For example, Diageo has been heavily involved in the creation and the development of MEAS, the Mature Enjoyment of Alcohol in Society, which promotes responsible drinking on behalf of the alcohol industry. In sum, if the corporate social program and sponsorship program were considered to be stronger than they have ever been, "*the manner in which (they are) organized is somehow different because of the idea of efficiency behind it.*"

Theme 3: Guinness, A Product as the Custodian of a Lost Corporate Ethos.

The Guinness corporate heritage of being "*human*" and "*people-orientated*" *continues to rest with* the brand image of Guinness Stout. The mapping of consumer perceptions of the Guinness brand identified "goodness, power, and communion" as the essence of the brand Guinness. Arguably, two of those are partly inherited from the corporate brand Guinness. A Brand manager explains that Goodness is about "*the great brewing heritage, the finest ingredients, but also there is something about the honesty of the brand, in terms of being active in the community, the legacy of the company, Guinness built* *houses for its workers all around here, also corporate sponsorship events, cultural events throughout Ireland that Guinness has organized*." The third pillar, communion, is mainly derived from the way the product is being consumed (i.e., in a pub!). Yet, the corporate heritage also plays a minor role as it is "*a little bit about community*."

Interestingly, some marketing managers at Diageo acknowledge that the separation between the product brand and the corporate brand mitigates the risk associated with modern business life: "C*ompanies make tough decisions during their operating life. We have to make decisions about manufacturing capacities, production capacities, maybe close-down inefficient sites, (. . .) if we start making people redundant, I would prefer that it is associated with the name Diageo rather than Guinness.*" The corporate brand is seen as a shield and the social heritage embodied in the name "Guinness" preferably transferred to the equity of the product brand.

DISCUSSION AND CONCLUSIONS

The Guinness/Diageo case has revealed numerous insights concerning the rebranding phenomenon. Rebranding summarizes a transition from a name that represents corporate heritage and traditions to a name synonymous with current practice and future visions. If the corporate brand is the corporate "covenant," i.e., "an ornament, a safeguard" (Balmer and Greyser 2003), then this ornament must dress in the new corporate reality. This must be done despite the old ornament (the name Guinness) still being valued by the external audience. The deep rationale for the rebranding of Guinness Ireland is to reflect two major changes that have occurred within the corporation over the past 15–20 years: i.e., from local to global, from mono-industry (the brewery) and a dominant brand (Guinness stout), to a wider business spectrum (including wine, spirits, alco-pops) and a multi-brand corporation (Guinness, Baileys, Smirnoff, J&B, etc.). The change of name also symbolized an evolution of the corporate culture from a benevolent way of conducting business to a cost-driven, financially sound contemporary way of managing assets.

The second stream of insights pertains to the area of corporate brand building. The traditional academic view suggests a reliance on heritage in building the corporate brand (Schultz and Hatch 2001; Aaker 2004; Argenti and Druckenmiller 2004). Many corporations leverage their heritage by reinterpreting their traditional symbols in a contemporary light. For example, HP's garage, Well's Fargo stagecoach roots or Thomas Edison's legacy for GE are being used to improve consumers' corporate associations (Aaker 2004). In the case of Diageo, in contrast, the corporate brand is geared toward present and future aspirations; the change of name effectively places corporate heritage at a secondary level.

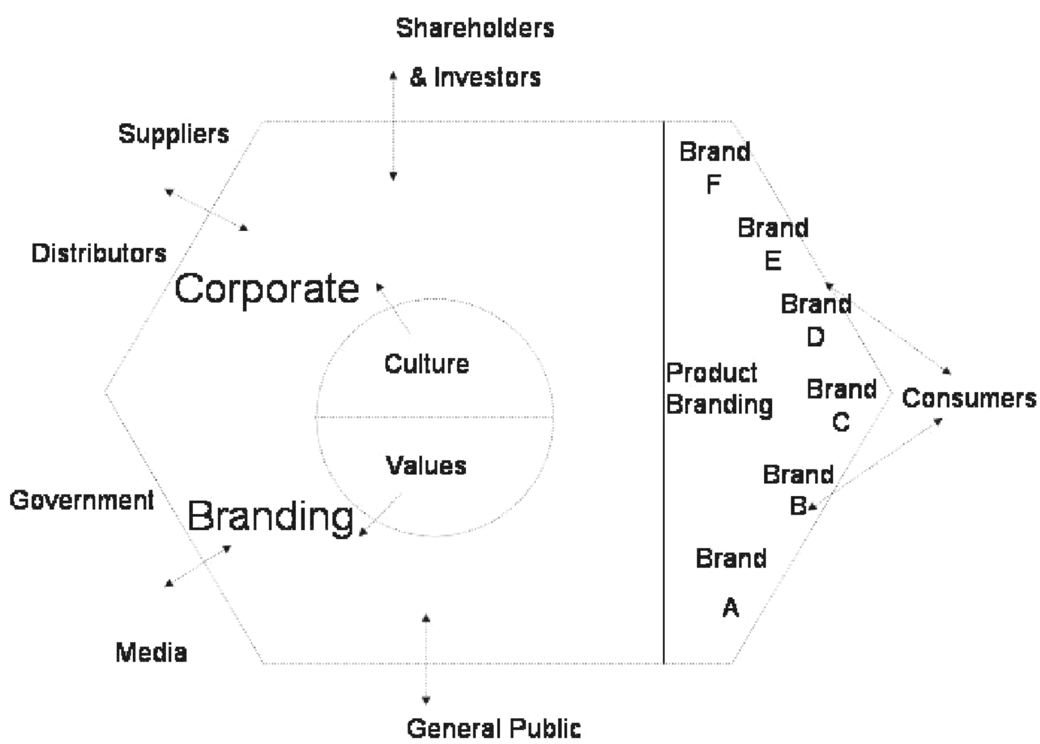
Ironically, the emergence of "corporate branding" in the vocabulary of Diageo senior management has coincided with the evaporation of corporate awareness and associations in the mind of consumers. If corporate branding is about placing the corporation in the spotlight (Fombrun and van Riel 2004), and if brands exist once they are present in the mind of customers (Keller 1998), one might question the brand status of Diageo. But this contention leads necessarily to a re-assessment of traditional views on corporate branding.

The third stream of insights pertains to the management of the different audiences for the corporate brand and the relationship between product and corporate branding. The case shows that corporate (re)branding is about promoting a corporate agenda. In this context, far from seeking synergies between product and corporate level, dissociation and differentiation of the two strategies is fostered. The rebranding paradox pertaining to the possible obliteration of brand equity is in fact a deceptive impression. The corporate rebranding has allowed Diageo to regain full control over its corporate imagery while the heritage and equity of the Guinness name was secured at the product level. Corporate branding focuses then quasi-exclusively on corporate stakeholders other than consumers while the relationship between consumers and the Guinness brand is maintained at the product level.

Corporate rebranding and subsequently product branding at Diageo have been characterized by a sequential and differentiated approach toward their various audiences. This approach seems to run counter to the arguments in the literature in which most authors argue for alignment across time and across stakeholder groups (Morsing and Kristensen 2001), consistency among culture, vision, and images (Schultz and Hatch 2001), and synergies between culture and values (Urde 1994, 2003). Based on this study, we propose an alternative argument which is that a certain degree of misalignment may be positive in that it allows corporations to maximize the relevance of the brand message for each audience. A multidimensional approach of corporate branding means promoting different images for different stakeholders. In this view, corporate branding can be conceived of as a prism through which the corporation is being differently perceived depending on the stakeholder perspective. The scheme is illustrated in Figure 2.

Diageo shapes an image "*forward thinking, innovative, financially driven*" for its shareholders and suppliers. This image is imbued by a "*results-oriented*" corporate culture. In parallel, the image of a "*socially-responsible corporation*" is promoted toward government and the general public. The socially-responsible claim is supported by corporate historical values of philanthropy and charity. As for consumers, the company is contented to hide behind its brands.

FIGURE 2



A post-modern era characterized by fragmentation, juxtaposition, and contradiction (Brown 1995) calls for a different type of corporate branding. The multi-dimensional corporate brand demystifies the idea of a brand-oriented company, where brand values embrace the entire corporation. Instead fragmented branding tactics mean that various brand propositions can co-exist without damaging each other. So, one brand (e.g., Smirnoff Ice) might be perceived as "*cool, cheeky, and young,*" the other (e.g., Guinness stout) may be seen as "*Irish and traditional*" while the corporate brand (e.g., Diageo) is, depending on the audience, "*financially responsible*" (shareholders), "*socially-responsible*" (government and general public) and invisible for consumers.

This framework may be used as a template for companies willing to constrain their relationship with customers at the product brand level while developing an independent corporate brand for its relationships with other stakeholders. Possible routes for further research include assessing quantitatively asymmetrical brand images using a brand character scale and observe if different images affect brand evaluation.

ENDNOTES

[1] MSI Conference on Brand Architecture and Corporate Reputation, Charleston, SC, March 16–18, 2005

[2] In 2002, 73 percent of Irish respondents actually believed that Guinness HQ were in Dublin, while only 11 percent knew they were in London. Source: GuinnessUDV 2002 Corporate Brand Tracker No 1.

[3] Other priority brands are Smirnoff; Johnny Walker, Baileys, J&B Whiskey, Captain Morgan Rum, Jose Cuervo Tequila, and Tanqueray Gin.

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IMPACT OF BRAND IMAGE COMPONENTS ON BEHAVIORAL INTENTIONS OF STAKEHOLDERS: INSIGHTS FOR CORPORATE BRANDING STRATEGIES

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SUMMARY

Introduction and Theoretical Modeling of the Constructs

Corporate branding is a marketing topic that has been rapidly attracting growing interest in recent years (Balmer 2001) and various authors have postulated a generic shift of emphasis toward corporate branding as an independent research area (Balmer 1995; Harris and de Chernatony 2001). As the majority of publications in this field maintain a conceptual focus due to the complexities that arise in empirical studies, the purpose of this paper is to generate the necessary empirical support for a deeper understanding of how stakeholder intentions and behavior develop and of how to approach different stakeholder groups.

By definition, each of the stakeholder groups can have some impact on the success of a corporation's operations. Consequently, one of the major objectives in stakeholder strategies should be to encourage stakeholders to behave and act in a way that positively influences corporate objectives. Owing to problems with the measurement of actual behavior, behavioral intentions are often used as indicators of positive responses with respect to a specific company. According to the theoretical underpinnings of hierarchy of effects models (Lavidge and Steiner 1961), attitudes precede both favorable intentions and manifest behavior on the part of stakeholders (Meyers-Levy and Malaviya 1999). Corporate images are a closely linked construct that reflects a detailed attitude toward a corporation. It is assumed that the outstanding importance of images and intentions can be extended to all stakeholder groups.

Images are rarely considered as one-dimensional constructs. Consequently, our approach is to split them into an emotionally dominated affective and a rationally dominated cognitive component (Vakratsas and Ambler 1999). In light of the high variety of rationally important aspects for different stakeholder groups, we divide the cognitive image into a generic and a stakeholder-specific component. In line with other publications, we used reflective indicators to model the affective image component and behavioral intentions. Even though attitudes and images are often considered as reflective constructs (Diamantopoulos and Winklhofer 2001), we follow a less popular approach and model the generic and stakeholder-specific cognitive component in a formative way. Our reasoning is that the content and indicators of the construct are too divergent to be manifestations of the construct.

Research Design and Empirical Results

The empirical data originates from a survey of the corporate brand of a leading German service corporation listed in the DAX 30, a share index featuring Germany's top 30 blue-chip companies. Based on their importance, and building on prior research, three stakeholder groups – customers, employees, and shareholders – were selected for this empirical study. In order to broaden the insights gained from this research and due to their high relevance to the corporation, we also incorporated potential members of each stakeholder type as three additional groups. The survey elicited a total of 1,465 stakeholder responses from six groups (116 employees, 274 potential employees, 276 shareholders, 281 potential shareholders, 296 customers, 222 potential customers). In our research design, various arguments, such as sample size and distribution requirements, support the use of PLS (Wold 1985).

The thorough operationalization of the constructs, including content specification, indicator specification, and several pre-tests (Diamantopoulos and Winklhofer 2001) is followed by an extensive validation process of the models. All items for the two reflective constructs affective image and behavioral intention in the six stakeholder groups reveal high loadings and indicator reliabilities that far exceed the usual minimum requirement of 0.4. Frequently used local criteria for the assessment of the model fit are the average variance explained, composite reliability and Cronbach's α. The results for all models significantly exceed the usual requirements of 0.5, 0.6 and 0.7 respectively (Bagozzi and Yi 1988). Additional covariance based analyses global fit criteria's support the findings.

Several analyses show no signs of problematic multicollinearity in any of the formative measurement models. Based on high as well as significant indicator weights and tests for external construct validity we can conclude that we have developed adequate formative

measurement models for a generic cognitive image component and a stakeholder-specific image component for each of the six stakeholder groups under consideration. The confirmation of our theoretical expectation of positive relationships between the image construct and behavioral intentions supports the nomological validity of the formative measurement models. Furthermore, significant differences in the indicators' weights between the stakeholder groups were obvious, pointing to varying requirements in each group.

TABLE 1
Results of the Structural Model

	Affective		Generic Cognitive		Specific Cognitive		Model	
	Path	Effect Size	Path	Effect Size	Path	Effect Size	R^2	Q^2
Customers	0.416***	0.173	0.267***	0.054	0.169 ***	0.020	0.615	0.395
Pot. Customers	0.609***	0.380	0.142*	0.011	0.100	0.006	0.650	0.453
Employees	0.298***	0.090	0.277***	0.073	0.290***	0.070	0.624	0.392
Pot. Employees	0.533***	0.306	0.173***	0.041	0.132**	0.012	0.578	0.299
Shareholders	0.452***	0.245	0.037	0.002	0.423***	0.236	0.648	0.391
Pot. Shareholders	0.372***	0.174	0.225***	0.049	0.259***	0.064	0.557	0.280

***** Significant at 1%; ** Significant at 5%; * Significant at 10%**

The results of the six computed structural or inner models are displayed in Table 1 and show that almost all paths have a significant positive effect on the behavioral intentions of the stakeholders. Only the generic cognitive component of shareholders and the specific cognitive component of potential customers indicate non-significant paths. The effect sizes are positive for all paths. The R^2 (ranging from 0.557 to 0.650 and the Q^2 results for the Stone-Geisser-Test (ranging from 0.280 to 0.453) prove the high overall fit of the models.

Conclusion and Implications for Marketing

We discovered that, in all stakeholder groups, the affective image component exerts the strongest influence on behavioral intentions. Assuming that behavioral intentions actually lead to observable responses this finding seems to support the hypothesis that emotional approaches to customers and other stakeholders will be more effective than cognitive ones. Nevertheless, the analysis also revealed that specific cognitive aspects have a substantial impact on certain stakeholder groups, such as shareholders, employees, and potential shareholders. Despite its smaller magnitude, the generic cognitive component also evidences a positive relationship with the behavioral intentions of all stakeholder groups, and should therefore not be ignored. The overall results imply that a generic strategy aimed at all stakeholder groups promises the greatest success when based on an affective approach, while specific targeting strategies suggest a cognitive domination based on the individual requirements of each target group. References available upon request.

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MODELING THE EFFECTS OF MARKETING MIX VARIABLES ON UMBRELLA BRANDING IN A SEGMENTED MARKET

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SUMMARY

In today's competitive market, implementation of a thoughtful branding strategy is one of the key factors in corporate success. As Aaker (1996) said, "A company's brand is the primary source of its competitive advantage and a valuable strategic asset." Firms often introduce a new product with a brand name, which has already been established in other products. For example, Sony, Phillips, Toshiba offer different products under already established brand names. The main reason for practicing such brand extension strategy in the market place is to reduce the cost and risk, and to obtain a greater introductory market share with less investment in marketing communication. However, researchers suggest that the success of such brand extensions depends on the transfer of parent brand awareness and on how confident a consumer is in associating her evaluations to the extensions (Aaker 1991). Many studies have examined the impact of that association of consumers' evaluation on a brand extension in experimental settings (Aaker and Keller 1990; Bousch and Loken 1991; Dacin and Smith 1994). Additional research has explored the relationship between parent brand evaluation and perceived quality of the extension (Loken and Jon 1993; Aaker and Keller 1990). Those studies have found that consumers' quality perception will be transferred if the parent brand and the extensions have a perceived "fit."

The perceived "fit" is one of the most important ingredients in the success of umbrella branding (Wernerfelt 1988), in which the same brand name is used for multiple products. Managers believe that the umbrella branding is an effective strategy in increasing demand for extensions by signaling consumers about the quality of new products. They introduce the umbrella brands with a belief that consumers often draw inferences from their experience about the quality of an established product sold under the same brand name. Previous studies on the umbrella branding in the marketing literature have highlighted various avenues through which information flows among brands that share common brand name. Research has also shown how brand name conveys information about the product quality (e.g., Erdem and Keane 1996). However, the previous studies have focused mainly on the formation of consumers' perceived quality, which is not observable in a market place. Previous research also has examined whether a brand name can assist consumers by signalling product quality, when they are uncertain about the quality attribute. Recently, researchers have extended the previous models to address the effect of brand name across product categories (e.g., Erdem 1998; Erdem and Sun 2002).

Although the umbrella branding strategy has widely been studied in the marketing literature, it is not well understood whether or not the perceived "fit" of a brand extension with the core brand is consistent with consumers' preferences across all market segments, which is the main focus of the present research. The conceptualization of market segments is important to the managers for improving their ability to understand the structure of unobserved heterogeneity among consumers and allocate their resources more effectively while introducing umbrella brands. Firms have various options in accommodating consumers' heterogeneous preferences while introducing umbrella brands. At one extreme, firms could think of each consumer as a unique market segment – a segment of one. However, the cost of introducing an umbrella brand for targeting such unique segments will be too much for most of the firms. At the other extreme, a firm could consider all consumers as part of a single segment. Under this situation, however, firms will lose market share to their competitors, who will serve the products that are very close to the consumers' ideal points in the benefit/attribute space. Thus firms must maintain a balance between the cost of serving a segment and the value consumers get from the umbrella brands. By positioning umbrella brands in an appropriately segmented market, firms can provide consumers extra utility, and charge higher price for new products, and may reduce competitive pressure by making it more difficult for other firms to serve superior products to segment's needs and preferences.

There could be multiple ways to implement such segment specific umbrella branding strategy in practice. Some of those strategies could be segmenting the market based on psychographic or demographic variables in the first place, and then applying the umbrella branding strategy within each of those market segments; segmenting the market based on observed variables (e.g., demographic variables) and applying umbrella branding strategy simultaneously, etc. Earlier market segmentation research assumed that psychographic and demographic variables are associated with consumer behavior. This assumption is critical if the segments based on this assumption differ on the responses to marketing mixes (Wedel and Kamakura 2000). The recent research trend in market segmentation emphasizes forming the segments directly on the basis of consumer preferences and their

responses to price and sales promotions. The genre of this research has become very popular in the marketing discipline after Kamakura and Russell's (Kamakura and Russell 1989) seminal work on market segmentation based on marketing mix variables. The present article attempts to combine the two streams of research, the umbrella branding, in which brand names convey information about product quality, and the segmentation based on unobserved variables (i.e., marketing mixes), into an integrated modeling framework. In doing so, the proposed model will attempt to shed light on how marketing mixes by an umbrella brand might affect perceived risk within a market segment.

Segment specific umbrella branding strategy addresses many managerially relevant issues, such as formation of consumers' quality perceptions on brand extensions and their impact on brand choice decision within a segment, the establishment of a segment specific brand identity, the signaling effect of umbrella branding on consumers' buying habit within a segment, and the effect of marketing mix variables (i.e., store wide display and feature of an umbrella brand) on segment specific consumers' perception formation. The proposed model will also be useful in examining the effectiveness of the umbrella branding strategy within each segment. In the market, some of the firms are using separate brand names for each of the products to minimize the risk of brand failure (i.e., the failure of the newly launched brand will not have any effect on the existing and established brand within the same product category). For example, in the case of laundry detergents Procter and Gamble offers uniquely positioned brands such as Tide, Cheer, etc., whereas, other firms use same brand name for many products, for example, Sony. By segmenting the market appropriately, marketers will be able to find out that the introduction of different brand names will be unnecessary in some market segments, which will reduce their new brand launching expenses substantially.

The main objectives of this research are to: (1) Model the process by which consumers' quality perceptions for an established brand in one product affect its extension in other products within a market segment, which is simultaneously determined by the responses on marketing mix variables; (2) Provide a modeling framework to analyze the impact of marketing mix variables, such as price and promotional variables, in consumers' perception formation within a segment; and (3) derive an integrated relationship among current brand choices, past brand choices, and marketing mix variables, which can be applied to disaggregated supermarket scanner panel data. The conceptual model proposed in this article will address all these issues through an integrated modeling framework.

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ART INFUSION: HOW THE PRESENCE OF ART AFFECTS THE PERCEPTION AND EVALUATION OF NON-ART PRODUCTS

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SUMMARY

Art images are often used to promote unrelated products and services, for example by being displayed in advertisements. Other times, art becomes an integrated part of a product, such as when furniture is artistically designed or a painting is printed on a shirt. It is clear that influential marketing practitioners believe that art somehow has the power to influence consumer perceptions. However, the issue of whether these beliefs are well-founded remains unresolved. We need to understand whether, why, how, and for what types of products the presence of art has an impact on consumers' perceptions and evaluations. This issue represents a fundamental gap in our understanding; not only of the art market, but also of the impact art may have on other markets and marketing activities.

In this research we examine the phenomenon of *art infusion,* which we define as the effect that the presence of art has on consumer perceptions and evaluations of products and services with which it is associated. We theorize that specific, characteristic properties of art, referred to as infusion properties of art, spill over to cause this effect. In study 1, we demonstrate the phenomenon of art infusion and show that the presence of art favorably influences consumer perceptions and evaluations of a product, that this effect is more powerful for utilitarian versus hedonic products, and that the positive evaluations of the art-infused product generalize downwards to influence the evaluation of product-specific attributes and upwards to influence impressions of the firm. In study 2, we demonstrate the process underlying art infusion and rule out two alternative hypotheses: that any decorative image results in art infusion and that it is positive affect stimulated by the art image, not the theorized properties of art, which drives the effect.

Study 1 was a 2 x 2 between-subjects experiment in which the two independent variables manipulated were presence of art (present vs. not present) and nature of the product (hedonic vs. utilitarian). One hundred and eight undergraduate students participated. Two sets of images were created of both the utilitarian product (soap dispenser) and the hedonic product (wine bottle): plain (non-art condition) or with a painting (Palazzo da Mula by Claude Monet) printed on the label of the wine bottle or on the front face of the soap dispenser (art condition). Participants were given one of the four otherwise identical images and a questionnaire.

Results revealed that product evaluations and monetary evaluations were significantly more favorable for the products with art than for those without art. Art presence x product type interactions were also found for these measures. Both the evaluation of product-specific attributes and the impressions of the firm were significantly more favorable with the art than without it. Finally, both products were perceived as more hedonic in the presence of art, while this effect, as with the other results, was strongest for the utilitarian product.

Study 1 established that the impact of art infusion was greater for the utilitarian product. Therefore, only the soap dispenser was used in study 2. Three images were used for the face of the soap dispenser: first, the Monet painting from study 1; second, a pattern of flowers; third, the painting "The Burning of the House of Lords and Commons" by J.M.W. Turner. These three images were pre-tested with undergraduate students as being equally unfamiliar, equally pretty, and equally decorative. However, while the Monet and Flowers were rated as equally positive in elicited affect, the Turner was rated as negative. Participants were able to readily identify the Monet and Turner as art images, but the Flowers as a non-art image.

The method of study 2 was identical to that of study 1. One hundred and six undergraduate students participated, each randomly assigned to one of four experimental conditions, with the soap dispenser as either plain or with one of the three images. The measures used were identical to those in study 1. In addition, a set of measures were included to assess the process of art infusion, based on impressions of the product as artistic, interesting, creative, and arousing a form of existential curiosity.

Comparing the Monet with the plain soap dispenser demonstrated that the results from study 1 were fully replicated in study 2. Results also support the ruling out of the visual element hypothesis. Comparing the Monet versus Flowers revealed that although the two images were pre-tested to be equally decorative, participants rated the Monet soap dispenser significantly more positively than the Flowers soap dispenser across all the dependent variables. Further, results support the ruling

out of the positive affect hypothesis. Comparing participants' responses to the Turner (negative) soap dispenser with the plain soap dispenser revealed that the Turner performed significantly better across all dependent variables. A similar analysis with Turner versus Flowers revealed that the Turner image caused significantly more favorable evaluations across all measures than the flowers image. This result simultaneously rules out the visual element hypothesis and the positive affect hypothesis. Finally, mediation analysis revealed that the hypothesized infusion properties of art fully mediate the relationship between the presence of art and the product evaluations. Full mediation was also observed for other variables, notably the hedonic scale, the product-specific attributes, and the impression of the firm.

Thus, our findings not only confirm that art positively impacts consumer evaluations, but they also provide insights into the nature of this effect, and they provide indications for how managers can most successfully utilize art in marketing efforts. According to art infusion theory, art not only influences consumer evaluations through its aesthetic appeal, but also through its capacity to elicit a higher-order sensibility and curiosity about the nature of life. This curiosity is, and always has been, a part of the human condition. Existential and metaphysical issues are explored through channels such as religion, philosophy, art, or literature, and the human drive to do so seems as persistent as greed or sex. It is only natural, then, that this drive also has a noteworthy capacity to affect consumer behavior. References available upon request.

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ALL THAT GLITTERS: DISCOVERY OF CURRENT MEANINGS OF JEWELRY IN AMERICAN CULTURE

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SUMMARY

Jewelry has been associated with the four aspects of civilized life; money, power, religion, and love, (Sataloff 1975, p. 5).

In recent years, researchers (Belk 1988; Hirschman and LaBarbera 1990 and others) have advocated closer examination of the enduring, emotional ties that consumers cultivate with certain possessions. Jewelry is one of those ubiquitous products in our lives that hold many different meanings for different consumers. What is the use of developing marketing communication materials to appeal to specific target markets if we do not understand the culture meanings behind the product?

Twelve themes are presented here as a starting point. These emerged from a grounded theory analysis of the history of jewelry plus personal observations and insights (Purinton 2006). These themes, if valid, would apply to all cultures as world history was used for the analysis. These are not meant as a comprehensive list of meanings, merely as a basis to begin the research.

An exploratory study was performed to validate, augment, or dispel these twelve themes in current U.S. culture. A survey was designed, tested, and administered to two samples (28 faculty and 46 students) at a medium size, private, four year, Mid Atlantic college. The survey asked a series of Likert style questions measuring involvement in jewelry selection each day as well as attempting to uncover some of the meanings. An open-ended question, and the heart of the survey, asked the respondent to choose one piece of jewelry that he/she regularly wore and to describe in one paragraph what it meant to him/her. Demographic questions completed the survey.

The open-ended questions were content analyzed using six coders. Five were undergraduate students of marketing taking a marketing research class from a professor other than the author. The sixth was a professor. The coders were given instruction to sort the open-ended questions into categories but were not given the categories or any hints as to expected outcomes. A total of 22 categories were generated. The coders met with the researcher twice more to discuss, consolidate, and validate the themes that emerged. When all of the natural categories were formed, there were 17, including one called "absolutely no meaning." The coders then recoded all of the responses into the new categories. Please see Table.

TABLE

Original Themes	Emergent Themes
1. Jewelry as self-adornment	Confirmed. Included style, fashion, and helping the wearer feel more attractive.
2. Jewelry as status.	Confirmed.
3. Jewelry as wealth.	Did not appear.
4. Jewelry as an art form.	Did not appear.
5. Jewelry as functional.	Confirmed.
6. Jewelry as demonstration of belief.	Confirmed.
7. Jewelry has protective/healing properties.	Confirmed and separated into three components: Protection, healing, luck.
8. Jewelry as a sign of affiliation.	Confirmed.
9. Jewelry as memorial.	Did not appear.
10. Jewelry as a form of communication.	Confirmed.
11. Jewelry as sentimentality or souvenir.	Confirmed. Separated into sentimentality for a person (three types) and souvenir of a time or place.
12. Jewelry in rites of passage.	Confirmed.
	Absolutely nothing
	Collection.
	Value.

Reliability was determined according to the method suggested by Perreault and Leigh (1989) for dealing with nominal data. Using their figure for estimating reliability, and the computed total of agreement (before discussion) of 77.63 percent and 9+ categories, the estimate of reliability (I_r) = .94.

Knowledge gleaned from this research can be used to better understand consumers' motives and decision processes. Aside from the cultural and consumer meanings, are the more practical implications for marketing strategy. These include greater knowledge for positioning and targeting, market opportunities, and practitioner suggestions for marketing.

A research stream is proposed to validate these themes and to discover others which may not have emerged within the history. Two methodologies are suggested here. The first is a semiotic analysis of presentations of jewelry today. The second suggestion takes an individual perspective. Depth interviews with consumers about their own jewelry consumption would explore what jewelry means to them since the act of consumer behavior is one of self-definition.

Jewelry fits the descriptions of products that reflect our self-identity as set forth by Belk (1985 et al. 1988), Solomon (1983), and Richins and Dawson (1992). By extracting the multi-layered meanings of these products, we learn about consumers and the society and culture that encompasses them. As we have seen, there are a myriad of meanings in jewelry. It has become an integral part of ourselves and our culture. Considering the sale of the island of Manhattan for a few strands of beads – Maybe it wasn't such a bad deal, after all. Bibliography available upon request.

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CONSPICUOUSLY ALTERNATIVE: THE ETHICS AND AESTHETICS OF INDIE CONSUMERS

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SUMMARY

People use conspicuous consumption as a means of self-creation and to communicate who they are to the rest of the world. Independent alternative consumers conspicuously and deliberately choose to distance themselves aesthetically, and in more significant ways, from their mainstream peers. Their style choices signal not only their aesthetic sensibilities, but their orientation as ethical consumers. Qualitative analysis of 11 depth interviews of English-speaking young adults from the United States, England, Ireland, Canada, and Australia reveals a global consumption community bound together across two intersecting dimensions: ethics and aesthetics.

Although it has been used to generally describe all countercultural activities and aesthetics for at least 25 years (Hebidge 1979), the term "alternative" has, in the last fifteen years or so, come to signify a particular set of conventions. Independent alternative consumers (hereafter, "indies") conspicuously and deliberately choose to distance themselves aesthetically, and in more significant ways, from their "mainstream" peers. Typical signifiers of an indie orientation include tattoos and body piercing, hairstyles and colors, clothes and shoes.

Our definition of an independent alternative consumer is simply a person between the ages of 18 and 36 who makes the conscious and deliberate choice to conspicuously use cultural signifiers, such as clothing and leisure activities, that are not considered mainstream (i.e., using positive screening in his consumption decisions). In addition, indies may employ negative screening to rebel against the mainstream consumer culture by avoiding consumption of particular items or brands, or by refusing to shop at particular corporations, stores, or other revenue-generating commercial enterprises.

Indie consumers comprise a community of mind who share language, activities, tools (e.g., clothes), values, and an awareness of others like themselves (Hollenbeck 2005; Sergiovanni 1999; Lock 2002; Peters 1999). The fact that indies around the world do not cluster around a single brand or product does not make them less of a community than those identified as members of a "brand community," because their identification with one another depends on their mutual embrace of creative bricolage. This culturally significant notion is best summed up by Fournier (1998): "'Generation X' is a product of a postmodern *society that encourages construction of highly individuated identities* through eclectic borrowing of the fragments available in consumer culture" (p. 360, emphasis added).

We find that five common themes emerge in interviews with indie consumers: *Independence* (physical, cultural, geographic, aesthetic, ironic), *Ethics*, (politics, environment, economy, religion, social justice, gender), *Ambition (*autodidactic orientation, career, financial stability) *Support network* (family, friends, age at time of adoption of indie orientation), and *Regret* (related to the four other themes).

Rather than a continuum, with Ethics as one endpoint and Aesthetics as its opposite, even in its simplest form the universe of alternative consumption must be conceived in at least two dimensions, with Ethics as one axis and Aesthetics as the other. Within each quadrant created by this cross lies a cohort of products, services, hobbies, brands, corporations, and marketing techniques, as conceived by alternative consumers. A firm's positioning on this perceptual map may not accurately reflect its offerings or strategies; in fact, there might be great disparity between a brand or firm's image and reality. This can be either detrimental or beneficial to the firm's performance in the marketplace, depending on the source of the misperception, the size of the disparity, the direction of affect, and how large the percentage of the consumer base who even cares is. This impact is a key contribution of the understanding of this research on indie consumers, as they comprise a widespread, in fact, global, community of mind.

If alternative consumers comprise a loosely knit community of budding and fully-fledged ethical consumers, we expect to find a moral code of sorts in place. This expectation is borne out to a large degree in the behavioral modification that we find alternative consumers engaging in, whether it is deciding to become vegetarian or vegan (Shaw and Newholm 2002), supporting boycotts or "buycotts" (Sen et al. 2001; Friedman 1996), adopting voluntary simplicity, or participating in large-scale public demonstrations (Lacayo 1999; Baum 2001). Support for the idea that consumers' behaviors reflect their underlying attitudes comes from the classic Fishbein model (Ajzen and Fishbein 1973, 1980; Ryan and Bonfeld 1975).

Ethical consumers' appraisal of businesses is based on the notion of virtue, or *ethos*, in which a person strives to lead a healthy, happy life while doing no harm to others (Caza et al. 2004). Ethical consumers decide whether to patronize firms based on criteria such as environmental sensitivity, global politics, cultural sensitivity, and treatment of employees. Because they are at least one level removed from production, consumers' decisions about which firms are ethical are based largely upon word-of-mouth (or word-of-e-mail), and there is a fairly commonly known canon of firms that are "in" and those that are not.

Stakeholder theory suggests that those companies who take indies' ethical concerns regarding the global economy, worker parity, the environment, et cetera, into consideration as they grow – issues expressly voiced by alternative consumers as being important in their buying decisions (see also Baum 2001) – should remain high in their customers' regard, and retain their loyalties in the marketplace. All references available upon request.

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ILLUMINATING THE LINK BETWEEN SALESPERSONS CUSTOMER ORIENTATION/EMPATHY AND THEIR SALES PERFORMANCE: THE ROLE OF CUSTOMER NEEDS IDENTIFICATION

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SUMMARY

It has long been argued that salespeople as boundary spanning employees are of crucial importance for service firms' success. Indeed, a number of studies have found salespeople characteristics to determine customer satisfaction, customer loyalty, and willingness to buy. One of the most highly discussed success factors is the customer orientation of salespeople. It is generally assumed that customer-oriented salespeople are successful because they are more skilled at finding out about and adjusting to the needs of individual customers.

Despite the plausibility of this argument, empirical evidence on the link between salespeople's CO and performance outcomes is mixed. One possible reason for the diverging results lies in the fact that most previous studies used a "black box approach" and did not include potential mediators or moderators of the CO-performance link. Given the centrality of matching customer needs within current conceptualizations of CO, it is remarkable that no previous study has ascertained to what extent salespersons' CO actually corresponds with their ability to identify customer's needs, which arguably is the main prerequisite to satisfy them.

This paper aims to develop a 2-level (employee-customer) framework of customer needs identification (CNI). The model introduces two antecedents of CNI, customer orientation and empathy (i.e., "one's ability to understand and identify with the other persons' perspective"), that have never been studied as predictors in a single model. Although both variables have received some empirical support for their assumed roles as drivers of sales performance, the extent of their independent or interactive contributions is unclear.

In the present framework we propose CO and empathy to be two related yet distinct constructs that interact synergistically in predicting successful CNI. On the one hand empathy should be a necessary prerequisite for the CO-CNI link. For example, highly customer oriented salespeople with low empathy – although trying to act in the customers interest – should react more uniformly and thus less adjusted to customers with different needs than employees with high CO and high empathy. On the other hand, CO motivates and energizes employees to use their empathy ability in the service context. In sum, we assume empathy to be the prerequisite underlying ability and CO to be the motivating component that directs the employees efforts toward CNI. Therefore, we hypothesize that salespeople's empathy and CO should interactively predict CNI, such that highest CNI scores will be associated with high empathy/high CO scores. Additionally, the model predicting CNI included two control variables (job experience and age discrepancy between salesperson and customer) that are theoretically less interesting but possibly related to CNI.

Finally, the framework assumes that CNI is the crucial intermediate process involved in the relationships between empathy and customer orientation on the one hand and sales performance (as indicated by customer satisfaction, customer willingness to pay, and customer loyalty) on the other. Thus, we seek to contribute to the extant literature by illuminating the "black box" between salespersons' customer orientation/empathy and their sales performance.

In order to test our hypotheses we conducted a field study in travel agencies. We investigated the employee-customer-interaction between 190 travel agents and 379 customers in 95 travel agencies. We chose the travel agency context for its greater potential for close salesperson-customer interactions and the greater variance of customer needs. Questionnaires with items covering empathy, CO as well as age and work-experience were personally administered to travel agents by interviewers of the research team. The interviewers then spent one day in the respective travel agency and asked customers for an interview after their interaction with a travel agent. The customer interview covered buying needs, customer satisfaction, willingness to pay, and customer loyalty. Reliability coefficients were good for all measurement scales. *CNI* was measured using a dual perspective approach. Customers were asked to rank six buying needs according to their personal importance (convenience, price, service, brand, security, and shopping-enjoyment). After each customer-employee-interaction travel agents were asked to take the perspective of the respective customer and to

rank his or her buying needs in the same fashion as the customer. The six shopping needs were selected based on previous shopping needs research and an extensive pretest study with 64 in-depth customer interviews. CNI was operationalized as –1 times the sum of the absolute differences between customer and employee rankings.

In order to take the data structure properly into account, we employed hierarchical linear modeling (HLM). Analyses were conducted using the MLwiN software (Version 2.0). To control for possible differences between travel agencies, we set up a three level hierarchical model including the travel agency level in addition to the theoretically relevant levels of employees and customers. Results of our study revealed CNI to be a powerful mechanism mediating the effects of CO and empathy on sales performance. Importantly, we found support for the hypothesized synergistic interaction between CO and empathy, which means that high levels of both CO and empathy are required to optimally identify customer needs, which in turn leads to the highest sales performance.

We think that our model advances marketing theory in two ways. First, our model introduces CNI as the crucial mechanism leading to higher sales performance. This may help to predict when and why one should expect a positive effect of CO on sales performance. Indeed, as some previous research, we found no support for the direct CO-sales performance link. Possibly, CO does not always lead to enhanced CNI, which would explain why it does not affect performance. Further support for this interpretation may be found in the synergistic interaction between CO and empathy. Our findings suggest that the prediction of CNI and sales performance can be enhanced by using indicators of both CO and empathy. We believe our second major contribution was to pick up on these ideas and examine their interplay empirically. In this regard, our results suggest that CO and empathy are to a great extent non-redundant salesperson characteristics, each strengthening the effect of the other. Thus, we encourage researchers to employ measures of both constructs so as to further illuminate the processes by which each affects sales performance. References available upon request.

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CUSTOMER RELATIONSHIPS IN A LONG-TERM PERSPECTIVE: WHEN ARE CUSTOMERS MOST PROFITABLE?

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SUMMARY

Customer satisfaction and customer loyalty are central constructs in explaining customer relationships. Many of the effects of customer satisfaction and customer loyalty have already been investigated in depth and analyzed. These investigations, however, have never produced an answer to the question of how these factors develop over a given time period. Against this background and on the basis of conceptual considerations on typically ideal progressions in customer satisfaction and customer loyalty over a given time period, the present investigation will try to identify different satisfaction phases. In addition, further explanatory or depending variables, such as repurchase intention, and especially customer profitability, will be taken into consideration. These aspects were investigated in the mail-order retailing industry.

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IS RELATIONSHIP INTELLIGENCE A PROMISING APPROACH TO SUCCESSFUL RELATIONSHIP MARKETING IN THE FUTURE?

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ABSTRACT

Although relationship marketing has been intensely discussed many companies fail in implementing it successfully. We assume that companies managing their customer relationships successfully possess a crucial ability which we call "relationship intelligence." We propose a theoretical concept for relationship intelligence and therefore develop a measurement instrument. We finally outline a research framework for the further analysis of outcomes and determinants of relationship intelligence.

INTRODUCTION

Relationship Marketing recently has been discussed intensively by practitioners and researchers as is evidenced, for example, by the special section of the October 2005 issue of the Journal of Marketing (e.g., Boulding et al. 2005). However, it seems that companies are far away from exploiting its full potential. Reinartz, Krafft, and Hoyer (2004, p. 293) report that according to commercial market research studies about 70 percent of CRM projects fail. The examples of faux pas of "relationship marketing" described by Fournier, Dobscha, and Mick (1998) continue to be alarming. Obviously many companies seem to have a lack of "relationship intelligence" in managing customer relations. Surprisingly the term intelligence was not yet applied to the field of relationship marketing in a systematic manner. We develop a concept of relationship intelligence drawing on insights from the fields of psychological research on intelligence, organizational theory, and relationship marketing. We also outline a broader research framework taking into account possible outcomes and management aspects of relationship intelligence. We concentrate our concept on business-to-consumer relationships. While relationship marketing has initially been discussed mainly in business-to-business and services markets (e.g., Berry 1983; Dwyer et al. 1987; Håkansson 1982; Jackson 1985; Liljander and Strandvik 1995), it is generally discussed for business-to-consumer markets since the beginning of the nineties (e.g., Gruen 1995; Sheth and Parvatiyar 1995).

CONCEPTUALIZATION OF RELATIONSHIP INTELLIGENCE

In order to develop a concept of "relationship intelligence" we conducted an extensive literature review. During this process we hit on terms like "social intelligence" or "emotional intelligence" which are mainly discussed in psychology, but also applied within a business context. These terms reflect the ability to manage one's own feelings, to be sensitive to others or to influence others positively in terms of one's own views and goals (Thorndike 1920; Goleman 2001; Dulewicz et al. 2003). In the field of marketing related terms can especially be found in the selling and services literature. The SERVQUAL scale for example contains "empathy" as one of its five dimensions (Parasuraman et al. 1988). The SOCO scale of Saxe and Weitz (1982) measuring "customer-oriented selling" comprises a lot of statements which appear to have vicinity with a possible meaning of relationship intelligence as well. The concepts discussed above are without exception related to direct interactions between people and between salespeople and customers respectively. In our view reducing relationship intelligence on certain abilities of service/salespeople falls too short. We therefore propose a broader concept which also includes strategic and organizational aspects of relationship marketing.

We first present our definition of relationship intelligence and then discuss its foundation and main aspects. We define relationship intelligence as the ability of a company and its employees to create relationships with customers which balance the goals of relationship quality for the customer and profitability for the company by applying effective and efficient processes of proactive and reactive adaptations. This ability is mainly located in the marketing, sales and services divisions of a company.

This definition comprises three aspects which we regard as essential. First relationship intelligence is seen as an organizational ability and thus as a special form of organization intelligence (March 1999; Matsuda 1992; Quinn 1992; Wilensky 1976). Consequently we regard both the levels employee-customer and company-customer. The latter level comprises strategic aspects of relationship marketing and usually does not involve direct contacts with customers, whereas the personal level concerns actual interactions between employees and customers. Of course these levels are linked.

The second characteristic is that we understand intelligence as adaptation. Although the term intelligence has been discussed by psychologists – and other disciplines –

for more than a hundred years, researchers are far away from reaching a common definition (Kail and Pellegrino 1985; Sternberg 1985). The view of intelligence as adaptation is among the established concepts in research on intelligence and can especially be associated with the authors Stern (1928) and Piaget (1974). Whereas Stern regards intelligence more as a reactive adaptation of one's thinking and acting to the environment, Piaget also considers proactive adaptations of an organism. We consider both kinds of adaptation to be very important in the context of relationship marketing as well. Establishing and strengthen relationships with customers not only requires reactive adaptation, but also proactive efforts.

The third cornerstone of our definition is the economic character inherent to intelligence. Klix (1983, p. 279) describes intelligence as the quality of thinking. He states that a solution to a problem which is superior to other solutions in terms of quality very often represents the more elegant and efficient one at the same time. Many groundbreaking proofs in mathematics for example do not only provide a solution to a problem, but also stand out in comparison to others in terms of the simplicity and brevity of their line of argument. This means that intelligence is capable of combining or balancing effectiveness and efficiency. In the context of organizations, the economics of intelligence can be found in a definition of March (1999, p. 1): "An intelligent organization is one that adopts procedures that consistently do well (in the organization's own terms) in the face of constraints imposed by such things as scarce resources and competition." This implies that intelligent organizations which are effective in terms of the achievement of its objectives are at the same time efficient in terms of the management of its limited resources. Transferring this aspect to relationship marketing means that a company and especially its marketing, sales, and services divisions have a high relationship intelligence when they are able to achieve or balance customer-oriented goals and company-oriented goals at the same time. In a relationship marketing context we propose relationship quality as main goal set for the customer and profitability as main goal set for the company.

The nature of our approach to relationship marketing gets much more precise by our conceptualization. Proceeding on our understanding of intelligence as (proactive and reactive) adaptability, we differentiate three main processes by which a company and its employees can adapt in the context of customer relationships. These three main adaptation processes represent at the same time the three dimensions of our construct and are the starting point for its operationalization (see 3.2.). We developed them by taking into account concepts which are closely related to intelligence: (1) knowledge and memory; (2) learning; and (3) thinking and problem solving. These terms are not only utilized on the level of human beings, but were transferred by organizational researchers – and this complies with our view– to the entity of an organization. When we apply the terms mentioned before in the following, we are actually considering concepts of organizational knowledge/memory (e.g., Walsh and Ungson 1991), organizational learning (e.g., Argyris and Schön 1978) and organizational thinking (e.g., March and Simon 1958; Sims and Gioia 1986). We use these terms in a figurative way and argue that these organizational capabilities finally trace back to the corresponding abilities of human beings, but are influenced by organizational factors like corporate culture, structures or technology (e.g., CRM information technology).

Attaching to these foundations, the first dimension of relationship intelligence concerns the use of knowledge about customers. This knowledge can be used for a reactive adaptation (e.g., in the case of a complaint) or proactively (e.g., for a cross-selling offer during a customer interaction). A second way of adaptation consists of learning from customers. This kind of adaptation is rather reactive. While the adaptation by use of knowledge is especially helpful in familiar relationship situations, adapting by learning usually takes place – depending on how fast a company or an employee learns – across several interactions. The third kind of adapting refers to the ability of anticipation and problem solving in a relationship marketing context. It enables a company and its employees to adapt in unfamiliar relationship situations in the presence or those which could arise in the future. Hence, the first two dimensions are directed towards the past whereas dimension three is future-oriented.

In our view the three adaptation processes represent different organizational abilities. We again draw an analogy from research on intelligence and therefore utilize the theory of fluid and crystallized intelligence by Cattell (1963). Whereas fluid intelligence (g_f) describes abstract thinking, crystallized intelligence (g_c) is the result of previous learning. We associate our third dimension with g_f and consider it as the highest form of (relationship) intelligence. As of our first two dimensions, we see similarities to g_c. However, we regard learning as an ability of a higher order and thus separate it from use of knowledge which is the lowest type of relationship intelligence in our model.

As our aim was to develop a concept which goes beyond the level of interactions between employees and customers, we finally want to draw some borderlines to the construct of market orientation which at a first glance might have come to mind as well in our research context. First of all, our construct is clearly assignable to the area of relationship marketing which can be seen by our conceptualization and operationalization. Market orientation (Narver and Slater 1990; Kohli et al. 1993) usually implies a more general orientation towards market segments and customer target groups, whereas relationship intelligence is located on the individual customer level. The focus is not on products and services that satisfy customer needs, but the central reference point is the interaction with customers and the delivery of quality on a relationship level. Furthermore, while market orientation is more reactive in nature (at least as it was initially seen), relationship intelligence includes reactive as well as proactive elements. Recent research on proactive market orientation (Narver et al. 2004) and market driving (Hills and Sarin 2003) highlights proactive behavior in marketing, but is not relationship-specific. The proactive configuration of a relationship which is linked to the idea of managing and increasing customer profitability is inherent to the concept of relationship intelligence which in our view represents more than an orientation. In the context of market orientation profitability is rather seen as a consequence (Kohli and Jaworski 1990) or a separate aspect of it (Narver and Slater 1990). We acknowledge that there are some overlaps with the construct of market orientation especially in the case of our learning dimension. But as our claim is to develop an exhaustive concept of relationship intelligence, we consider this facet as an indispensable aspect of the construct. As to our other two dimensions, we do not see them covered explicitly by current conceptualizations of market orientation.

HYPOTHESES DEVELOPMENT OF RELATIONSHIP INTELLIGENCE OUTCOMES

As discussed in the previous section one of the characteristics of relationship intelligence is that it comprises adaptation processes which are highly effective and efficient at the same time. We assume that this characteristic results in positive effects in that both customer-oriented and company-oriented goals can be satisfied. While customer-oriented goals are met primarily by effective relationship efforts, obtaining company goals additionally requires using resources efficiently. We subsume the customer-oriented goals under the term relationship quality and assume that it is influences positively by relationship intelligence. Relationship quality can be defined as "the degree of appropriateness of a relationship to fulfill the needs of the customer associated with that relationship" (Hennig-Thurau and Klee 1997, p. 751) and is often incorporated by such constructs as customer satisfaction, trust and/or commitment (Hennig-Thurau et al. 2002; Crosby et al. 1990; Morgan and Hunt 1994). In our study we concentrate on customer satisfaction and trust as components of relationship quality. We regard customer satisfaction as a cumulative evaluation of the total of experiences made with a company and its offerings (Anderson et al. 1994; Bitner and Hubbert 1994). Following Morgan and Hunt (1994, p. 23), we conceptualize trust as "confidence in an exchange partner's reliability and integrity." This leads us to the following hypotheses:

H_1: Relationship intelligence has a positive effect on relationship quality.

H_{1a}: Relationship intelligence has a positive effect on customer satisfaction.

H_{1b}: Relationship intelligence has a positive effect on trust.

We further assume that relationship quality positively affects customer loyalty. This relationship is evidenced both for customer satisfaction (e.g., Anderson and Sullivan 1993; Fornell et al. 1996) and trust (e.g., Sirdeshmukh et al. 2002). In our study customer loyalty is conceptualized as the behavioral intention of customers to maintain and strengthen the relationship with a company (Zeithaml et al. 1996). Hennig-Thurau et al. (2002, p. 234) point out that the components of relationship quality (here: customer satisfaction and trust) are "treated as interrelated rather than independent." We take this into account by assuming that satisfaction has a positive effect on trust (e.g., Garbarino and Johnson 1999). We therefore hypothesize:

H_2: Relationship quality has a positive effect on customer loyalty.

H_{2a}: Customer satisfaction has a positive effect on customer loyalty.

H_{2b}: Trust has a positive effect on customer loyalty.

H_{2c}: Customer satisfaction has a positive effect on trust.

Customer loyalty, in turn, is usually seen as a precursor of customer profitability (Reichheld and Sasser 1990). In our framework it plays a central role in that it establishes a link between customer-oriented and company-oriented goals. The chain of cause and effect described so far implies that we also act on the assumption that relationship intelligence has an indirect impact on customer profitability via the relationship quality-customer loyalty link. This route mainly represents the effectiveness impacts of relationship intelligence (e.g., resulting in increased purchasing). We finally assume that customer profitability is at the same time directly influenced by relationship intelligence (e.g., by allocating resources based on customer equity considerations). This relationship represents rather the efficiency impact inherent to the concept. We therefore propose the following hypotheses:

H_{3a}: Customer loyalty has a positive effect on customer profitability.

H_{3b}: Relationship intelligence has a positive direct effect on customer profitability.

H_{3c}: Relationship intelligence has a positive indirect effect on customer profitability via the relationship quality-customer loyalty link.

METHODOLOGY

In summer 2005 we conducted a survey of the consumer business of companies from the financial services and mail order industry in Germany. In these industries establishing relationships plays an important role and offers a lot of potentials. In a first step we qualified the names of managers in leading positions of 620 companies (equally spread between the two industries) by telephone. Our experience from expert interviews and a pretest with 46 companies preceding the survey was that the whole scope of the relationship intelligence construct could be best evaluated by members of the management and by marketing executives. Recruiting respondents from this target group was in most part achieved. For the survey we used a questionnaire in written form which we sent to the 620 companies. One hundred fifty-six companies returned the questionnaire, 151 of which could be included in the study. The corresponding response rate of 24.4 percent can be evaluated as comparably good.

As of the operationalization, we could barely fall back on existing items. This is due to the lack of measurement of organizational intelligence. The only study known to the authors which measures it systematically and has a scientific background is related to the book "Survival of the Smartest" by Mendelson and Ziegler (Mendelson and Ziegler 1999; Mendelson 2000). But their idea of an organizational IQ is not (relationship) marketing specific. Consequently, most of our items had to be newly developed. We consulted empirical and conceptual literature from the areas of psychological research on intelligence, organization theory and relationship marketing. For our first dimension we consulted literature about the use of knowledge (e.g., Menon and Varadarajan 1992; Ballantyne 2004), for the second one findings from research on organizational learning (e.g., Huber 1991; Templeton et al. 2002; Selnes and Sallis 2003; Sinkula 1994) and the modeling of the third dimension is based on insights about anticipation, problem solving and innovations (Cyert and March 1963; Hurley and Hult 1998; Kandampully and Duddy 1999; Roy et al. 2004).

The scales for the constructs trust, customer satisfaction and customer loyalty were developed based on existing scales (Sirdeshmukh et al. 2002; Garbarino and Johnson 1999; Morgan and Hunt 1994; Oliver and Swan 1989; Dick and Basu 1994; Zeithaml et al. 1996). As we conducted a management survey all questions were answered by the management also. Therefore the wording of the items had to be modified slightly.

We then applied a procedure for the development of measures for multi-dimensional, multi-factor constructs suggested by Homburg and Giering (Homburg and Giering 1996) as we assume relationship intelligence to be multi-faceted. We hereby applied a mixture of exploratory and confirmatory factor analysis and stuck to measurement criteria proposed by Churchill (1979) and Gerbing and Anderson (1988). Items which did not comply with the threshold values proposed in the literature (e.g., Bagozzi and Yi 1988; Baumgartner and Homburg 1996) were eliminated. According to the approach mentioned before we first examined the factor structure of each dimension before analyzing the construct of relationship intelligence as a whole. We used the AMOS 5.0 software for the assessment of measurements and for hypothesis testing.

RESULTS

Our final scale of relationship intelligence consists of 21 items as compared to 48 items used in the pretest. Regarding the structure of the construct we identified three factors for the first dimension which we interpret as "use of knowledge about customers," "emotional intelligence towards customers," and "retrievability of customer information." In terms of the second factor we argue that emotional intelligence of sales/service people can be trained to a high degree and can therefore be regarded as a kind of knowledge. The two factors extracted for dimension two we call "learning by analyzing customer-related information" and "learning by sharing knowledge." Dimension three is represented by one factor which we interpret as "anticipation and relationship innovation." As shown in Table 1, the measures of the six factors (which were regarded separately here) are satisfying.

A factor analysis with all items showed a very good replication of the above factors which can be regarded as a first hint for discriminant validity. The latter was further examined by using the χ^2 difference test as well as the procedure proposed by Fornell and Larcker. In the case of the χ^2 difference test discriminant validity between two factors is given when the fixation of the correlation between them at one leads to a significant increase of the χ^2-value of the model. We assumed a significance level of $\alpha = 0.05$ and found that this was the case for each pair of factors. The more "severe" procedure by Fornell and Larcker requires that in the case of correlating all factors for each pair of factors the average variance extracted for both of them is higher than the squared correlations between these factors (Fornell and Larcker 1981). This criterion was fulfilled with the exception of the combination of factor four and six. The squared correlation of 0.656 was higher than the respective values of the average variance extracted of 0.594 and 0.531.

TABLE 1
Measure Information for Factors and Constructs

Name of factor	No. of Items	Cronbach's Alpha	Composite Reliability (%)	Average Variance Extracted (%)
Factors of the relationship intelligence construct				
Use of knowledge about customers	4	.830	83.3	55.7
Emotional intelligence towards customers	4	.847	84.7	58.2
Retrievability of customer information	2	.871	—[a]	—[a]
Learning by analyzing customer-related information	3	.816	81.6	59.7
Learning by sharing of knowledge	3	.773	79.6	57.9
Anticipation and relationship innovation	5	.848	84.6	52.5
Constructs of relationship intelligence outcomes				
Customer satisfaction	3	.775	77.5	53.5
Trust	3	.819	82.1	60.6
Customer loyalty	3	.792	79.7	57.2
Customer profitability	2	.547	—[a]	—[a]

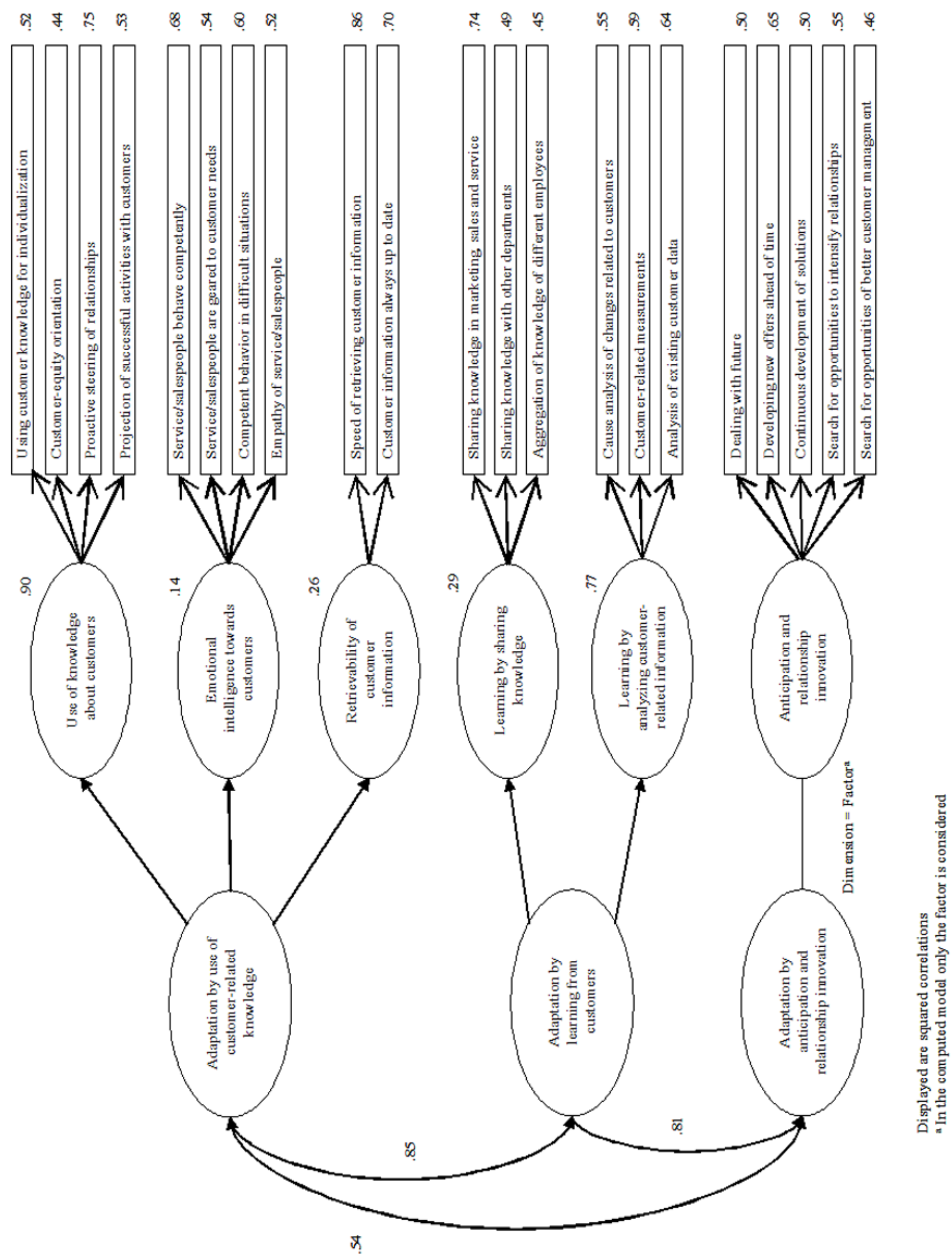
[a] These measures cannot be calcluated due to negative degrees of freedom.

The global fit of the model (three dimensions, six factors) is satisfying (χ^2/df = 1.380; GFI = 0.866; CFI = 0.953; RMSEA = 0.050). The average variance extracted by the first dimension accounts to 43.3 percent with indicator reliabilities (where indicators are the factors corresponding to a dimension) of 0.14, 0.26 and 0.90, that of the second dimension to 0.53 percent with indicator reliabilities of 0.29 and 0.77 and that of the third dimension equals the result displayed in Table 1 (52.5%). Although the number of 0.14 reported for the factor "emotional intelligence towards customers" is quite low, we retained this factor because we consider it to be an important facet of relationship intelligence. Given the complexity of the higher order factor model, the achieved values in our view represent an acceptable model fit on the local level. A comparison with an alternative model assuming relationship intelligence as a one-dimensional construct with six factors exhibits fit measures which are a little bit less favorable (χ^2/df = 1.393; GFI = 0.862; CFI = 0.951; RMSEA = 0.051). This is the case for some local measures of model fit as well. The average variance extracted by that one dimension is 45.3 percent, whereas each dimension of our former model captures 49.6 percent of variance on average. Moreover, the reliability value of 0.14 for the emotional intelligence factor could not be leveraged by this modification. We therefore continue to favor the multidimensional modeling of relationship intelligence. Our final conceptualization and operationalization as well as additional measure information are exhibited in Figure 1.

Table 1 shows that the constructs being related to relationship intelligence outcomes (satisfaction, trust, loyalty, and profitability) are measured in a sufficient manner with the exception of profitability which exhibits a Cronbach's alpha of 0.547. We also issued the two procedures for examining discriminant validity between these constructs. According to the χ^2 difference test discriminant validity is provided between all constructs. The procedure by Fornell and Larcker questions a clear separation between satisfaction and loyalty on the one hand and satisfaction and trust on the other hand. We trace this back to the fact that these constructs are evaluated by managers who have to adopt the customer's point of view. Assessing the relevant constructs in a differentiated way obviously involves some difficulties.

For hypotheses testing, we treated relationship intelligence as a one-dimensional, six-factor construct. Testing the framework with our preferred conceptualization of relationship intelligence was not possible due to underidentification of the factor structure of the second dimension (Byrne 2001). All relationships but one assumed in our framework were confirmed (see Figure 2). All path coefficients are significant on the $\alpha = 0.05$ level with the exception of that between trust and customer loyalty (H_{2b}) where p is 0.41. The global fit measures of the model (χ^2/df = 1.382; GFI = 0.809; CFI = 0.925; RMSEA = 0.050) can be evaluated as satisfying for the most part. Most commonly, researchers postulate a threshold value of 0.9 for GFI. Nevertheless, the result achieved for the GFI not necessarily indicates an insufficient model fit as the index

FIGURE 1
Overview About the Relationship Intelligence Construct



tends to exhibit, according to the simulation study of Fan et al. (1999), a major downward bias for smaller sample sizes.

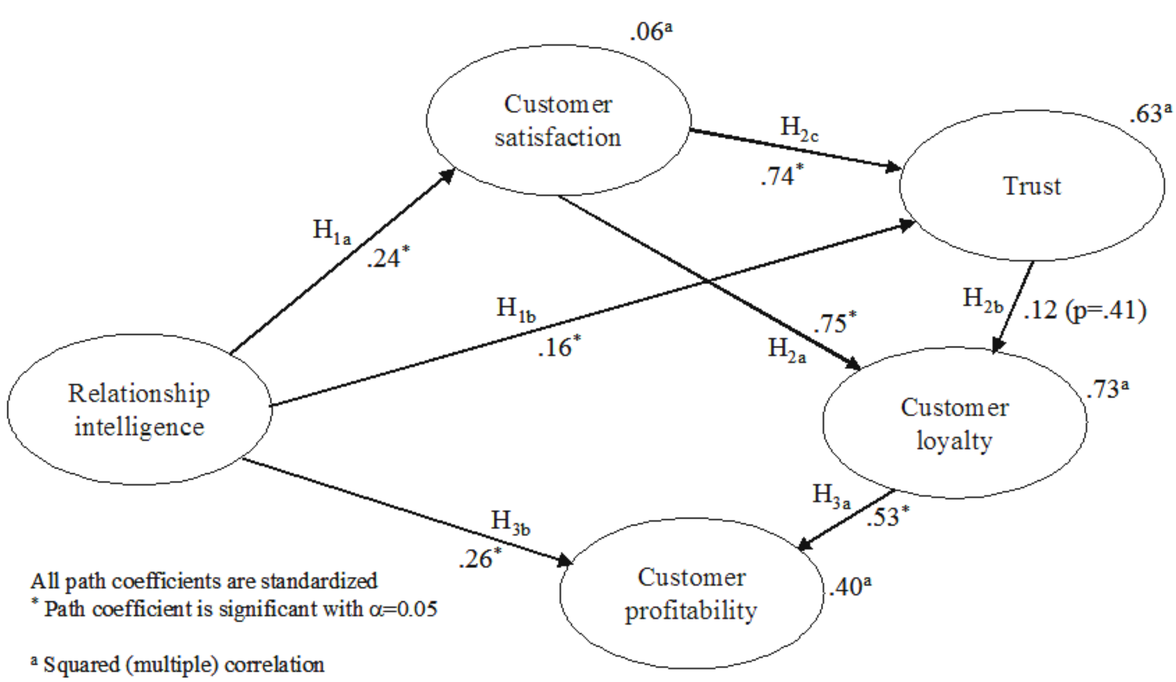
Besides the direct standardized effect of 0.24 on customer satisfaction, relationship intelligence has total effect of 0.34 on trust (direct effect: 0.16; indirect effect via satisfaction: 0.18), a total (indirect) effect of 0.22 on customer loyalty as well as a total effect of 0.37 on customer profitability (direct effect: 0.26; indirect effect via the other constructs: 0.11). In an aggregated view, the results support our assumption that relationship intelligence has a positive impact on relationship quality (H_1) and that it makes a contribution to achieving goals set for the customer. The relation between relationship quality and customer loyalty (H_2) was only confirmed in the case of customer satisfaction. Finally, relationship intelligence positively effects customer profitability as main relationship marketing goal set for the company where the efficiency, direct impact of the construct (H_{3b}) is more than twice as high as the impact due to the effectiveness, indirect route via customer loyalty (H_{3c}).

Relationship intelligence explains 6 percent of the variance of customer satisfaction, a value which at a first glance seems to be quite low. However, this value has to be interpreted in differentiated manner. Firstly, this contribution to satisfaction is the result of pure relationship marketing activities. There are other constructs impacting satisfaction which are not or only in part relationship marketing specific (such as product and service quality). Secondly, we tested the framework by an aggregate analysis which conceals the impacts of the respective factors of relationship intelligence. We ran another model with correlating factors and allowed the relationships assumed in our framework for each of them. This analysis revealed opposite impacts of the factors on satisfaction. Especially factor two and six have positive and significant standardized path coefficients (0.52 and 0.51), whereas factor four has a negative impact of 0.34 on satisfaction (which is not significant). As we discussed earlier, one explanation for this is that learning (factor four) usually happens across several interactions and very often does not allow for an instant adaptation. Consequently, we argue that relationship learning has an impact on satisfaction in the future and does not affect it directly in the present. The value of 6 percent variance explained by relationship intelligence thus has to take into account the opposite influences of the various facets of the construct. In summary, it can be stated that relationship intelligence makes a major contribution to relationship marketing success yielding benefits for both customers and the company.

DISCUSSION

In this paper we introduced the construct of relationship intelligence to the subject area of relationship marketing. Until now, the term intelligence has not been

FIGURE 2
Empirical results of Hypotheses Testing



transferred to this field of study in a systematic and broad manner. We believe such a transfer to be enriching for the research and practice of relationship marketing. In order to examine this assumption in a first step we developed a multi-faceted concept of relationship intelligence drawing on insights from psychological research on intelligence, organizational theory and relationship marketing. We developed a valid and reliable instrument for its measurement consisting of 21 items which exhibits relationship intelligence as a three-dimensional, six-factor construct. In a second step we developed a conceptual framework of relationship intelligence outcomes and found that relationship intelligence has both beneficial outcomes for the customer and the company. It has a significant impact on relationship quality (conceptualized by satisfaction and trust) which in our model represents a major goal of relationship marketing. It also has a positive effect on customer profitability representing a major company goal in a relationship marketing context. Besides an indirect impact on profitability via customer loyalty we found profitability to be directly affected by relationship intelligence. We consider the indirect effect to be to a large degree the result of effective relationship marketing and the direct effect to be caused mainly by efficiency efforts. We therefore feel confirmed in our conceptualization of relationship intelligence which assumes that the combination or balancing of effectiveness and efficiency goals is a characteristic inherent to intelligence.

In sum our research shows that relationship intelligence is a crucial ability of companies in order to manage customer relationships successfully. We consider it a promising new concept for research on relationship marketing which is worth studying in more detail. Our research was limited because the concept of relationship intelligence was only tested in two industries. Therefore it would be desirable to extend our research to further industries. Moreover it would be also interesting to conduct our research in further countries to investigate possible cultural differences in the structure of relationship intelligence. In a next step it is also clearly necessary to examine possible determinants of relationship intelligence and to identify success factors in building up this capability systematically.

Furthermore, the outcome set of relationship intelligence should be examined and verified by including customer survey data for measuring such concepts as satisfaction, trust and loyalty. Letting managers evaluate these constructs as we did in the present study is another limitation of our research. Ideally, a dyadic research design would be appropriate where relationship intelligence and profitability are evaluated by managers and the remaining constructs by customers. Such a study would in turn be very extensive as each company case requires a representative number of customers to be surveyed.

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AN INTEGRATIVE EXAMINATION OF UNDERCOVER SELLING

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SUMMARY

An undercover sales initiative is defined as any person-to-person interaction where the seller or influencer knows there is a commercial purpose to the encounter, but the potential buyer is unaware of the seller's role. In fact, many undercover selling operations require that the incognito company representatives maintain absolute secrecy about their roles by signing confidentiality agreements. The purpose of this paper is to describe and explain factors that influence the effectiveness of employing undercover sales personnel [i.e., the ability of the strategy to influence consumer purchase intentions].

Factors That Influence the Effectiveness of Undercover Selling

Marketers find it increasingly challenging to penetrate marketplace clutter to gain consumer awareness (Pieters, Warlop, and Wedel 2002). Consequently, advertising overload leads consumers to develop coping mechanisms and avoidance tactics that protect them from being overwhelmed by marketing messages (Speck and Elliott 1997). Therefore, by employing covert sales agents, firms are able to surmount consumer avoidance tactics. This penetration is possible in an undercover scenario because the consumer is unaware that the information exchange involves a company marketing representative. Hence, the first proposition states:

> Proposition # 1: The presence of sales clutter in the marketplace is positively correlated with the effectiveness of a firm's undercover sales agent strategy.

Word-of-mouth (WOM) exerts a greater influence on consumer product judgments than print information (Herr et al. 1991). The significant influence of WOM on consumer decision-making is largely attributable to its vividness as a form of communication (Herr et al. 1991). A message is vivid when it is interesting, concrete, and image provoking (Nisbett and Ross 1980). In addition, in order for a message to be considered vivid it must be proximate in a temporal, spatial, or sensory way (Nisbett and Ross 1980). A word-of-mouth message frequently meets these criteria because WOM often occurs in a face-to-face encounter. Furthermore, since WOM is a vivid form of marketing communication, it possesses an ability to attract attention, hold interest, and bolster the accessibility of information from memory (Herr et al. 1991). While it can be argued that traditional forms of personal selling are vivid, undercover selling initiatives are even more so because consumers tend to mentally tune-out and/or refute formal presentations (Petty and Cacioppo 1981); whereas, undercover initiatives are less likely to face mental screening. Hence, disguising an undercover sales agent's marketing message as WOM suggests:

> Proposition # 2: The degree of vividness of information in an undercover selling encounter is positively correlated with the strategy's effectiveness.

Social influence exerts a powerful effect on consumers and is relevant to undercover sales strategies. A particularly relevant aspect of social influence is social proof (Cialdini 2001). The idea behind the social proof phenomenon is that to determine what is correct, we rely on what others believe is correct. Thus, having undercover sales agents utilize the product in naturalistic settings taps directly into this social influence technique. Reliance on social proof is greater for products that have higher degrees of perceived risk and for purchases that are publicly consumed; that is, they are socially conspicuous or easily seen by others (Bearden and Etzel 1982). The power of social proof helps convince consumers that if everyone is buying it, they should be buying it too. Thus:

> Proposition # 3: The degree of consumer reliance on social proof for making purchasing decisions is positively related to the effectiveness of the undercover sales strategy.

Word-of-mouth sources can be classified based upon the "closeness" of the relationship between the decision-maker and the source. This closeness is termed "tie strength" and is considered stronger when the information source and the decision-maker have a personal relationship. A circumstance in which a consumer interacts with an undercover sales agent qualifies as a weaker tie WOM scenario because the sales agent is only an acquaintance. This weak tie situation is less likely to activate a high level of information transfer than an encounter in which the two parties have a strong tie relationship (Brown and Reingen 1987). Hence:

Proposition # 4: An undercover sales agent is a weak tie word-of-mouth source and, this aspect of the strategy is negatively correlated with its effectiveness.

One may ask what happens when unsuspecting consumers realize that they've been approached by undercover sales agents who possess hidden agendas? The likely outcome is a negative impact on confidence and an erosion of trust. The outcome of eroding trust is typically a reduction in buyer commitment. Hence, if an individual discovers that she/he was targeted by an undercover sales agent – or that she/he is conducting business with a company known for engaging in such tactics – decreased consumer trust, and ultimately reduced commitment may result. Therefore:

Proposition # 5: The erosion of commitment and trust often spawned by undercover selling is negatively associated with the strategy's effectiveness.

In the United States, throughout the 20th Century, the marketing element of personal selling has been impacted by first amendment court decisions. This is because courts are more apt to regulate situations in which it is difficult to monitor commercial speech (Boedecker, Morgan, and Wright 1995). That is, personal selling is susceptible to regulation when sales encounters cannot be monitored by a third party. Lawmakers have yet to specifically address the situation in which one party knows that there is a commercial purpose to an encounter, but the other does not. Since the legality of undercover sales strategies has yet to be established:

Proposition # 6: Legal issues surrounding the practice of undercover selling have yet to be clarified, and this fact is negatively associated with the effectiveness of a long-run commitment to the strategy. References available upon request.

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IF TIME IS MONEY, IS IT A COMMON CURRENCY? A CROSS-CULTURAL STUDY OF TIME ATTITUDES

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SUMMARY

Social time systems, described by researchers such as Levine and Wolff (1985) as the "heartbeat of a culture," are the backdrop against which all activity including consumer behavior – occurs. Social time affects the timing and frequency of purchases, the hours consumers patronize service businesses, or how long products are expected to last. Understanding how culturally-based social time attitudes differ may help marketers appropriately tailor their offerings and messages to more effectively reach consumers in different cultures whose concepts of time differ.

This exploratory study combined three related streams of literature to examine the marketing implications of social time differences across cultures. It combines the work of those who explored the multiple dimensions of time (Hall 1959, 1966, 1976, 1983; Graham 1981) with the work of those who included time elements in their cultural typologies (Schuster and Copeland 1996), and measures multiple dimensions of time attitudes on previously-developed scales (Anderson and Venkatesan 1994). Drawing upon a sample of 1377 respondents from six countries representing three cultural groups – Anglo (U.S. and New Zealand), Latin (Mexico and Italy), and Asian (China and Thailand), the analyses explore cultural time differences within the context of these literatures.

Analyses were conducted in three phases. First, principal components analysis of the original questionnaire items was performed. Factor scores were saved and used as input variables for discriminant analysis was performed across three cultural groups in the second phase. The final phase compared mean differences across the three groups.

The principal components analysis of the scale items used by Anderson and Venkatesan (1994) yielded nine dimensions consistent with those identified by researchers such as Hall. These were: Time Pressure, Time Control, Stick-to-Itiveness, Time Pressure, Time Paucity, Nostalgia, Optimism, Time Flies, and Circularity.

Next, the sample was split into two groups. The first was used to estimate discriminant functions, while the latter was kept as a holdout group to test the classification power of those functions. The discriminant functions correctly classified classification rates for 61 percent of the Anglos, 50.1 percent of the Latins, and 63.2 percent in the holdout group. Overall, 57.7 percent of the respondents were correctly classified. Since the sample groups were unequal, Hair's (1998) proportional chance criterion was calculated to assess the strength of the discriminant functions to correctly classify respondents. By this criterion, an overall correct classification rate of 36 percent would occur by chance. That the model correctly classifies 57 percent of all respondents in the hold-out group indicates the significant classification strength of the discriminant functions.

Finally, group means on the factors were compared across groups. The differences found across cultures tend to be consistent with the cultural typologies described by and Schuster and Copeland (1996) and make sense according to Hall's (1983) definitions of mono-chronic and poly-chronic concepts of time. The Anglo sample (U.S. and New Zealand) was found to be the most concerned with Time Management, exhibited higher levels of Stick-to-itiveness, Optimism, and Nostalgia. This is consistent with Hall's notion of mono-chronic time, wherein time is viewed linear and uni-dimensional and a resource to be segmented and allocated. It is also consistent with Schuster and Copeland (1996) who place North American cultures on the task end of their cultural continuum.

The Asian sample (China and Thailand) was higher on the dimensions of Time Control and Time Flies, indicating that they are concerned with their lack of ability to control time, and the feeling of getting lost in time when involved in activities. This is consistent with Hall's definition of poly-chronic time, which is a more people-oriented, relationship-based concept of time wherein multiple activities are engaged in at once. He associates this with traditional cultures and this is consistent with Schuster and Copeland's (1996) classification of Asian cultures toward the relationship end of the spectrum.

On most dimensions of time, the Latin group fell somewhere midway between the other two groups. This seems consistent with where the two groups from Schuster and Copeland's (1996) typology (Mediterranean and Latin American) lie between the task-oriented North Americans (Anglos) and relationship-oriented Traditionalists (Asians). However, the Latin group was significantly higher on the Time Paucity dimension than either of the other two. This dimension, according to Hall, represents the mono-chronic time concept of scarce uni-dimensional time which requires procedures to make the most of each time segment. As they strive to manage both tasks and relationships, these people might feel the greatest need to make the most of limited time.

These findings can be used for proposing testable hypotheses about cross cultural time differences for subsequent empirical studies. This should be particularly interesting to marketers who may wish to empirically test whether and how culturally-based social time differences can be used for classifying individuals into market segments that may respond differently to time-related product or service features or marketing messages.

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WHO SHOULD TALK? COMMUNICATION LOCUS FOR AN INTERNATIONAL PRODUCT CRISIS

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SUMMARY

With the growth of global products, it is appropriate to look at the handling of communication during these crises on a broader basis. International PCM presents different marketing problems from domestic or national PCM. The loci of information, decision makers, and the product itself may be very dispersed. The product may be sold in various countries under different names, or be required to meet different health and safety standards. There may be different long-term marketing effects with reintroduction, especially if the product problems elicit consumer or political hostility within some countries. The potential stakeholders include home and host governments, diverse media, and dispersed operations. All of these stakeholders have different "frames of reference" (Shrivastava 1987). Prior literature has focused on the message, i.e., what should be said by the company involved, rather than on the messenger, i.e., who should do the speaking for the company.

In an international product crisis situation, there is more than one potential locus of communication. Communication could flow from the company's headquarters or from a local subsidiary in the country where the crisis occurred. The selection of the optimal locus is made more complex by the larger number of stakeholders, and by possible competing interests within a company. Freitag (2002), for example, discusses the media content across multiple nations during the Bridgestone/Firestone crisis. He identifies significant differences in how the situation was covered in various countries.

In this paper, I propose a framework for deciding the locus of communications for managing a product crisis, due to the increased complexity of these situations when they involve international components. Based on the model for the standardization of advertising in a multinational corporation advanced by Laroche, Kirpalani, Pons, and Zhou (2001), I suggest how a company should select location(s) for the dissemination of information about the crisis. In their model, Laroche, et al. identified four broad factors that determined the level of standardization in advertising that a multinational company (MNC) would use. The first three factors – similarity in market position, potential decision power of the subsidiary, and the MNC's manager familiarity with the foreign context – impact a fourth factor: the degree of control of the MNC over its subsidiary. This, in turn, leads to advertising standardization: where there is high control, there is a high level of advertising standardization. I show, building on marketing literature, how the first three of Laroche's factors can also be applied in international product crises to determine whether the announcements on the product crisis should come from headquarters or from a local subsidiary.

In the paper, support from marketing literature is provided for the following propositions:

P_1: When a product crisis occurs in a market that a company considers to be significant, the communication should flow from the Company's headquarters.

P_2: When a product crisis occurs for a standardized product available in multiple markets, the communication should flow from the Company's headquarters.

P_3: When a product crisis occurs where the subsidiary has a world or local mandate for the product, the communication should flow from the local subsidiary. If it occurs where the local subsidiary is a specialized contributor to a product process, the communication should flow from the headquarters.

P_4: When a product crisis occurs in a market where the company anticipates political reactions from the host government, the communication should flow from the local subsidiary.

P_5: When a product crisis occurs in a market with a different primary ethnicity than that of the home country, the communication should flow from the local subsidiary.

P_6: When a product crisis occurs where there are partners/collaborators, the communication should flow from the Companies' headquarters.

Then managerial implications are discussed and a potential research agenda is given. References available upon request.

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AN EXPLORATION OF RESOURCES EXTERNAL TO THE FIRM: CAN ENDORSEMENT BY A CELEBRITY ADD VALUE?

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SUMMARY

Notable research has been conducted on the topics of celebrity endorsers, performance, and culture as they apply to resources in marketing. However, these topics have been studied together considerably less. The role of the celebrity endorser has been studied, but mainly in domestic settings and as the concept applies to purchase intentions. The topics of brand and financial performance as applicable to celebrity endorsements have also been pursued by the marketing literature, resulting in a variety of competing measures. Culture has been explored in detail, as well, yielding a plethora of studies analyzing different aspects of cultural influence on marketing constructs. Additionally, the main tenets of the resource-based view (RBV) have been used frequently.

The role of celebrity endorsement as a phenomenon has grown considerably. However, there has been relatively little research studying the use of global celebrity endorsers as a resource within a cross-cultural context. The purpose of the propositions here is to explore and synthesize the disparate areas of research mentioned previously into a framework to empirically test the impact of culture on the effectiveness of a celebrity as a resource.

In fact, whether celebrities gain notoriety through sports, entertainment, or activism is of little consequence. Rather, the popularity and success most renowned celebrities enjoy can be considered an intangible resource that may be tracked. In an attempt to benefit from these intangible resources external to a firm lacking celebrity endorsement, a popular marketing strategy is to offer established celebrities the opportunity to promote a product or service.

As outlined in the RBV literature, the underlying premise is that – to be *true* resources – firm resources are heterogeneously distributed and may be considered relatively immobile. Additionally, intangible resources have become a pivotal factor in the development and explanation of the RBV. Even though this line of reasoning has been acknowledged as highly subjective, scholars have noted that the use of celebrity endorsers could be considered an application of a firm's intangibility.

The notion of resources in this sense indicates that true resources (e.g., celebrity endorsers) must create, generate, and/or employ differential rents such that the firm may have a comparative advantage in the marketplace. Thus, when used as a strategy unique vis-à-vis competitors' strategies, these resources bring the firm competitive advantage. However, for resources to lead to a sustained competitive advantage (SCA), the RBV indicates that the strategy, resource, or action's replaceability must be remote at worst and impossible at best. Only through this process of unique resource utilization can the firm gain a SCA.

The function of culture in the marketing process has been explored extensively in the literature to date, as well. A variety of studies utilizing frameworks independently established for measuring cultural influences are typically based on measures established by Hofstede cultural measures. Thus, this study blends the issues of celebrity endorsers and performance to create a framework for testing the role of culture as a moderating influence.

One limitation to the proposed study is that few studies have been found during the development of this conceptual work that explicitly uses Hofstede's masculinity index. Though a few empirical analyses have been conducted, there is considerably less theoretical support for this measure of Hofstede's cultural dimension vis-à-vis others.

Another limitation is that this paper does not take into account seemingly counter-intuitive instances of the standard theoretical use of Hofstede's measures. For example, the prominence of U.S. celebrities in Japan is difficult to explain with the approach used here. According to the positions taken, a global celebrity in Japan (a country scoring high both on the uncertainty avoidance and masculinity indices) would not be considered valuable using the uncertainty avoidance index, but would be considered important under the masculinity proposition. Thus, there may be other factors that could explain this (e.g., cultural distance, sociocultural and historical issues, etc.).

A final limitation to the propositions forwarded is that only the general use of global celebrities is discussed. There may very well be differences in the application of global celebrities to a marketing campaign. For instance, depending on the fit of the brand to the celebrity, the relationship between these two marketing entities could: (1) be considered purely contractual; or (2) represent a more vested interest and deeper relationship between the two (e.g., William Shatner and Priceline.com).

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WEBSITE ORIENTATIONS, WEBSITE QUALITY, AND PURCHASE INTENTION: THE ROLE OF WEBSITE PERSONALITY

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SUMMARY

The Internet exerts profound impact on marketing. In order to attract customers to visit and revisit their sites, online retailers have been attempting to build websites meeting the customers' needs from a customer's perspective. A wide variety of studies have been conducted to identify factors that could affect customers' purchase behavior on the Web. Little research however has assessed the effects of website orientation and website personality on customers' online purchase behavior. Based on the Sales-Orientation-Customer-Orientation framework, this study attempts to examine the potential effects of website orientation, website quality, and website personality on customers' behavioral intentions.

The goal of this research is to extend the concept of customer/sales-orientation to Internet marketing by investigating the effects of site orientation on perceived website quality and consumer behavior. This research extends the conceptualization and measurement of brand personality to an online context. We predict that website personality impacts purchase intentions and perceived website quality when there is a high degree of congruity between the salient personality traits of the website and the website orientations as perceived by the customer.

The concept of website personality is inspired by the work of Aaker (1997) who proposed that brands have personality as human beings do. Aaker defined brand personality as the "set of human characteristics associated with the brand" which includes five dimensions: sincerity, excitement, competence, sophistication, and ruggedness. These five dimensions are supposed to mirror the "Big-five" human personality structure. Website personality is also inspired by the concept of store personality proposed by d'Astous and Levesque (2003), who define store personality as ". . . the mental representation of a store on dimensions that typically capture an individuals personality." They suggest that the store personality consists of five dimensions: enthusiasm, sophistication, unpleasantness, genuineness, and solidity. We suggest that the website personality construct is more similar to store personality than brand personality. It is in the minds of the consumer. We therefore use the store personality scale, suitably modified for the Internet context in our model.

Website orientation is derived from a very widely used construct in the sales literature SOCO, developed by Saxe and Weitz (1982) which was developed to measure the extent of customer orientation in salespeople. We use the SOCO concept to formulate our website orientation construct mainly because in the website environment, customers have a lot of choices to consider before making the purchase, a website can build a cooperative relationship with its customers, and repeat sales and referrals are an important source of business just like for the salesperson. Website orientation is inherently in the control of the management and design of the website.

We define website quality as the perceived overall quality of a website from a customer's viewpoint. We use a scale with psychometric properties, based on the items of Dodd, Monroe, and Grewal (1991). Other researchers have used this scale in determining website quality (Yoo and Donthu 2001).

In our model, we propose that website orientation has an impact on site personality and site quality. Site personality and site quality act as mediators between website orientation and purchase intent. In a website context, consumers form website personality indirectly from product merchandising, logos, website design, symbols, and price charged. It is posited that congruence between the personality and the website orientation leads to greater preference for that website's products.

It is hypothesized that the site quality is determined by the website orientation as well as the web-personality. In addition, it is posited that the site quality and website orientation impact purchase intention. Also, we hypothesize that the impact of website personality on purchase intentions is mediated by website-quality. We develop nine research hypotheses.

All of the hypotheses were supported using data from 460 respondents. The results support our contention that website personality affects purchase intention only through site quality. The correlation between the perceptual measure of purchase intention and actual website visit numbers is high and significant ($r = 0.860$). References available upon request.

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THE EFFECTS OF TASK AND INFORMATION ENVIRONMENT CHARACTERISTICS ON THE BREADTH, DEPTH, AND SEQUENCE OF SEARCH IN AN ONLINE SETTING

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SUMMARY

Consumer information search is an important stage in the consumer decision process. As a new source of information, the Internet has a major impact on the way consumers search for information (e.g., Dholakia and Bagozi 2001). Therefore, understanding how consumers search for information in an online setting is an important area for research. This study examines how the task and the information environment characteristics influence the breadth, depth, and sequence of consumers' online information search. These measures of search can be derived from consumers' clickstream data. They are important for examining consumers' search behavior because they are essentially related with the usage of hypertext and have been examined in information display board (IDB) studies (Hodkinson, Kiel, and McColl-Kennedy 2000).

Bettman, Johnson, and Payne (1991) propose that task environment and information environment together influence consumer information processing and decision-making. *Task environment* refers to the elements that compose a consumer choice task, including the number of attributes and alternatives, and the characteristics of attributes and alternatives (Bettman, Johnson, and Payne 1991). This study examines types of attributes (digital versus non-digital) and attribute correlation (positive versus negative). Digital attributes are product attributes that can be readily communicated through an online shopping environment (e.g., price, size), whereas non-digital attributes can only be evaluated through physical inspection (e.g., freshness, taste) (Lal and Sarvary 1999). Attribute correlation refers to the inter-correlations among the attribute values of the choice alternatives (Bettman et al. 1993). *Information environment* refers to how product information is provided in the environment in terms of content (what is available) and structure (how it is organized) (Bettman, Johnson, and Payne 1991). This research focuses on how alternatives are organized, i.e., alternatives are sorted by some criteria or randomly listed.

As consumers often adapt their decision-making processes to the decision environment (Bettman, Luce, and Payne 1998), consumers' task and information environment characteristics may directly influence consumer information acquisition and processing. Given the notion of information overload, consumers tend to only select certain information to process according to how the task and information environment characteristics construct their decision environment (Lurie 2004). As consumers adapt their information search strategy, e.g., increasing or decreasing processing selectivity at the alternative and/or attribute level, to the environmental characteristics, they will show different information search patterns, e.g., the breadth, depth, and sequence of search. The *breadth* of search refers to the number of alternatives for which information was sought or the number of separate web sites visited, whereas the *depth* of search refers to the number of product attributes examined or the number of links viewed within each web site (Hodkinson, Kiel, and McColl-Kennedy 2000). *Sequence* of search refers to the order in which consumers examine different pieces of information.

When attributes are negatively correlated, it can be hard for consumers to apply simplified choice heuristics (Bettman et al. 1993). Therefore, we predict that the breadth and depth of search in an online setting is higher for products with negative (vs. positive) attribute correlation. As sorting alternatives helps consumers to deal with information overload on the Internet, we predict that the breadth and depth of search in an online setting is smaller for sorted products than randomly ordered products. We also examine when the sorting function can really help consumers in information search. We predict that the breadth of search in an online setting is smaller for products with positive (vs. negative) attribute correlation when alternatives are sorted; however, the breadth of search is greater regardless of attribute correlation when alternatives are randomly organized.

As it is easier for consumers to examine digital attributes than non-digital ones on the Internet, consumers may tend to examine digital attributes earlier in order to apply cut-off points on digital attributes and/or make inferences of non-digital attributes. Hence, we hypothesize that a digital attribute is examined earlier for products with more non-digital (vs. digital) attributes even after the effect of its importance weight is controlled.

We conducted an Internet-based experiment to test our hypotheses. Participants were randomly assigned to a 2 (type of attributes: more digital attributes vs. more non-digital attributes) × 2 (attribute correlation: positive vs.

αξ

negative) × 2 (alternative organization: sorted vs. random) between subject experiment design. Participants were given a cover story that their best friend's birthday was coming and they needed to find a restaurant to celebrate it. They were asked to search for restaurant information on an experimental website so that their

stored in the server log file. One hundred and eighty-six undergraduate students finished the online information search task and a questionnaire.

Results showed that the interaction between attribute correlation and alternative organization on breadth of search was marginally significant. When restaurants were sorted, participants in the positive (vs. negative) attribute correlation condition examined fewer restaurants. However, when restaurants were listed in random, participants in both positive and negative attribute correlation conditions examined more restaurants. Results also show that participants in the negative (vs. positive) attribute correlation condition and random (vs. sorted) condition clicked more attribute links for each restaurant. Participants also examined the same digital attribute (distance) earlier in the more non-digital attributes condition than in the more digital attributes condition.

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HOW DO CUSTOMERS EVALUATE MASS CUSTOMIZED PRODUCTS?

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SUMMARY

This paper proposes a model by which the likelihood of a customer adopting a mass customized product might be understood and predicted. We posit that the positivity of customer evaluation is a function of the perceived product benefit, perceived process benefit, perceived process cost, and the perceived monetary cost associated with the mass customization. The study contributes to the literature by making clear the importance of the process benefits and costs of mass customization, which may be the deciding factors in adoption, and which to some extent may be under the marketer's control.

Mass customization is the practice of producing varied and often individually customized products and services at the cost of standardized, mass-produced goods (Pine, Victor, and Boynton 1993). Despite the growing importance of mass customization, the discourse on mass customization has been largely anecdotal. The theoretical and practical viability of mass customization critically depends on its delivery of superior customer value (Feitzinger and Lee 1997; Gilmore and Pine 1997; Pine 1993). Understanding customer evaluation of MCPs relative to non-customized alternatives readily available from the marketplace (non-MCP alternatives) should be a high priority for academics and practitioners.

The V_{mcp} Model and the Four Predictor Variables

We assume that customer value of MCPs relative to non-customized alternatives is a trade-off of benefit and cost associated with the customized product and the customization process. We therefore define customer value of MCPs as a function of four components: the perceived benefit increment of the MCP relative to non-customized alternative available in the marketplace, the perceived benefit of the customization process, the perceived cost of the mass customization process, and the monetary premium (if any) charged for mass customization. Conceptually, customer MCPs evaluation behavior can be represented as:

$$V_{mcp} = f\,[B_{mcp}, (B_{process} - C_{process}), C_{monetary}] \qquad (1)$$

where V_{mcp} is the perceived value of the MCP relative to non-customized alternatives available from the marketplace. B_{mcp} refers to the perceived benefit increment attributable to customized product attributes and a holistic evaluation that may be operationalized in several ways (e.g., expectancy-value, scales, conjoint analysis). The ($B_{process} - C_{process}$) portion of the formula represents the benefit and cost associated with the mass customization process relative to making a standard marketplace purchase. $C_{monetary}$ refers to the perceived monetary premium incurred by the MCP.

Once operationalized in either a cross-sectional survey or an experiment, formula (1) can be easily converted to OLS or binary logit regression models to predict customer value of an MCP (V_{mcp}) or customer odds ratio of adopting an MCP (L_{mcp}) such as the following:

$$V_{mcp} = b_0 + b_1 B_{mcp} + b_2 B_{process} + b_3 C_{process} + b_4 C_{monetary} \qquad (2)$$

$$L_{mcp} = {}_e\,[b_0 + b_1 B_{mcp} + b_2 B_{process} + b_3 C_{process} + b_4 C_{monetary}] \qquad (3)$$

Four Predictors of the Model

The four predictors included in the formulas were further discussed. Perceived benefit of MCPs relative to non-customized marketplace alternatives (B_{mcp}) refers to the benefit increment attributable to customized product attributes and holistic customization evaluation. If we tentatively accept the expectancy-value operationalization, B_{mcp} may be represented as the summary of expectancy-value of the salient customization attributes, adjusted by a holistic customization coefficient r:

$$B_{mcp} = r \sum b_i c_i e_i \qquad (4)$$

where b_i refers to the belief that a customized attribute i is superior to that offered by non-customized marketplace alternatives, c_i refers to the confidence level of this belief, and e_i refers to the attribute weight.

Perceived benefit of customization process ($B_{process}$) refers to the perceived benefit of salient customization process characteristics whereas perceived cost of customization process ($C_{process}$) refers to the perceived cost of salient customization process characteristics. If we tentatively adopt the expectancy-value operationalization, we may assume that they are a function of the belief that a process characteristic is a benefit (b_{pi}) and/or a cost (c_{pi}), the confidence level of the belief (c_{pi}), and the expected significance of the salient process characteristics (e_{pi}) and can be represented as:

$$B_{process} = \sum b_{pi} c_{pi} e_{pi} \qquad (5)$$

$$C_{\text{process}} = \Sigma\, c_{pi} c_{pi} e_{pi} \qquad (6)$$

Perceived monetary cost (C_{monetary}) is relatively straightforward and may be operationalized as the perceived price difference between the MCP and its perceived closest non-customized alternative in the marketplace:

$$C_{\text{monetary}} = (p_{\text{mcp}} - p_{\text{non-mcp}}) \qquad (7)$$

The key contribution is to recognize that the process of customization itself may substantially increase or decrease the number of consumers likely to participate in mass customization. References available upon request.

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COMPARING STRENGTH OF LOW PRICE SIGNALS ACROSS SHOPPING MEDIA: THE ROLE OF COGNITIVE ELABORATION

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SUMMARY

Retailers frequently offer guarantees (referred to by such names as Low Price Guarantee, Biswas et al. 2002; Price Matching Guarantee, Srivastava and Lurie 2001) where they claim to offer the most competitive prices in the market and should consumers find lower prices, they stand to be compensated monetarily. Typically, such compensation takes the form of a refund of the full difference between the retailer's offer price and the lower market price detected by the consumer or some multiple of that difference. Past research has conceptualized these guarantees as market signals whose primary function is to help overcome buyer-seller information asymmetry regarding the location of the seller's price in the market continuum of prices (Biswas, Dutta, and Pullig in press).

In this research, we compare the effectiveness of low price signals across shopping media (offline and online). We predict that although online low price signals are likely to be equally effective as offline signals when consumer cognitive elaboration of the signal is low online low price signals are likely to be less effective than offline ones when consumer cognitive elaboration is high. Our rationale is based on the premise that higher cognitive elaboration triggers substantial metacognitive thoughts (Brown and Krishna 2004) whereby consumers' elaborate consideration of market actors' perspective tend to generate counterarguments that are not likely at low levels of cognitive elaboration. However, such counterarguments are more likely in case of online low price signals than in case of offline ones. For example, when cognitive elaboration of a signal is low, both online and offline signals may be looked upon favorably because consumers might reason that by issuing a false signal the seller is likely to lose money by way of refunds (Biswas et al. 2002; Jain and Srivastava 2000; Srivastava and Lurie 2001, 2004). Admittedly, such reasoning entails several assumptions which when scrutinized may weaken the signal considerably. Some such assumptions are: if lower prices do indeed exist consumers would be able to locate them; consumers would be willing to seek refunds once they locate a lower price; the LPG issuing retailer will easily offer refunds to consumers and in case the retailer fails to do so, it would be easy to subject the retailer to disciplinary actions. We posit that consumers are likely to critically assess one or more of these assumptions when sufficiently elaborating on a low price signal and in case of online signals the verity of one or more of these assumptions is likely to be challenged thereby weakening these signals. Given the high intangibility of online transactions, consumers might perceive that it is easier for retailers to get away with a false signal. Consequently, online low price signals are likely to be weaker than offline ones when consumer cognitive elaboration of signals is high.

In order to test our proposition we conducted a 2(low price signal: present; absent) x 2(shopping medium: offline; online) x 2(cognitive elaboration: high; low) between subjects experiment with 244 undergraduate students from a large public university. The dependent variables used for our study were perceived overpayment risk (defined as the degree to which consumers suspect that a retailer is overcharging them compared to other retailers) and intention to search for lower prices after being exposed to a focal retailer's offer. A low price signal is deemed to be effective when consumers exposed to an offer accompanied by such a signal perceive lower levels of overpayment risk and have lower search intention than when they are exposed to an offer without such a signal (Biswas et al. 2002). As part of the experimental stimulus subjects were exposed to an ad for a digital camera from an unknown offline (or online) retailer and responded to scaled items for the dependent variables. According to our proposition, we expected a three-way interaction among the three factors whereby an interaction between the first two factors would be observed when cognitive elaboration is high but not when it is low. Our analyses showed that the manipulation of cognitive elaboration factor failed and that the 3-way interaction among the factors was non-significant (perceived overpayment risk: $F_{225, 233} = .07$; $p < .79$; search intention: $F_{225, 233} = .03$; $p < .87$). Since we used student subjects it is possible that all of them sufficiently elaborated on the signal and based on this assumption we proceeded to look into the two-way interaction effects. We found that the two-way interaction effects between low price signal and shopping media were significant (perceived overpayment risk: $F_{225, 233} = 4.22$; $p < .04$; search intention: $F_{225, 233} = .6.56$; $p < .01$) as we expected under high elaboration condition. Further, perceived overpayment risk was significantly lower in the presence of a signal in the offline condition ($t_{120} = 4.29$; $p < .001$; $M_{LPG\text{-}present} = 4.06$; $M_{LPG\text{-}absent} = 3.06$; overpayment risk was measured with reverse scaled items and hence higher

score means lower level of risk) but not in the online condition (t_{109} = 1.40; $p < .17$; $M_{LPG\text{-}present}$ = 3.37; $M_{LPG\text{-}absent}$ = 3.06). Also, search intention was significantly lower in the presence of an LPG in the offline condition (t_{120} = 2.75; $p < .01$; $M_{LPG\text{-}present}$ = 5.28; $M_{LPG\text{-}absent}$ = 5.99) but difference in search intention means was non-significant in the online condition (t_{109} = .93; $p < .35$; $M_{LPG\text{-}present}$ = 6.18; $M_{LPG\text{-}absent}$ = 5.98).

Despite the obvious limitation of our study in its failure to properly manipulate cognitive elaboration there is some evidence that online low price signals are likely to be weaker than their offline counterparts when consumers elaborate on the signal (this conclusion is based on our assumption that all or most of our student subjects sufficiently elaborated on the signals). Although this is likely to have resulted from a critical appraisal of assumptions related to retailer motive our experiment does not offer any evidence of this suggested psychological mechanism. Future research should attempt a more rigorous test of our preliminary proposition, perhaps through thought protocol analysis.

What do our findings mean for retailers? Our results indicate that high-priced e-tailers are not likely to gain from dishonest use of low price signals but high-priced retailers operating in offline markets might be able to get away with such an action, at least temporarily. Somewhat disturbing is the implication that truly low-priced e-tailers are likely to be disparaged in the sense that they may not be able to reap the advantage of a low price signal when in fact they should rightfully be able to do so. Future research should investigate conditions under which these e-tailers might be able to overcome such a disparaging effect. References available upon request.

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MASS-CUSTOMIZED PRODUCTS: ARE THEY BOUGHT FOR UNIQUENESS OR TO OVERCOME PROBLEMS WITH STANDARD PRODUCTS?

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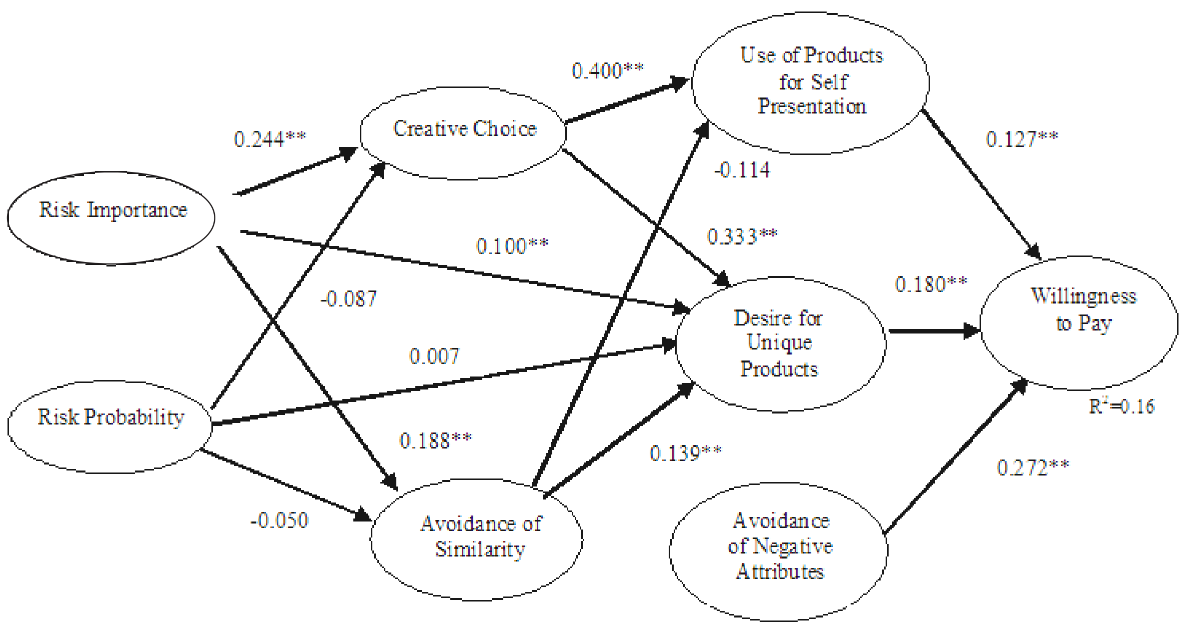
SUMMARY

Mass customization has the potential to offer individualized products at little additional cost. Extensive research exits on the manufacturing side of mass customization; however research on consumer attitudes to such products is sparse. This research addresses how customers perceive customized products. A conceptual model is developed and tested using a large sample of real-world consumers. We found two main motivators to pay a price premium for mass customized products. First, customized products address the need for uniqueness. Second, customized products are a way to avoid the disadvantages of standardized, off-the-shelf products. The results suggest the existence of four customer segments, each with a distinct attitude to customized products. The results extend the theory of mass-customization and provide valuable insights to retailers in optimizing their decisions to add mass-customized products to their product assortments.

FIGURE 1
Modeling Mass Customization and Willingness-to-Pay



Note: **Denotes p < 0.05 (two-tailed), n = 571

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TRUST IN ONLINE AUCTIONS: ANTECEDENTS AND OUTCOMES

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SUMMARY

This study incorporates many determinants and outcomes of trust into one model, which that has not been empirically tested simultaneously in previous e-marketing or relationship marketing literatures. Further, the decomposition of antecedents into technical and social bonds which simultaneously considered the technological and interpersonal factor has rarely been analyzed in online auction literature, and provides more in-depth information about how trust be fostered. Finally, this study also distinguishes two types of e-loyalty that are influenced by trust in online auctions. These findings carry important managerial implications. All of which are discussed below.

The relationship between information quality and trust suggests the importance of real time, correctness and comprehensive information to trust. As expected, this is supported by previous researches (Liu and Arnett 2000). Henczel (2004) proposed that a web company creates use profiling for improving information quality. Furthermore, an online auction site offering helpful information applications, which place interactions with the customer at the center of an effective information management system, provides a competitive advantage. The empirical result does not support the causal relationship between learning capability and trust, when web users have unhappy online auction experiences, they will find it easy to employ e-mail, bulletin boards, internet newsgroups, or chat rooms to deliver complaints. Moreover, the delivery speed of complaints is faster than that of praise (Belson and Richtel 2004). Customers gather information on the latest news through their computers; thus, they obviously decrease trust in online auction sites.

Web company keep their sites consistent and aesthetic, which will help the customer navigate easier and will keep him or her onto the sites longer. From a managerial viewpoint, web sites should use high quality media, such as colorful pictures, video animation, even music. These contents will help grab the customer attention by value-added offers. Transactions will naturally be fostered in a trust atmosphere. When a customer purchases an item online, the company supplies the security for the transaction, including privacy of payment data, confidentiality of order information, and evaluation of personality credit and so on. The consumer can trust that no fraudulent activity will take place (Perry et al. 2002). From a technology viewpoint, the buyer should have some control but not too much. Thus, hyperlinks, tool bars or textual links make the process of interacting with auction sites easy.

Web companies concerned with their customers purchase habits and preferences develop detailed databases which can track purchase activities, predict future actions and help managers communicate with customers and share information through internet. The more customers interact with their Internet Service Providers, the greater trust will be. This result is consistent with previous findings (Zhang 2001). One of the most crucial factors for online auctions is the willingness and the ability of listening users expectations and complaints. When customers express their dissatisfaction, the marketing manager should immediately and amicably respond. A kindly response will bring the customers back for repeat purchases (Philips 2004). Establishing trust benefits both parties. Compared to traditional auctions, less accessible and complete information is available in online ones. This scarcity increases web users worry. Thus, transparency and real time information, satisfaction and security have an impact on trust (Anderson and Bezuidenhoudt 1996).

Longstanding and satisfied customers will recommend sites to other users by newsgroups, email, etc. (Kiecker and Cowles 2001). Because of the inherent intangibility of online auctions, trust not only plays an important role in internet communication, but also has a direct effect on word of mouse depending on how closely a user is related to the referent. However, the effect of word of mouse is free from a close relationship, even with unfamiliar web users. Based on this finding, marketing mangers need to underline the importance of word of mouse on e-marketing strategies. Researches have shown that user trust affects behavioral e-loyalty responses. Sohn (2000) presented evidence that trust-based online consumptions are linked to satisfaction and a range of post-purchase behaviors, including recommendations and repeat purchase intentions. This finding provides insight into predictive power by analyzing behavioral e-loyalty responses as a function of trust and satisfaction.

A favorable attitudinal e-loyalty toward an online auction service is not the same as having a favorable behavioral e-loyalty toward buying an online auction product. The former represents a psychological evaluation process of a product; the latter represents an evaluation of performing a particular behavior, such as buying a

product. Thus, if web users like or even trust the web company, they will generate an attitudinal e-loyalty. Although the results of this study supports the impact of trust on attitudinal e-loyalty, a customer may trust one web company but intend to buy another product that he or she like even more. The vital implication is that managers should make a better online auction strategy than that of their competitors. Otherwise, web users may take their business elsewhere.

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THE EFFECT OF ENDURING PRODUCT INVOLVEMENT UPON RETAIL SALESPERSON PERFORMANCE

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SUMMARY

Over the past twenty-five years, enduring involvement (EI) has become a widely applied theoretical concept within consumer behavior and marketing, with ties to such diverse topics as advertising effectiveness, opinion leadership, innovativeness, search activity, price sensitivity, and decision processes. To date, the literature related to EI has examined involvement as it relates to consumers. While EI is certainly relevant to consumer decision making processes related to purchase, we propose that many of the behaviors associated with product involvement (acquiring information, giving advice, discussing the product, etc.) have important implications for retail employee selling behaviors. Specifically, the nature and strength of product involvement possessed by a salesperson has the potential to have a significant effect on individual interactions with consumers and, therefore, the overall performance of a sales employee.

EI has typically been operationalized in extant research as high-versus-low (i.e., important or not) or present-versus-absent; implicitly granting homogeneity to an entire class of high EI individuals. Following such logic, retail managers might think it is important to hire employees who are "into" the products they sell. Yet, our results indicate that high enduring involvement is not a monolithic construct, but displays remarkable diversity. Further, such results support an assertion that different types of high EI would logically lead to different manners of interacting with others, an important implication for retail selling. High EI individuals coalesced into five distinct types.

Types of Enduring Involvement

The five categories of EI found in this research include: the Status Seeker, the Networker, the Aesthete, the Nostalgic and the Disciple. The Status Seeker is focused on status rewards and using an involvement to impress others. The Networker focus is strongly on social interactions and rewards of companionship. Unlike the Status Seeker, this individual did not seek to impress the masses, but rather to initiate an enjoyable rapport with others involved in the product class. The Aesthete demonstrates a particularly sophisticated appreciation of visual product elements. Such interest was largely about aesthetic rewards and this individual's assessment of product aesthetics was authoritative. The Nostalgic's attachment to a product is wistful or nostalgic. Such nostalgia could be for products that the person had used in the past, or for products representing the past, independent of personal history with the goods. Finally, for the Disciple, involvement demonstrates religiosity and ritualistic behaviors. The Disciple demonstrates a reverence to both product interaction and the physical product itself, ever cautious to cleave to conventions and refrain from experimentation.
Enduring Involvement and Retail Salesperson Performance

Given the varied manners in which an individual can experience involvement (and the different meanings of involvement to them), we propose that differences in involvement type will also impact important attitudes and behaviors of retail sales employees. Specifically, the type and depth of a retail sales employee's involvement will affect three constructs that are linked to sales performance: Job Involvement, Effort, and Self-efficacy. Although we propose that any type of involvement would have a distinct effect upon salesperson behavior, we will detail only two of these proposed relationships (i.e., Networkers and Disciples).

The focus of the Networker is generally on the social interactions and rewards of companionship associated with the product of interest. This type of individual seeks to initiate an enjoyable rapport with others involved in the product class. Thus, they are individuals who readily share information with their peers and attempt to share the joy of involvement with others. A Networker who sells the product class of interest is likely to demonstrate the same willingness to share the product with others. Partly in response to this, we propose that network-based EI will positively influence retail job involvement, selling effort, and self-efficacy in a retail salesperson.

In the EI typology, the Disciple is the most qualified individual in terms of knowledge and expertise. Thus, on the surface, disciples may seem to fit the profile of a successful salesperson for the product class. Upon closer inspection into the attitudes and tendencies of Disciples, however, we propose that they are likely to perform poorly in retail sales. One reason for this expectation is that Disciples have attained "ownership" status with the product class, meaning that they become quite protective and exclusive. Others tend to not share the same interpretation of what constitutes the nuance and complexity of the product class, and social interaction with other product enthusiasts does not seem to be a primary motivation for product involvement with a Disciple. Rather than wanting to teach others to appreciate the product class the way they do, Disciples feel that such ignorance is indicative of a lack of recognition of what the product represents. As a result, we propose disciple-based EI will negatively influence retail job involvement, selling effort, and self-efficacy in a retail salesperson. For both the Networker and the Disciple, we then propose a positive effect upon sales performance for job involvement, selling effort, and self-efficacy.

In summary, the of this research is two-fold: (1) a typology of enduring product involvement is developed and presented; (2) this typology is integrated into a model of retail employee selling performance to demonstrate the importance of the EI variable in a retail context.

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