Volume 19, Number 3
PrintISSN: 1095-6298
Online ISSN: 1528-2678

ACADEMY OF MARKETING STUDIES JOURNAL

Editor

Connie R. Bateman
University of North Dakota

The Academy of Marketing Studies Journal is owned and published by Jordan Whitney Enterprises, Inc. Editorial content is under the control of the Allied Academies, Inc., a non-profit association of scholars, whose purpose is to support and encourage research and the sharing and exchange of ideas and insights throughout the world.

The Academy of Marketing Studies Journal is owned and published by Jordan Whitney Enterprises, Inc., PO Box 1032, Weaverville, NC 28787 USA. Those interested in communicating with the Journal, should contact the Executive Director of the Allied Academies at info@.alliedacademies.org.

EDITORIAL BOARD MEMBERS

TABLE OF CONTENTS

THE EFFECT OF LUXURY PRODUCT PRICING ON CONSUMERS' PERCEPTIONS ABOUT CSR ACTIVITIES

Sungsook Ahn, Seoul National University

ABSTRACT

Companies' CSR (corporate social responsibility) efforts are often met with consumers' skepticism. Consumers question firms' true motivation behind CSR activities and, in general, do not perceive them to be authentic. In this research, I propose that companies can influence the perceived sacrifice of CSR motivation through pricing of products sold for a good cause with companies' intent to be socially responsible ("CSR products"). In three experiments, I found that pricing of CSR products influenced the perceived sacrifice of CSR motivation. Specifically, when a luxury brand's CSR product was priced at a lower level than (vs. at the same level as) other comparable luxury products, consumers with relatively low interest in luxury brands perceived sacrifice of the CSR initiative to be higher than consumers with relatively high interest in luxury brands. Consumers' perceptions that brands set high prices to maintain premium image moderated this effect. Moreover, the positive effect of setting a low price for a CSR product spilled over to the evaluation of company and brand, but this effect was not observed with a non-luxury brand. Finally, I discuss important implications for research on CSR and for a strategy to communicate the authenticity of CSR motivation to consumers.

INTRODUCTION

There has been a growing consensus in both academia and industry that consistent activities based on public relations and authenticity through corporate social responsibility (CSR) are critical factors for companies' brand reputations and their long-term growth (Edelman, 2013; Porter and Kramer, 2011).

Especially in the academia, CSR has been considered an important research topic, and it has received research attention in various fields (Malik, 2015). There are two main streams of research concerning CSR: research focusing on firm characteristics and research focusing on consumer characteristics.

An example of CSR research focusing on firm characteristics is Plewa and colleagues' research (2015) that focused on nonprofit CSR. Their research found a relationship between corporate volunteering and consumer loyalty and word-of-mouth communication, which was mediated by consumers' perception of CSR image. Another research focused on size of firms. Lakshman et al. (2014) studied the relationship between downsizing and CSR perceptions and found that when a firm's top management was responsible for downsizing, perception of the firm's CSR activities was negative. In addition, Tewari and Pathak (2014) studied the need for CSR activities for micro, small, and medium enterprises (MSMEs) and argued for collective corporate social responsibilities (CCSR) activities that several MSMEs can take up as a unit.

In contrast, another CSR research stream focused on consumer characteristics. Mazereeuw-van der Duijn Schouten et al. (2014) investigated the relationship between

Christian religiosity and attitude toward CSR and found that intrinsic religiosity and extrinsic religiosity affected CSR attitudes positively and negatively, respectively. Finally, Kim et al. (2014) found that consumers' level of self-monitoring influenced CSR beneficiary positioning and purchase intention. As discussed above, the vast amount of CSR research suggests its importance for firms.

This tendency to use CSR as a tool to enhance reputations has been more evident among luxury brands. At the same time, public media has criticized luxury brands for focusing exclusively on profits while neglecting socially responsible activities (Kim, 2014; Seo, 2014).

Following this trend, several luxury brands have engaged in authentic CSR activities to earn consumers' trust. For example, GUCCI launched Green Carpet Challenge handbags, made of leather sourced from cattle ranches that had caused no deforestation. Along with the handbag, GUCCI gives out a passport that traces the history of the handbag's production (Karmali, 2013). Another luxury brand, BULGARI, launched Save the Children Rings in 2009 and has donated 20% of the profit (Kim and Moon, 2013).

However, many consumers do not perceive companies' CSR as authentic. The 2012 study jointly performed by the East Asia Institute and the Research Institute for Social Enterprise showed that about 80% of respondents agreed that the purpose of CSR is to improve reputations.

Luxury brands' low CSR activities are justified by previous research suggesting that CSR activities lower evaluation of luxury brands (Torelli et al., 2012). Although there is a positive correlation between CSR and evaluation of firms (Brown and Dacin, 1997; Sen and Bhattacharya, 2001), CSR activities do not positively affect consumers' luxury brand evaluation because luxury brand and CSR are conceptually at odds with each other (Torelli et al., 2012). According to Torelli and colleagues, luxury brands promote self-enhancement and symbolize power, wealth, and ambition that suggest superiority. However, CSR essentially transcends individual's self-interest and promotes social justice and environmental protection and symbolizes egalitarian values. Therefore, when luxury brands engage in CSR activities, the two conceptually contradict each other, lowering cognitive fluency, which in turn leads to lower brand evaluations.

Luxury brands engage in CSR activities to enhance brand reputation, but will such efforts be considered authentic by consumers? I began this research to examine when consumers will perceive authenticity in brands' CSR activities and to explore strategies that luxury brands may adopt to communicate authenticity of their CSR efforts to consumers. Specifically, I focused on pricing strategy. Thus, the CSR activities discussed in this research are limited to specific activities by specific firms (luxury brands).

Hence, this research draws on persuasion Knowledge Model (PKM) to answer the research question 'When do consumers perceive authenticity in luxury brands' CSR activities?' This study provides evidence that consumers' perception of the sacrifice of luxury brands can be affected by the pricing of their CSR products (products sold for a good cause with firms' intent to be socially responsible). Specifically, I demonstrate that consumers perceive a brand's motivation to carry out CSR as more authentic when the brand adopts a low-pricing policy on their CSR products rather than maintaining a high-pricing strategy, which is often deemed essential for building premium brand images.

However, the return may depend on the strength of consumers' perceptions about a company's intent behind its marketing activities. The more strongly consumers believe that the purpose of a luxury brand's marketing activities is to maintain an upscale brand image, the more doubts they should have on the authenticity of that brand's CSR motivation when it sets low prices for its CSR products. That is, those consumers are more likely to question the authenticity of the brand's commitment to CSR, thinking that the brand should have an ulterior motive behind the low pricing of its CSR products (Persuasion Knowledge Model; Friestad andWright, 1994). On the other hand, when consumers have weak perceptions, they might view the low-priced CSR products of a luxury brand as an authentic effort to be socially responsible.

Using a persuasion knowledge model framework, I investigate across three behavioral experiments how CSR of luxury brands could be perceived by consumers as more authentic. The current research has several purposes. First, I seek to examine the effect of pricing on signaling the sacrifice of CSR motivation to consumers. Second, I aim to test whether consumers' perceptions moderate this pricing effect. Finally, I attempt to explore whether the low-pricing policy on CSR products can have spillover effects on how consumers judge the company's reputation and how they evaluate the overall brand.

PERCEIVED SACRIFICE AS A CRITERION FOR JUDGING THE AUTHENTICITY OF CSR ACTIVITIES

A market offering can be an object, such as a CSR product (product sold for a good cause with firms' intent to be socially responsible), with which consumers can judge a brand's authenticity in the marketing context (Grayson and Martinec, 2004). Previous studies on authenticity can be largely divided into two streams of research, one on variables arising from judgments of authenticity and the other on variables resulting from authentic company programs and managerial leadership. The former has studied effects related to brand evaluation (Ewig et al., 2012; Grayson and Martinec, 2004; Napoli et al., 2014; Spiggle et al., 2012) such as brand behavior, purchase intention and recommendation intention. The latter has investigated the effects on organization identity, connection among employees (McShane and Cunningham, 2012) and organization engagement (Peus et al., 2012).

Authenticity studies tend to employ more qualitative methodologies (Beverland and Farrelly, 2010; Liedtka, 2008; McShane and Cunningham, 2012; Thompson et al., 2006), implying that authenticity can be treated as identity or moral values for which qualitative research is appropriate.

The present study defines authenticity as positive emotions created when companies' sincere intentions are transferred to customers in the course of providing products, brands and services to them. To determine if CSR activities are authentic, consumers need to ascertain whether firms' CSR activities are indeed self-sacrificial or whether firms have certain hidden motives. If firms are trying to achieve some other goal through their CSR activities, their intentions may not be sincere. To determine if firms' intentions are indeed sincere, consumers can observe how much sacrifice the firms made to carry out their CSR activities. Because losing profits can amount to a form of sacrifice and CSR often entails losses, authentic CSR motivation may go against companies' profit-maximizing motivation and their motivation to manage images (Yoon et al., 2006).

Unlike self-interest, which is translated into the maximization of welfare, self-sacrifice is expressed by a willingness to accept a loss of welfare (Overvold, 1980). Self-sacrifice shares similarities with other-orientation (De Dreu and Nauta, 2009). Communal orientation is characterized by a tendency to consider others, while agentic-oriented individuals pursue interests and goals of their own preferences (Rucker et al., 2012). From the viewpoint of companies, a company's self-interest fuels its motivation to maximize profits it can extract from its revenues or brands, while self-sacrifice motivates the company to renounce part of its profits. Price is related to the profit of a company, and it can make self-sacrifice by decreasing the price of its products and services.

Therefore, to assess consumers' perceived authenticity of firms' CSR activities, I measured consumers' perceived sacrifice by the firms as this research's main dependent variable.

PERSUASION KNOWLEDGE MODEL

The persuasion knowledge model explains how consumers infer ulterior intentions of companies engaging in CSR that affects the companies' perceived sacrifice, reputations and brand evaluations.

The persuasion knowledge model, developed by Friestad and Right (1994), demonstrates that persuasion knowledge is used when consumers suspect or react to the intention of marketers. Once consumers recognize persuasion motives, their persuasion knowledge or psychological defensive mechanisms are activated. Consequently, they may resist the persuasion attempts of the marketers (Friestad and Wright, 1994). Consumers conclude that marketers lack authenticity when doubts appear after they infer ulterior motivations of marketers' activities (Campbell and Kirmani, 2000). Other studies have documented the effects of consumers' persuasion knowledge on their charitable giving (Hibbert et al., 2007), purchase intentions (Guo and Main, 2012), product selections (Morales, 2005; Williams et al., 2004), and overall evaluations of advertisements and brands (Lorenzon and Russell, 2012). My hypothesis was derived based on the Persuasion Knowledge Model, and detailed reasoning will be provided in the hypotheses section.

CONSUMERS' PERCEPTIONS

The current work defines consumers' perceptions as thoughts or beliefs that consumers have regarding marketing stimuli of a company when they try to infer the ulterior motives of the company. This definition is consistent with the characteristics of lay theories outlined in past research. Hong et al. (2001) used the terms, "lay, implicit, naïve, intuitive, common sense, or background belief" to refer to the theories people use in their daily lives. People do not necessarily have to be aware of the theories or their consequences. In other words, their thoughts or beliefs need not be based on expertise. In addition, Schwarz (2004) suggested that lay theories connect individual experiences with the idea inferred from those experiences. Previous studies have also shown that lay theories affect consumers' purchase intentions (Newman et al., 2014), product choice (Huang, Dong and Mukhopadhyay, 2014) and brand evaluations (Jain, Mathur and Maheswaran, 2009).

Lay theories are believed to play a critical role in consumers' judgment as they can induce a fundamental change in consumers' perceptions. This idea is best illustrated by the placebo effect in marketing where consumers' lay theories give rise to expectations, which subsequently affect their perceptions of products and services (Shiv et al, 2005). As a result, consumers end up making decisions that deviate from their initial product evaluations (Shiv et al, 2005; Wright et al., 2013). Therefore, consumers' perceptions can have noticeable effects on consumers' decisions.

In study 1 of this research, I measured consumers' interest in luxury brands as a proxy for consumers' perceptions. In studies 2 and 3, I measured consumers' perceptions as the degree to which participants perceived that brands set high prices to maintain premium image ("H-P perceptions"). Specific details regarding measurement will be provided in the hypotheses and experiments section.

HYPOTHESES

Figure 1 contains the hypothesized conceptual model of my current research. This model includes new moderators and dependent variables I propose that previous research has not identified.

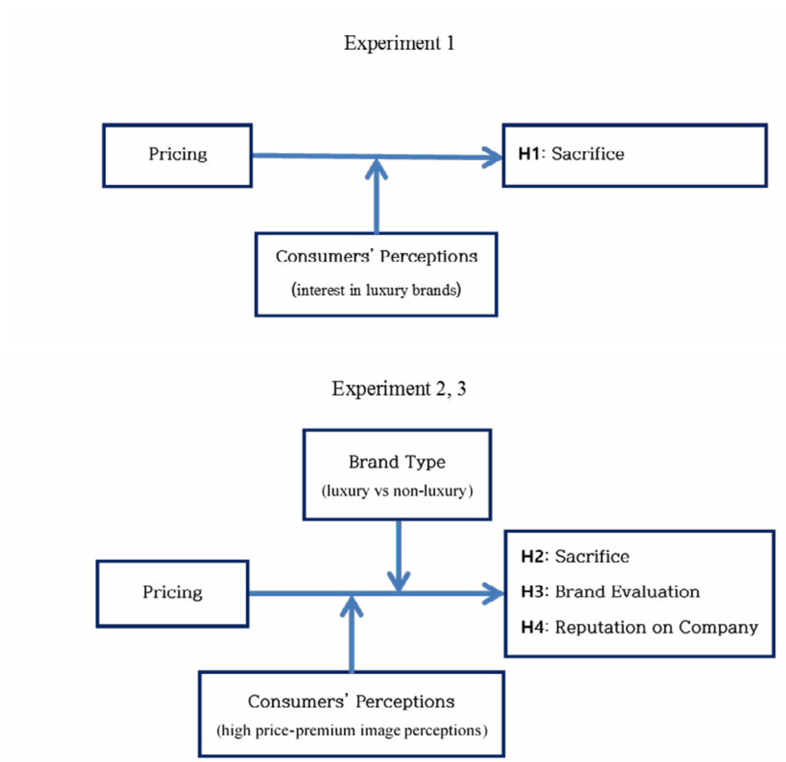


Figure 1. Hypothesized conceptual model

Price is an indicator of monetary sacrifice and a signal of product quality (Bornemann et al., 2011; Leavitt, 1954; Völckner, 2008). In addition, pricing reflects consumers' price preferences (Coulter and Grewal, 2014) and the reputation of online retailers (Jarmon, 2009).

If a CSR product of a luxury brand is priced at a lower (vs. higher) level, it will not be well accepted by consumers who are interested in luxury brands. Low-pricing is at odds with the conventional premium pricing in the luxury market and hence is likely to contradict consumers' perceptions. As a result, low-pricing should activate consumers' persuasion knowledge, making them doubt the sacrifice of the company's CSR. Consumers who are interested in luxury brands are likely to have strong perceptions. Therefore, having or not having an interest in luxury brands can serve as a proxy variable in measuring the strength of perceptions.

H1 When a luxury brand prices a CSR product below the price level of its regular products, individuals with a lower (vs. higher) interest in luxury brands will perceive a company's CSR motivation as more (vs. less) authentic.

In the present study, consumers' perceptions that brands set high prices to maintain premium image or "H-P perceptions" in short refer to a belief that luxury brands manage their image with high-pricing to maximize profits. People with H-P perceptions may pay attention to the price change in a CSR product and suspect that the company has an ulterior motive rather than accepting the low price as an effort to be socially responsible. In addition, I included non-luxury brands to see whether the hypothesis is applicable to brands of all types.

H2 When a luxury brand prices a CSR product below the price level of its regular products, consumers with weaker (vs. stronger) H-P perceptions will perceive a company's CSR motivation as more (vs. less) authentic. This pricing effect will be attenuated for non-luxury brands.

If a company's motivation to engage in CSR is perceived as authentic, consumers should evaluate the reputation of the company more favorably. The reverse should be true for inauthentic CSR motivation. In the same vein, perceived sacrifice of CSR motivation should affect consumers' overall brand evaluation. More formally:

H3 When a luxury brand prices a CSR product below the price level of its regular products, consumers with weaker (vs. stronger) H-P perceptions will evaluate the reputation of the company more (vs. less) favorably. This pricing effect will be attenuated for non-luxury brands.

H4 When a luxury brand prices a CSR product below the price level of its regular products, consumers with weaker (vs. stronger) H-P perceptions will evaluate the brand more (vs. less) favorably. This pricing effect will be attenuated for non-luxury brands.

To examine whether consumers' interests in luxury brands and a luxury brand's pricing strategy interactively affect the perceived sacrifice of the luxury brand's CSR activities (H1), I conducted study 1. Next, to compare a luxury brand with a non-luxury brand and to test for the moderating effect of H-P perceptions (H2), I conducted study 2. Finally, I further explored the proposed effect on evaluations of brand and firm (H3, H4) in study 3.

EXPERIMENT 1: EFFECT OF PRICING STRATEGY ON CONSUMERS' PERCEPTIONS OF SACRIFICE

To test Hypothesis 1, I conducted a 2 (CSR product pricing strategy: regular pricing vs. low pricing) x interest in luxury brands (continuous) design. 59 students (29 females) in South Korea participated in the experiment. In order to inform participants of the product prices of luxury brands, participants were presented with a fashion magazine article about luxury brands. The article described a fictional fashion brand called *Moyali* and its CSR activities. Participants were also shown a picture where the Moyali brand logo was placed in between logos of two real luxury brands Coach and Ralph Lauren. All participants read about a shoulder bag, whose exposure is less dependent on the season (Wang and Griskevicius, 2014).

I changed the wording of the article to manipulate pricing strategy. Participants in the regular pricing condition read the following: "Regular pricing for a new Moyali shoulder bag to raise money for charity." Participants in the low pricing condition read the following: "A huge discount of 25% for a new shoulder bag compared to other Moyali bags to raise money for charity."

Perceived sacrifice of Moyali's CSR motivation was assessed on a seven-point scale (1= "strongly disagree," 7= "strongly agree") with the question "this company fulfills social responsibility by making sacrifices economically" (De Cremer et al., 2009). Participants indicated their interest in luxury brands on a seven-point scale (1= "very little interest, "7= "a lot of interest"; "How interested are you in luxury brands?").

Participants were distributed randomly into two groups according to the CSR product pricing strategy of luxury brands: regular pricing vs. low pricing.

Multiple regression analysis was used to test Hypothesis 1, which employed the type of CSR product pricing strategy (dummy coding: 0 for regular pricing and 1 for low pricing) and mean-centered 'prior interest in luxury brands' as continuous variables, and measured the 'sacrifice of CSR motivation' as a predictor.

The result showed that the interaction of the CSR product pricing strategy type and the prior interest was significant ($\beta = -.43$, $t(55) = -1.91$, $p = .061$). In order to interpret the interaction, a spotlight analysis was carried out applying ±1SD on the mean of the prior interest in luxury brands as shown in Figure 2. As predicted, the people with lower prior interest (-1SD) in luxury brands recognized the sacrifice of CSR motivation more than those with higher prior interest (+1SD) did when a luxury brand priced CSR products lower than regular products ($M_{\text{Low interest, Low pricing}} = 4.08$ vs. $M_{\text{High interest, Low pricing}} = 3.14$, $\beta = -.30$, $t(55) = -1.97$, $p = .054$). The relation between prior interest in luxury brands and CSR product pricing strategy was not significant.

Figure 2. Experiment 1 (Perceived Sacrifice of CSR Motivation):

Two-way Interaction between Pricing Type and Interest in Luxury Brands

The results of experiment 1 provide evidence that interest in luxury brands moderates the effect of low pricing of CSR products on perceived sacrifice of a brand's CSR motivation. To increase the reliability and validity of these results, I conducted experiment 2 with consumers' perceptions of luxury brand's pricing as a moderator.

EXPERIMENT 2: BRAND TYPE AND CONSUMERS' PERCEPTIONS AS MODERATORS

Experiment 2 expanded on the findings of experiment 1 in two ways. First, it drew a comparison between luxury brands and non-luxury brands. In so doing, I sought to examine whether the CSR product pricing effect observed in experiment 1 is applicable to only luxury brands or generalizable to all types of brands. Second, experiment 2 tested the moderating role of H-P perceptions on the pricing effect. Therefore, unlike in Experiment 1 where consumers' interest in luxury brands was used as a proxy, I directly measured the strength of their perceptions.

I conducted experiment 2 where 61 participants (26 females) in South Korea completed the survey. Experiment 2 used a 2 (CSR product pricing strategy: regular pricing vs. low pricing) x 2 (brand type: luxury vs. non-luxury) x H-P perceptions (continuous) design. Participants in the non-luxury (vs. Luxury) condition saw the Moyali logo placed in between the logos of GAP and Forever 21 (vs. Coach and Ralph Lauren). I manipulated the product pricing strategy with the same fashion magazine article used in Experiment 1. The experimental procedure was identical to that of Experiment 1.

I measured perceived sacrifice of CSR motivation using three items on a 7-point scale ("This company fulfills social responsibility by making sacrifices economically"; "This company returns its profits back to the society"; "This company carries out its CSR initiative even though it runs the risk of damaging luxury brand value"; 1= "strongly disagree, "7= "strongly agree"; α = .70). Similarly, I measured H-P perceptions using six items on a 7-point scale ("Lowering prices of a luxury brand's products may damage the brand's premium image"; "if luxury brands launch products at low prices, consumers would evaluate products unfavorably"; "if luxury brands maintain a high level of pricing, consumers who like luxury brands would consistently purchase them"; "even if luxury brands reduce the price temporarily, there is no problem with maintaining the premium image (reverse coding)"; "if luxury brands reduce the price temporarily, sales would be negatively affected"; "if luxury brands reduce the price temporarily, consumers who like luxury brands would rate value of luxury brands high-(reverse coding) "; 1 = "strongly disagree," 7= "strongly agree"). These items (α = .74) were averaged to form a H-P perceptions index.

In order to test Hypothesis 2, multiple regression analysis was conducted to measure the sacrifice of CSR motivation, where the type of CSR product pricing strategy (dummy coding: 0 for regular pricing and 1 for low pricing), the brand type (dummy coding: 0 for non-luxury brands, 1 for luxury brands) and mean-centered 'H-P perceptions' as continuous variables, and measured the interaction term of the three variables as a predictor.

As a result, the main effect of each variable was not significant, while the three-way interaction among pricing strategy, brand type, and 'H-P perceptions' was significant (β = -.392, $t(53) = -1.687$, $p = .097$). In order to interpret the interaction, a spotlight analysis was carried out applying ±1SD on the mean of the 'H-P perceptions' as shown in Figure 3. The people with strong perceptions (+1SD) showed a significant interaction between the pricing strategy and the brand type ($\beta = -.64$, $t(53) = -2.28$, $p = .027$).

On luxury brands, the consumers with weak 'H-P perceptions' showed higher recognition on the sacrifice of CSR activities than those with strong perceptions did when CSR products were low priced ($M_{\text{Luxury brand, Low pricing, Strong perceptions}} = 4.23$ vs. $M_{\text{Luxury brand, Low pricing, Weak perceptions}} = 2.74$, $\beta = -.70$, $t(53) = -3.71$, $p < .001$). On luxury brands, furthermore, the consumers with strong 'H-P perceptions' showed higher recognition on the sacrifice of CSR activities when CSR products were priced comparable to regular products rather than being priced low ($M_{\text{Luxury brand, Regular pricing, Strong perceptions}}$ = 3.76 vs. $M_{\text{Luxury brand, Low pricing, Strong perceptions}}$ = 2.74, β = -.58, *t*(53) = -2.52, *p* = .015).

On the other hand, on luxury brands, the people with strong perceptions (+1SD) was less likely to recognized the sacrifice of CSR motivation when it priced low for its CSR products compared with the same activities done by a non-luxury brand company ($M_{\text{Luxury brands, Low pricing, Strong perceptions}}$ = 2.74 vs. $M_{\text{Non-luxury brands, Low pricing, Strong perceptions}}$ = 3.76, β = -.56, *t*(53) = -2.19, *p* = .034). However, on non-luxury brands, interaction between the pricing strategy and 'H-P perceptions' was not significant (β = .07, *t*(53) = 2.44, *p* = .808), which supported Hypothesis 2.

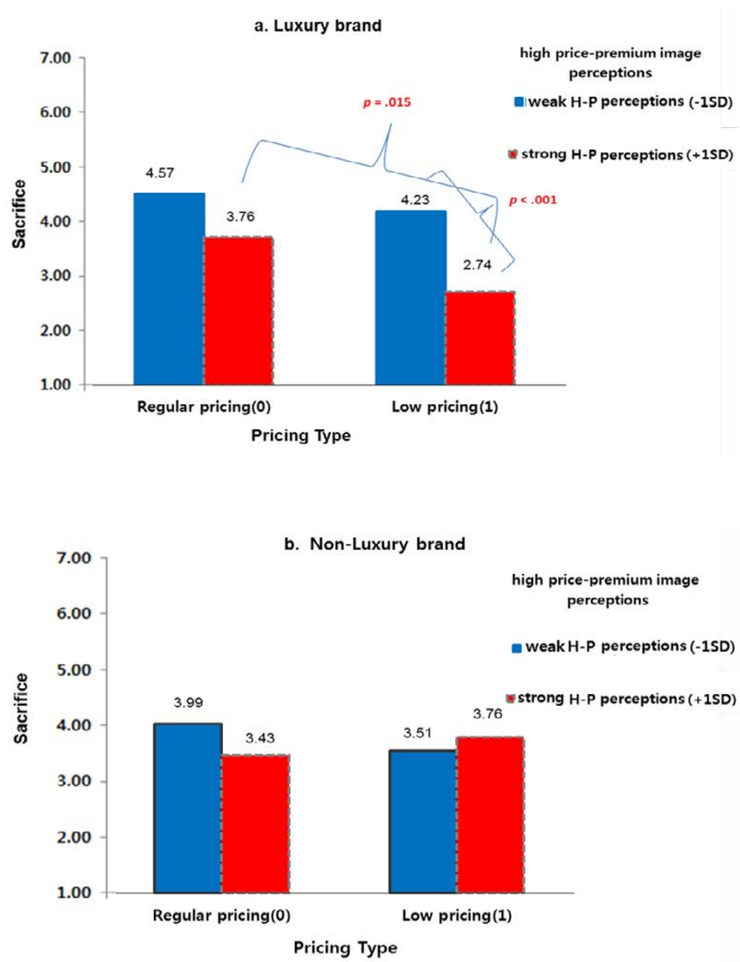


Figure 3. Experiment 2 (Perceived Sacrifice of CSR Motivation):

Three-way Interaction among Pricing Strategy, Brand Type, and H-P Perceptions

EXPERIMENT 3: SPILLOVER EFFECTS ON EVALUATION OF THE COMPANY'S REPUTATION AND BRAND

Experiment 3 was carried out to achieve two purposes. First, I sought to investigate whether consumers' perceptions moderate the impact of CSR product pricing strategy on perceived sacrifice of CSR motivation, as well as overall brand evaluations. Second, experiment 3 aimed to replicate the findings in experiment 2 by testing whether the pricing effect is limited to luxury brands (vs. non-luxury brands).

Experiment 3 used a 2 (brand type: luxury vs. non-luxury) x H-P perceptions (continuous) design. The experiment was conducted with 180 students (50 females). Participants were randomly assigned to two conditions. The stimuli and procedure of the experiment were identical to those of Experiment 2.

Perceived sacrifice of CSR motivation was measured using the same items in Experiment 2 (α=.60). H-P lay theory was measured on a seven-point scale using six items similar to those of Experiment 2 ("Maintaining the high level of pricing is necessary to keep a premium brand image"; "if a brand adopts a low pricing policy, it would damage the brand's image"; "companies put high prices on products to make them seem luxurious"; "if brands adopt a low pricing policy, consumers would evaluate the brand unfavorably"; "if brands adopts a high pricing policy, consumers who like brands with premium image would purchase them"; "companies use high pricing to enhance their brand image."; α = .80).

Multiple regression analysis was conducted to measure a dependent variable of 'company reputation.' The interaction between the brand type and 'H-P lay theory' was significant (β = -.23, $t(176) = -1.71$, $p = .089$). In order to interpret the interaction, a spotlight analysis was carried out applying ±1SD on the mean of 'H-P perceptions' as shown in Figure 4. The consumer with weak 'H-P perceptions' (-1SD) recognized that the reputation of luxury brands were higher than that of non-luxury brands when CSR products were low priced. ($M_{\text{Non-luxury brands, Weak perceptions}} = 4.58$ vs. $M_{\text{Luxury brands, Weak perceptions}} = 5.59$, $\beta = -.72$, $t(176) = -2.83$, $p = .005$). The consumers with strong 'H-P perceptions' showed higher brand evaluations than those with weak 'perceptions' when CSR products of luxury brands were low priced ($M_{\text{Luxury, Strong perceptions}} = 4.97$ vs. $M_{\text{Luxury, Weak perceptions}} = 5.54$, $\beta = -.84$, $t(176) = -2.68$, $p = .008$). Consumers with weak 'H-P perceptions' recognized a company's reputation higher than those with strong 'perceptions' did when CSR products of luxury brands were low priced ($M_{\text{Luxury brands, Weak perceptions}} = 5.69$ vs. $M_{\text{Luxury brands, Strong perceptions}} = 4.35$, $\beta = -.45$, $t(176) = -2.95$, $p = .004$).

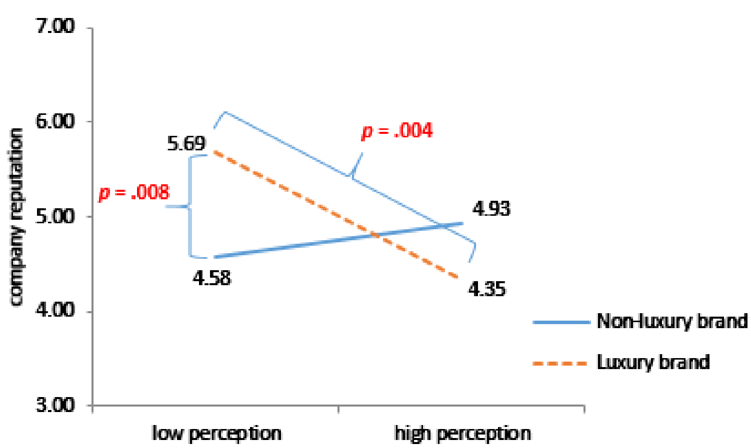


Figure 4. Experiment 3 (Reputation on Companies):

Interaction between brand types and H-P perceptions

Also, multiple regression analysis was carried out to evaluate 'brand evaluation.' The main effect of 'H-P perceptions' on the brand evaluation was significant (β = .26, $t(176)$ = 2.14, p = .034), and the interaction between the brand type and 'H-P perceptions' were significant as well (β = -.51, $t(176)$ = -2.99, p = .003). In order to interpret the interaction, a spotlight analysis was carried out applying ±1SD on the mean of 'H-P perceptions' as shown in Figure 5. The consumer with strong 'H-P perceptions' (+1SD) was less likely to recognize the sacrifice of CSR motivations of luxury brands than that of non-luxury brands when CSR products were low priced ($M_{\text{Non-luxury brands, Strong perceptions}}$ = 5.75 vs. $M_{\text{Luxury brands, Strong perceptions}}$ = 4.97, β = -.72, $t(176)$ = -2.83, p = .005). Consumers with weak 'H-P perceptions' recognized higher brand reputation than those with strong 'perceptions' did when the CSR products of luxury brands was low priced ($M_{\text{Luxury brands, Strong perceptions}}$ = 4.97 vs. $M_{\text{Luxury brands, Weak perceptions}}$ = 5.54, β = -2.27, $t(176)$ = -2.14, p = .033).

As a remark, consumers with strong 'H-P perceptions' recognized higher brand reputation than those with weak 'perceptions' did when the CSR products of non-luxury brands was low priced ($M_{\text{Non-luxury brands, Strong perceptions}}$ = 5.75 vs. $M_{\text{Non-luxury brands, Weak perceptions}}$ = 5.14, β = 2.25, $t(176)$ = 2.08, p = .039).

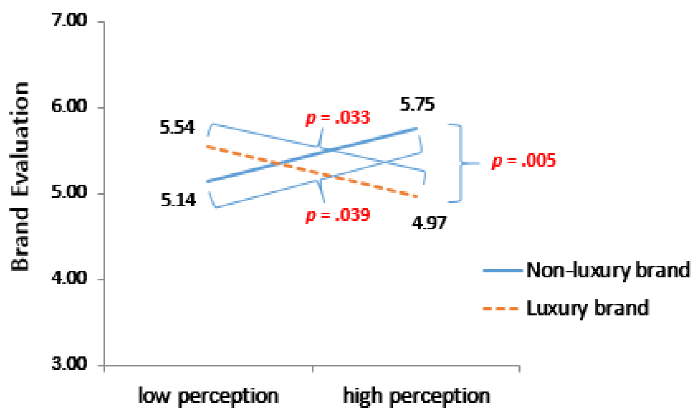


Figure 5. Experiment 3 (Brand Evaluation):

Interaction Effect of Brand Type and H-P Perceptions

In experiment 3, I confirmed that consumers' H-P perceptions moderate the impact of CSR product pricing strategy on consumers' evaluation of the company's reputation and brand evaluation. The results of experiment 3, which used a more refined measurement of consumers' H-P perceptions, yielded an effect equivalent to what was observed in Experiments 1 and 2. That is, consumers with high (vs. low) perceptions perceived luxury brands' commitment to CSR as less (vs. more) authentic when CSR products were priced low. Conversely, consumers evaluated the brand and the company's reputation more (vs. less) favorably when their perceptions were weak (vs. strong). Therefore, the results of experiment 3 support hypothesis 2-4.

CONCLUSION AND IMPLICATIONS

Across three experiments, I found converging evidence that the pricing strategy of CSR products affects consumers' perceptions of the sacrifice of a brand's motivation to carry out CSR, and that this effect is moderated by the strength of consumers' perceptions. Furthermore, the increased perceived sacrifice from the use of low-pricing strategy seems to have positive spillover effects, such that consumers with weak perceptions judge the company's evaluation and the overall brand more (vs. less) favorably.

The present research contributes to the extant literature in several ways. First, my research adds to the persuasion literature by applying the persuasion knowledge model in CSR contexts. Second, I demonstrate the possibility of signaling sacrifice through the use of low pricing strategies for CSR products. Third, I addressed the lack of research investigating the relationship between CSR and luxury brands. Fourth, the scales developed in the current research can be used by researchers in future research to measure both sacrifice of CSR activities and consumers' perceptions of companies setting high prices to maintain a premium image. Finally, my research is among the first to investigate the effect of "sympathetic pricing," or pricing for a good cause (Trendwatching.com).

The findings from the three experiments offer a number of implications for marketers. First, it may prove useful to categorize customers based on the strength of their perceptions when launching CSR products. Targeting new customers who have a relatively low interest in luxury brands, rather than existing customers with a strong interest, is likely to yield better results when luxury brands launch socially responsible campaigns, such as raising money for charities. Because consumers who are relatively more interested in luxury brands are more likely to suspect luxury brands' low-pricing strategy, when luxury brands adopt a low-pricing strategy, they will need to figure out the nature of consumers targeted by promotions. When promotions target consumers with a high level of interest in luxury brands, luxury brands should be more cautious in forming their promotion strategies. CSR-related promotions will be more effective when the target is consumers with low interest in luxury brands. Second, I provide a feasible method for marketers to assess customers' perceptions by showing that customers' interest in luxury brands can serve as a viable proxy variable. Third, my work implies that setting low prices for CSR products can be an effective communication strategy because it can better convey the brand's sacrifice to consumers. Fourth, my work helps marketers use appropriate CSR strategies by demonstrating that the pricing effect of CSR products applies only to luxury brands (not non-luxury brands) and only to people familiar with luxury brands.

The current work is not without limitations. The luxury brands in my research did not include high-end luxury brands. And because luxury brands' CSR activities are specific CSR activities, I cannot generalize my results to all CSR activities. Therefore, it might be fruitful for future research to examine whether pricing as a signaling strategy is also effective for high-end luxury brands and whether consumers' perceptions still moderate the effect of such pricing strategies.

REFERENCES

Beverland, M. B., & Farrelly, F. J. (2010). The quest for sacrifice in consumption: Consumers' purposive choice of authentic cues to shape experienced outcomes. *Journal of Consumer Research*, 36(5), 838-856.

Bornemann, T. and C. Homburg (2011). "Psychological distance and the dual role of price," *Journal of Consumer Research*, 38, 490-504.

Campbell, M. C., & Kirmani, A. (2000). Consumers' use of persuasion knowledge: The effects of accessibility and cognitive capacity on perceptions of an influence agent. *Journal of Consumer Research*, 27(1), 69-83.

Carroll, A. B. (1991). The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders. *Business horizons*, *34*(4), 39-48.

Coulter, K. S., & Grewal, D. (2014). Name-letters and birthday-numbers: Implicit egotism effects in pricing. *Journal of Marketing*, *78*(3), 102-120.

De Cremer, D., Mayer, D. M., van Dijke, M., Schouten, B. C., & Bardes, M. (2009). When does self-sacrificial leadership motivate prosocial behavior? It depends on followers' prevention focus. *Journal of Applied Psychology*, 94(4), 887

De Dreu, C. K., & Nauta, A. (2009). Self-interest and other-orientation in organizational behavior: implications for job performance, prosocial behavior, and personal initiative. *Journal of Applied Psychology*, 94(4), 913-926..

Edelman (2013). *Edelman Trust Barometer 2013 Annual Global Study.*

Ewing, D. R., Allen, C. T., & Ewing, R. L. (2012). Sacrifice as meaning validation: An empirical investigation of iconic and indexical cues in a context of "green" products. *Journal of Consumer Behaviour*, 11(5), 381-390.

Friestad, M., & Wright, P. (1994). The persuasion knowledge model: How people cope with persuasion attempts. *Journal of consumer research*, 21(1), 1-31.

Grayson, K., & Martinec, R. (2004). Consumer perceptions of iconicity and indexicality and their influence on assessments of authentic market offerings. *Journal of consumer research*, 31(2), 296-312.

Guo, W., & Main, K. J. (2012). The vulnerability of defensiveness: The impact of persuasion attempts and processing motivations on trust. *Marketing Letters*, 23(4), 959-971.

Hibbert, S., Smith, A., Davies, A., & Ireland, F. (2007). Guilt appeals: Persuasion knowledge and charitable giving. *Psychology & Marketing*, 24(8), 723-742.

Hong, Y. Y., Levy, S. R., & Chiu, C. Y. (2001). The contribution of the perceptions approach to the study of groups. *Personality and Social Psychology Review*, 5(2), 98-106.

Huang, X. I., Dong, P., & Mukhopadhyay, A. (2014). Proud to belong or proudly different? Perceptions determine contrasting effects of incidental pride on uniqueness seeking. *Journal of Consumer Research*, *41*(3), 697-712.

Jain, S. P., Mathur, P., & Maheswaran, D. (2009). The influence of consumers' perceptions on approach/avoidance motivation. *Journal of Marketing Research*, *46*(1), 56-65.

Jarmon, R. (2009). Reputation's Effect on Pricing Power: The Importance of Strategy. *Corporate Reputation Review*, *12*(3), 281-296.

Jung, H. W. (2013). *Dong-A Business Review*, Retrieved September 17, 2013, from http://www.eai.or.kr/type_k/panelView.asp?bytag=n&code=kor_eaiinmedia&idx=12582&page=1

Kim, M. S., Kim, D. T., & Kim, J. I. (2014). CSR for sustainable development: CSR beneficiary positioning and impression management motivation. *Corporate social Responsibility and Environmental Management*, 21(1), 14-27.

Kim, Minwook (2014). *MBC News*. Retrieved January 11, 2014, from http://imnews.imbc.com/replay/2014/nwdesk/article/3399413_13490.html

Lakshman, C., Ramaswami, A., Alas, R., Kabongo, J. F., & Pandian, J. R. (2014). Ethics trumps culture? A cross-national study of business leader responsibility for downsizing and CSR perceptions. *Journal of Business Ethics*, 125(1), 101-119.

Leavitt, H. J. (1954). A note on some experimental findings about the meanings of price. *The Journal of Business*, *27*(3), 205-210.

Liedtka, J. (2008). Strategy making and the search for sacrifice. *Journal of Business Ethics*, 80(2), 237-248.

Lorenzon, K., & Russell, C. A. (2012). From apathy to ambivalence: How is persuasion knowledge reflected in consumers' comments about in-game advertising?. *Journal of Marketing Communications*, 18(1), 55-67.

Malik, M. (2015). Value-enhancing capabilities of CSR: A brief review of contemporary literature. *Journal of Business Ethics*, 127(2), 419-438.

Mazereeuw-van der Duijn Schouten, C., Graafland, J., & Kaptein, M. (2014). Religiosity, CSR attitudes, and CSR behavior: An empirical study of executives' religiosity and CSR. *Journal of business ethics*, 123(3), 437-459.

McShane, L., & Cunningham, P. (2012). To Thine Own Self Be True? Employees' Judgments of the Sacrifice of Their Organization's Corporate Social Responsibility Program. *Journal of business ethics*, 108(1), 81-100

Morales, A. C. (2005). Giving Firms an "E" for Effort: Consumer Responses to High-Effort Firms. *Journal of Consumer Research*, 31(4), 806-812.

Napoli, J., Dickinson, S. J., Beverland, M. B., & Farrelly, F. (2014). Measuring consumer-based brand sacrifice. *Journal of Business Research*, 67(6), 1090-1098.

Newman, G. E., Gorlin, M., & Dhar, R. (2014). When going green backfires: How firm intentions shape the evaluation of socially beneficial product enhancements. *Journal of Consumer Research*, *41*(3), 823-839.

Overvold, M. C. (1980). Self-interest and the concept of self-sacrifice. *Canadian Journal of Philosophy*, *10*(1), 105-118.

Peus, C., Wesche, J. S., Streicher, B., Braun, S., & Frey, D. (2012). Authentic leadership: An empirical test of its antecedents, consequences, and mediating mechanisms. *Journal of business ethics*, 107(3), 331-348.

Plewa, C., Conduit, J., Quester, P. G., & Johnson, C. (2015). The impact of corporate volunteering on CSR image: A consumer perspective. *Journal of Business Ethics*, 127(3), 643-659.

Porter, Michael E., & Kramer, Mark R. (2011). *Harvard Business Review*, January 2011 Issue.

Rucker, D. D., Galinsky, A. D., & Dubois, D. (2012). Power and consumer behavior: How power shapes who and what consumers value. *Journal of Consumer Psychology*, 22(3), 352-368.

Schwarz, N. (2004). Metacognitive experiences in consumer judgment and decision making. *Journal of Consumer Psychology*, *14*(4), 332-348.

Seo, Jinwoo (2014), *Maeil Business Newspaper*, Retrieved September 26, 2014, from http://news.mk.co.kr/newsRead.php?year=2014&no=1244159

Shiv, B., Carmon, Z., & Ariely, D. (2005). Placebo effects of marketing actions: Consumers may get what they pay for. *Journal of marketing Research*, *42*(4), 383-393.

Spiggle, S., Nguyen, H. T., & Caravella, M. (2012). More than fit: brand extension sacrifice. *Journal of Marketing Research*, 49(6), 967-983.

Thompson, C. J., Rindfleisch, A., & Arsel, Z. (2006). Emotional branding and the strategic value of the Doppelgänger brand image. *Journal of Marketing*, 50-64

Völckner, F. (2008), The dual role of price: decomposing consumers' reactions to price. *Journal of the academy of marketing science*, 36(3), 359-377.

Wang, Y., & Griskevicius, V. (2014). Conspicuous consumption, relationships, and rivals: Women's luxury products as signals to other women. *Journal of Consumer Research*, 40(5), 834-854.

Williams, P., Fitzsimons, G. J., & Block, L. G. (2004). When consumers do not recognize "benign" intention questions as persuasion attempts. *Journal of Consumer Research*, 31(3), 540-550.

Wright, S. A., da Costa Hernandez, J. M., Sundar, A., Dinsmore, J., & Kardes, F. R. (2013). If it tastes bad it must be good: Consumer naïve theories and the marketing placebo effect. *International Journal of Research in Marketing*, *30*(2), 197-198.

Yoon, Y., Gürhan-Canli, Z., & Schwarz, N. (2006). The effect of corporate social responsibility (CSR) activities on companies with bad reputations. *Journal of Consumer Psychology*, 16(4), 377-390.

CONSUMER CONFUSION CHOOSING ME-TOO SNACK PACKAGES

Ana M Arboleda, Universidad Icesi
Julio C Alonso, Universidad Icesi

ABSTRACT

A me-too brand is one that imitates the leading brand in a category, expecting consumers to quickly recognize its attributes. Although this is consistent with a categorization process, the me-too brand should not cause consumer confusion. This study evaluates consumer confusion because of: a) the presence of a leading brand next to a me-too brand, and b) the presence of the brand name on the package. This experimental design includes six categories of snacks (chocolate covered cakes, waffle cookies, chocolate chip cookies, crackers, lollipops, and gummy candy), for each of which we estimate three logit models to determine the probability of occurrence of: a) making an unexpected choice; b) consumer awareness; and c) consumer confusion (a and b simultaneously).

The results show that the three measures of consumer confusion are complementary with each other. The results also confirm that consumer confusion may be prevented by having the leading brand next to the me-too brand on the shelf and by assuring visibility of the brand name on their packaging. The findings concern managers and policy makers who should be aware of the benefits and constraints of using the me-too strategy. This study elaborates on the theoretical and operational definition of consumer confusion by considering its cognitive and behavioral dimensions.

INTRODUCTION

The me-too strategy is controversial because follower brands imitate the characteristics of successful leading brands. The strategy of the imitating brand is to launch a product for which the leading brand has built a relatively strong product demand along with consumer awareness of product benefits and characteristics. In turn, the leading brand will tackle the strategy of the imitator brand by suing the brand that emulates the product packaging design and characteristics. This means that a me-too product imitates the trade dress of the leading competitor in a category. Trade dress is defined as the imitation of the appearance of a branded product (Warlop & Alba, 2004). Courts deal with imitation cases in all kinds of product categories, automobiles, fast food, packaged foods, pharmaceuticals, and clothing, among others (Foxman, Berger, & Cole, 1992). Although the me-too strategy is not prohibited, an accurate evaluation of consumer confusion is important to promote fair competition and protect trademarks: “infringement of a registered trademark will be found if its use by another is likely to cause confusion …” (idea from the Lanham Act quoted by Cohen (1991; p. 49).

For society, the me-too strategy has its plus and down sides because it occurs in mature markets where there is a large demand for a well-known product (Sohn, 2008). On the plus side, the strategy benefits consumers because, when different brands offer similar product characteristics, it limits a monopolistic position. Additionally, the me-too strategy expands the product offer and keeps prices relatively low because there are no significant differences among brands. On the down side, the strategy may lead to consumer confusion because of the close resemblance of different brand packages. In terms of organizations, imitation may weaken the incentive for innovation on the part of organizations because firms learn that other firms may take an advantage by imitating its successful products (Fan, Gillan, & Yu, 2013). In the long run, the me-too strategy may benefit society by motivating a competitive environment. However, fair competition should benefit consumers and not harm them by creating consumer confusion (Foxman, Muehling, & Berger, 1990).

This paper reviews consumer confusion based on the use of the me-too strategy within the snack category. The snack category is a good example of routine decision-making processes in which individuals are not highly involved with the purchase because there is not a high investment with which to be concerned (Mitchell & Walsh, 2005). Additionally, these products are somehow present in consumers' day-to-day lives through advertisement and accessible placing at the supermarket, e.g. on the shelf right before the cashier. In this context, we selected six different snack categories that had a clear leadership and me-too competitors and we tested for the probability of consumer confusion among them. The categories are: chocolate covered cake, crackers, chocolate chip cookies, waffle cookies, gummy candy, and lollipops.

We define three conditions of consumer confusion, namely, making an unexpected choice (behavioral confusion), not being aware of this choice (cognitive confusion), and simultaneously making an unexpected choice without being aware of it (behavioral and cognitive confusion). Thus, the first condition for confusion is behavioral confusion, which means actually choosing, taking, and purchasing an unexpected product. For example, a person enters a grocery store expecting to get a Tic Tac pack, but picks a pack of Dynamints instead. The second condition for confusion is cognitive; it means not realizing which name had the chosen product. In the previous example, the person has no recollection of the name of the product or thinks that he/she bought a pack of Tic Tac. Finally, we combine both behavioral and cognitive conditions to define a third, more precise, scenario for consumer confusion.

Table 1 illustrates the two basic conditions for consumer confusion and how these are combined. The best scenario, which shows no consumer confusion, is when a person picks what is expected and has a clear recollection of his/her choice (i.e., quadrant I). Nevertheless, a person may also purchase an unexpected product, knowing that this was not what he/she was supposed to pick, we cannot say that there is consumer confusion in this case because he/she is aware of his/her decision (i.e., quadrant II). Additionally, a person may choose the right product without being able to recall its brand name (i.e., quadrant III). Finally, when a person picks a wrong product without knowing its brand name and not realizing his/her mistake, we find a true case of consumer confusion (i.e., quadrant IV). In our example, the person who picked Dynamints thinks that he/she picked a pack of Tic Tac or has no recollection of the selected brand.

Table 1
Conditions for Consumer Confusion

CC: consumer confusion		Awareness	
		Yes	No
Behavioral confusion	No	I. No CC	III. No CC
	Yes	II. No CC	IV. CC

The paper is organized as follows: The literature review section provides a definition of the concept of consumer confusion; here we hypothesize that: a) the presence of the leading brand at the point of purchase and b) the presence of the brand name on the package prevent consumer confusion. The method section discusses our experiment and the product categories included in the study. The results support hypothesis 1 and 2 for the three conditions of consumer confusion. The discussion section elaborates on how our conditions for consumer confusion should be used together to have a more accurate evaluation.

CONSUMER CONFUSION IN A PRODUCT DECISION-MAKING PROCESS

Consumer confusion is the outcome of a wrong product decision because of a cognitive misunderstanding. Thus, consumer confusion is an important concern when consumers decide between a leading brand and a me-too brand. When a consumer has to make a choice, facing similar options, confusion may occur due to a lack of understanding and the impossibility of correctly differentiating one alternative from the other (Mitchell & Walsh, 2005; Walsh & Mitchell, 2010). Confusion means that an individual makes an error in inferential processing that leads to form an inaccurate belief about the attributes or performance of a lesser-known brand based on previous beliefs about a more familiar brand (Balabanis & Craven, 1997; Foxman, et al., 1992).

Additionally, previous studies demonstrate that brand familiarity favors consumer recognition of a brand message or even a design package having a large variety of options within a product category (Arboleda & Alonso, 2010; Delgado-Ballester, Navarro, & Sicilia, 2012; Mogilner, Rudnick, & Iyengar, 2008). As consumers gain experience and familiarity with the product category, they are less likely to make mistakes choosing the wrong brand at the point of purchase (Foxman, et al., 1990; Mitchell & Walsh, 2005). Familiarity arises from consumer learning about a brand and a product category based on use, experience, and exposure to advertisement (Bianchi, 2003). Therefore, familiarity may help explain consumer confusion if the individual does not know the trademark, does not recall the brand, or does not use products from the relevant product category.

Because of consumers' previous learning experience and capacity to recall the trademarks, consumer confusion has been defined as a cognitive mistake (Walsh & Mitchell, 2010). Cognitive confusion means that the consumer does not know a product category, is not familiar with a specific brand, and is not able to recognize a brand. But at the point of purchase this cognitive confusion may have consequences on consumers' behaviors. Consumers demonstrate their confusion through an observable behavior when they chose a product from a shelf. That is, actually picking and purchasing an unexpected product.

Consequently, we define consumer confusion as a cognitive and behavioral outcome. There is a behavior that reveals a consumer is taking an unexpected product, but this is tied to a cognitive misunderstanding, not being aware of the mistake. This study complements the cognitive definition of consumer confusion with a behavioral component. Thus, consumer confusion means simultaneously making an unexpected choice and not being aware of it.

To analyze the effect of the me-too strategy in terms of consumer confusion, we argue that there are two important issues to be considered at the point of purchase: placing a me-too brand next to a leading brand and the distinctiveness of a brand name.

Standing Next to the Leader

The strategy of a me-too product is to "stand" next to the leading brand at the point of purchase (Foxman, et al., 1990). From a consumer perspective this might be a useful strategy because it facilitates the consumers' decision-making process, firstly, by extending the product category and, secondly, by creating a more consistent category (J. B. Cohen & Basu, 1987); these two facts should work together to provide consumers with a better understanding of the brands within a category and to reduce consumer confusion. By having more options, a consumer has the possibility of choosing among brands within a category.

But the me-too brand is not just another option; it creates rivalry in terms of prices because it closely resembles the leading brand but has a lower price (Warlop & Alba, 2004). The strategy works well when there is a well-established category represented by an exemplar (leading) brand and there are consistent characteristics across brands with a distinctive trade dress within a product category. Product categories are important because they help organize products at the point of purchase but also, and more importantly, in the minds of consumers (J. B. Cohen & Basu, 1987).

Categorization is a cognitive mechanism that enables consumers to understand a product by placing it within physical and conceptual set. This setting simplifies consumers' understanding about the product and decision-making processes (Bloch & Richins, 1983; Kahneman, 2003). When brands within a category have similar designs it is easier for consumers to recognize them as a product category. Categorization occurs not only because of the similarities among brands within a category, but also because there is a leading brand that characterizes the type of product expected from a category. This is known as the exemplar brand or prototype (J. B. Cohen & Basu, 1987). Hence, consumers expect a new product brand for a category to be similar to the existing brands in the category, particularly to the leading brand (Chryssochoidis, 2000). The evaluation of the me-too product and the perceived similarity with the leading brand depends on the presence or absence of the second (Van Horen & Pieters, 2012). Therefore, hypothesis 1:

H1. *There is a lower probability of consumer confusion if a leading brand and a me-too brand are next to each other compared to having only the me-too brand.*

H1a. There is a lower probability of making an unexpected choice if a leading brand and a me-too brand are next to each other compared to having only the me-too brand.

H1b. There is a higher probability of being aware of a brand choice if a leading brand and a me-too brand are next to each other compared to having only the me-too brand.

H1c. There is a lower probability of simultaneously making an unexpected choice and not being aware of this choice if a leading brand and a me-too brand are next to each other compared to having only the me-too brand.

Let UC be the event of making an unexpected choice, CA be the event of the consumer being aware of the choice, and CC be the event of simultaneously making an unexpected choice and not being aware of this choice (consumer confusion). Furthermore, let LBN be a dummy variable that equals 1 when a leading brand is next to a me-too brand and 0 otherwise. Consistently, the three alternatives that complement hypothesis 1 can be written as follows:

H1a. $P(UC \mid LBN=1) < P(UC \mid LBN=0)$

H1b. $P(CA \mid LBN=1) > P(CA \mid LBN=0)$

H1c. $P(CC \mid LBN=1) < P(CC \mid LBN=0)$

Brand as a Meaningful Sign

When making a purchase decision, experienced consumers should be able to recognize the kind of product and brand they are choosing and buying because they are aware of its functional and esthetic characteristics. Moreover, the brand name is the most important symbol that represents a particular product and informs consumers about their choice (D. Cohen, 1986). The trademark is any element that becomes inherently distinctive of a brand; for example, words, symbols, and pictures that are registered to be legally protected as elements that represent a brand (D. Cohen, 1986). It is important to protect these elements because they work to create a distinctive brand image. Distinctiveness means that consumers are able to recognize and differentiate a brand from others in a product category; the more distinctive a brand is from others in the category, the greater the awareness of its characteristics and name on the part of consumers (Beebe, 2005). All the details that are combined to create a brand image are trademark cues that help customers discriminate one brand from another, even though they are aware that me-too brands have similar trade dress characteristics (Miaoulis & D'Amato, 1978). Thus, differentiated brand names help consumers' discriminative capacity (Arboleda & Alonso, 2010; Warlop, Ratneshwar, & Van Osselaer, 2005).

Brands have a special meaning to consumers, depending on their past experiences with the product and with marketing activities. The brand name itself is a valuable sign for consumers when making a purchase decision in a category that offers a large number of similar products; individuals avoid choosing among indistinguishable options (Mogilner, et al., 2008). Therefore, when choosing from look-alike products, the brand name is a sign that provides a meaningful difference. Thus, a memorable brand prevents consumer confusion (Foxman, et al., 1990). Likewise, at the point of purchase a clear and distinctive brand name should prevent consumers from getting confused between a me-too and the leading brand. Therefore, hypothesis 2:

H2. *The presence (vs. absence) of a brand name will reduce the probability of confusion.*

H2a. *There is a lower probability of making an unexpected choice if a brand name is present (vs. absent) on the package.*

H2b. *There is a higher probability of being aware of a brand choice if a brand name is present (vs. absent) on the package.*

H2c. *There is a lower probability of simultaneously making an unexpected choice and not being aware of this choice if a brand name is present (vs. absent) on the package.*

Let PB be a dummy variable that equals 1 when the brand name is present on the package and 0 otherwise. Hypothesis 2 can be written as follows:

H2a. $P(UC \mid PB=1) < P(UC \mid PB=0)$

H2b. $P(CA \mid PB=1) > P(CA \mid PB=0)$

H2c. $P(CC \mid PB=1) < P(CC \mid PB=0)$

METHOD

This experiment builds on the idea that a me-too brand is evaluated at the point of purchase compared to an observed or recalled leading brand. We tested consumer confusion between these two options in a laboratory environment that simulated a shopping experience at a supermarket (Figure 1).

Figure 1. Laboratory setting

Participants in this experiment were randomly assigned to one of four conditions in a 2 (standing by: me-too next to leading brand vs. me-too alone) x 2 (brand name on package: name-present vs. name-absent) between-subject design. Finally, we control for familiarity (TOM and frequent consumer) and demographics (age and gender).

Our model implies and assumes that the probability of each individual *i* is confused (y_i=1) as a function of standing by the leading brand (standing by_i), the presence of the brand name on the package (brand name_i), having a clear recall of the leading brand (TOM_i), being a frequent consumer of the leading brand (frequent consumer_i), gender (gender_i), and age (age_i). Formally,

$$P\left[y_i = 1 \middle| \mathbf{x}_i\right] = 1 - F\left(\beta^T \mathbf{x}_i^T\right)$$
$$P\left[y_i = 0 \middle| \mathbf{x}_i\right] = F\left(\beta^T \mathbf{x}_i^T\right) \tag{1}$$

Where x_i is a vector that contains experimental conditions and the control variables for individual *i*, i.e.

$$x_i = [\,1 \quad \text{Standing by}_i \quad \text{brand name}_i \quad \text{TOM}_i \quad \text{frequent consumer}_i \quad \text{gender}_i \quad \text{age}_i\,] \tag{2}$$

And *F* (•) represents the logistic cumulative distribution; in other words

$$F\left(z_i\right) = \frac{e^{-z_i}}{1+e^{-z_i}} = \Lambda\left(-z_i\right). \tag{3}$$

Participants and Procedure

200 undergraduate students from a business school participated in this study receiving compensation in the form of additional credits. The age of participants ranged from 18 to 26 years (mean = 21.66; SD = 2.91); 37% were men and 63% women. A preliminary survey evaluated consumers' top of mind (TOM) of the leading brand and whether or not they were frequent consumers of the leading brand. TOM was evaluated by asking consumers about the brand that first came to mind when they thought of each product category. TOM was coded 1 if the leading brand is the one on their TOM (0 = otherwise). Next, consumers responded whether they considered themselves frequent consumers of each brand or not. Consumption of the leading brand was coded 1 (0= otherwise). The following week, the participants were asked to come to the lab where they received a list of the leading brands in each of the categories, namely, chocolate-covered cakes, crackers, chocolate chip cookies, waffle cookies, lollipops, and gummy candy. Table 2 shows a picture of the leading and me-too products included in the experiment for each category.

For each product category, the leading brand was defined as the pioneer brand in the category; the brand with the highest market share, a strong reputation, and a distinctive name (Van Horen & Pieters, 2012). Prior to the commencement of the study, the participants received a shopping cart and a list that included the leading brands for the six product categories. The participants were asked to imagine this activity as an actual shopping experience in which they would pick items according to the products on the list and place them in the cart. However, they were aware that this was a simulated purchase. They only needed to choose the products but did not need to pay for them. Thus, price was not an issue and products did not have a price tag.

In the lab, participants found a shelf with the items according to their treatment condition: leading brands next to me-too brands (vs. only me-too brands) and brand name-present on the package (vs. brand name-absent from the package). In the lab products were placed on shelves, like the ones used at supermarkets; products were put into a medium-sized shopping cart (Figure 1).

The participants in the leading brand condition observed the leading brand of each category next to the me-too brand on the shelf; in the other condition the leading brand was absent and consumers observed only the me-too brands of all product categories on the shelf (i.e., leading brands next to me-too brands = 1; me-too brands alone = 0). Additionally, subjects chose items either with a present or an absent brand name on the package (having a brand name on the package was coded: brand name-present= 1; and brand name-absent = 0). Subjects in the brand name-present condition were able to see the brand name on the package, whereas those who did not see the brand names on the packages were in the brand name-absent condition.

Confusion was assessed throughout three conditions: i) when consumers make an unexpected choice (behavioral confusion); ii) when consumers are aware of their choice (if not, cognitive confusion); and iii) simultaneously choosing an unexpected brand and not being aware of this (behavioral and cognitive confusion combined; see table 1). After subjects placed the items in the shopping cart, we determined if each choice was the one that was expected by observing the brands in the cart. For each product category, the expected choice was the leading brand (i.e., the one on the list). An unexpected choice means that individuals placed in the cart a product brand different from the one they had on the list; we call this a behavioral confusion because their mistake is actually observable through their choice. Choosing an unexpected brand (behavioral confusion) was coded 1 (otherwise = 0).

Table 2
Leading and Me-too Products

Category	Leader	Me-Too
Chocolate covered cake	Chocorramo 	Chocoso 
Cookies with a waffle surface	Wafers 	Bridge 
Chocolate chip cookies	Chips Ahoy! 	MiniChips 
Crackers	Club Social 	Dux 
Lollypops	BonBonBum 	Pinpon 
Gummy candy	e-frutti sour Glowworms 	Trolli sour Glowworms 

The second assessment of confusion consisted of asking subjects to name the brand they chose for each product category. If the brand name they thought they had placed in the cart matched the one they actually had on the list was because they were aware of their purchase and did not have a mental confusion about brands. Consumer awareness was coded 1. However, if the mentioned brand name was not the one in the cart, then consumers were unaware of their decision, therefore mentally confused (otherwise = 0, which represents cognitive confusion).

The third condition for consumer confusion was obtained by combining the previous two assessments. Subjects were classified as confused when they placed the wrong item in the cart without being aware of this; a simultaneous behavioral and cognitive confusion was coded 1 (Table 1. Quadrant IV). Conversely, subjects were not confused when they were aware of their decision, even if the item they put in the cart was not the one they were supposed to pick (coded 0).

RESULTS

Descriptive statistics show that the leading lollipop brand is the one with the highest TOM with 97% recall. This is followed by the chocolate cake category in which the leading brand has a TOM of 90%. A medium recall is observed for waffle cookies, TOM of 53%. The leading brands in the chocolate chip cookie and cracker categories have a relatively low TOM, namely 29% and 28% respectively. The lowest recall is for the gummy candy leading brand with only a 3.5% (Table 3). The TOM results show that the set of products included in this study does vary in terms of the strength of the brands. The results of the percentage of subjects who are frequent consumers of the leading brand for each category are somewhat similar to the TOM results.

Results for the two variables that control for consumer familiarity show that our study does use categories with different levels of familiarity, which is a very important variable in this case as it could explain consumer confusion even without the use a me-too strategy (Foxman, et al., 1990; Mitchell & Walsh, 2005).

Table 3
Descriptive Statistics

	Chocolate cake		**Waffle cookies**		**Chocolate chip cookies**		**Crackers**		**Lollypops**		**Gummy candy**	
	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.	Mean	S.D.
TOM	0.90	0.30	0.53	0.50	0.29	0.46	0.28	0.45	0.97	0.17	0.04	0.18
Frequent consumer	0.68	0.47	0.53	0.50	0.35	0.48	0.67	0.47	0.79	0.41	0.29	0.45
Behavioral conf.	0.25	0.43	0.53	0.50	0.28	0.45	0.26	0.43	0.20	0.40	0.39	0.49
Consumer awareness	0.87	0.34	0.56	0.49	0.64	0.48	0.72	0.45	0.82	0.39	0.63	0.48
Consumer Confusion	0.12	0,33	0.40	0.49	0.23	0.42	0.23	0.42	0.15	0.36	0.27	0.45

Next, for each product category we estimated three logit models explaining the probability of individuals a) choosing an unexpected brand, b) being aware of their decision, and c) simultaneously, choosing an unexpected brand without being aware of this. For all models the probability of confusion is a function of two experimental variables, presence of the leading brand next to the me-too brand (i.e., Stand by) and presence of the brand name on the package (i.e., brand name); two control variables related to consumers' familiarity with the leading brand (i.e., frequency of consumption of the leading brand and TOM of the leading brand); and two demographic control variables (i.e., age and gender).

These logit models are estimated for six snack categories (chocolate covered cakes, waffle cookies, chocolate chip cookies, crackers, lollipops, and gummy candy) totaling 18 models. For all cases we found heteroskedasticity problems. These problems, however, were corrected using a heteroskedasticity-consistent estimator for the variance-covariance matrix of Huber-White type for non-linear models.

Making an Unexpected Choice: Behavioral Confusion

We estimated six logit models explaining the probability that the subjects would make an unexpected choice (Table 4). An unexpected choice means that the individuals placed the wrong brand in the cart; because this is an observable action, we call it behavioral confusion. The results support hypothesis 1a for models 1 through 5 and show a significant but negative relationship for model 6 (gummy candy). Thus, when the leading brand is next to the me-too brand consumers have a lower probability of choosing an unexpected brand compared to the condition where the me-too brand is alone (H1a: $p<0.05$). Whereas, for the gummy candy product category, the presence of the leading brand next to the me-too brand increases the probability of choosing the me-too brand (unexpected brand).

Hypothesis 2a is supported for models 1 through 4 and model 6; but not for model 5 (lollipops). Models 1 through 4, and model 6 predict a lower probability of behavioral confusion for subjects who are in the brand name-present condition compared to those who are in the brand name-absent condition (H2a: $p<0.05$). This means that the presence (vs. absence) of a brand name reduces the probability of choosing an unexpected brand. This is not the case for lollipops where hiding the brand name does not significantly predict the consumers' probability of choosing an unexpected brand.

Consumers' familiarity, as determined based on frequent consumption and TOM (recall), is not a consistent predictor of consumers' probability of choosing an unexpected brand. Subjects who consider themselves frequent consumers of the leading chocolate-covered cake brand have a lower probability of choosing a wrong brand compared to those who are not frequent consumers ($p < 0.05$). Subjects who have a good recall of the leading gummy candy brand have a lower probability of choosing an unexpected brand compared to those who do not have the brand on their TOM ($p < 0.01$). For all other categories, frequency of consumption and TOM are not significant explanatory variables.

Concerning demographic control variables, age does not play any significant role as an explanatory variable. Gender is a significant variable in the chocolate-covered cake and lollipop models; men have a higher probability of choosing an unexpected brand compared to women ($p < 0.05$).

Table 4
Logit model: Explaining Consumer Making an Unexpected Choice (Behavioral Confusion)

Models	1. Chocolate covered cake				2. Waffle cookies				3. Chocolate chip cookies			
	β est.	St.Err	z value	Pr(>|z|)	β est.	St.Err.	z value	Pr(>|z|)	β est.	St.Err.	z value	Pr(>|z|)
Intercept	0.27	2.41	0.11	0.91	1.17	1.29	0.91	0.36	-1.00	1.39	-0.72	0.47
Frq.Consumer	-1.06	0.54	-1.96	0.05 **	-0.56	0.36	-1.54	0.12	0.05	0.49	0.10	0.92
TOM	0.64	0.82	0.78	0.44	0.16	0.35	0.44	0.66	-0.31	0.51	-0.62	0.53
Age	-0.01	0.12	-0.06	0.95	0.01	0.06	0.19	0.85	0.08	0.06	1.32	0.19
Gender	1.10	0.52	2.13	0.03 **	0.55	0.38	1.46	0.14	0.11	0.41	0.26	0.80
Stand by	-4.81	1.19	-4.05	0.00 ***	-0.72	0.36	-1.98	0.05 **	-2.11	0.47	-4.45	0.00 ***
Brand name	-0.92	0.50	-1.85	0.05 **	-1.78	0.36	-4.94	0.00 ***	-2.22	0.48	-4.60	0.00 ***
Wald Test (HC) (Chisq)		26.45				30.30				33.68		
D.F.		6				6				6		
Pr(>Chisq)		0.00	***			0.00	***			0.00	***	
n		188				181				198		
LRI		0.45				0.24				0.27		
Loglikelihood		-60.79				-105.31				-86.33		
AIC		135.58				224.62				186.66		
Models	**4. Crackers**				**5. Lollypops**				**6. Gummy candy**			
	β est.	St.Err.	z value	Pr(>|z|)	β est.	St.Err.	z value	Pr(>|z|)	β est.	St.Err.	z value	Pr(>|z|)
Intercept	-1.47	2.04	-0.72	0.47	-5.27	2.28	-2.32	0.02 **	-2.58	1.38	-1.88	0.06
Frq.Consumer	-0.30	0.55	-0.55	0.58	-0.32	0.53	-0.60	0.55	0.88	0.49	1.78	0.07
TOM	-0.26	0.53	-0.50	0.62	1.88	1.36	1.39	0.17	-15.42	2.63	-5.87	0.00 ***
Age	0.12	0.10	1.28	0.20	0.14	0.09	1.51	0.13	0.01	0.06	0.16	0.87
Gender	0.45	0.51	0.89	0.38	1.00	0.44	2.26	0.02 **	-0.05	0.49	-0.10	0.92
Stand by	-4.05	0.69	-5.87	0.00 ***	-2.62	0.61	-4.26	0.00 ***	4.83	0.75	6.43	0.00 ***
Brand name	-2.35	0.51	-4.64	0.00 ***	-0.69	0.44	-1.59	0.11	-2.59	0.64	-4.05	0.00 ***
Wald Test (HC) (Chisq)		48.90				31.55				89.67		
D.F.		6				6				6		
Pr(>Chisq)		0.00	***			0.00	***			0.00	***	
n		199				200				200		
LRI		0.42				0.22				0.52		
Loglikelihood		-65.50				-78.40				-64.65		
AIC		145.01				170.80				143.30		

z values computed using a heteroskedasticity-consistent estimator for the variance-covariance matrix of the Huber-White type.
*** $p<0.001$; ** $p < 0.005$.

Awareness: Cognitive confusion

The following six logit models explain the probability of consumer awareness about choosing the wrong brand (Table 5). We also call this idea cognitive confusion because individuals knew or did not know which brand they chose. Hypotheses 1b is supported. Models 1 through 5 show that the presence of the leading brand on the shelf is positively related to consumer awareness. Therefore, when the leading brand is next to the me-too brand consumers have a lower probability of being cognitively confused; they have a higher probability of expressing their decision correctly ($p < 0.05$). Consistently, when a me-too brand stands alone on the shelf, there is a higher probability of expressing a cognitive confusion; not being aware of the brand they choose.

Table 5
Logit Model: Explaining Consumer Awareness (Cognitive Confusion)

Models	**1. Chocolate covered cake**				**2. Waffle cookies**				**3. Chocolate chip cookies**			
	β est.	St.Err.	z value	Pr(>|z|)	β est.	St.Err.	z value	Pr(>|z|)	β est.	St.Err.	z value	Pr(>|z|)
Intercept	0.15	3.30	0.05	0.96	1.03	1.53	0.68	0.50	1.38	1.20	1.15	0.25
Frq.Consumer	2.24	0.83	2.70	0.01 ***	-0.34	0.38	-0.90	0.37	0.88	0.45	1.94	0.05 **
TOM	-0.97	1.27	-0.76	0.44	-0.71	0.39	-1.82	0.07	-0.40	0.45	-0.89	0.37
Age	-0.02	0.16	-0.10	0.92	-0.06	0.07	-0.90	0.37	-0.09	0.05	-1.74	0.08
Gender	-1.07	0.76	-1.41	0.16	-0.53	0.38	-1.40	0.16	-0.05	0.36	-0.14	0.89
Stand by	21.21	0.73	29.14	0.00 ***	0.77	0.38	2.04	0.04 **	0.69	0.36	1.92	0.05 **
Brand name	20.81	0.62	33.58	0.00 ***	2.17	0.39	5.53	0.00 ***	1.64	0.37	4.43	0.00 ***
Wald Test (HC) (Chisq)		2329.53				37.45				29.90		
D.F.		6				6				6		
Pr(>Chisq)		0.00	***			0.00	***			0.00	***	
n		188				181				198		
LRI		0.65				0.31				0.17		
Loglikelihood		-27.31				-95.23				-109.22		
AIC		68.62				204.45				232.44		
Models	**4. Crackers**				**5. Lollypops**				**6. Gummy candy**			
	β est.	St.Err.	z value	Pr(>|z|)	β est.	St.Err.	z value	Pr(>|z|)	β est.	St.Err.	z value	Pr(>|z|)
Intercept	0.33	1.53	0.22	0.83	2.27	2.18	1.04	0.30	3.65	1.30	2.80	0.01 ***
Frq.Consumer	0.08	0.45	0.17	0.87	-0.44	0.57	-0.77	0.44	0.27	0.41	0.65	0.51
TOM	0.56	0.43	1.29	0.20	-0.88	1.75	-0.50	0.62	-15.28	1.22	-12.56	0.00 ***
Age	-0.05	0.07	-0.78	0.44	-0.01	0.11	-0.11	0.91	-0.08	0.06	-1.44	0.15
Gender	-0.77	0.42	-1.83	0.07	-0.93	0.44	-2.09	0.04 **	-0.32	0.37	-0.87	0.39
Stand by	2.56	0.52	4.90	0.00 ***	1.33	0.48	2.75	0.01 ***	-2.21	0.39	-5.70	0.00 ***
Brand name	2.20	0.47	4.64	0.00 ***	1.40	0.45	3.10	0.00 ***	-0.03	0.37	-0.09	0.93
Wald Test (HC) (Chisq)		41.91				29.83				210.71		
D.F.		6				6				6		
Pr(>Chisq)		0.00	***			0.00	***			0.00	***	
n		199				200				200		
LRI		0.32				0.16				0.23		
Loglikelihood		-81.03				-80.47				-101.93		
AIC		176.07				174.94				217.87		

z values computed using a heteroskedasticity-consistent estimator for the variance-covariance matrix of the Huber-White type. *** $p<0.001$; ** $p < 0.005$.

With the exception of the gummy candy model, Table 5 shows that models 1 through 5 support hypothesis 2b. Subjects in the present brand name condition have a higher probability of being aware of the brand they pick compared to those in the brand name-absent condition ($p < 0.01$). In other words, when the brand name does not appear on the packaging, subjects have a higher probability of being cognitively confused, compared to subjects who see the brand name on the packaging. Additionally, frequency of consumption is a significant predictor in two of the six logit models. Subjects who are frequent consumers of the leading brand of chocolate-covered cake and chocolate chip cookies have a higher probability of being aware of the brand they pick compared to those who are not frequent consumers. Demographic variables are not significantly related to consumer awareness.

The results for model 6, gummy candy, are opposite to what is expected. The gummy candy model shows that subjects who were exposed to the leading brand next to the me-too brand were less aware of the decision they made. Therefore, there was a greater probability of cognitive confusion when the leading brand was next to the me-too brand compared to having the me-too brand alone (H1b: $p < 0.01$). For gummy candy products, the presence vs. absence of the brand name on the package has no significant impact on consumer awareness (H2b: $p > 0.1$). However, TOM plays an important role in model 6. There is a lower probability of cognitive confusion when subjects have a good recall of the leading brand ($p < 0.01$).

Making an Unexpected Choice and Not Being Aware: Consumer Confusion

Subjects become truly confused when they pick the wrong brand unintentionally, that is, without being aware of their mistake. Table 6 shows the results for overall consumer confusion.

Table 6
Logit Model: Explaining Consumer Confusion (Making an Unexpected Choice Without Being Aware)

Models	1. Chocolate covered cake				2. Waffle cookies				3. Chocolate chip cookies			
	β est.	St.Err.	z value	Pr(>|z|)	β est.	St.Err.	z value	Pr(>|z|)	β est.	St.Err.	z value	Pr(>|z|)
Intercept	-7.80	5.38	-1.45	0.15	-1.53	1.49	-1.03	0.30	-1.40	1.49	-0.94	0.35
Frequent.C	-1.83	0.90	-2.02	0.04 **	0.21	0.38	0.56	0.58	-0.03	0.56	-0.05	0.96
TOM	1.76	1.51	1.17	0.24	0.95	0.41	2.34	0.02 **	0.23	0.56	0.41	0.68
Age	0.33	0.25	1.30	0.19	0.07	0.07	1.05	0.29	0.08	0.07	1.18	0.24
Gender	0.76	0.77	0.99	0.32	0.62	0.38	1.62	0.11	0.17	0.43	0.40	0.69
Stand by	-22.83	3.13	-7.29	0.00 ***	-0.99	0.39	-2.56	0.01 **	-2.34	0.54	-4.35	0.00 ***
Brand name	-20.44	0.44	-46.11	0.00 ***	-2.05	0.41	-4.99	0.00 ***	-2.15	0.50	-4.26	0.00 ***
Wald Test (HC) (Chisq)		2569.44				33.19				28.70		
D.F.		6				6				6		
Pr(>Chisq)		0.00	***			0.00	***			0.00	***	
n		188				181				198		
LRI		0.63				0.30				0.27		
Loglikelihood		-26.87				-93.31				-77.90		
AIC		67.74				200.61				169.81		
Models	**4. Crackers**				**5. Lollypops**				**6. Gummy candy**			
	β est.	St.Err.	z value	Pr(>|z|)	β est.	St.Err.	z value	Pr(>|z|)	β est.	St.Err.	z value	Pr(>|z|)
Intercept	-1,57	2,10	-0.75	0.45	-4,12	2,48	-1,66	0.10 *	-4,36	1,45	-3,01	0.00 ***
Frequent.C	0.11	0.54	0.21	0.83	0.71	0.65	1,09	0.27	-0.08	0.46	-0.18	0.86
TOM	-0.50	0.53	-0.95	0.34	0.88	1,73	0.51	0.61	-15,22	2,55	-5,97	0.00 ***
Age	0.11	0.10	1,07	0.28	0.08	0.11	0.73	0.47	0.06	0.06	1.07	0.28
Gender	0.67	0.51	1.30	0.19	0.84	0.49	1.71	0.09 *	0.34	0.43	0.80	0.42
Sand by	-3.77	0.68	-5.52	0.00 ***	-1.89	0.59	-3.19	0.00 ***	3.17	0.57	5.59	0.00 ***
Brand name	-2.63	0.53	-4.92	0.00 ***	-1.42	0.50	-2.85	0.00 ***	-5.63	0.42	-1.35	0.18
Wald Test (HC) (Chisq)		50.00				33.17				82.53		
D.F.		6				6				6		
Pr(>Chisq)		0.00	***			0.00	***			0.00	***	
n		199				200				200		
LRI		0.42				0.19				0.30		
Loglikelihood		-62.18				-68.31				-82.32		
AIC		138.36				150.61				178.64		

z values computed using a heteroskedasticity-consistent estimator for the variance-covariance matrix of the Huber-White type. *** $p<0.001$; ** $p < 0.005$.

Table 6 shows that the set of logit models, except for the gummy candy model, supports hypotheses 1c and 2c ($p < 0.01$). Models 1 through 5 show that the presence of the leading brand on the shelf next to the me-too brand is negatively related to confusion on the part of consumers, thus supporting H1c. Moreover, the presence of the brand name on the package prevents consumer confusion, supporting H2c. Thus, compared to the brand name absent condition, when consumers are able to see the brand name of a product there is a lower probability of simultaneously choosing an unexpected brand and not being aware of this.

Hypotheses 1c and 2c are not supported for model six. For gummy candy products, the presence of a leading brand next to a me-too brand leads to consumer confusion. Additionally, the presence of the brand name on the packaging does not have any significant influence on consumer confusion.

Regarding the control variables, frequency of consumption is a significant predictor only for model 1: chocolate-covered cakes. Subjects who are frequent consumers of the leading chocolate covered cake brand have a lower probability of confusion compared to those who are not frequent consumers. The recall (TOM) of the waffle cookie leading brand is positively associated to confusion on the part of consumers. This means that, although they remember the brand, they pick the wrong brand without noticing it. Remembering the gummy candy brand, on the contrary, is associated with a lower probability of confusion compared to not remembering the brand for this category.

DISCUSSION

Legal requirements place an emphasis on brand distinctiveness as the main product characteristic that prevents consumers from becoming confused (Beebe, 2005; D. Cohen, 1991; Warlop, et al., 2005). This study supports this idea, confirming that the presence of the brand name prevents confusion on the part of consumers and motivates their brand awareness. These results confirm that individuals are capable of discriminating two similar packages based on their brand names (Arboleda & Alonso, 2010; Miaoulis & D'Amato, 1978; Warlop, et al., 2005). However, in terms of proximity, the me-too brand seems to be taking the credit of the leading brand when the former is not available on the shelf, inducing consumers to take this option instead. However, when the leading brand is next to the me-too brand, the me-too strategy seems to work better for the leading brand, and for consumers there is a lower probability of choosing the me-too brand (an unexpected choice). The presence of the brand name on the packaging and the presence of the leader on the shelf next to the me-too brand are two complementary variables that explain consumer confusion because the former is an intrinsic characteristic (branding), and the later is a context-specific condition (availability). Moreover, the effect of these two predictors surpasses the effect of brand familiarity (i.e., recall and frequency of consumption).

This study also makes an important contribution to the dependent variable: consumer confusion. Previous studies have used primarily cognitive responses to evaluate consumers' confusion (Mitchell & Walsh, 2005). An example of a cognitive measure of confusion is asking the individual to determine whether they bought the product they intended to buy; this is done verbally by describing the product, naming the brand, or asking the individual to point at an image of the product (Balabanis & Craven, 1997; Foxman, et al., 1992). A second example of how consumer confusion is measured is asking them to rate how similar the brands are and how difficult it is to differentiate one from the other (Mitchell & Walsh, 2005). The problem with these cognitive measures is that subjects may be biased by attention and brand recall.

This study employs three approaches to evaluate consumer confusion: a) making an unexpected choice (behavioral confusion); b) awareness (not being aware of the brand they choose); and simultaneously making an unexpected choice without being aware of this (consumer confusion: a and b). We have three complementary approaches that extend the cognitive approach of consumer confusion.

Observing consumer decisions is a good measure because it is an objective approach and avoids biased responses on the part of consumers. However, some individuals might decide to choose a "wrong" product on purpose. They may consciously decide to buy the me-too brand not because they are confused, but because it is the one they want. Therefore, the three approaches to consumer confusion should complement each other. The behavioral confusion should be analyzed along with consumers' cognitive awareness of their decision.

Previous studies show that consumers' previous experience or familiarity with a product category may explain consumer confusion (Foxman, et al., 1990; Mitchell & Walsh, 2005). Our study controls for this consumer background using TOM and consumption. Interestingly, results are different for the category with the best results on familiarity (lollipops) and for the category with the worst results in terms of familiarity (gummy candy). Observing consumers' choices might be a biased measure when individuals are very familiar with brands of a category because they might be able to differentiate minor details between items with or without the presence of the brand (lollipops). Removing the lollipop brands does not increase or prevent consumer confusion. By acknowledging consumer brand awareness, the third condition for consumer confusion resolves the "problem" of brand familiarity (Table 6, model 5). This means that for categories with high brand familiarity, it is important to evaluate whether the individual chose a me-too without being aware of this.

On the other hand, there is a category with low familiarity: gummy candy (Table 3). The results for this category were unexpected (Table 5 and 6, model 6). Therefore, asking subjects about brand awareness might be a biased question because individuals do not have a good brand recall or recognition. Because of the low level of familiarity with the brand, the best results are those gathered using the behavioral approach. Nevertheless, with this approach the presence of the leading brand next to the me-too brand was not significant, precisely because consumers are not familiar with the brands. The consumer awareness measure is not appropriate when we are dealing with a low-familiarity type of brand.

PRACTICAL IMPLICATIONS

The results of this study should encourage managers and policy makers to think about the consequences of using a me-too strategy. Consistent with previous studies and with trademark protection measures, the presence of a brand name is an important package attribute that prevents consumer confusion. Thus, manufacturers must work to come up with a clear, distinctive brand name that allows consumers to recall the product and its specific perceived attributes. Additionally, this study analyzes one of the most important actions that take place during implementation of a me-too strategy: having the imitating brand right next to the leading brand at the point of purchase. We find that this is not a harmful action in terms of consumer confusion because, by having both leading and me-too products side by side, individuals are able to choose the right brand. The value of the me-too strategy is that it encourages competition and increases the number of options available to consumers. What could be harmful, though, is not having the leading brand and letting the me-too brand stand alone at the point of purchase, in this case we found a stronger probability of confusion. Retailers cannot be held responsible for distribution of company products, but they should avoid situations where only one of the brands is available on the shelf (Sohn, 2008). This is not only detrimental to a competitive market, but in the case of a category with similar products, it may also give rise to consumer confusion.

Additionally, the results may change depending on the category. Thus, overt outcomes of confusion such as behaviors should be combined with a cognitive evaluation of confusion to have a more accurate assessment. The way we evaluate consumer confusion should not be the same for strong, well-positioned trademarks with high levels of consumer familiarity compared to week, new trademarks with low levels of consumer familiarity. Depending on the category, there might be some pitfalls in the evaluation of confusion, and a combined approach can control for the ease of brand recall given an observed behavior. For example, a brand like BonBonBum is a referent in the category, and consumers may replace the name of any lollipop with the name of this exemplar brand. In this case, consumers may be aware of their choice, but they may think of BonBonBum as a generic name for the category. On the contrary, for categories with low brand recall, consumers may have a hard time recalling a brand. Behavioral confusion observes the final decision, but cognitive confusion evaluates their level of awareness or brand recall.

LIMITATIONS AND FUTURE RESEARCH

We find that there are some limitations which could be addressed in future research, related to the characteristics of the me-too strategy that may change depending on the context. These are for example: price, set of competing products, and users' characteristics.

Within a category, an important theoretical difference between a leader and a me-too is the price because the me-too strategy is to look like the leader, absorbing its attributes, but have a lower price (Mitchell & Walsh, 2005; Olavarrieta-Soto, Hidalgo-Campo, & Farías-Nazel, 2006). However, when the me-too product has a lower price, it is not clear to what extent this lower price may trigger or prevent consumer confusion. Price may motivate confusion if this is leading the consumer to focus on the price, rather than on the brand. But it may prevent consumer confusion because it highlights an important difference that makes consumer more aware of facing (at least) two different brands with a similar trade dress.

Our paper evaluates confusion by having a leading brand and a me-too brand; that is, each product has a trademark, a distinctive name (Table 2). However, this is not always the case, and there are categories or countries where a me-too is a private label brand or a generic product. For example, Tylenol is the leading brand for acetaminophen, and Equate is its me-too competitor. Additionally, CVS or a particular pharmaceutical company may offer acetaminophen as a generic drug; in these cases the product does not have a brand, it is sold as acetaminophen and its package includes either the trademark of the retailer or the trademark of the laboratory. These are different cases of the me-too strategy, they are all imitations, but the trademark that accompanies the product is an important referent for the consumers' decision-making process because the name prevents confusion and indicates the product source (D. Cohen, 1991).

Finally, to some extent the results for the variables we included in the study can change depending on the category: familiarity with products and even demographic characteristics of users of product categories. Thus, it is important to replicate and prove this method in order to evaluate consumer confusion in other categories and settings.

REFERENCES

Arboleda, A. M., & Alonso, J. C. (2010). Determinantes de una elección errada al escoger medicamentos de venta libre. *Innovar*, 20(38), 175-189.

Balabanis, G., & Craven, S. (1997). Consumer confusion from own brand look-alikes: an exploratory investigation. *Journal of Marketing Management*, 13, 299-313.

Beebe, B. (2005). Search and persuasion in trademark law. *Michigan Law Review,* 103(8), 2020-2072.

Bianchi, L. V. (2003). Procesamiento de información y familiaridad de marca. *Anàlisi,*30, 225-240.

Bloch, P. H., & Richins, M. L. (1983). A theoretical model for the study of product importance perceptions. *Journal of Marketing*, 47, 69-81.

Cohen, D. (1986). Trademark strategy. *Journal of Marketing*, 50(1), 61-74.

Cohen, D. (1991). Trademark strategy revisited. *Journal of Marketing*, 55(3), 46-59.

Cohen, J. B., & Basu, K. (1987). Alternative models of categorization: Toward a contingent processing framework. *The Journal of Consumer Research*, 13 (4), 455-472.

Chryssochoidis, G. (2000). Repercussions of consumer confusion for late introduced differentiated products. *European Journal of Marketing,* 34(5/6), 705-722.

Delgado-Ballester, E., Navarro, A., & Sicilia, M. (2012). Revitalising brands through communication messages: the role of brand familiarity. *European Journal of Marketing*, 46(1/2), 31-51.

Fan, J. P. H., Gillan, S. L., & Yu, X. (2013). Innovation or imitation?: The role of intellectual property rights protections. *Journal of Multinational Financial Management*, 23(3), 208-234.

Foxman, E. R., Berger, P. W., & Cole, J. A. (1992). Consumer brand confusion: A conceptual framework. *Psychology and Marketing*, 9(March/April), 123-141.

Foxman, E. R., Muehling, D. D., & Berger, P. W. (1990). An Investigation of factors contributing to consumer brand confusion. *Journal of Consumer Affairs*, 24(1. Summer), 170 - 184.

Kahneman, D. (2003). Maps of bounded rationality: psychology for behavioral economics. *The American Economic Review*, 93(5), 1449-1475.

Miaoulis, G., & D'Amato, N. (1978). Consumer confusion & trademark infringement. *The Journal of Marketing*, 42(2), 48-55.

Mitchell, V.-W., & Walsh, G. (2005). Towards a conceptual framework of e-confusion. *Advances in Consumer Research*, 32(1), 143-150.

Mogilner, C., Rudnick, T., & Iyengar, S. S. (2008). The mere categorization effect: How the presence of categories increases choosers' Perceptions of Assortment Variety and Outcome Satisfaction. *Journal of Consumer Research*, 35(2), 202-215.

Olavarrieta-Soto, S., Hidalgo-Campo, P., & Farías-Nazel, P. (2006). Marcas privadas y la copia en el etiquetado a las marcas nacionales. *Hitos de Ciencias Económico Administrativas*, 12(32), 9-16.

Sohn, S. J. (2008). The Two Contrary Effects of Imitation. *Economic Modelling*, 25(1), 75-82.

Van Horen, F., & Pieters, R. (2012). When high-similarity copycats lose and moderate-similarity copycats gain: The impact of comparative evaluation. *Journal of Marketing Research*, 49(1), 83-91.

Walsh, G., & Mitchell, V. W. (2010). The effect of consumer confusion proneness on word of mouth, trust, and customer satisfaction. *European Journal of Marketing*, 44(6), 838-859.

Warlop, L., & Alba, J. W. (2004). Sincere flattery: Trade-dress imitation and consumer choice. *Journal of Consumer Psychology*, 14 (1&2), 21 - 27.

Warlop, L., Ratneshwar, S., & Van Osselaer, S. M. (2005). Distinctive brand cues and memory for product consumption experiences. *International Journal of Research in Marketing*, 22(1), 27-44.

KNOW ME, LIKE ME, FOLLOW ME, ENGAGE ME, BUY ME: THE GROWING MARKETPLACE FOR NEW BUSINESS VENTURES IN THAILAND

Pajaree Ackaradejruangsri, Asian Institute of Management

ABSTRACT

The proliferation of social networking sites is mind-bending. People nowadays are more out there in making connections, searching for information, posting thoughts, and sharing comments. It is no wonder that businesses want to be there, where the potential customers are. This study examines how social networking sites in Thailand, particularly Facebook, Instagram, Line, and Twitter, have grown to be part of a new marketplace for Thai business ventures. According to 243 online survey respondents who were Facebook users and five in-depth interviews with social network storeowners, the results showed that there is high prospective growth and emergence in this market. Thai customers tend to shop more on social network stores, in which convenience, reasonable prices, store reputation, product quality, and security in the payment system are the main motivators for shopping. In addition, Thai customers incline to spend more when convenience, store reputation, as well as customer service and customer engagement are well delivered. Thai business ventures also work on the advantage of less capital requirements, the easiness of setting up, and the direct access to potential customers to test the market, and then stores are opened on these social networking sites. There are pains and gains in operating social network stores, but with passion, integrity, flexibility, commitment, and optimism, the gain may outweigh the pain.

Keyword: Social networking site, marketplace, business venture, attribution factor

INTRODUCTION

In the era of 3G and 4G service advancement, technology enables people to access high speed Internet and enjoy seamless activity through smart devices, anywhere and anytime (Nielsen, 2014). Since the year 2007, drastic improvements have been seen in hi-speed Internet and wireless networks in Thailand (Telephone Organization of Thailand, 2007). As a result, the growth of usage and access to social networking sites (SNSs), such as Facebook, Instagram, Line, Twitter, LinkedIn, WeChat, WhatsApp, Pinterest, and many more SNSs has shown a remarkable phenomenon in Thailand (Zocial Inc, 2014; Phanraphee, 2014). From September 2009 to September 2010, the number of Facebook users in Thailand grew significantly by 320.5 percent, which made Facebook's growth rate in Thailand the third highest in the world. According to Zocial Inc., the numbers have increased since, and as of 2014, Thailand now hosts 28 million Facebook users, representing 42 percent of the country's total population—the ninth largest Facebook user community worldwide, or the third largest in ASEAN. Instagram, Line, and Twitter are also very popular and widely accessed. There are now 1.7 million Instagram users, 24 million Line users, and 4.5 million Twitter users surfing online in Thailand (Zocial Inc., 2014; Swettanan, 2014). Every day, through SNSs, Thai people spend on average 3.7 hours posting pictures, checking into places, creating statuses, sharing videos, chatting, and connecting with friends from dawn to dusk on various topics (Zocial Inc., 2014, Phanraphee, 2014). With these noteworthy numbers, there is no sign of imminent decline; rather, there is a clear indication that the emergence of Internet-based SNSs has played an important role and has become a regular part of the Thai people's lives. SNSs serve as communication tools, learning and sharing platforms and, in recent times, another channel wherein organizations and businesses could connect and do business with customers (Thammakoranonta et al., 2011; Berzal, 2013). Therefore, it is essential to look ahead and see the path that SNSs and customers may follow.

This study focuses on the latter trend of how SNSs in Thailand, particularly Facebook, Instagram, Line, and Twitter, have grown from the traditional ideas of communication tools and networking platforms to the marketplace, where new business ventures are exposed to opportunities to understand, connect, engage, and make sales on their social network stores. Social network store under this context is a selling and buying place operating on social networking sites. Through an online survey with actual SNS users, in-depth interviews with social network storeowners, and statistical data evaluation, the results provide an insight analysis on Thai consumer perception and behavior on social network store shopping, the attribution factors that drive the growth of social network stores, and the prospective direction of the market of Thai social network stores. The results of this study also serve as an interesting case to demonstrate why new business ventures in other emerging markets should get ready and climb on board.

REVIEW OF RELATED LITERATURE

The Evolution of the Marketplace

The journey of the marketplace has come a long way, from camels to bazaars and brick and mortar buildings, to the present day, online (Fishback, 2011). Three decades ago, the world was oblivious to the existence of the Internet as a marketplace. Online stores and e-shopping stayed in the shadows until the mid-1990s. This time period saw the opening of Amazon and eBay's first stores online in 1995; Google's introduction of its search engine and index online in 1998; and PayPal's offering an alternative means to paying online in 1999 (Chadwick, 2013). Since then, the concept of online stores and e-shopping, widely known today as e-commerce, was brought to light. Many businesses now extensively expand their stores, sell products, and provide services online. E-commerce overcomes physical barriers, offering pronounced convenience, better opportunities for price comparison, healthier cost efficiency, accessible product reviews, and wider product availability (Changchit, 2006). According to eMarket, the sales of business-to-consumer or B2C e-commerce worldwide are estimated to reach 1.5 trillion USD by the end of 2014, increasing 20.1 percent from the previous year. B2C e-commerce is expected to further growth particularly in the Asia-Pacific region, with the expansion of online and mobile user bases and advancements in shipping and payment options. Considering Thailand alone, the country has the highest B2C e-commerce growth rate among the ten countries in Association of Southeast Asian Nations (ASEAN) and is second only to China in the Asia-Pacific region in terms of mobile commerce (Mobile commerce is the buying and selling of goods and services through wireless handheld devices such as cellular telephone and personal digital assistants.)

With the Thai market being valued at more than 100 billion Baht in 2014, there is a prospective future in this market (32 baht being equivalent to 1 USD, as of November 2014) (yStats, 2014; PwC, 2014). In fact, this rapid growth of e-commerce is a result of user-integrated content through the new stages of Internet phenomena; this is the evolution of social networking and social media (Power & Power, 2009).

Social Networking and Social Media Go Mainstream

In the early 2000s, Friendster, MySpace, LinkedIn, Facebook, and Twitter were introduced as the first group of SNSs on the rise, attracting millions of like-minded users who wanted to share and interact online. While the technical contents and key features varied from site to site, what made SNSs unique was that they allowed individuals to meet with strangers, become friends with them, and articulate their desire to be part of a social connection (Boyd, 2008).

Since the time that they were introduced, SNSs have gradually changed the way individuals, groups and businesses discover, connect, interact, and share information (Berzal, 2013). In the early days, communicating and connecting with friends, family, colleagues, and business partners entailed telephone calls, the short message service (SMS), electronic mail (email), and facsimile (fax); these were the common mediums for communication. Although email offered a money and timesaving element that could release information to many people at a time, it required a complete email address in order for a connection to be made, and people tended to spend more time reading and writing emails (Websters, 2014). SNSs have since advanced over time, and Facebook, for instance, offers a wider range of communication, networking and, additionally, promotional and business-related benefits (Ellison et al., 2007; Burdge, 2012). Today, Facebook users may now post, read, respond to the content on their news feeds, and chat with friends who are both online and offline in real time. They can also send personal messages, create events, form mutual groups, invite people to like their pages, and upload multimedia and external links at zero expense and with no limitation. Seeing an exponential growth of over 1.25 billion users worldwide (Zocial Inc, 2014), the site has enhanced communication and networks to be more accessible, efficient, convenient, and borderless. With just a few keystrokes, individuals may connect with long lost friends, while businesses may get in touch with amassed potential customers (Evans, 2014). What's more, customers, in turn, find Facebook a meaningful source. They feel more comfortable posting questions, writing comments, and sharing reviews on Facebook page, as opposed to making inquiries in person or via email or telephone (Evans, 2014). It is no surprise that more than 25 million Facebook users in Thailand are now engaging with the top twenty Thai brands on Facebook (Kritsch, 2014), and 10,000 commerce pages are currently operating on this Thai Facebook site (Thai-fb, 2014).

Know Me, Like Me, Follow Me… Where New Business Opportunities Begin

The scholarly term "Know me, like me, follow me," introduced by Penny Power together with Thomas Power, presents the three common steps in creating a social footprint. In that phrase, "know me" pertains to the part of social media that collects and shares knowledge with strangers. A wide network with a mass audience is established in this first stage, so that one may broadcast oneself, acquainting the market with one's identity and jumpstarting recognition for one's name or brand. The next stage, "like me," pertains to the part of social networks that share and make friends through like-minded conversation. In this stage, "like me" is more about self-identity—leverage in social networks, creating trust, and building value with friends. The third stage, "follow me," pertains to the part of social transaction that shares and collects opportunities to create collaboration with followers (Power & Power, 2009). "Know me, like me, follow me" is not new jargon for a new phenomenon; indeed, most SNS users have already gone through all three of these stages on every online social network that they are part of. It is very important to understand and create this wide network first, and then develop in-depth connections since, for example, 1,000 may know you, but only 100 may like you, and only 10 may follow you, and so on. This is where social commerce starts and new business opportunities begin.

METHODOLOGY AND DATA COLLECTION

To investigate how SNSs in Thailand have grown from traditional communication tools and networking platforms to being part of an opportunistic marketplace for new business ventures, the study collected data from two primary data sources: online surveys and in-depth interviews. From the time period of October 2014, an opinion-based online survey was conducted with Thai Facebook users on the actual Facebook site. The convenience sampling technique was utilized, in which the opinion-based survey was posted on the author's Facebook page and invited voluntary participation from those who sees the survey invitation to take and/or to share the survey. By doing so, the various perception and behavior of Thai SNS users with regard to SNS shopping could be captured. Moreover, to highlight the relationship between the attribution factors or shopping motivations and average spending, the study also applied regression analysis with assumption that average spending spent by SNS users will have a positive relationship to the underlying studied shopping attributes. Therefore, the following is the regression model:

$$\text{Average Spending}_i = \gamma_0 + \gamma_c\text{Convenience}_i + \gamma_p\text{Reasonable Prices}_i + \gamma_r\text{Store Reputation/Store Reliability/Friend Recommendation}_i + \gamma_v\text{Product Variety}_i + \gamma_f\text{Positive Feedback and Comments from Previous Customers}_i + \gamma_{se}\text{Customer Service and Customer Engagement}_i + \gamma_q\text{Product Quality}_i + \gamma_o\text{Others}_i + \mu_i$$

Where the γ_s are coefficients to be estimated for each of corresponding shopping attributes, the μ_is are error terms principally assumed to be identical and independent following a normal distribution.

Meanwhile, the in-depth interview with social network storeowners, who had different product retailing profiles, provided inclusive views on what made them open stores on SNSs and why new business ventures may take off from these sites.

RESULTS AND DATA ANALYSIS

Survey Results and Data Analysis

243 respondents completed the survey on Facebook with the following demographic profiles: the majority of respondents fell into the general age range of 20–30 years old, 79

percent of which were female and 21 percent of which were male. More than 60 percent of the total respondents had already completed their bachelor's degrees, as well as levels of higher education. Their monthly income before tax ranged from below 15,000 baht to 45,000 baht and above, with those who had obtained higher levels of education in particular earning more than 45,001 baht per month. (See Charts 1, 2, 3, and 4 below for the overall summary of survey respondents based on gender, age, educational attainment, and monthly income.)

Chart 1: What is your gender?

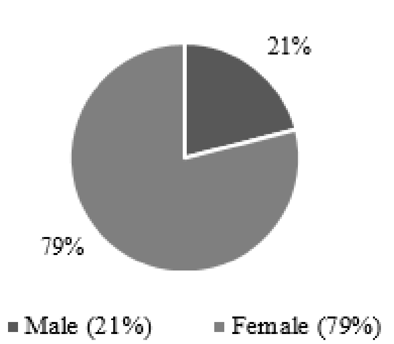


Chart 2: In what age range do you fall?

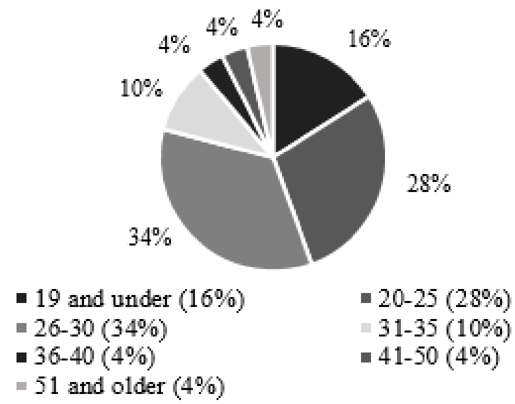


Chart 3: What is the highest level of education that you have completed to-date?

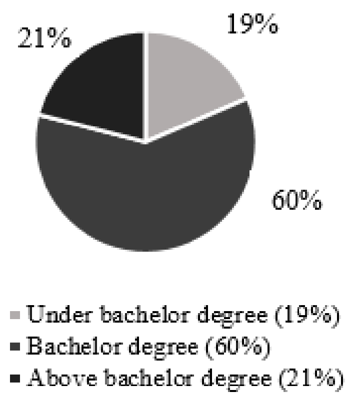
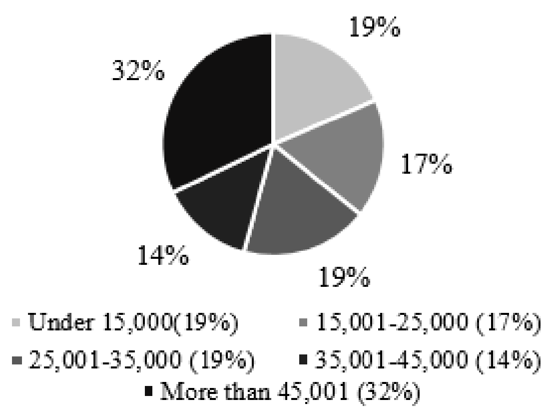


Chart 4: Which of the following best represents your monthly income before tax (Baht)?



Customer Profiles

Out of 243 respondents, more than half, or 64 percent, had shopped on social network stores at least once every few months, and about one third, or 36 percent, had so far not participated in shopping on social network stores yet. For those who had already shopped on social network stores, 4 percent were frequent shoppers who shopped once a week or more. Nearly 30 percent of shoppers cited shopping on a monthly basis, with 14 percent saying that they normally shopped two to three times a month and 15 percent saying that they shopped once a month. Clothes and accessories—including bags, shoes, and jewelry—followed by cosmetics, IT gadgets, food and supplements, and other products such as Line stickers, entertainment CDs and DVDs, and sports or hobby-related items, comprised major purchases at 69 percent, 25 percent, 21 percent, 21 percent, and 15 percent respectively. In terms of spending, 46 percent spent on average 500-1,000 baht and 33 percent spent 1,001-2,000 baht for purchases when they shopped on these top three social network stores: Facebook (75 percent), Instagram (40 percent), and Line (29 percent). (Chart 5, Chart 6, Chart 7, Chart 8, and Chart 9 present the experience, frequency, product category, social network site, and average spending of the respondents with regard to their shopping on social network stores.)

Chart 5: Have you ever shopped for product on social network stores ?

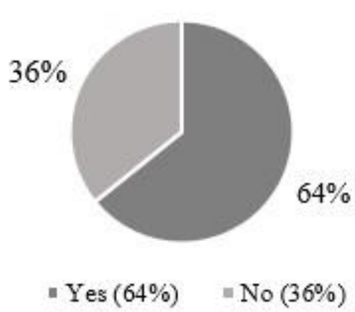


Chart 6: How often do you shop on social network stores?

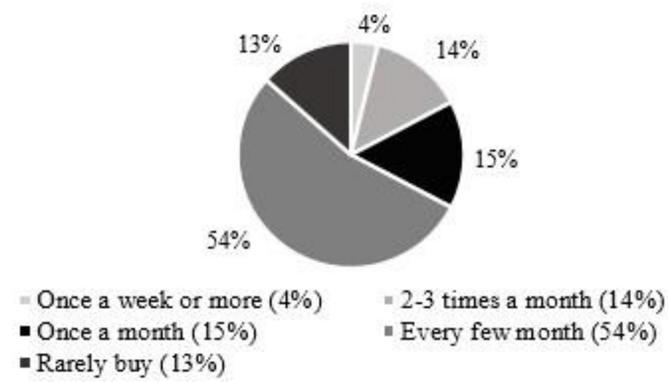


Chart 7: What types of products do you usually shop for on social network stores?

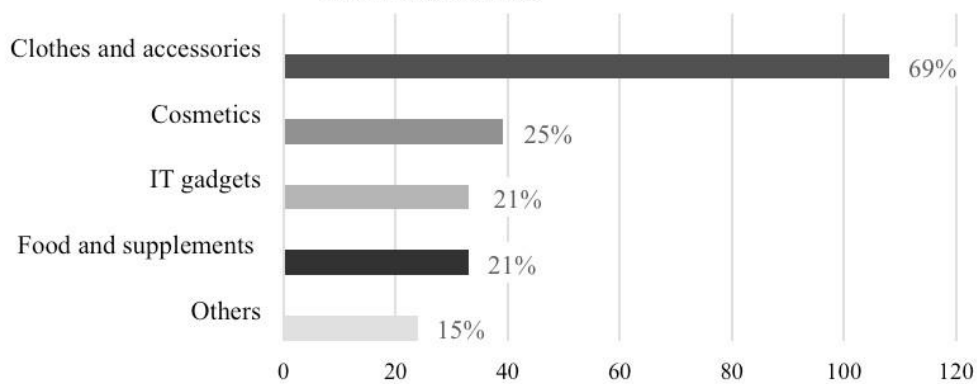


Chart 8: On which social networking site do you usually shop?

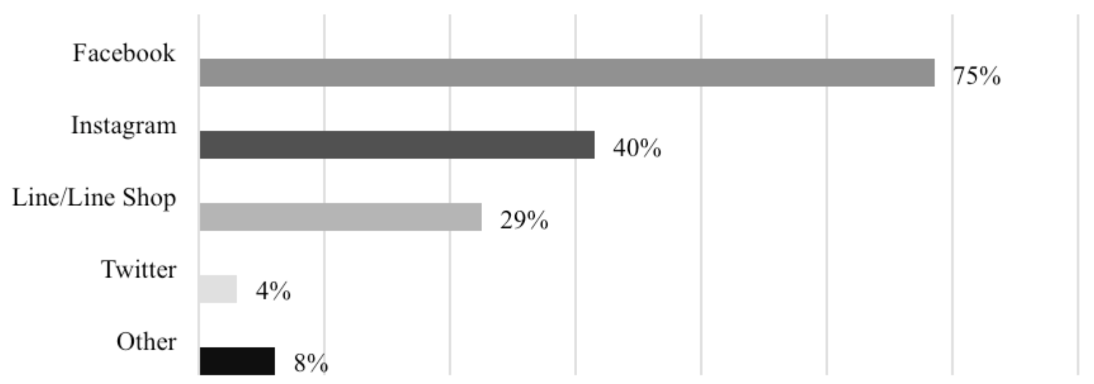
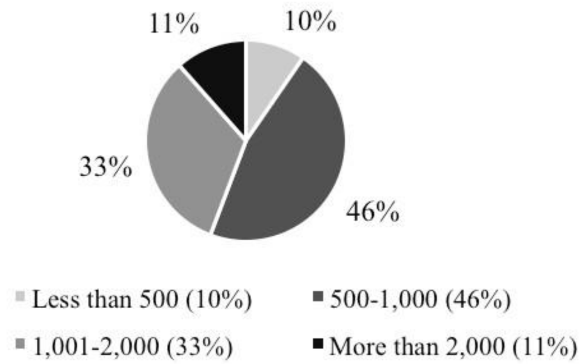


Chart 9: How much is your average spending per purchase (Baht)?



By knowing who the customers are, what types of products they prefer to purchase and how much on average they spend per time—this study shows a prevalence of females between 20–30 years old holders of bachelor's degrees with average monthly incomes ranging from below 15,000 baht to 45,000 baht and above, who are likely to purchase clothes and accessories as well as cosmetics on Facebook and Instagram, with an average spending per purchase of between 500-1,000 baht—both existing and new business ventures certainly benefit in knowing best how to plan and operate their stores on SNSs.

Attribution Factors, Shopping Motivations, and Average Spending

Among the eight given attribution factors, including the open-ended "others" option, majority of the respondents who had shopped on social network stores cited convenience (90 percent), reasonable prices (48 percent), store reputation/store reliability/friend recommendation (38 percent), and product variety (37 percent) as the top motivators that drove them to shop on social network stores, choosing these over positive feedback and comments from previous customers (19 percent), customer service and customer engagement (19 percent), product quality (13 percent), and other attribution factors such as sales promotion, advertisement, and product availability (10 percent). (See Chart 10 for the attribution factors behind the purchasing decisions.). Furthermore, the results of regression in Table 1 show that to some extent certain shopping attributes including convenience, store reputation, store reliability, friend recommendations, as well as customer service and customer engagement have positive influence on customers' average spending. Although, the coefficient of determination or R^2 is relatively low at 0.26, this is somewhat reasonable considering a cross-sectional data analysis. What's more, other attributes, not limited to social network store and product attributes may rather explain consumer spending (Heim, 2010). As defined in Table 1, the following is regression model of overall social network store's average spending:

$$\begin{aligned}\text{Average Spending}_i = {} & 1{,}054.36 + 511.94\text{Convenience}_i - 193.75\text{Reasonable Prices}_i + 298.09\text{Store Reputation/Store Reliability/Friend Recommendation}_i \\ & + 136.66\text{Product Variety}_i - 238.09\text{Positive Feedback and Comments from Previous Customers}_i \\ & + 347.47\text{Customer Service and Customer Engagement}_i + 0.44\text{Product Quality}_i + 144.96\text{Others}_i + 143.69\end{aligned}$$

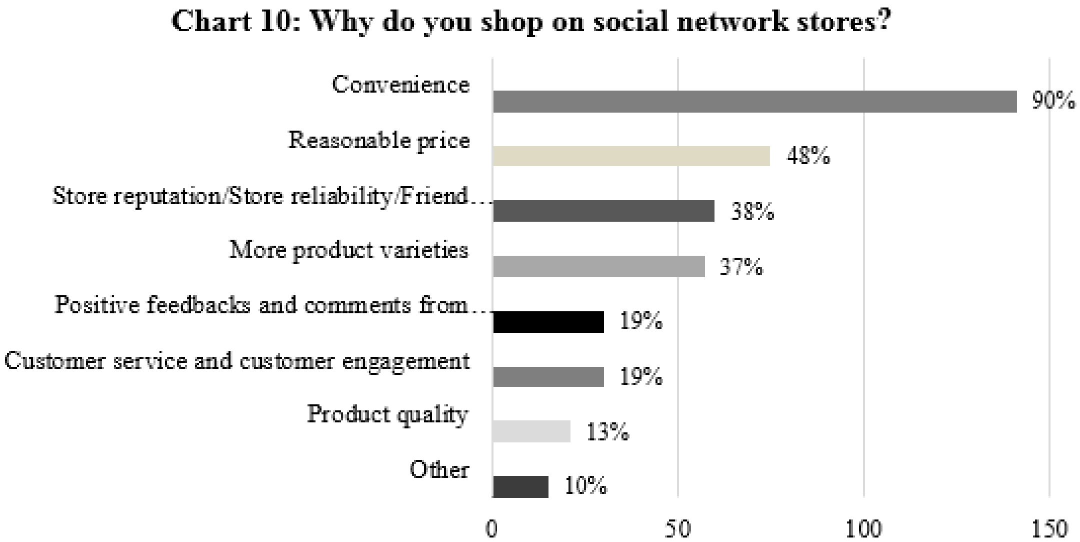


Table 1
REGRESSION OF AVERAGE SPENDING AND SHOPPING MOTIVATIONS

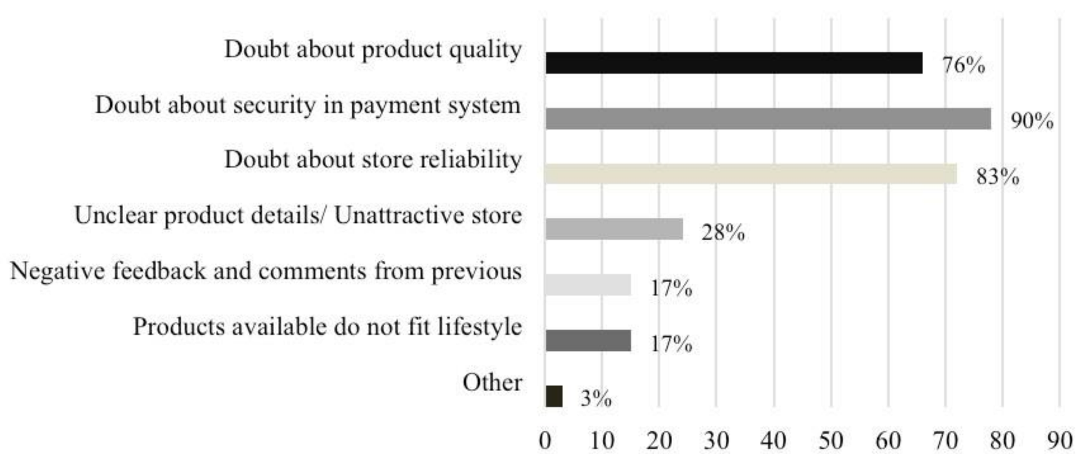
Variables	Coefficients	Standard error	p-value
Intercept	1,054.36	143.69	1.35949E-11
Convenience	511.94	143.65	0.00
Reasonable price	-193.75	85.06	0.02
Store reputation/store reliability/friend recommendations	298.09	89.45	0.00
More product varieties	136.66	87.73	0.12
Positive feedbacks and comments from previous customers	-238.1	122.06	0.04
Customer service and customer engagement	347.47	115.57	0.00
Product quality	0.44	143.83	0.99
Other	144.96	151.75	0.34

*Note: R = 0.51; R-square = 0.26; F stat = 6.33, Prob > F = 0.00; Standard error = 495.69; n = 156

With the SNSs' major advantage of enabling users to connect 24 hours a day, seven days a week, anywhere and at any time, it is no surprise that 90 percent of the respondents quoted convenience to be the leading motivator in their shopping. This very high percentage also supports by regression results of average spending and shopping attributes, which convenience has strong coefficients at 511.94 with perfect effects of *p*-value at 0.00. Many respondents also cited reasonable prices and more product varieties to be crucial motivating factors for them to shop on social network stores. This is understandable, as nowadays, shoppers may easily search and make cross comparisons online, and it would be no value added or less of an incentive to shop if social network stores offered products at higher prices or less variety. However, the results of regression display opposite relationship between average spending and reasonable price. A possible explanation could be the respondents may have no intention to spend on social network stores at the time they log in but with very reasonable price, it motivates them to at least spend at very low value. The respondents also paid great attention to the store's reputation and reliability, as well as friend recommendations. As there is a higher risk in SNS shopping as opposed to face-to-face transactions (Pavlou, 2003), trustworthiness as implied by good recommendations from reliable sources, such as friends, generates a sense of security that may lead to a purchasing decision. The store reputation, store reliability, and friend recommendations have strong effect on respondents' average spending with perfect effects of *p*-value at 0.00. In addition, positive feedback and comments from previous customers, customer service and customer engagement, and product quality also motivate the respondents to shop. Although these attribution factors received relatively low weights compared to the top four, they are practically important and have substantial influence on respondents average spending, particularly the strong coefficient of customer service and customer engagement at 347.47 with perfect effect of *p*-value. A possible explanation for the low weights could be the sub-standard performance of social network stores that fail to excel with regard to these specific attribution factors, specifically product quality. The results of current concerns and further suggestions for social network stores reflect more information on these.

36 percent of the respondents who contributed to the survey had not engaged in SNS shopping as of that time. The main drawbacks that kept them from shopping on social network stores were the security in payment system (90 percent), the store reliability (83 percent), and the product quality (76 percent). Most of the respondents felt uncomfortable using credit cards or making money transfers to social network stores they barely knew before they actually received the product. They doubted that the product they saw on the page would in fact be the same product that they would receive in real life. Unclear product details, such as price, material, size, or the way the store would present or display the products; negative feedback and comments from previous customers; mismatches between the products currently available and the customers' lifestyles; and other concerns, such as inefficiencies in the stores' shipping systems also adversely affected the respondents' decision to shop on social network stores. (Chart 11 exhibits the major concerns that made 36 percent out of the total respondents hesitate to shop on social network stores.)

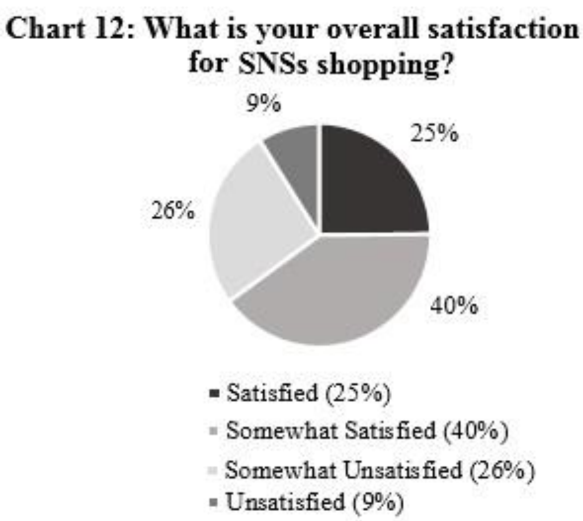
Chart 11: What are the concerns that make you hesitate to shop on social network stores?

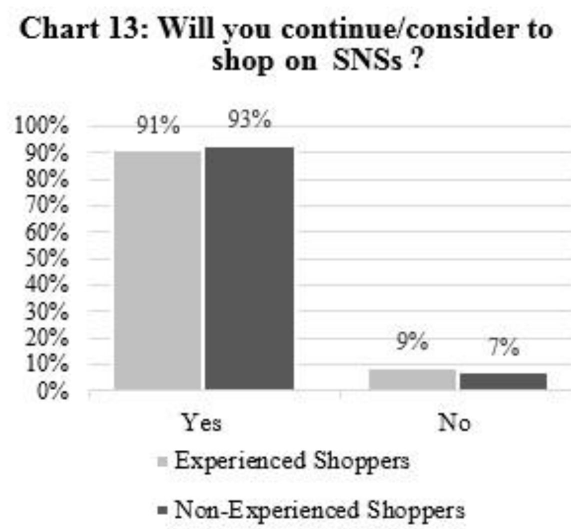


There are many attribution factors that drive and draw back respondents from shopping or not shopping on social network stores. Different attribution factors are powered by different motives at different weights. The stores that offer more value added and address the concerns listed above certainly foresee positive returns.

A Future Perspective on Thai Social Network Stores and the Market

It may be said that SNS shopping in Thailand is currently in the emerging stage, since nearly two-thirds of the respondents have already experienced shopping on social network stores, and more than 60 percent out of those who did were somewhat satisfied with their shopping experiences. For those who felt somewhat unsatisfied (26 percent) and unsatisfied (9 percent), they mentioned that if the social network stores improved their customer services, particularly with regard to payment and shipping systems, promptness in customer engagement, and more efficiency and honesty in giving product details and product labels, they were positive to continue shopping. Similarly, for those who were non-SNS shoppers, more than 90 percent considered shopping on these sites if their concerns were addressed. (See Chart 12 for overall satisfaction rates on SNS shopping and Chart 13 for willingness to shop from both experienced and non-experienced shoppers).





Considering all satisfactory rate and willingness to shop, there are rooms for improvement and substantial growth on SNSs shopping in Thailand.

Interview Results and Data Analysis

Five storeowners who initially started their businesses on SNSs took part in the interview. Two stores represented the "newly joined" category, with the number of fan pages or number of likes amounting to less than a thousand. One store represented the "medium term established store" category, with approximately 70,010 fan pages and likes. The other two stores represented the "long-established store" category, with over a hundred thousand fan pages and likes. Among these five stores, two sold ladies' clothes and accessories, one store sold cases and bags for smartphones and tablets, one store sold organic rice, and the other store sold cosmetics. Their pricing and target customer base varied, ranging from prices of 100 baht per kilogram of organic rice to 4,000 baht per package of facial cream, from green consumers to university students and female office workers in target customer base. The stores utilized various channels so that customers could reach them at any SNS at their greatest convenience. (The general profile of social network stores is summarized in Table 2.)

Table 2

PROFILE OF SOCIAL NETWORK STORES

	SN Store No. 1	SN Store No. 2	SN Store No. 3	SN Store No. 4	SN Store No. 5
Date of launching social network store	July 28, 2014	November 11, 2010	September 10, 2011	August 30, 2014	January 21, 2013
Product	Ladies' clothes	Ladies' clothes and accessories	Cases and bags for smartphones and tablets	Organic rice	Cosmetics
Price	400–600 baht	150–450 baht (for clothes and jewelry); 250–850 baht (for [illegible]	200–2,000 Baht	100 baht (per kilogram)	350–4,000 baht
Channel	Facebook, Instagram, Line	Facebook, Instragram, Line, Twitter, Pinterest, (website)	Facebook, Instagram, Line, Twitter, (website)	Facebook, Line	Facebook, Instagram, Line, (blog)
No. of fan pages/likes	847	287,545	135,917	940	70,010
Target customer base	University students and female office workers	University students and female office workers	Office workers	Organic consumers	University students and female office workers

* Data last updated on November 3, 2014.

From Hobby to Money: The Beginnings of Money Making

Out of the five interview participants, four revealed that the initial starting point of their businesses on SNSs was their personal interests and hobbies, while one participant said she saw SNSs as a business opportunity since the beginning. For instance, the owner of the cosmetics store said that when she started her Facebook page, it was originally for the purpose of sharing beauty tips and makeup advice to her friends and fans' pages. Every time she made reviews and shared videos on her site, a number of friends and fans asked where to get those cosmetics and for how much. Many of them wrote personal messages and encouraged her to start a cosmetics shop. At first she hesitated, as she was busy with a full-time job, but after giving it a try, she received more and more pre-orders with decent returns. That was when she reconsidered and turned her personal interest and hobby into a way of making a great deal money. Social network stores needed high personal engagement and time, for example in updating pages and reposting and replying to comments and messages. Thus, after several months of operation, the participant decided to leave her full-time job and become a self-employed owner of a social network cosmetics store.

The stories of the other storeowners were similar; most of them already had full-time jobs at the time, and first started their SNSs for the purpose of communicating and sharing their activities and interests with their friends and fans. But after much good feedback, and knowing that to sell products on SNSs required neither high investment nor technical operation, they began to test the market with their connections. After several positive trials, they slowly established their businesses step by step, transforming their interests and hobbies into a second source of income and, finally, the main source of income.

Operating Social Network Stores: The Gain over the Pain

Four out of the five participants considered themselves to some extent to be successful social network storeowners, after offering more product lines, reaching more target markets, expanding to more social network channels, generating more monthly income, and being self-employed. One participant was not confident yet in claiming her store to be successful, as being a newcomer to the business and feeling that she could have done more. All participants mentioned that setting up a store on SNSs was fairly easy and could be done at a very low cost, but maintaining and eventually becoming a successful store was a challenge. "As everyone could open the store on SNSs and the customers could access and make comments and inquiries at any time, it is very challenging for us to control, give prompt responses, please them, and keep ourselves in the trend all the time. Failing to do so might lose the impact of the first impression and might cause some negative effects in the long run," one participant said. Owing to that, operating a successful social network store is not as easy a gain as it looks; there is high competition in the market and there are times that sales go up and down.

There were pains and gains to be had in social network store operation, but all five participants said that they simply found the joy and the gain to win over the pain. They said that passion, being service-minded, integrity, flexibility, commitment, and optimism were the keys in powering them through all along.

Growing and Emerging

Regarding their perspectives of the future, all five of the participants shared similar views that more stores would begin operating on SNSs, offering a greater variety of products as well as services at a very competitive price throughout more social network channels. The participants believed that customers would shop more on social network stores, but pay less attention to the number of fan pages and likes; instead, they would give more weight to and spend more time on reviews and engagement. The customers would also expect stores to offer more sales promotions and services such as free shipment, free return, and pay-on-delivery. Meanwhile, with regard to the social commerce market, the participants mentioned that there would be more introductions to new social network applications that gather all of the social network stores together, only for selling and buying activities. For example, Line recently launched its latest application, called Line Shop, exclusively in Thailand, in response to the growing needs of Thai shoppers. Furthermore, more and more social network stores would register with the Department of Business Development (DBD); by doing so, the stores could be verified and earn credit, and this would also create a standard for general practice as well as raise the sense of security among customers. In addition, with the advancements in Internet-based technology, logistics, online banking, and money transfer systems, as well as improvement in business integrity, the participants believed that exponential growth would emerge and blur the lines of social commerce, mobile commerce, and e-commerce in Thailand. But to make this happen, the five participants said, it would greatly depend on all the players.

CONCLUSION

From making friends to making profits, from capturing moments to creating revenues, from messaging apps to retailing platforms, and from tweeting phrases to heating up the sales, the SNSs in Thailand have come a long way. SNSs are now in an emergent stage, a growing marketplace particularly for new business ventures. The results of the online survey verified that Thai customers are willing to shop more on social network stores, with convenience, reasonable prices, store reputation, product quality, and security in the payment systems being the main driving force behind shopping decisions on SNSs. Besides that, these studied shopping motivations including convenience, reasonable prices, store reputation, positive feedbacks and comments from previous users, as well as customer service and customer engagement also have substantial relationship on average spending. Certainly, as the demand for SNS shopping grows, the supply in response increases as well. The results of the interview suggested that with the advantages of less capital requirements, easiness in starting up, and access to a vast number of potential customers, social network stores are obviously in an upright position. In fact, SNSs have proved to be opportunistic channels, where those in search of new business ventures may test the market, expand through connections, and turn their interests into a second source of income and, finally, a main source of income. Despite positive promises in this market, there are also high expectations and numerous challenges that await storeowners. Those in charge of new business ventures should take additional care in establishing the “know me”, “like me”, “follow me”, “engage me”, and “buy me” steps. Those who succeed in creating this relationship first, and putting commerce second, may expect enjoyable business ventures to be on the way.

LIMITATION AND FUTURE STUDY

This study has several limitations, some of which may possibly serve as bases for future studies. First, the study conducted only five interviews with social network storeowners and received 243 online survey results only from Facebook. With the inclusion of more interview participants and other SNS users as respondents, the results may generate more significant findings. Second, the study only focused on the general views of operating stores on SNSs. It would prove very interesting to explore the "know me", "like me", "follow me", "engage me", and "buy me" framework on a deeper level, so that the validity of this framework could be verified.

ACKNOWLEDGEMENT

I am grateful for the support provided by the Asian Institute of Management for this study. I am also thankful to the five social network storeowners for allowing me to conduct interviews, and to all the respondents who participated in the online survey.

REFERENCES

Berzal, C. (2013). Impact of social networking on business. *e-Business Issue*, 2-5.

Boyd, D. M. (2008). Social network sites: Definition, history, and scholarship. *Journal of Computer-Mediated Communication, 13*(1), 210-230.

Burdge, C. (2012). *An introduction to social media for small business*. BC: Blue Beetle Books.

Chadwick, F. E. (2013, October 14). *History of online retail.* Retrieved from http://www.open.edu/openlearn/money-management/management/business-studies/history-online-retail

Changchit, C. (2006). Consumer perceptions of online shopping. *Issues in Information System, 7*(2), 177-181.

Cross, R., Liedtka, J., & Weiss, L. (2005). A practical guide to social networks. *Harvard Business Review, 83* (March), 124-132.

Department of Business Development. (2014, May). *DBD E-Commerce Start-Up.* Retrieved from http://www.dbdmart.com/learning/default/lesson/id64

Ellison, N. B., Steinfield, C., & Lampe, C. (2007). The benefits of Facebook "friends": Social capital and college students' ue of online social network sites. *Journal of Computer-Mediated Communication, 12*(4), 1143-1168.

Electronic Transactions Development Agency Thailand (2014, July) *Thailand Internet User Profile 2014*. Retrieved from https://www.etda.or.th/etda_website/files/system/IUP-pocketA5-050814.pdf

Evans, K. (n.d.). *What are the benefits of Facebook?* Retrieved from http://smallbusiness.chron.com/benefits-facebook-53330.html

Fishback, B. (2011, October). *The evolution of marketplace*. Speech presented at the Chicago Idea Week Megatalk:Tech &Web, Chicago, Illinois.

Heim, J. J., (2010). The Impact of Consumer Confidence on Consumption and Investment Spending. *Journal of Applied Business and Economics, 11*(2), 37-54.

Kritsch, A. (2014, January). The state of social media in Thailand [web log post]. Retrieved October 23, 2014, from http://blog.hootsuite.com/social-media-in-thailand/

Nielsen. (2014, February 24). How Smartphones are changing consumers' daily routines around the globe. Retrieved from http://www.nielsen.com/us/en/insights/news/2014/how-smartphones-are-changing-consumers-daily-routines-around-the-globe.html

Pavlou, P. A., (2003), Consumer Acceptance of Electronic Commerce: Integrating Trust and Risk with the Technology Acceptance Model, *International Journal of Electronic Commerce*, *7* (3), 101-134.

Phanraphee, R. (2014, May 28). Thailand Zocial Awards 2014 เผยสถิติบนโลกออนไลน์และพฤติกรรมการใช้ Social Network
ของไทย. Retrieved from http://www.it24hrs.com/2014/thai-social-network-2014

Power, P., & Power, T. (2010). *Know me, like me, follow Me: What online social networking means for you and your business*. London: Headline Publishing Plus.

PwC. (2014, May 14). Achieving total retail: Consumer expectations driving the next retail business model. Retrieved from http://www.pwc.com/th/en/press-room/press-release/2014/new-release-14-05-2014-th.jhtml

SAS. (2010). *The new conversation: Taking social media from talk to action.* Boston: Harvard Business.

Sawettanan, N. (2014). Line Insights (เจาะข้อมูลบัญชี Line). *Telecom & Innovation Journal,* 988.

Scott, J. (2000). *Social network analysis: A handbook*. London: Sage Publications Ltd.

Telephone Organization of Thailand. (2007). *Thai State-Owned Telecommunication Annual Report 2007.* Bangkok, TOT Public Company Limited.

Thammakoranonta, N., Chayawan, C., & Boonprakate, N. (2011). A study of factors affecting social network used in Thailand. Proceedings from *The 11th International DSI and the 16th APDSI Joint Meeting.* Taipei.

Thai-fb. (2014). Shops on Thai Facebook lists. Retrieved from http://www.thai-fb.com/browse-shop/

Webster, S. (n.d.). What are the positive & negative effects of using technology to communicate? Retrieved from http://smallbusiness.chron.com/positive-negative-effects-using-technology-communicate-21241.html

yStats. (2014). *Thailand B2C E-Commerce Market 2014 Report.* Hamburg, yStats.com.

Zhou, L., Zhang, P., & Zimmermann, H.D. (2013). Social commerce research: An integrated view. *Electronic Commerce Research and Application,* 61-68.

Zocial Inc. (2014, May). Thailand Zocial Award 2014. Retrieved from http://www.zocialinc.com/

A MULTI-OBJECTIVE OPTIMIZATION APPROACH USING THE RFM MODEL IN DIRECT MARKETING

Arben Asllani, University of Tennessee
Diane Halstead, University of Tennessee

ABSTRACT

Given the vast amount of data generated by customers' online and offline purchases, many organizations today are turning to data analytics to help design their direct marketing campaigns and introduce personalized promotions for customers. Data analytics allows companies to implement more effective market segmentation strategies, customize promotional offers, allocate marketing resources efficiently, and improve customer relationship management. The implementation of such strategies is often hampered by limited budgets and the ever-changing priorities and goals of marketing campaigns. This paper suggests and demonstrates the use of a goal programming approach to determine which customer segments should be targeted to achieve profit maximization given various priorities and budget constraints for a hypothetical direct marketing campaign. Using historical data, the proposed model identifies customer segments based on the classic RFM model—i.e., recency, frequency, and monetary value profiles. Then, considering different marketing priorities, the goal programming model helps identify the profile segments most worthy of pursuit. Real marketing data are used to illustrate the proposed approach.

Keywords: *Multi-Objective Programming, RFM, Direct Marketing, Data Analytics*

INTRODUCTION

Direct marketing is all about customer data: their characteristics, their buying habits, and their buying potential. Data is obtained from many sources, including internally generated data, public databases, and third party list vendors. The widespread use of data analytics by many direct marketing firms allows them to use this customer data to fine-tune their marketing strategies with precision and accuracy. Data analytics involves the strategic and extensive use of data and quantitative analysis to improve business decision making (Davenport and Harris, 2007, 2010). Customer data and data analytics are especially important in direct marketing because they are used to help firms improve response rates, conversion rates, and campaign profitability (Davenport and Harris, 2007; Dyer, 2003; Hambleton, 2013).

One particular analytical tool used frequently in direct marketing is the RFM model. The recency-frequency-monetary value (RFM) framework leads to highly effective direct marketing campaigns by enabling companies to categorize customers into homogenous segments based on their previous purchasing behavior and then design highly customized promotional campaigns to reach those customers. According to this approach, customer data on the recency of purchase (R), frequency of purchase (F), and monetary value of purchase (M) are captured and stored for each customer. Then, customers with similar values are grouped together, and targeted promotional offers are created to reach them. For example, if a given customer segment shows a low value for recency and relatively high values for frequency and monetary value, these customers are typically approached with a "we want you back" marketing strategy. If a given customer segment shows a low monetary value and high values for frequency and recency, a more relevant "up-selling" marketing strategy could be designed to generate additional sales revenue.

The RFM model typically assumes unlimited marketing resources, however, and suggests that a company can reach all its customers, even customers with less than optimal RFM scores. Clearly, most organizations operate under yearly budget constraints, and therefore such assumptions are impractical. Adding optimization to the well-known RFM approach to help allocate resources most effectively was recommended by Fader et al. (2005b) as an important next step for future research.

In addition, the importance of the R, F, and M components in the RFM approach for a given marketing campaign might not be the same. For example, a company trying to improve its customer retention rate might be interested primarily in recency, i.e., prioritizing the return of lost customers who may have defected to the competition. For the same campaign, frequency and monetary values might be second and third priorities, respectively. When confronted with both spending limits and differing goals, marketing managers should allocate marketing resources toward those customers with the greatest long-term profit potential.

This research proposes a multi-objective optimization methodology based on a goal programming (GP) approach to profit maximization for direct marketers using RFM data. One unique characteristic of this (GP) model is the inclusion of varying direct marketing objectives as well as corresponding budget constraints.

In addition to balancing marketing priorities with marketing budgets, companies must also strive to achieve a balance between two types of errors for any given campaign: Type I and Type II. A Type I error would occur when organizations ignore customers (mistakenly) who could have returned and repurchased, thereby providing the firm with additional revenue and profit. Type II errors occur when companies (unknowingly) target customers with their marketing campaigns who are not ready to purchase (Venkatesan & Kumar, 2004). The model proposed in this research creates a balance between a Type I and a Type II error by identifying the proper RFM segments to target. It also identifies the RFM segments which should not be pursued because they are: a) not profitable; b) do not align with marketing priorities; or c) strain the marketing budget. That is, the model can help direct marketing firms maximize profitability by determining whether they should continue spending on (or curtail their relationships with) given RFM customer segments. A unique contribution of this research is that RFM data are incorporated into a GP approach that includes both marketing goals and budgets to determine the most profitable customer segments to target.

The research paper is organized in the following manner. First, a brief overview of data analytics in direct marketing is provided, along with the RFM framework. The next section discusses the GP formulation to customer profitability utilizing RFM data and provides the GP mathematical formulation of the model. Variations of the model are shown through the use of purchasing data from a CDNOW dataset[1] containing almost 7,000 records. Research conclusions are then presented, and implications of the goal programming approach to profit maximization are discussed.

[1] Source: http://www.brucehardie.com/datasets/

DIRECT MARKETING AND DATA ANALYTICS

Overview of Data Analytics

Using data to make decisions is critical to superior business performance. Yet, another 2.5 quintillion bytes are added to the data universe every day (Edala, 2012). This includes over 350 billion corporate emails, 400 million tweets, and one billion Facebook posts (Hambelton, 2013). The era of big data is here.

Despite vast quantities of data, however, a survey of 254 U.S. business managers found that 40 percent of major business decisions are made according to managers' gut or intuition, not on the basis of fact (Accenture, 2008). Data analytics refers to the strategic and extensive use of data, quantitative analysis, and explanatory and predictive models to make better decisions and take right actions (Davenport and Harris, 2007, 2010). Stated another way, data analytics refers to the use of analysis, data, and systematic reasoning to make decisions (Davenport et al., 2010). It is considered a subset of business intelligence which is the set of "technologies and processes that use data to understand and analyze business performance" (Davenport and Harris, 2007, p. 7). Business intelligence includes data access and reporting as well as data analytics.

The critical point is that data alone is insufficient. The true value of data analytics is the analysis of that data to improve business decisions and the subsequent actions an organization takes as a result of that analysis. Used properly, data analytics can help firms anticipate and respond quickly to changes in the marketplace, improve their competitive standing, and achieve important goals such as profit maximization (Franks, 2012). More specifically, it can help firms optimize prices (Advertising Age, 2013), reduce costs, improve efficiency, manage risk, and in the long run, dramatically improve a company's decision-making process and outcomes (Davenport et al., 2010).

Data Analytics and Direct Marketing

Direct marketing firms collect huge quantities of customer data such as contact information, demographics, geographic data, lifestyle data, financial data, purchase history, preferences, media usage, and more. Today's digital world has opened up new marketing channels to direct marketers (e.g., social, mobile, email, and location-based marketing), but that also means more data coming from more sources—internal and external, online and off-line. Yet integrating customer data from across marketing channels is the number one challenge for customer intelligence professionals (Sridharan, Frankland and Smith, 2011). Even with enterprise resource planning (ERP) systems to help integrate data across business functions, companies still need to access and analyze data from a variety of systems to make better decisions (Davenport et al., 2010,).

Thus, successful direct marketing requires a substantial investment in big data and data analytics. In fact, marketers' external costs of data intelligence and software in the U.S. were around $60 billion in 2011 (Brinker, 2012). Notably, this does not include in-house expenses of marketing intelligence such as IT departments, data analysts, or CIOs. Big customer data and data analytics are especially important to direct marketers because they help increase response rates, conversion rates, total sales, and the ROI of marketing campaigns (Davenport and Harris, 2007; Dyer, 2003; Hambleton, 2013). And when data from loyalty programs is mined, analytics can be used to increase customer loyalty and retention (Hambleton, 2013; Sridharan et al., 2012).

To do so, however, direct marketers need flexibility when designing promotional campaigns. Flexibility in campaign management allows for more targeted, specific, customized, and personalized marketing offers, all of which lead to higher response rates (Franks, 2012). The ability to customize offers and messages depends on having customer data that is accurate, accessible, timely, relevant, and fully integrated with other marketing and operational data. Data analytics can then help the creation of many different marketing campaigns, utilizing variables such as customers' demographic characteristics, credit scores, or previous purchases (Martinez, 2011). Campaign results are collected and stored, then used to fuel the next analysis and the next customized marketing campaign.

To enable such customization, direct marketing managers need customer data to create sets of potential buyers, i.e., to generate a list for its promotions. One way to generate a customer list is to use a scoring model. Scoring models rank customers according to a set of predetermined criteria, assign a score to each customer, and then group customers with the same or similar scores so as to send them a specific type of promotion. Some scoring models are quite simple; others involve complex statistical analysis. A well-known and popular scoring model used in direct marketing is the RFM model.

Direct Marketing and the RFM Model

As noted earlier, using RFM involves choosing customers based on when they last purchased (recency), how often they purchased (frequency), and how much they spent (monetary value) on past purchases (Blattberg et al., 2009; Fader et al., 2005a; Rhee & McIntyre, 2009). The RFM criteria are used frequently because, as measures of customers' prior behavior, they are key predictors of their future purchase behavior (Berry and Linoff, 2004; Bolton, 1998; Fader et al., 2005b; Malthouse and Blattberg, 2005; Sridharan et al., 2012).

Many firms consider recency especially important because a long period of purchase inactivity can be a signal that a customer has permanently ended his/her relationship with the firm (Dwyer, 1989). Accordingly, many companies will assign maximum value to recency, with lesser importance attached to monetary value and frequency (Reinartz & Kumar, 2000; Venkatesan et al., 2007). Regarding the monetary value of customer purchases, sometimes the average purchase amount per customer transaction is used rather than a total (e.g., Fader et al., 2005b). Customers are then categorized by their RFM probabilities to indicate their profitability potential. They are subsequently selected (or not selected) for the next direct marketing campaign based on this profit profile. Thus, RFM analysis helps guide marketing resource allocation in a way that maximizes profitability (Venkatesan et al., 2007).

The RFM model has been used for many years as an analytical technique, even though more sophisticated methods have been developed recently. It has the advantage of simplicity (McCarty & Hastak, 2007), and many data mining algorithms are based on the RFM framework. The research described here combines RFM data with marketing budget constraints, and then uses a goal programming approach to evaluate a direct marketing campaign. The analytic model can be used to guide marketing spending vis-à-vis various customer segments, i.e., either continue investing in or scaling back investments in any given RFM segment. A novel characteristic of this approach is the combination of marketing priorities and preferences for given customer segments while recognizing the reality of annual spending limits on direct marketing programs. In addition, in the complex area of data analytics, the RFM framework offers even small firms with limited resources the opportunity to use data analytics fairly easily and capably.

Another contribution of this research is that RFM data is incorporated into a GP approach into a single model for all customers who are potential targets of a direct marketing campaign. A previous approach (e.g., Bhaskar et al., 2009) utilized mathematical programming (MP) and

RFM analysis in a study of personalized promotions for multiplex customers in a customer loyalty program, incorporating business constraints. However, the algorithm in the Bhaskar et al. research separated RFM analysis from mathematical programming. RFM was used for non-recent customers, and MP was used for current customers. This research incorporates everything into a single model.

GOAL PROGRAMMING FORMULATION

The gp approach

Goal programming is a multi-objective mathematical programming approach in which there are a number of objectives, and some of them are treated as constraints instead of objectives. When developing a specific direct marketing campaign, managers must determine their cutoff points for recency (R), frequency (F), and monetary values (M) with the goal of maximizing customer profitability within a limited budget. If a manager is not concerned about F and M, then a simple linear program to determine the cutoff point for R can be generated. This solution will generate a maximum profitability of, let's say V_R.

Similar calculations show that the maximum profit for the cutoff value of F is V_F, and the maximum profit for the M cutoff point is V_M. The modeler could take each of the values V_R, V_F, and V_M as marketing "goals" and try to find a solution that comes closest to all of the goals. Since it may not be possible to reach all goals simultaneously, the modeler should create a set of penalties for not reaching each goal. This penalty would depend on the importance of reaching a particular segment. If the modeler values R more than F, and then F more than M, the penalties could be P1, P2, and P3 respectively, where P1>P2>P3>0. The modeler then creates a new set of variables s_1, s_2, and s_3. The problem can then be formulated as:

$$\text{Minimize } Z = P1s_1 + P2s_2 + P3s_3$$

subject to:

$$\{\text{objective function of the R model}\} + s_1 = V_R$$
$$\{\text{objective function of the F model}\} + s_2 = V_F$$
$$\{\text{objective function of the M model}\} + s_3 = V_M$$

+ all constraints in the original LPs (including budget constraints)

In order to illustrate the GP model, a sample of a CDNOW dataset, as used in Fader et al. (2005a), is utilized. The sample consists of historical buying data for 2,357 customers. It contains 6,696 records. Each individual record contains a customer ID, a transaction date, and a dollar value for each transaction. This data set was previously used to show how Excel could be employed to automate calculation processes when grouping customers into various RFM segments (Fader et al., 2005a).

Notations used for the optimization models

i = *1... 5* index used to identify the group of customers in a given recency category;
j = *1...5* index used to identify the group of customers in a given frequency category;
k = *1...5* index used to identify the group of customers in a given monetary category;
V = expected revenue from a returned customer;
p_i = probability that a customer of recency i makes a purchase;
p_j = probability that a customer of frequency j makes a purchase;
p_k = probability that a customer of monetary group k makes a purchase;

N_i = number of customers who are presently in recency *i;*
N_j = number of customers who are presently in frequency *j;*
N_k = number of customers who are presently in monetary group *k;*
C = average cost to reach a customer during the direct marketing campaign;
B = budget available for the direct marketing campaign.

Model formulation for the recency case

Let the decision variable for this case be a 0-1 unknown variable as follows:

x_i = 1 if customers in recency *i* are reached through the direct marketing campaign;
0, otherwise.

Using the above notations, a 0-1 mixed integer GP formulation is presented:
Maximize:

$$Z_r = \sum_{i=1}^{R} N_i (p_i V - C) x_i \qquad (1)$$

subject to:

$$\sum_{i=1}^{R} N_i C x_i \le B \qquad (2)$$

$$x_i = \{0,1\} \qquad i = 1 \ldots R \qquad (3)$$

Equation (1) is the objective function. It maximizes the expected profit (Z_r) of the direct marketing campaign. As noted earlier, a customer in a state of recency *i* has a p_i chance of purchasing and a $(1- p_i)$ chance of not purchasing. The profit from a customer who purchases is calculated as $(V - C)$. When a customer does not purchase, the expected profit is simply $(-C)$. Therefore, the expected value of the profit from a single customer in state *i* is:

$$p_i (V - C) + (1 - p_i)(-C) \qquad (4)$$

This can be simplified to:

$$p_i V - C \qquad (5)$$

Since there are N_i customers in the recency *i*, the expected profit from this group of customers is:

$$N_i (p_i V - C) \qquad (6)$$

Thus, (1) indicates the sum of profits for all groups of customers for which a marketing decision to advertise to them ($x_i=1$) is made. Equation (2) assures that the available budget for the campaign *(B)* is not exceeded. The actual cost of the marketing campaign is represented on the left side of the equation, which is calculated as the sum of campaign costs for each group *i* of customers. Equation (3) represents the binary constraints for the decision variables x_i.

Solving the model for the recency case

The model is applied as follows. Customers are first placed into five groups in which group one represents those customers with the *least* recent purchases, and group five consists of those customers who have purchased *most* recently. Then, the total number of customers belonging to each group can be determined using a pivot table. Pivot tables can also be used to calculate the probability (p_i) that a customer in group *i* will make a purchase.

Appendix A shows that, given a campaign budget of B= \$12,500, a cost to reach a customer of C= \$7.50, and the average revenue from the purchasing customer of V= \$35, the company should only select customers of recency 3, 4, and 5 for future promotional efforts. This solution will generate a total profit of \$24,851 (see Appendix A).

Model formulation for the frequency case

In this section, *frequency* is considered as a dimension in our 0-1 GP model. Again, the goal is to stay within the marketing budget constraints while maximizing the profits from potential customer purchases.

Let the decision variable for this case be a 0-1 unknown variable as follows:

x_j = 1 if customers in frequency j are reached in the promotional campaign;
0 otherwise.

The 0-1 mixed integer GP formulation is presented for the Frequency Case:

Maximize:

$$Z_f = \sum_{j=1}^{F} N_j (p_j jV - C) x_j \tag{7}$$

subject to:

$$\sum_{j=1}^{F} N_j C x_j \leq B \tag{8}$$

$$x_j = \{0,1\} \qquad j=1 \ldots F \tag{9}$$

The objective function which maximizes the expected profit (Z_f) of the marketing campaign is shown in Equation (7). Equation (8) assures that the available marketing budget *B* for this campaign is not exceeded. The left side of the equation represents the actual cost of the campaign, which is calculated as the sum of campaign costs for each group *i* of customers. Equation (9) represents the binary constraints for the decision variables x_j.

Solving the model for the frequency case

This case is, of course, applicable to firms where frequency and recency are the only significant values in their marketing campaigns. In these cases, customers are organized first into five groups. Each group G_j contains customers who belong to frequency value j (1, 2…, 5). Like the previous example, pivot tables can be used to calculate the probability of purchase (p_j) by a customer in group j. The results indicate that customers in the frequency 3, 4, and 5 must be reached. This solution will generate a total profit of $41,876 (see Appendix B).

Model formulation for the monetary value case

In this section, the model considers *monetary value*. As in the previous cases, the objective remains the same: maximize profits from potential customer purchases while staying with the annual budget constraint.

Let the decision variable for this case be a 0-1 unknown variable as follows:

x_k = 1 if customers in monetary group k are reached;
0, otherwise.

Maximize:

$$Z_m = \sum_{k=1}^{M} N_k (p_k kV - C) x_k \tag{10}$$

subject to:

$$\sum_{k=1}^{M} N_k C x_k \leq B \tag{11}$$

$$x_k = \{0,1\} \qquad k=1 \ldots M \tag{12}$$

Equation (10) is the objective function for the model which maximizes the expected profit (Z_m) of the marketing campaign. As stated earlier, a customer in a state monetary k has a p_k chance of purchasing and a $(1- p_k)$ chance of not purchasing. Equation (11) assures that the available budget for the campaign (B) is not exceeded. The left side of Equation (11) represents the campaign's actual cost, which is calculated as the sum of campaign costs for each group i of customers. Equation (12) represents the binary constraints for the decision variables x_k.

Solving the model for the monetary value case

Appendix C provides a summary of the optimal solution for the monetary model. This figure shows the profitable segments for the firm. The results indicate that any future direct marketing campaign must exclude the customer segments with monetary values of M=1, M=2, and M=3 as they are clearly unprofitable. This solution will generate a total profit of $51,858 (see Appendix C).

Incorporating priorities into the model

The above three models indicate that M is the most important variable of the RFM framework as the total profit generated is the highest at $51,858. However, the marketing department is interested in investigating the impact of setting the following priorities:

- Priority 1 (P1 = 200): Recency
- Priority 2 (P2 = 100): Frequency
- Priority 3 (P3 = 50): Monetary Value

The following is the GP formulation which minimizes the penalties of not reaching the marketing goals.

Minimize $Z = 200s_1 + 100s_2 + 50s_3$ (13)

subject to:

$$\sum_{i=1}^{R} N_i(p_i V - C)x_i + s_1 = V_R \qquad (14)$$

$$\sum_{j=1}^{F} N_j(p_j jV - C)x_j + s_2 = V_F \qquad (15)$$

$$\sum_{k=1}^{M} N_k(p_k kV - C)x_k + s_3 = V_M \qquad (16)$$

$$\sum_{i=1}^{R} N_i C x_i + \sum_{f=1}^{F} N_f C x_f + \sum_{k=1}^{M} N_k C x_k \leq B \qquad (17)$$

$$x_i = \{0,1\} \qquad i = 1 \dots R \qquad (18)$$

$$x_f = \{0,1\} \qquad f = 1 \dots F \qquad (19)$$

$$x_k = \{0,1\} \qquad k = 1 \dots M \qquad (20)$$

In the above formulation, (13) represents the objective function. Minimization of $s1$ has priority over minimization of $s2$ since $s1$ has a larger contribution coefficent (200>100). Similarly, minimizing $s3$ has the lowest priority. (14), (15), and (16) represent the new set of constraints added to the model to ensure that previous achievement of profit goals from each respective model (VR= $24,851, VF= $41,876, and VM= $51,858) still need to be achieved. (17) assures that the overall budget (B=$12,500) is not exceeded. Finally, (18), (19), and (20) ensure binary solution values for the decision variables.

Solving the Overall Model

Appendix D shows the optimal solution to the goal programming approach. As seen, the total profit for the solution is $42,274, and the solution suggests that the direct marketing campaign must reach customers with a recency value of 5 and frequency values of 4 and 5. Because priority was given primarily to recency, then to frequency, with the lowest priority given to monetary value, the solution suggests no promotional offers should be based on monetary value.

SUMMARY OF RESULTS

The optimal solutions for four variations of the RFM model proposed here are provided in the data analysis and iullustrated in Appendices A-D: a recency model, a frequency model, a monetary value model, and a full RFM model. The Excel templates for each model are available upon request by contacting the first author.

The optimal solution for the recency model suggests that only customers with recency values of 3, 4, and 5 should be targeted for future promotional efforts. This solution will generate a total profit of $24,851. In the frequency model, the results indicate that any future marketing campaign should be focused on those customers with frequency values of 3, 4, and 5. This solution generates a profit of $41,876. The results for the monetary value model show that additional marketing resources should *not be allocated* toward the customer segments with monetary values of M=1, M=2, and M=3 as they are clearly unprofitable. That is, these segments should not be targeted in a future direct marketing campaign. The monetary value solution will generate a total profit of $51,858.

The optimal solution to the goal programming approach indicates that only customers with a recency value of 5 and frequency values of 4 and 5 should be selected by the firm for future promotional efforts, i.e., additional marketing investment should be made. Customers with recency values of 1, 2, 3, and 4, as well as customers with frequency values of 1, 2, and 3, would be excluded as targets of future campaigns. The total profit for the goal programming solution is $42,274. No priority should be placed on the monetary value data; therefore no differential marketing action should be based on monetary value. Excluding certain customer segments from direct marketing efforts should provide managers with greater ROI for a given marketing investment as greater resources will be available to spend on the most lucrative segments.

CONCLUSIONS AND DISCUSSION

Pressure to maximize marketing return on investment is increasing, and chief marketing officers (CMOs) everywhere have been forced to reduce budgets in recent years (e.g., Wong, 2009). At the same time, the direct marketing industry is currently outpacing the overall economy (DMA, 2013), representing almost 53 percent of all U.S. advertising expenditures in 2012, spending over $168 billion (accounting for 8.7 percent of GDP) and generating a ROI of over $12 for every dollar spent (Direct Marketing Association, 2012). The top five direct marketing agencies earned over $3.5 billion in 2011, and that represented only their U.S.

revenue. Thus, direct marketing continues to play an effective and growing role in the overall marketing arsenal of many organizations.

As CMOs are increasingly forced to achieve superior results with inferior budgets, analyzing marketing data and subsequently prioritizing marketing spending become even more crucial. Low response rates in direct marketing make budget constraints an even greater challenge for the direct response firm (e.g., 1-4 percent average response for direct mail to outbound telemarketing). Investing scarce resources on customers who are not yet willing to buy (a Type II error) is not only inefficient, but could represent a possible threat to a firm's long-term financial viability (Ferrante, 2009; Venkatesan & Kumar, 2004). The multi-objective optimization approach used in this research achieves a balance between Type I (missing profitable customers) and Type II errors. It helps identify both appropriate and inappropriate RFM segments based on three core characteristics: profitability, marketing objectives, and budget constraints. By finding the most profitable customer segments (given various marketing objectives and spending limits), a GP approach applied to RFM data can provide a firm with optimal solutions to and flexibility in marketing spending decisions—in a single model. Depending upon a given RFM segment's profit potential, a marketing firm can determine whether to continue targeting that segment in efforts to generate even more sales, or whether it should spend its scarce resources on alternative (i.e., more profitable) groups.

This research can therefore be used as a type of scoring model for practitioners to enable the transformation of purchasing history data, i.e., RFM data, into a useful decision model which can be applied to many marketing situations and to any imposed budget limitation. Because this research factors in budget constraints and different marketing priorities, the decision model demonstrated here has considerable long-term utility for maximizing the profitability of customer segments.

This study has limitations, but these can provide avenues for future research in the area. For example, because RFM frameworks represent historical behavior, their ability to accurately capture and predict future behavior and profit potential has been questioned (Blattberg et al., 2009; Rhee & McIntyre, 2009). While predicting any consumer behavior, using any type of model, is inherently uncertain (and this GP model is no exception), accuracy is always a potential limitation when forecasting is based on historical data. As the current model addresses only a six month time period, and Venkatesan et al. (2007) argue that up to three years is considered an acceptable horizon for estimates in customer selection models, this may perhaps mitigate forecasting accuracy concerns. In other words, the shorter the time horizon considered, the less variation there is likely to be between past and future purchasing behavior (i.e., there is less time and opportunity for intervening exogenous variables to disrupt behavioral patterns). As noted by Davenport et al. (2010, p. 159), however, a company must still constantly review and manage its analytical models, be alert to "model decay," monitor relevant external events, and keep track of all competing models.

Ideally, firms will eventually integrate additional customer data with RFM data as RFM focuses on customer purchasing behavior, not necessarily customer *search* behavior. That is, it doesn't consider the value of customer information when no purchase is made. With respect to future data collection, direct marketing managers should consider capturing web browsing data as well as transactional data, e.g., "X percent of customers clicking on Link Y ultimately visited Site Z and purchased Brand A." This helps identify customers' search behaviors, choice criteria, and decision-making paths, all of which help us understand customer behavior better, and therefore predict it more accurately. One European retailer identified products that customers browsed on the company website but did not purchase. Follow up emails were then sent to customers with personalized messages that encouraged purchase and included promotional offers for products viewed but not bought (Franks, 2012, p. 17).

In addition to website browsing, other customer contact points can be valuable as well. For example, customer emails, social networking messages (e.g., Facebook "likes"), and customer phone calls can all indicate customer interest and propensity to buy in the future, thus generating sales and profits for the firm. At the very least, these data could provide a greater understanding of customer behavior which can lead to more effective marketing offers and messages.

Data analytics is a future goal that does not represent present reality for many U.S. firms (Accenture, 2008). Yet sound managerial decision-making relies on effective data analytics. The value of any customer data is in how it's analyzed and then used to inform managers and help them make better business decisions (Franks, 2012). The GP approach used in this RFM analysis offers several advantages to direct marketers. It's simple, easy to use, and can account for a large number of variables, constraints, and objectives.

REFERENCES

Accenture. (2008) Most U.S. Companies Say Business Analytics Still Future Goal, Not Present Reality. Accenture press release, December 11, http://newsroom.accenture.com/article_display.cfm?article_id=4777, retrieved on August 12, 2012.

Advertising Age. (2013) Retailers Embrace Data Tools for Rapid-Fire Price Changes after Big Holiday Season Push, Trend is Here to Stay. January 24, 2013, http://adage.com/article/digital/retailers-embrace-data-tools-rapid-fire-price/239366/?qwr=FullSite , accessed on January 24, 2013.

Berger, P. D. and Nasr, N.I. (1998). Customer Lifetime Value: Marketing Models and Applications. Journal of Interactive Marketing. 12(Winter), 17-30.

Berry, M.J.A. and Linoff, G. (2004). Data Mining Techniques, 2ed. Indianapolis, IN: John Wiley & Sons.

Bhaskar, T., Subramanian, G., Bal, D., Moorthy, A., Saha, A. and Rajagopalan, S. (2009) An Optimization Model for Personalized Promotions in Multiplexes. Journal of Promotion Management. 15(1/2), 229-246.

Blattberg, R.C., Malthouse, E.C., and Neslin, S.A. (2009) Customer Lifetime Value: Empirical Generalizations and Some Conceptual Questions. Journal of Interactive Marketing. 23(2), 157-168.

Bolton, R.N. (1998) A Dynamic Model of the Duration of the Customer's Relationship with a Continuous Service Provider: The Role of Satisfaction. Marketing Science, 17(1), 45-65.

Brinker, S. (2012) "We are the 1% of global marketing spend. July 27, 2012, http://chiefmartec.com/2012/07/we-are-the-1-of-global-marketing-spend/, retrieved on November 18, 2012.

Ching, W.-K., Ng, M. K., and So, M. K. (2004) Customer Migration, Campaign Budgeting, Revenue Estimation: The Elasticity of Markov Decision Process on Customer Lifetime Value. Advanced Modeling and Optimization, 6(2), 65-80.

Davenport, T. H. and Harris, J. G. (2007) Competing on Analytics: The New Science of Winning. Boston, MA: Harvard Business School Press

Davenport, T. H. and Harris, J. G. (2008) Competing with Analytics. Boston, MA: Harvard Business School Publishing.

Davenport, T. H., Harris, J. G., and Morison, R. (2010) Analytics at Work: Smarter Decisions, Better Results. Boston, MA: Harvard Business School Press.

Direct Marketing Association (DMA) Press Release. (2012) DMA Releases Quarterly Business Review (QBR) for Q3 2012. November 20, 2012, http://www.the-dma.org/cgi/disppressrelease?article=1563, accessed on October 3, 2013.

Direct Marketing Association (DMA) Press Release. (2013) DMA Releases New 'Power of Direct' Report; DM-Driven Sales Growth Outpace Overall Economic Growth. March 14, 2013, http://www.the-dma.org/cgi/dispannouncements?article=1590, accessed March 14, 2013.

Direct Marketing News. (2012) Direct Marketing News 2012 Agency Business Report. June 2012, http://www.dmnews.com/2012-agency-business-report/section/2738, accessed on March 14, 2013.

Dwyer, R. F. (1989) Customer Lifetime Valuation to Support Marketing Decision Making. Journal of Direct Marketing. 3(11), 6-13.

Dye III, Thomas A. (2003) Direct Marketing Database Strategy. Atlanta, GA: Gulf Atlantic Consulting, Inc.

Edala, S. (2012), Big Data Analytics: Not Just for Big Business Anymore, December 28, http://www.forbes.com/sites/ciocentral/2012/12/28/big-data-analytics-not-just-for-big-business-anymore/, retrieved January 23, 2013.

Fader, P. S., Hardie, B. G. S., and Lee, K. L. (2005a) Counting Your Customers the Easy Way: An Alternative to the Pareto/NBD Model. Marketing Science. 24(Spring), 275–284.

Fader, P. S., Hardie, B. G. S., and Lee, K. L. (2005b) RFM and CLV: Using Iso-Value Curves for Customer Base Analysis. Journal of Marketing Research. 42(November), 415-430.

Franks, B. (2012) Taming the Big Data Tidal Wave: Finding Opportunities in Huge Data Streams with Advanced Analytics. Wiley and SAS Business Series, Hoboken, NJ: John Wiley & Sons.

Ferrante, A. (2009) New DMA Response Rate Study Shows Email Still Strong for Conversion Rates. DemandGen Report, The Scorecard for Sales & Marketing Automation, http://www.demandgenreport.com/home/arcives/feature-articles/183-new-dma-response-rate-study-shows-email-still-strong-for-conversion-rates, retrieved March 16, 2010.

Forbes, T. (2007) Valuing Customers. Journal of Database Marketing & Customer Strategy Management. 15(1), 4-10.

Hambelton, K. (2013) Big Data's Effects on Direct Marketing. March 7, http://blog.neolane.com/direct-marketing-2/big-datas-effects-direct-marketing/, retrieved March 14, 2013.

Kaplan, R.S., and Norton, D.P. (1992) The Balanced Scorecard—Measures that Drive Performance. Harvard Business Review. 70(January-February), 71-79.

Kumar, V., Ramani, G. and Bohling, T. (2004) Customer Lifetime Value Approaches and Best Practice Applications. Journal of Interactive Marketing. 18(3), 60-72.

Martinez, Juan. (2011) Marketers Ramp Up Real-Time Strategies. Direct Marketing News. December 1, 2011, http://www.dmnews.com/marketers-ramp-up-real-time-strategies/article/217508/#, retrieved March 13, 2013.

McCarty, J. A. and Hastak, M. (2007) Segmentation Approaches in Data-mining: A Comparison of RFM, CHAID, and Logistic Regression. Journal of Business Research. 60(6), 656-662.

Reinartz, W. J. and Kumar, V. (2000) On the Profitability of Long-Life Customers in a Noncontractual Setting: An Empirical Investigation and Implications for Marketing. Journal of Marketing. 64(October), 17-35.

Rhee, E. and McIntyre, S. (2009) How Current Targeting Can Hinder Targeting in the Future and What To Do About It. Journal of Database Marketing & Customer Strategy Management. 16(1), 15-28.

Sridharan, S., Frankland, D., and Smith, A. (2012) Use Customer Analytics to Get Personal, Analytically Driven Personalization Increases Retention and Return. Forrester Research Report, February 17, Cambridge, MA.

Sridharan, S., Frankland, D. and Smith, A. (2011) CI Teams: Blocking and Tackling Is Not Enough, Forrester Research Report, July 19, Cambridge, MA.

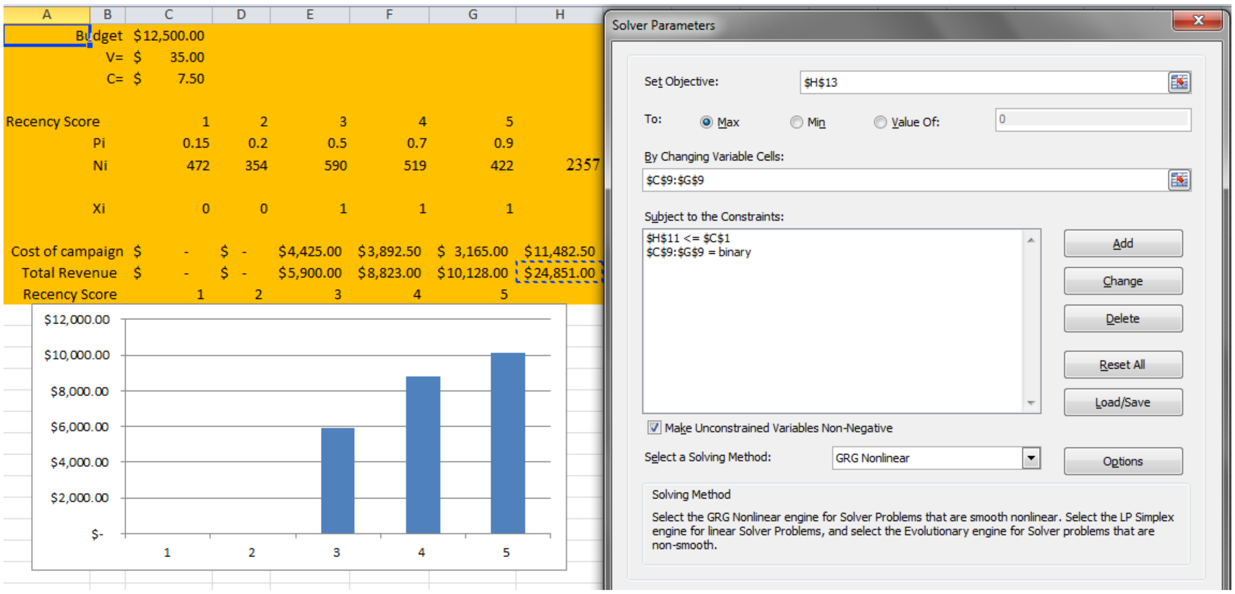
Stahl, H.K., Matzler, K., and H.H. Hinterhuber. (2003) Linking Customer Lifetime Value with Shareholder Value. Industrial Marketing Management 32(4), 267-79.

Venkatesan, R. and Kumar, V. (2004) A Customer Lifetime Value Framework for Customer Selection and Resource Allocation Strategy. Journal of Marketing 68(October), 106–25.

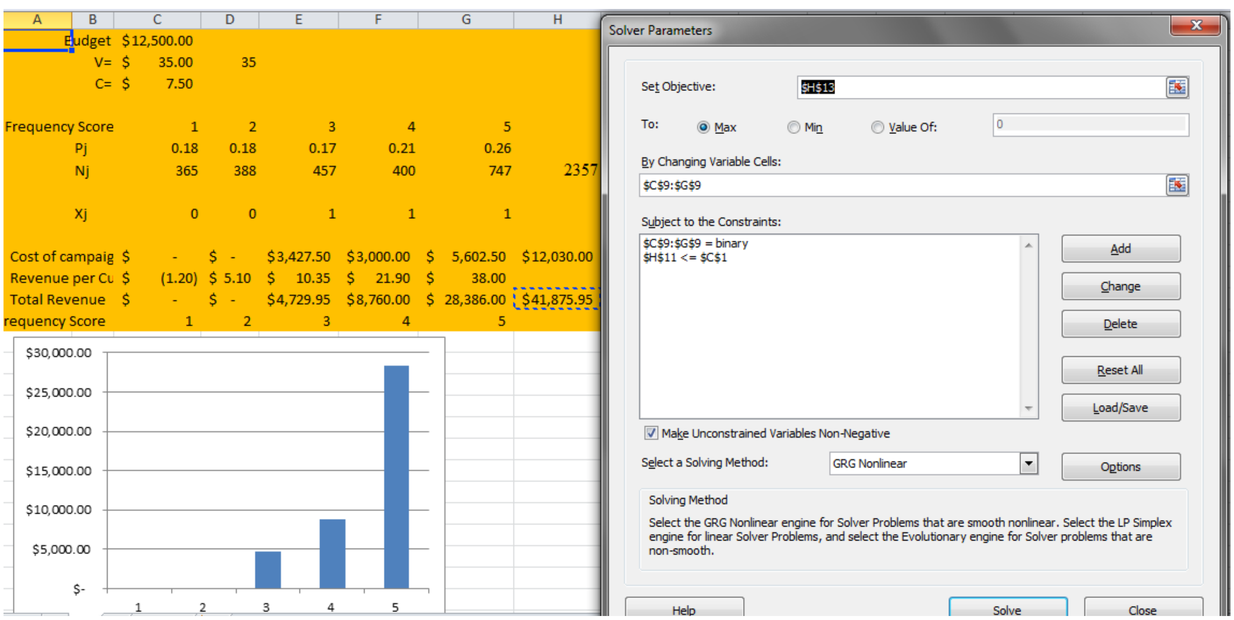
Venkatesan, R. Kumar, V., and Bohling, T. (2007) Optimal Customer Relationship Management Using Bayesian Decision Theory: An Application for Customer Selection. Journal of Marketing Research 44(November), 579-594.

Wong, E. (2009, March 3) Study: Direct Mail Spending Down 3 Percent, http://www.brandweek.com/bw/content_display/news-and-features/direct/e3i39c0981244e131291de24a88207181a7, retrieved March 17, 2010.

Appendix A: Optimal Solution for the Recency Model

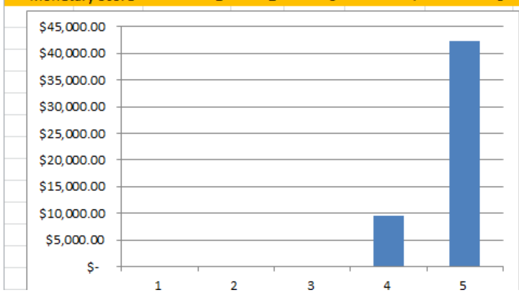


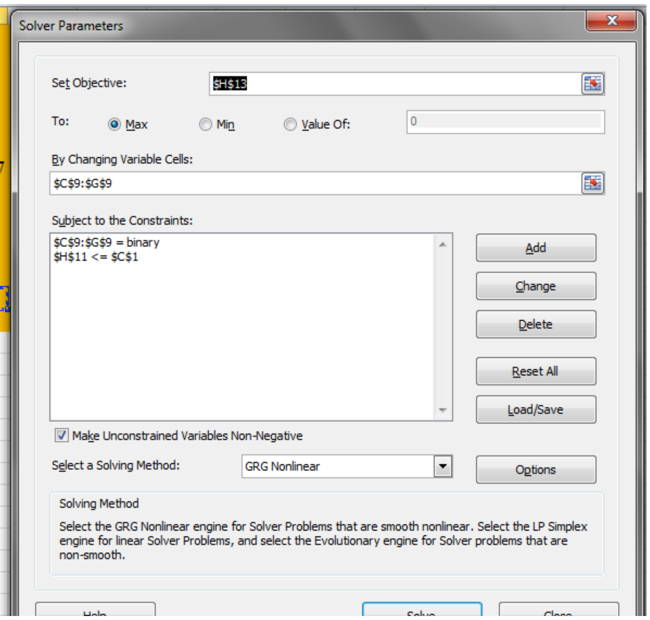
Appendix B: Optimal Solution for the Frequency Model



Appendix C: Optimal Solution for the Monetary Model

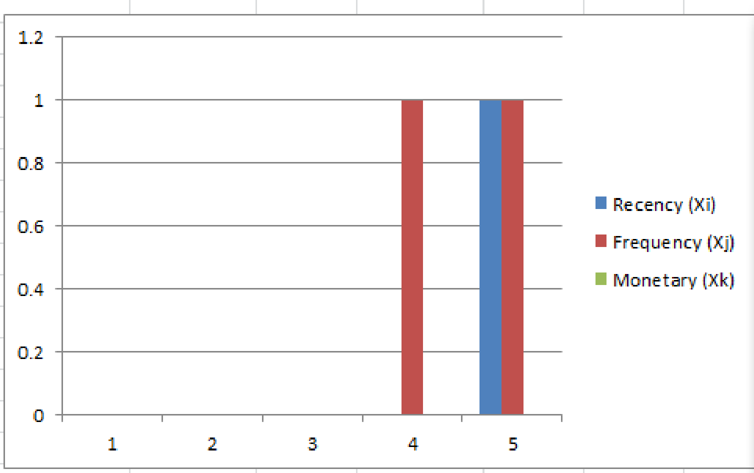
A	B	C	D	E	F	G	H
	Budget	$12,500.00					
	V=	$ 35.00					
	C=	$ 7.50					
Monetary Score		1	2	3	4	5	
	Pj	0.18	0.18	0.17	0.21	0.26	
	Nj	285	204	319	435	1114	2357
	Xj	0	0	0	1	1	
Cost of campaign	$	-	$ -	$ -	$3,262.50	$ 8,355.00	$ 11,617.50
Revenue per Custoı	$	(1.20)	$5.10	$10.35	$ 21.90	$ 38.00	
Total Revenue	$	-	$ -	$ -	$9,526.50	$42,332.00	$ 51,858.50
Monetary Score		1	2	3	4	5	

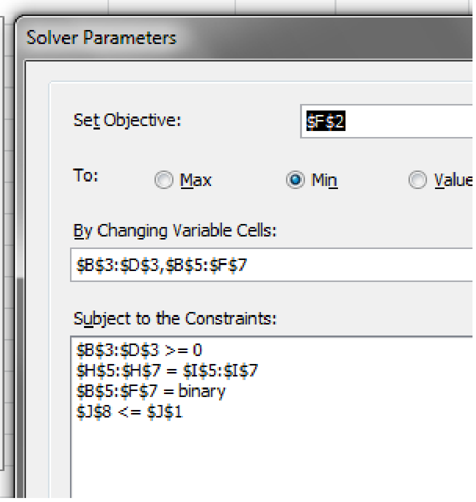




Appendix D: Optimal Goal Programming Solution

A	B	C	D	E	F	G	H	I	J
					Goal			Budget	$ 12,500.00
Weights	200	100	50		6010520			V=	$ 35.00
Slack	$ 14,723	$ 4,730	$ 51,859					C=	$ 7.50
Score	1	2	3	4	5	Optimal Solution	Max Rev		Used Budget
Recency (Xi)	0	0	0	0	1	$ 10,128	$ 24,851	$ 24,851	$ 3,165.00
Frequency (Xj)	0	0	0	1	1	$ 37,146	$ 41,876	$ 41,876	$ 8,602.50
Monetary (Xk)	0	0	0	0	0	$ -	$ 51,859	$ 51,859	$ -
					Total Rev	$ 47,274			$ 11,767.50





BRAND PLACEMENT IN NOVELS AND COMPETITOR RECALL: THE ROBUSTNESS OF THE PART-LIST CUEING EFFECT

Ian Brennan, Colorado State University

ABSTRACT

This study considers whether a brand placed in a novel has a deleterious effect on the recall of competitive brands. A part-list cueing effect occurs when an increase in the salience of one brand inhibits the recall of competitors. Previous examinations of the part-list cueing effect have occurred in environments in which the cued brand name, brand package and/or brand advertising have been rendered artificially salient by being presented in isolation. The present study examines the robustness of the part-list cueing effect for brand information placed in novels--an environment in which brand information is not presented in isolation, but is instead integrated in the development of the plot's characters and locations. Four laboratory experiments examined the impact of brand placement on part-list cueing. Experimental stimuli included brand references placed in both content generated by a researcher and in that adapted from a best-selling author. A part-list cueing effect fails to emerge when subjects encounter a cued brand in the context of a novel. This finding was consistent across four product categories, unaffected by increases in the number of references to the cued brand (from four to nine), and not impacted by the cued brand becoming central, rather than incidental, to the plot.
The study is the first to examine part-list cueing in the context of brand placement. The study will be of interest to practitioners who are trying to assess the advantages and disadvantages of adding brand placement to their promotional arsenals.

Recent research has examined strategies for enhancing reader recall for brands placed in a novel (Brennan 2008) and text (Brennan and McCalman, 2011). The present study examines the potential of brand placement to impair recall in a manner that is advantageous to the placed brand, via a reduction in set of competitive brands that a reader is able to retrieve from memory. Clearly, recall inhibition may be a useful strategy when consumers retrieve brands from memory: for example, an individual who has decided to eat at a fast food restaurant may scan alternatives from memory before selecting a brand (Miniard *et al.,* 1991).

The desire to add realism to creative content may inspire content creators to include references to brand names in entertainment media such as movies, television programs, books and computer games; however, when such references result from commercial considerations the practice is considered brand placement (Karrh, 1998). A number of novelists have indicated that they have participated in the practice of brand placement. For example, Fay Weldon, a British novelist, acknowledged being paid by Bulgari for brand references in her novel *The Bulgari Connection* (Nelson, 2004). Similarly, Ford paid Carole Matthews to include references to the Ford Fiesta in her novel *The Sweetest Taboo* (Petrecca, 2006). The heroine of *The Sweetest Taboo* had driven a Volkswagen Beetle in Carole Matthews' previous novel (Lehu, 2007). Another automobile manufacturer, Maserati, paid for references to its eponymous brand in Beth Herman's novel *Power City* (Nelson, 2004).

The idea that exposure to a brand placement might inhibit subjects from recalling competitors is suggested by research on the part-list cueing effect (Slamecka, 1968). Specifically, a part-list cueing effect occurs when the presentation of a subset of items from a list inhibits the recall of the remaining items (Slamecka 1968). A rationale for the part-list cueing effect is that when a subset of items become more salient (i.e., more prominent in memory), such items will come to mind continually and thereby inhibit the retrieval of the remaining items on the list (Rundus, 1973).

In a marketing context, Alba and Chattopadhyay (1986) have demonstrated that elevating the salience of even a single brand name has a deleterious effect on the recall of the brand names of competitors. In a series of experiments, Alba and Chattopadhyay (1986) elevated the salience of a brand either by asking subjects to deliberate upon the target brand for a period of time, or by asking subjects to watch (and subsequently evaluate) a television ad for the target brand. In each of Alba and Chattopadhyay's five experiments, however, information on the target brand was presented in isolation. In contrast, in the present study, we present a series of experiments that examine the robustness of the part-list cueing effect for the recall of competitors of a brand placed in a novel— an environment in which messages and meanings unrelated to the brand compete for the reader's processing resources.

LITERATURE REVIEW

Alba and Chattapadhyay (1985) demonstrated that the proportion of the nine leading brands of shampoo that could be recalled by subjects diminished as the number of cues provided prior to the recall task (which did not include the nine leading brands) increased. In their 1985 study, there were numerous brands (5 and 15 cued brands) in the cued conditions; however, in a follow-up study, (Alba and Chattopadhyay, 1986) the authors demonstrated that memory inhibition for category brands can result from the presentation of even a single brand from the relevant category.

Alba and Chattopadhyay's (1986) initial experiments required subjects in the treatment group (high salience) to concentrate on a brand for one full minute before the recall task, whereas subjects in the control (low salience) condition were exposed to the same brand immediately prior to the recall task. In the first experiment subjects in the high salience condition were instructed to think about the brand (a shampoo) and provided with examples of how the task might be performed (repeat the brand name to themselves, imagine the brand's packaging, or focus on ads they had seen for the brand). In the second (coffee) experiment, subjects in the high salience condition were given the same directions as their counterparts in experiment one, however, salience was boosted via the exposure of the treatment group to a container for a brand of coffee (Maxwell House). In both experiments, the treatment group recalled significantly fewer brands than were recalled by those in the control group. In experiments three and four, subjects in the treatment group were exposed to either mock print ad for a brand of cereal (Kellogg's), or to four repetitions of a real television ad for a brand of decongestant (Dristan). To control for the possibility that the part-list cueing effect might be an artifact of a greater cognitive fatigue of subjects in the treatment groups, subjects in the control groups were a given print ad (experiment three) and a television ad (experiment four) from unrelated product categories to examine prior to the recall test. The part-list cueing demonstrated in experiments experiment one and two was replicated in experiments three and four. Finally, in experiment, five the authors demonstrated that a part-list cueing effect could be obtained even when there was a twenty-four hour delay between exposure to a mock print advertisement for a decongestant (NyQuil) and the recall task.

Miniard *et al*., (1991) endorsed the findings of Alba and Chattopadhyay (1986). When subjects were exposed to a print ad for either a familiar brand (Crest) or unfamiliar brand (Shane) their recall of brands in the toothpaste category was significantly lower than was the case for a control group who were exposed to an ad in the cereal category. In an earlier study, however, Miniard *et al*., (1989) found that recall of category brands relative to the control group was not diminished for either familiar or unfamiliar brands of toothpaste and deodorant. Indeed, only when the cued brand was the preferred brand did a part-list cueing effect emerge. The authors contend that their failure to replicate the results of Alba and Chattopadhyay (1986) may have been caused by the fact that their cover story (in which subjects were informed that the study was trying to ascertain factors which made advertising effective) may have undermined the strength of the brand salience induction as subjects devoted cognitive resources to critiquing the ad rather than considering the cued brand.

The notion that the part-list cueing effect may be suppressed when the processing of the brand cue competes for cognitive resources with the cognitive demands placed by the processing of unrelated stimuli is supported by a recent sponsorship study (Herrmann *et al.,* 2011). When asked to list brands in their consideration set, subjects exposed to a sponsor (a placement company) of a tennis event did not recall fewer competitors in the placement category than control group subjects who were questioned before they entered the event.

The present study examines the part-list cueing effect in another divided attention context, namely the presentation of brand cues in novels. In their sponsorship study, Herrmann *et al*., (2011) note that the target sponsor was not a major sponsor of the event, with sponsor brand exposure limited to two perimeter boards. Furthermore, there was no brand-event relatedness (between the placement company sponsor and the tennis event) to boost the weak encoding of the sponsor name that typically occurs in cluttered media environments (Pham and Johar 2001). Accordingly, Herrmann *et al.,* (2011) hypothesized that subjects exposed to the placement sponsor would not exhibit diminished recollection of brands in the consideration set. They note however that the presentation of a brand in a context that facilitates brand encoding ("e.g., 'He threw the case of Heineken in his car and drove off'" Herrmann *et al.,* p7) would favor the inhibition of recalling brands in the consideration set (i.e., a part-list cueing effect) because such a context activates the knowledge structure that surrounds the brand. Accordingly, the present study examines the potential for a part-list cueing effect to emerge within the context of brand references in a novel. In particular we examine whether the enhanced opportunity to encode a brand name will be enough to overcome the cognitive distractions that result from the subject's primary motivation for reading: a desire to comprehend the plot.

Across a series of four experiments, we consider the robustness of part-list cueing effects to (i) an escalation in the number of target brand references presented (experiments one, two, three and four), (ii) increasing the salience of the brand reference (experiment two), (iii) the embedding of an identical list of category brands in the chapter stimulus for both treatment and control groups to control for individual differences in the size of the set of brands that may be retrieved from memory (experiment three), (iv) making the cued brand the central focus of a chapter stimulus (experiment four). The inclusion of well-known brands in the each of the experiments enhances the study's external validity because (in addition to their inclusion by authors for commercial considerations) well-known brands are often deployed by authors to add realism to a scene, to assist readers in categorizing a character (Lehu, 2007), and as a succinct method of signifying a character's wealth or social background.

EXPERIMENT ONE

2 (a) Subjects and Design

Subjects in each of the experiments (described below) were undergraduate students enrolled in a marketing course at a university in the southwestern region of the United States. The students participated in the study in exchange for course credit. The cover-story utilized by Brennan (2008) was utilized in experiment one. Specifically, forty-seven subjects were informed that they would be evaluating the first chapter of a novel by an aspiring novelist for a potential publisher. As part of the cover-story, subjects were told that some publishers of academic books also had a fiction division, and (because such publishers typically supplied university faculty with various textbook supplements free-of-charge) faculty typically assisted a publisher who needed to evaluate novels which were targeted at a college-age audience. Subjects were then given a copy of an extract from a novel to evaluate, which was purportedly written by an aspiring author.

Subjects were randomly assigned to different versions (cue present versus cue absent) of the experimental stimulus. In the cue present condition, subjects read a one page extract that contained four references to the Radisson brand. In the cue absent condition, references to the brand were replaced by the generic term "hotel". After reading the extract subjects were asked to recall as many brands of hotel as possible from memory. The Radisson brand was provided to both groups as an example of a hotel brand.

2(b) Results

The results provide directional but not statistical for the part-list cueing hypothesis. Subjects in the cue present (treatment) condition failed to generate significantly fewer brand names from the hotel category than their counterparts in the cue absent (control) condition. ($\bar{x}_{CuePresent} = 6.84$, $\bar{x}_{CueAbsent} = 8.42$, $t(36) = 1.351$, $p > .184$, see Table 1).

TABLE 1. CELL MEANS FOR RECALL OF COMPETITOR BRANDS

Measure	Treatment Cues Present	Control Cues Absent	Significance
Experiment 1	6.84[a]	8.42	n.s.
Experiment II	10.04[b]	9.04	n.s.
Experiment III	1.55[c]	1.05	n.s.
Experiment IV	14.03[d]	14.44	n.s.

[a]Frequency of cued brand references in treatment=4
[b]Frequency of cued brand references in treatment=5
[c]Frequency of cued brand references in treatment=7
[d]Frequency of cued brand references in treatment=9

2(c)Discussion

The results of experiment one failed to support the part-list cueing effect reported by Alba and Chattapayhyay (1986). In comparison with a control group who were not exposed to brand information from the hotel category, exposing the treatment group to multiple exposures of a well-known hotel brand name did not significantly inhibit subjects from recalling brand names from the hotel category. Since the results of experiment one were, however, directionally consistent with the part-list cueing effect, experiment two examined whether statistical support for the part-list cueing effect might be induced by increasing the salience of the brand placement by exposing the treatment group to an increased number of brand references, as well as including a reference to the brand slogan in the text.

EXPERIMENT TWO

3(a) Subjects and Design

In experiment two, after deploying the same cover-story as experiment one, subjects were randomly assigned to different versions (cue present versus cue absent) of the experimental stimulus. In the cue present condition, subjects read an extract that contained five references to the Rice Krispies brand of cereal (see Appendix A). The salience of the Rice Krispies brand was also bolstered by a reference to the brand slogan: "Snap Crackle and Pop!" In the cue absent condition, references to the brand were replaced by the generic term "cereal" and the brand slogan was removed from the text.

After reading the extract, subjects were asked to recall as many brands of cereal as possible from memory. At the time of the recall test, the Rice Krispies brand was provided to both groups as an example of a cereal brand.

3(b) Results

The results indicate that subjects in the cue absent condition failed to generate more brand names from the cereal category than their counterparts in the cue present condition ($\bar{x}_{CuePresent} = 10.04$, $\bar{x}_{CueAbsent} = 9.04$, $t(45) = .856$, $p > .356$, see Table 1).

3(c) Discussion

Despite an increase in the number of brand references included in the experimental stimulus chapter, the results of experiment two failed to support the part-list cueing effect. Miniard et al., (1991) report that the brand recall inhibition effects that result from cueing are more pervasive among highly familiar brands; however, a part-list cueing effect did not emerge in experiments one and two of the present study, despite the fact that the brands employed as the cued stimuli (Radisson and Rice Krispies) are well-known brands with long histories.

It is possible that wide variations in the number of brands that subjects associate with a product category (which might be caused by variations in variables such as category experience or expertise) could have suppressed the part-list cueing effect in experiments one and two. To test such a possibility, experiment three examines the potential for a part-list cueing effect to emerge when the list of brands to be recalled is provided to subjects in the stimulus chapter (i.e., the size of the set of brands to be recalled becomes common across subjects).

EXPERIMENT THREE

4(a) Subjects and Design

In experiment three, forty-one subjects were randomly assigned to different versions (cue present versus cue absent) of the experimental stimulus. The cover story for experiments one and two was also deployed in experiment three. In the "cue present" (treatment) condition, subjects read an extract that contained seven references to the Lipton brand of iced-tea. One reference to

Lipton occurred in a list of potential iced-tea sponsors for a University Library; the remaining six references resulted from a discussion of the potential fit between the Lipton brand and the sponsorship opportunity. The "cue absent" (control) condition contained one reference to Lipton, because Lipton was among the brands on the list of iced-tea brands that were identified as a potential sponsors. All subsequent references to the Lipton brand were deleted in the "cue absent" condition. After reading the chapter subjects were asked to recall the brands of iced-tea that were referenced in the chapter.

4(b) Results

Subjects in the cue present condition were more likely to recall the Lipton brand than their counterparts in the cue absent condition (95% versus 65%, t (39) = 2.014, p= .05). The recall advantage for the Lipton brand did not however inhibit the recall of competitor brands in the cue present condition in comparison with those recalled in the cue absent condition ($\bar{x}_{\text{CuePresent}}$ = 1.55, $\bar{x}_{\text{CueAbsent}}$ = 1.05, t(39) = 1.244, p > .22, see Table 1).

4(c) Discussion

The results of experiment three are consistent with experiments one and two. A part-list cueing effect failed to emerge in experiment three, despite the fact that (i) the number of brand references increased to seven and (ii) the design controlled for any between-subjects differences in the size of their evoked sets for the iced-tea category.

The three preceding experiments involved cue present stimuli that contained a limited number of brand repetitions (four, five and seven respectively). Accordingly, in experiment four, we examine the potential for part-list cueing effects to emerge when the number of references to a brand is greatly enhanced. Furthermore, as the brand references in experiments one, two and three were not central to the plot, it is possible that subjects may not have directed enough cognitive effort towards the brand placement to induce the part-list cueing effect. A number of studies in the brand placement literature (Brennan *et al.,* 1999, and Gupta and Lord, 1998) suggest that subjects are more likely to encode a brand name when the relevant placement is the central focus of a scene than when the brand serves as a background prop. Accordingly, in experiment four we examine the potential for part-list cueing effects to emerge when the brand placement is the central focus of the chapter.

EXPERIMENT FOUR

5(a) Subjects and Design

In experiment four, seventy-one subjects received the same cover story that was utilized in the preceding three experiments. Subjects were randomly assigned to adapted versions of a chapter from *Cross*—a novel by best-selling author James Patterson. *Cross* contains numerous references to both to the Mercedes brand and also to a specific Mercedes product (the Mercedes R350), "reflecting some sort of literary product placement agreement with Mercedes–Benz" (Black, 2007). The chapter selected for experiment four describes a visit to a Mercedes dealership by the novel's detective hero and his children. A Mercedes product (the Mercedes R350) is the central focus of Patterson's chapter, which contains three references to the Mercedes name and describes many features and benefits of a Mercedes R350. In the cue present version of the stimulus (excluded from the appendix for copyright reasons), an additional six references to the Mercedes brand were inserted into the chapter (for a total of nine references). All references to Mercedes brand were removed in the cue absent condition. After reading the experimental stimulus, subjects were given five minutes to write down all the automobile brand names that they could recall from memory.

Alba and Chattopadhyay (1985) note that gender may serve as a surrogate for expertise in certain product categories (e.g., shampoo), and their results indicate that part-list cueing effects are more likely to occur among less expert consumers. Since Herr (1989) reports that gender may serve as a surrogate for expertise in the automobile category, in experiment four we examined the potential for gender to moderate the part-list cueing effect.

5(b)Results

The results indicate that subjects in the cue absent condition failed to generate significantly more competitor brand names from the car category than their counterparts in the cue present condition ($\bar{x}_{\text{CuePresent}} = 14.03$, $\bar{x}_{\text{CueAbsent}} = 14.44$, $t(45) = .856$, $p > .356$, see Table 1). The treatment by gender interaction term was not significant ($p > .88$).

5(c) Discussion

Nine references to the Mercedes brand name and numerous references to product attribute information did not impede the ability of the readers to recall other brands from the automobile category, and this finding was not moderated by gender. Recent research (Brennan *et al.,* 1999, and Gupta and Lord, 1998) has demonstrated that placement type (making a brand the central focus of a scene rather than a background prop) influences recall for the placed brand; however, the results of the current study suggest that a part-list cueing effect fails to emerge even when the placed brand becomes the central focus of a chapter.

GENERAL DISCUSSION

The present study examines the robustness of the part-list cueing effect. Prior research has observed the occurrence of a part-list cueing effect in a laboratory environment in which subjects in the cued brand condition are instructed either to think about the cued brand, or to watch isolated advertising for the cued brand (Alba and Chattapadhyay, 1986; Miniard *et al.,* 1991). These studies have demonstrated that the part-list cueing effect is generalizable across product categories, and also emerges after a twenty-four hour delay in the recall task (Alba and Chattapadhyay, 1986). The present study demonstrates that a part-list cueing effect fails to emerge when subjects encounter a well-known cued brand in the context of a novel—an environment in which brand-related cognition does not occur in isolation, but competes with cognition directed towards other processing goals, such as plot comprehension and story evaluation. This finding was consistent across product categories (cereals, hotels, iced-tea and automobiles), unaffected by increases in the number of references to the cued brand (from four to nine), and resilient to a change in role of the cued brand–shifting from being incidental to being central to the plot. The results are consistent with those observed in the Herrmann *et al's* (2011) event-sponsorship study and Miniard *et al's* (1989) advertising evaluation study where a part-list cueing effect also failed to emerge in a dual-task situation (Shapiro *et al.,* 1997) in which the primary attention is focused on the event (Herrmann *et al.,* 2011), or ad evaluation (Miniard *et al.,* 1989) rather than on the sponsor (Herrmann *et al.,* 2011) or advertised brand (Miniard *et al.,* 1989).

The results have practical implications for brand managers who are considering promoting a brand through the vehicle of a novel. Previous research has demonstrated that truncating the presentation of a brand name (e.g., reducing Dasani to Dasan_) results in a recall advantage for a brand referred to in a novel (Brennan, 2008), and the placement of familiar brand names in a text also results in a recall and recognition advantage over unfamiliar brands (Brennan and McCalman, 2011). Also, the inclusion of a brand reference in a novel that is highly integrated into the plot enhances the brand attitudes of readers in comparison with a reference that has low plot integration (Olsen and Lanseng, 2012). The results of the present study indicate, however, that the promotional advantages of including brand references in books do not extend to the impaired recall of competitor brands.

Ostensibly, the fact that a part-list cueing effect failed to emerge when subjects in our laboratory experiments were required to read just a single chapter suggests that a part-list cueing effect is even less likely to occur with readers of a novel in a natural environment, since the processing of the content an entire novel is likely to further undermine the salience of any brand references. Future research should examine whether such a salience inhibiting effect may be offset by the increased involvement with the book's content which should be exhibited by the reader who has selected (rather than being instructed) to read the novel. In addition, it is possible that in a natural setting the salience of brand references will be further enhanced when an author associates a character with a brand over a series of novels. For example, Inspector Morse enjoys the mental challenge posed by the crossword in *The Times* newspaper across a number of Colin Dexter's novels (Brennan, 2008). Accordingly, future research on the robustness of the part-list cueing effect in novels might consider the effects of brand references on readers who differ in their length of their exposure to an author who links a brand with a character across a series of novels.

Finally, the results of the present study demonstrate the need for future research to examine the generalizability of the part-list cueing effect to traditional media environments. In particular, future research should examine whether the part-list cueing effect demonstrated in Alba and Chattopadhyay's (1986) laboratory experiments will emerge with broadcast and print advertising in a natural environment –an environments where the realization of a part-list cueing effect is threatened not only by the clutter of program content or editorial content, but also by the clutter of other advertising.

REFERENCES

Alba, J. W. and Chattopadhyay, A. (1985), "The effects of context and part-category cues on the recall of competing brands", *Journal of Marketing Research,* Vol.22 August, pp. 340-349.

Alba, J. W. and Chattopadhyay, A. (1986), "Salience effects in brand recall", *Journal of Marketing Research,* Vol.23 November, pp. 363-369.

Black, I. (2007), "Reaching car buyers in the digital space –integrating digital marketing into the marketing mix", *Automotive Marketing Report*, 5.

Brennan, I., Dubas, K. M. and Babin, L. A. (1999), "The influence of product-placement type and exposure-time on product-placement recognition", *International Journal of Advertising,* Vol.18 No. 3, pp. 323-337.

Brennan, I. (2008), "Brand placement in novels: A test of the generation effect", *International Journal of Advertising,* Vol.27 No.4, pp. 495-509.

Brennan, I and McCalman, D., (2011) "Word-of-Author Advertising in Textbooks: The Role of Brand Familiarity and Placement Repetition on Recall and Recognition," *Academy of Marketing Studies Journal*, 15, (1) 125-137

Gupta, P. B. and Lord, K. R. (1998), "Product placement in movies: The effect of prominence and mode on audience recall", *Journal of Current Issues and Research in Advertising,* Vol. 20 No.1, pp.47-59.

Herman, B. A. (1988), *Power City,* Bantam Books, New York, NY.

Herrmann, J., Walliser, B. and Kacha M. (2011), "Consumer consideration of sponsor brands they do not remember: Taking a wider look at the memorization effects of sponsorship", *International Journal of Advertising,* Vol.30, No2, pp. 259-281.

Herr, P. M. (1989), "Priming price: Prior knowledge and context effects", *Journal of Consumer Research,* Vol.16. No. 1, pp. 67-75.

Karrh, J. A. (1998), "Brand placement: A review", Journal of Current Issues and Research in Advertising, Vol.20 No.2, pp. 31-49.

Lehu, J.M. (2007), Branded Entertainment: Product Placement and Brand Strategy in the Entertainment Business, Kogan Page, London, pp. 169-170.

Matthews, C. (2004), *The Sweetest Taboo*, Harper Collins Publishing Inc. New York, NY

Miniard, P. W., Unnava, H. R. and Bhatla, S. (1989), "Inhibiting brand name recall: A test of the salience hypothesis", *Advances in Consumer Research*, Vol.16 No.1, pp. 264-270.

Miniard, P. W., Unnava, H. R. and Bhatla, S. (1991), "Investigating the recall inhibition effect: A test of practical considerations", *Marketing Letters*, Vol.2 No.1, pp. 27-34.

Nelson, R. A. (2004), "The Bulgari connection: A novel form of product placement", *Journal of Promotion Management,* Vol. 10 No.1/2, pp. 203-212.

Olsen, L. E. and Lanseng, E.J. (2012), "Brands placed in texts: Attitudinal effects of brand placements in narrative fiction", *Journal of Brand Management*, Vol. 19, 702-711

Patterson, J. (2006), *Cross,* Little Brown and Co. New York, NY.

Petrecca, L. (2006), "Authors strike deals to squeeze in a few brand names", *USA Today,* September 10

Pham, M. T. and Johar, G.V. (2001), "Market prominence biases in sponsorship identification: processes and consequentiality", *Psychology & Marketing,* 18 No.2, pp. 123-143

Rundus, D. (1973), "Negative effects of using list items as cues", *Journal of Verbal Learning and Learning Behavior,* Vol.12 February, pp 43-50.

Shapiro, S., MacInnis, D. J. and Heckler, S.E. (1997), "The effects of incidental ad exposure on the formation of consideration sets", *Journal of Consumer Research,* Vol.7 No 2, pp 99-111

Slamecka, N.J. (1968), "An examination of trace storage in free recall", *Journal of Experimental Psychology,* Vol. 76 April, 504-513

Weldon, F. (2001), *The Bulgari Connection,* Atlantic Monthly Press, New York, NY.

APPENDIX A
CHAPTER 15

Most brothers are annoying, some are really irritating, and a select few are downright unbearable. Kate looked across the breakfast table at Paul and cursed her bad luck. Her brother crunched his Rice Krispies with his mouth open. Watching the half-chewed Rice Krispies swirling around in a mixture of milk and saliva, Kate wondered when her brother had seen a dental hygienist—or even flossed. *Wait a minute, did he even brush?*

Suddenly, Paul became aware of the steely stare of his sister.

"Wadda you lookin'at?" he spluttered, Rice Krispies dribbling down his chin as he spoke.

"Your disgusting face, little brother--a face that's perfect for framing a picture of cereal sludge."

Paul responded by flicking his spoon so that the remnants of the milk splashed onto his sister's pale pink dress. Kate's jaw dropped. *That was way out of line.* She had been expecting a verbal insult: Zit face! Dog breath! These were Paul's standard responses. But MILK FLICKING was moving the battle, moving it away from conventional weapons and into the nuclear arena.

Kate thrust her hand into the cereal box and grabbed a handful of Rice Krispies. Paul could see what was going to happen, but with his chair backed up against the wall he was powerless to take evasive action. Kate smashed the cereal into her brothers ginger curls and—before the dust had a chance to settle—she grabbed the cereal bowl and poured the remainder of the contents over his head.

"Snap, Crackle and Pop!' she yelled triumphantly.

Paul shook his head spraying cereal around the room.

Kate's victory was short-lived, for her scream had masked the sound of the opening of the kitchen door. Her mother has witnessed the final act of the battle—indeed some of the Rice Krispies had found their way to Mom's left cheek.

"O my gawd!" screamed her mother.

"Katie Louise—you are so grounded—and I mean no friends, no phone and no Prom. How dare you treat your younger brother like that? *Get up to your room, now!"*

No Prom—she could not be serious!"

"But Mom…."

"No buts…I said go up to your room. *NOW!*"

Red with rage, Katie stormed out of the room. She missed her brother's encore performance, as he stuck out his sludgy tongue at her, which—from Paul's perspective--was probably just as well. Katie wasn't half way up the stairs before Paul's thoughts turned to whom Katie's boyfriend would now take to the Prom. He looked forward to speculating on possible candidates—in front of his sister.

A MARKET ANALYSIS FRAMEWORK FOR BUSINESS DOCTORAL EDUCATION OPPORTUNITIES

Mary F. Calegari, San Jose State University
Robert E. Sibley, San Jose State University
Marlene E. Turner, San Jose State University

ABSTRACT

Doctoral education is entering into a new era characterized by both growing demand and substantial challenges. Consequently, although significant opportunities for increasing the innovation, accessibility, and delivery of doctoral programs exist, those opportunities must be carefully evaluated to enhance the viability and sustainability of the programs. To help address that need, this paper extends the current literature by adapting the classic market analysis model to higher education. Aaker's (2014) dimensions of market analysis are used to develop a strategic framework for identifying opportunities in the doctoral education market. In addition, specific examples of types of data required and their sources are identified for each of the framework dimensions.

INTRODUCTION

Both the popular press and the Association to Advance Collegiate Schools of Business International (AACSB) predict that demand for business doctoral education will increase substantially (e.g., AACSB, 2013; Damast, 2010; The Economist, 2013). Indeed, AACSB (2013) noted that doctoral education is entering a new age filled with significant challenges but substantial opportunities for increasing doctoral program innovation, accessibility, and delivery. Yet, understanding the market for business doctoral education has proven extremely challenging, with few attempts made even to codify a process of analysis for this opportunity. This is especially important given increasing pressure on institutions to develop resources—and to utilize them more effectively—and the concomitant pressures to improve institutional reputation and branding. Since these are largely strategic marketing issues, the authors adapt classic market analysis as a preliminary framework for accomplishing this task.

There is a growing body of literature that adapts business-related marketing concepts to higher education (Kotler & Fox, 1995; Kotler & Levy, 1969a; 1969b; Bugandwa Mungu Akonkwa, 2009). For example, Ma and Todorovic (2011) and Hammond and Webster (2011) explore the concept of market orientation in institutions of higher education. Munteanu, Ceobanu, Bobalca & Anton (2010) apply the idea of customer satisfaction in a university setting.

The purpose of this paper is to develop a market analysis framework to explore strategic opportunities in the doctoral education market. The paper extends the current literature by adapting the classic market analysis model to this facet of higher education. The authors use the following dimensions, as suggested by Aaker (2014), to structure the market analysis framework: 1) emerging submarkets, 2) market and submarket size, 3) market and submarket growth, 4) market profitability, 5) cost structure, 6) distribution systems, 7) market trends, and 8) key success factors. In this paper, the authors first review and discuss the relevant literature and market analysis models. Next, the various dimensions of the proposed market analysis framework are defined and the relevance of the framework to doctoral education is discussed.

Also included are examples of data, and their potential sources, that may be obtained for the various dimensions. Lastly, the authors conclude with a discussion of the advantages and challenges of employing the framework.

LITERATURE REVIEW

Business doctoral program opportunities

The demand for Ph.D. holders has been growing over the past 20 years, largely driven by the increase in the number of university students both internationally and nationally (DeMeyer, 2013), resulting in increased recruitment of faculty with doctorates. DeMeyer (2013) proposes that business doctoral education needs to change to keep up with this increasing demand. DeMeyer points out that there needs to be more diversity and efficiency in the delivery of doctoral education and there will be a growing variety in doctoral program models. This is echoed by AACSB's Doctoral Education Task Force.

The AACSB Doctoral Education Task Force recently performed an in-depth review of business doctoral education, its global trends, and its future needs. The Task Force focused on concerns regarding the purpose of business doctoral education, sustainability of doctoral programs, access to doctoral education, and quality of education. In its report (AACSB, 2013), the Task Force noted that doctoral education is entering a new age that is driven by globalization, technology, and evolving faculty models and identified several challenges and opportunities. Consequently, educational institutions could expand the missions of the doctoral program to serve a broader set of individuals with a wider range of career paths, thus increasing the competencies and employability of doctoral graduates.

New doctoral education models are beginning to emerge, such as the professional doctoral programs, which have been prevalent in Europe and Australia and are now a growing trend in the U.S. (AACSB, 2013; Banerjee & Morley, 2013; Damast, 2010). Thus, two general types of business doctoral programs appear to exist: traditional academic research doctoral degrees and professional doctoral degrees. Traditional academic research doctoral degrees prepare students for careers in academia and are focused on basic research skills required for academic employment. In contrast, professional doctoral programs typically prepare students to continue their careers in industry and are focused on applied research skills useful for those careers (Banerjee & Morley, 2013; DeMeyer, 2013).

It could be argued that this latter development is part of the "rigor versus relevance" debate that dates at least to the reports of the Ford and Carnegie Foundations in the late 1950s leading to major reforms in business education (Gordon & Howell, 1959; Pierson, 1959)—and last raising its head in the marketing literature some twenty-five years ago (cf., AMA Task Force, 1988; Churchill, 1988, Garda, 1988; Hunt, 1988; Webster, 1988; 1992) as well as in Boyer (1990). Indeed, AACSB (AACSB, 2013) as well as the Council of Graduate Schools (2008) note that research, particularly in professional programs, should embrace both rigor *and* relevance. However, understanding the market for these programs and how particular institutions can effectively respond to the doctoral education market is challenging (AACSB, 2013).

With the help of technology, universities can develop innovative delivery models that are able to reach a broader set of individuals both internationally and nationally, as well as facilitate program flexibility and student and faculty mobility. Faculty models are evolving that incorporate engagement with industry and the production of applied research that ties academia to business practice. Finally, to be sustainable, doctoral programs need to explore new financial models that can provide funding from public and private sources. While undoubtedly critical and essential, these “innovation” or “product development” issues associated with reaching these potential new market segments for doctoral business education are executional matters and are beyond the scope of this article, which is to provide a strategic framework for higher education institutions to explore opportunities (if any) in the doctoral programs market. Thus, in order to be positioned to take advantage of these potential opportunities, a university must carefully research the market for any prospective program to ensure its viability and sustainability, especially in light of their own unique configuration of circumstances.

Marketing research in higher education

Kotler and colleagues (Kotler & Fox, 1995; Kotler & Levy, 1969a; 1969b) contended that the scope of marketing (and the marketing concept) should be widened to include higher education as well as other nonbusiness organizations. This resulted in a body of literature that takes marketing concepts initially developed for business organizations and adapts them to higher education. This stream of research continues to grow (Bugandwa Mungu Akonkwa, 2009). Ma and Todorovic (2011) and Hammond and Webster (2011) explore the concept of market orientation in institutions of higher education. Ma and Todorovic (2011) use online surveys to examine the market orientation of universities and its role in aligning internal resources to become more relevant to stakeholders. Using a survey of AACSB member schools, Hammond and Webster (2011) study the magnitude and balance of focus on three markets: students, parents, and employers. Munteanu, Ceobanu, Bobalca & Anton (2010) apply the concept of customer satisfaction in a university setting. The authors use focus groups and surveys of students in a business college to investigate student satisfaction across different programs in the college. Despite these applications to various aspects of higher education, a review of the literature indicates that there appears to be no current studies that examine the applicability of market analysis models to doctoral programs in higher education.

Market analysis framework

To address this gap in the literature, the authors take the classic market analysis framework and adapt it to explore business doctoral education opportunities. The goal of a market analysis is to determine the attractiveness of a market given the strengths and weaknesses of the organization; the strengths and weaknesses of its presumed competitors; and the peculiar dynamics of the industry and its environment. A SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis can be used to monitor the external and internal marketing environment (Kotler & Keller, 2016). Kotler and Keller (2016) suggest that to evaluate opportunities, organizations can use market opportunity analysis to ask the following questions: Can the benefits be articulated convincingly to an identified target market? Can target markets be located and reached cost-effectively? Does the company possess capabilities and resources needed to deliver benefits to customers? Can the firm deliver benefits better than competitors (actual and potential)? Will financial return on investment meet or exceed requirements?

Aaker (2014) indicates that a market analysis builds on analyses of the competitor and customer. The objectives of a market analysis are to determine the attractiveness of a market (or submarket) and to understand the dynamics of the market. Aaker (2014) suggests that the nature and content of an analysis of a market and its submarkets will depend on context but will often include the following dimensions: 1) emerging submarkets, 2) size of market and submarket, 3) growth of market and submarket, 4) profitability of market and submarket, 5) cost structure, 6) distribution systems, 7) market trends, and 8) key success factors. The authors use these eight dimensions to structure the market analysis framework for doctoral program opportunities. Figure 1 below depicts the proposed market analysis framework.

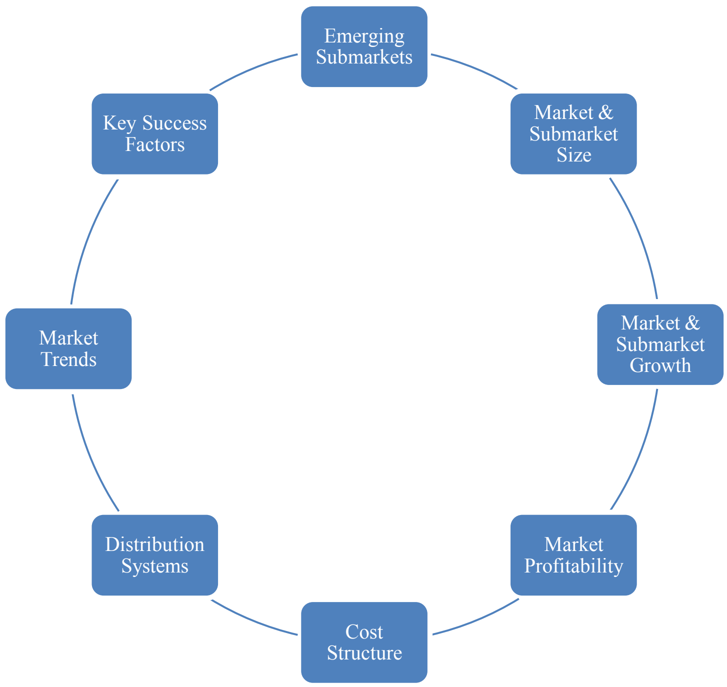


Figure 1: Market Analysis Framework

In the following section, the authors delineate the dimensions of the market analysis framework and discuss how it is relevant to higher education, specifically doctoral business education. The authors include examples of information required, and their sources, for each of the dimensions.

MARKET ANALYSIS FRAMEWORK FOR DOCTORAL PROGRAM OPPORTUNITIES

Table 1 provides a detailed list of types of data and their sources for each of the market analysis dimensions.

Table 1
Relevant Data for Doctoral Program Opportunities Market Analysis Framework

Dimension	Type of Data	Potential Sources
Emerging Submarkets	Types of business doctoral degrees	AACSB; literature review; institution websites
	Current student interviews/survey/focus groups	Data internal to the university
	Alumni interviews/survey/focus groups	Data internal to the university
	Faculty interviews/survey/focus groups	Data internal to the university
	University administrator interviews/survey/focus groups	Data internal to the university
	Employer interviews/survey/focus groups	Data from potential employers (alumni

Table 1 Relevant Data for Doctoral Program Opportunities Market Analysis Framework		
Dimension	**Type of Data**	**Potential Sources**
		may be appropriate)
	Potential students interviews/survey/focus groups	Data internal to the university; other sources include surveys of trade/industry association members, panels obtained from survey organizations, participants recruited from internet sources (if carefully screened)
Market and Submarket Size	Doctoral program applications, offers, entrants	AACSB
	Enrollment statistics for doctoral programs overall and by discipline	AACSB
	Doctoral degrees conferred by degree type and by subfield of study	U.S. Department of Education Integrated Postsecondary Education Data System; National Science Foundation (or equivalent service in specific country)
	Employment sector of U.S. doctoral recipients, overall and by discipline	National Science Foundation (or equivalent service in specific country)
Market and Submarket Growth	Projections of doctoral degree attainment	U.S. Department of Education National Center for Education Statistics (or equivalent service in specific country)
	Projected employment and job openings by major occupational group and educational attainment	U.S. Department of Labor, Bureau of Labor Statistics; State Employment Development Department (or equivalent service in specific country)
Market Profitability: Barriers to Entry	State university system doctoral program approval requirements	State university system policies
	University doctoral program approval requirements	University policies
	Regional accreditation doctoral program requirements	Regional accreditation standards
	AACSB requirements for doctoral programs	AACSB accreditation standards
	Cost structure of doctoral program	University administration; college administration; model doctoral programs
	Availability of resources: faculty, staff, etc.	University administration; college administration
Market Profitability: Substitutes	MBA and specialized master's programs enrollment and degrees conferred	AACSB
Market Profitability: Competition	Characteristics of competitors	AACSB; websites of competitors
Cost Structure	Cost structure of business doctoral degree types: academic; professional	AACSB; Council of Graduate Schools; literature review; institution websites
	Key design issues for doctoral program: program delivery features; curriculum and focus; students; student support and placement; faculty; staff; academic and research support	University; college; model and competitor doctoral programs
	Program structure; governance structure	University; college; model programs
	Financial analysis: projected start-up costs; multi-year budget forecasts	University; college
	Accreditation, legislative, and university/system requirements	Accrediting bodies; state/national legislative policies; university/system rules
	Program delivery structure characteristics:	University; college; model and competitor

Table 1 Relevant Data for Doctoral Program Opportunities Market Analysis Framework		
Dimension	**Type of Data**	**Potential Sources**
Distribution Systems	format; part-time/full-time; time to completion; target employment; students	institution websites
Market Trends	Employer interviews/survey/focus groups	Data from potential employers (alumni may be appropriate)
	Key economic and demographic indicators for targeted market area: current and projected economic indicators	Local/regional/state/national economic development offices/websites
	Projected overall employment of positions requiring doctorates	U.S. Department of Labor, Bureau of Labor Statistics (or equivalent service in specific country)
Key Success Factors	Access to human resources – faculty capacity; staff capacity	University; college; regional accreditation standards; AACSB accreditation standards; faculty/staff interviews, surveys, focus groups; model programs
	Access to financial capital – planning/start-up costs; cost/benefit analysis	University; college; model programs
	Access to infrastructure resources – research and travel; placement; facilities; technology	University; college; model programs

EMERGING SUBMARKETS

Higher education faces increasing pressures to ensure that programs and offerings respond to market needs (Bugandwa Mungu Akonkwa, 2009; Hammond & Webster, 2011; Ma & Todorovic, 2011). Thus, a critical task is the identification of potential submarkets for new programs that are consistent with the organization's mission and competencies. As noted above, two general types of business doctoral programs (and thus market segments) appear to exist: traditional academic research doctoral degrees and professional doctoral degrees. Within each of these two general types, of course, are embedded disciplinary specializations such as accounting, finance, management, marketing, and so on, which represent further market segments. However, understanding the market for each is challenging and institutions must examine the suitability of potential segments for their own situations.

Developing an understanding of submarkets involves at least three steps (Aaker, 2014; Kotler & Keller, 2016; Kotler & Fox, 1995). First, it requires the detection of submarkets and the understanding of their critical defining characteristics. Identifying market segments for business doctoral education programs is challenging because data directly assessing submarkets is often difficult to obtain. Further, traditional methods for segmenting consumer markets via descriptive characteristics (such as using demographics, psychographics, and geographics) and via behavioral attributions (such as consumer responses to benefits, usage, or brands) can be challenging to apply to educational settings (see Kotler & Keller, 2016; Kotler & Fox, 1995). Often, indirect measures of market segments, and the associated demand for those segments, must be inferred from a variety of sources.

Particularly useful are data collected and reports issued by accrediting agencies such as AACSB. Potential data include measures of doctoral program applications, offers of admission, enrollments, degrees granted, and placements (although data segmented by academic vs. professional programs are currently not available). Measures of applications can be operationalized as the total number of applications to business doctoral programs overall as well as the number of applications by business discipline such as marketing, management, finance, accounting, and so forth. Similar operationalizations can be used for numbers of admission offers, enrollments, and degrees granted. Placement is typically operationalized as post-graduation employment. These data can often be obtained from program websites. The National Science Foundation (NSF) also surveys graduate students regarding their post-graduation plans. Indicators of market segments may also be deduced from reviews of both the scholarly and popular press literatures. Counts of the numbers of articles in both the scholarly and popular press outlets, particularly over time, can provide some insights. Usage of impact factors for scholarly outlets may also be of some use.

Second, an analysis of the suitability of submarkets for the organization is necessary. This includes a realistic examination of the organization's capabilities, resources, challenges, and strengths. For academic organizations, the willingness of both faculty and administrators to undertake doctoral education is a critical characteristic. Faculty surveys and focus groups can provide valuable insights into those issues. Questions should gauge interest in participating in doctoral programs (either academic or professional), suitability of doctoral programs for the institution, as well as prior experience in participating in doctoral programs (both teaching and research experience should be assessed). In addition, for colleges considering developing business doctoral programs, AACSB standards for faculty qualifications and sufficiency are especially relevant, as these are typically substantially higher than the minimum required for undergraduate and even MBA programs. Assessments of faculty research productivity and professional activities should be done to ensure that AACSB standards can be met. These measures will be particularly important in helping determine the submarket (professional vs. academic) as well as the specific disciplinary focus of the potential program. Similarly, regional accrediting agencies often have standards and requirements relevant to doctoral education (e.g., funding for travel, etc.). States may also have unique requirements that must be investigated. For example, California only allows certain state-funded institutions to offer stand-alone doctoral programs; other state-funded institutions must partner with universities located in the state in order to offer doctoral programs. Each of these requirements must be carefully investigated and the organization's ability to meet these requirements must be examined and assessed.

Third and finally, if creating programs for a submarket appears viable, the organization's programs must be created or adapted to be relevant to the appropriate submarket. Aaker (2014) pinpoints two conditions of relevance. The first is a perceived need (by customers or in this case, students and potential employers) for a submarket. More precisely, Aaker (2014, p. 57) defines this as "a perceived need or desire by customers for a submarket defined by some combination of an attribute set, an application, a user group, or other distinguishing characteristic." The second condition for relevance is that the brand (or in this case, the educational program) needs to be part of the evoked set that customers consider in satisfying the need (or desire) previously identified.

Market research strategies can help assess these factors. Surveys and focus groups assessing interest in doctoral education can be useful. Questions should assess interest in pursuing a doctorate, expectations regarding tuition payment vs. remission, interest in subdisciplines, program characteristics (i.e., expected length of program, full-time vs. part-time enrollment preferences, tuition expectations), work experience, and career goals. The latter is especially important in assessing the potential viability of professional vs. academic programs. Depending on the nature of the student body at the institution, current students may be a viable subsample. For example, if a professional program is under consideration, students who are working professionals can be a valuable source of data. Potential students' interest can also be assessed via similar surveys and focus groups. Sources of potential students include trade/industry association members of various subdisciplines, panels of respondents obtained from survey organizations, and participants recruited from Mechanical Turk or Task Rabbit (if carefully screened). Insights from potential employers are especially valuable and can be obtained through interviews, surveys, and/or focus groups, depending on the institution's resources and also the characteristics of the sample (see Kotler & Keller, 2016 for a discussion).

For potential academic doctoral programs, opinions from appropriate faculty and administrators from institutions that might employ graduates are critical. Measures should include likelihood of employing graduates of the program, predictions of program quality, and predictions about the quality of future students. For potential professional doctoral programs, prospective employers' attitudes and interest should be assessed. Measures should include perceived likelihood of hiring program graduates, expectations regarding future employment needs for doctoral program graduates, and, if possible, perceptions of the general market for doctoral program graduates. To assess market perceptions, respondents with significant and varied industry experience are suitable (C-level and vice president level executives are desirable). Importantly, respondents should be subject matter experts in the subdisciplines under consideration. Again, depending on their characteristics, alumni may be potentially useful informants.

Market and submarket size

The size of the market or submarket for products can be evaluated based on present sales and on potential sales if the use of the product were expanded. For educational institutions and doctoral programs in particular, market size can be assessed, as discussed in the previous section, by examining potential students as well as applications and admissions trends. While larger markets have traditionally been held to be preferable, more recent research (cf. Anderson, 2006) suggests that smaller, niche businesses may be more economically viable than previously thought. Thus, market segmentation and niche strategies must be carefully assessed to ensure that market size and demand can support organizational program resource requirements.

Actual market size also can be gauged through a variety of characteristics of programs. Measures include 1) number of doctoral programs in existence and disciplines offered, 2) program enrollments (both overall and by discipline), 3) applications, admissions offers, and entrants, 4) degrees granted, and 5) post-graduation employment status. Both AACSB (for United States and international program data) and the National Science Foundation (for United States program data and graduate employment status) are viable sources. The United States (U.S.) Department of Education National Center for Educational Statistics and the Integrated Postsecondary Education Data System can also provide data on the number of degrees conferred overall and by sub-discipline.

Market and submarket growth

Once market/submarket size has been estimated, the next step is to determine market/submarket growth. Analogous to the size argument above, it was traditionally assumed that faster growth was better, but difficulties in acquiring or managing resources and competing with larger or stronger competitors has caused practitioners to consider more thoroughly the possibility of succeeding in markets that sport lower growth rates but are much less competitive. A simple means of forecasting the market growth rate is to extrapolate historical data into the future. While this method may provide a first-order estimate, it does not predict important turning points. A better method is to study growth drivers such as demographic information and growth in complementary offerings. Such drivers serve as leading indicators that are often more accurate than simply extrapolating historical data.

In addition to extrapolating admissions and enrollment trends, projected market size and growth can be assessed by examining several measures of employment growth and projected degree attainment. The Bureau of Labor Statistics (BLS) is a valuable source of information pertaining to projected employment growth by job category and by educational attainment. For example, both current and projected doctoral employment in 2022 can be obtained for all occupations and for various employment classifications. Classifications relevant to business doctoral programs include business and financial operations; management, and computer and mathematical employment. Data are also available for more targeted occupations within each classification. For example, the management classification includes specific projections for marketing managers, financial managers, human resource managers, information systems managers, and so forth. Similar more fine-grained analyses are available for each employment classification. Projected doctoral degree attainment statistics (degrees expected to be earned) in the United States can be obtained from the U.S. Department of Education National Center for Education Statistics. State and local governments also frequently have their own employment forecasts that can be useful, depending on the market segmentation strategy selected. For example, California provides employment projections for the state similar to those provided by the BLS for the United States.

Market profitability

Potential viability is a key determinant of the decision to create new educational programs (see also Kotler & Fox, 1995). With increasing pressures to develop feasible programs, institutions are often concerned that new programs be at least self-sustaining or even potentially profitable. Porter's five forces model identifies five factors that influence market profitability: buyer power; supplier power; barriers to entry; threat of substitute products; and rivalry among firms in the industry (Porter, 1985). Using this model to assess the potential viability of doctoral programs can provide important insights.

Buyer power is perceived as being high when the customer’s purchase size is a large proportion of the business and prices and demand can be affected. Buyer power (in doctoral education) can be assessed by examining the gap between the numbers of applications, offers of admissions, and acceptances (via AACSB data discussed above). Typically, buyer power is low in doctoral programs since the number of acceptances is normally significantly smaller than the number of applications and price often cannot be influenced. Supplier power is viewed as high when switching costs are high and prices can be influenced. In doctoral programs, supplier power typically is high due to prohibitive switching costs and uniqueness of programs and offerings. Barriers to entry include regional and discipline-based accrediting agency requirements, governmental regulations, and estimations of the resources required to start, implement, and maintain the program, such as faculty costs and infrastructure costs (research, technology, student support, etc.). For doctoral programs, substitutes include other graduate programs such as MBA and specialized master’s degrees. Data on the number of programs, enrollments, and degrees conferred both for MBA programs and for specialized business master's degree programs can be obtained from accrediting agencies such as AACSB (United States and international data). Governmental agencies such as National Science Foundation (United States data) and the National Center for Educational Statistics (United States data) also provide degree attainment data. Current and projected master's employment data are also available from the United States BLS.

Assessing the competition is an especially critical aspect of investigating the potential viability of the market or submarket (Kotler & Fox, 1995). Current and planned business doctoral programs of potential competitors should be carefully examined to identify areas of overlap and uniqueness. The number and range of competitors to be assessed will depend on the planned focus of the program. For example, a university hoping for an international reach would need to examine both domestic and international competitors, whereas a university focusing on regional needs may only need to examine local competitors.

The following characteristics of competitor programs should be considered: 1) type of program (academic/professional) and disciplines offered (e.g., marketing, management, etc.); 2) part-time vs. full-time; 3) tuition costs and financial support (tuition remission or student self-funded); 4) accreditor; 5) admissions requirements (prior degrees, test scores, GPA); 6) size (number of students, number of faculty, number of support staff); and 7) curriculum (courses, research requirements, internships, etc.). Also important is an understanding of program quality and institutional reputation. Although flawed as measures, university rankings may provide some insights. Placement of graduates (e.g., faculty positions, post-doctoral fellowships, and industry positions), and achievements of faculty (measures of research productivity such as numbers of publications and measures of journal quality such as impact factor, acceptance rate, editorial board quality, and review process) may also serve as indicators.

Cost structure

In terms of cost structures, the academic and professional business doctoral programs require different value chains (Porter, 1985). An academic doctoral program is usually an "outbound" model, where the institution attracts doctoral students by virtue of its reputation and/or the reputations of its faculty and then sends them out to populate other academic institutions as teachers and researchers. A professional doctoral program, however, may be frequently an "inbound" model, where practitioners want to develop career-relevant advanced applied research skills and then either seek an entrée into a business community (e.g., Silicon Valley); or to return to their current companies. The academic program requires an extensive investment in senior faculty with substantial academic reputations. The professional program requires investment both in faculty who are highly credible with both the business and the academic communities and, likely, in student placement infrastructure, as well (for students seeking an entrée into a business community).

The AACSB Doctoral Education Task Force (2013, p. 28) identified several costs associated with doctoral education: 1) cost and number of student stipends being offered; 2) faculty costs for teaching doctoral courses or seminars; 3) administrative costs for staff support of the program (including admissions, advising, and enrollment management); 4) administrative costs for director of doctoral program; 5) technology expenses; 6) travel expenses for faculty and students; 7) costs to acquire and/or maintain reference materials, subscriptions to journals, and data sets (see also Council of Graduate Schools, 2005; 2008 for additional perspectives on the costs of doctoral education).

Many of these costs will be dependent upon the type of doctoral degree selected (academic versus professional) and key design issues such as: curriculum and focus; program delivery features (which will be discussed further in the next section); type of students desired; the importance of the student placement infrastructure; faculty abilities, skills, and professional circles required; and idiosyncratic legal, state, or university system requirements (for example, an institution in the authors' university system wishing to offer a doctoral program must have an in-state university partner institution from outside the system).

These costs will, of course, also vary substantially depending on the specific characteristics of the institution/system as well as regional/local economic conditions such as cost of housing (which would impact the amount of graduate student support needed), etc. Data on these costs may be gleaned from college or university financial information systems, system-wide or state legal resources, and model doctoral programs already implemented. A thorough financial analysis should be performed to estimate start-up costs and pro-forma multi-year budget forecasts. These data should be generated from college and university sources. If possible, they should be based in part on the experiences of the model and competitor doctoral programs.

Distribution systems

Business doctoral programs have traditionally been delivered in a residential, central-site (i.e., "on-campus") environment. This is how most institutions are structured today and this "distribution channel" is still a viable alternative for both types of business doctoral programs. When well crafted, such programs can produce highly qualified graduates who make substantive contributions to their disciplines and professions and can enhance the institution's reputation. As discussed above, these programs can require significant investments in infrastructure (AACSB, 2013; Council of Graduate Schools, 2005; 2008).

However, the same technology that has impacted so many commercial industries is making inroads in academia, as well. Campuses are already experimenting with "virtual" classrooms through various modalities of online instruction—including some that attempt to blend the on-site and online approaches into hybrid instructional approaches. These approaches are also being adapted to doctoral programs. Clearly, the benefits and challenges of each approach must be carefully evaluated in light of the institution's mission and competencies. Research has, not surprisingly, identified both advantages and disadvantages of each delivery model (Henriksen et al., 2014; King & Alperstein, 2015; Preston, 2014).

For example, on the plus side, online instruction permits theoretically extremely large class sizes made up of students from all over the world—and the concomitant tuition and fees—without having to build and maintain a robust campus physical infrastructure (including housing and entertainment for the traditional residential student). Many students could be served who could never possibly travel to and reside at the school's physical location. Moreover, an online or hybrid program could make it possible for nontraditional students such as working professionals to matriculate, an outcome especially important for professional business doctoral programs (AACSB, 2013). On the minus side, the skills required to be a strong online instructor may be quite different from those pedagogical skills that the institution's faculty currently possess. Faculty may indeed feel that they need further development in these skills, even when students evaluate the teaching favorably (Kumar & Dawson, 2014). Moreover, some studies question the value added that students receive in online instruction versus traditional in-class modalities (e.g., Fortune, Shifflett, & Sibley, 2006; Harris & Parrish, 2006). Other challenges include the need to maintain a potentially costly technological infrastructure capable of supporting online teaching, mentoring, providing feedback, and developing a doctoral program culture (Kumar & Dawson, 2014; Kumar, Johnson, & Hardemon, 2013). If the institution brings in significant revenue in the short-term and destroys its name and reputation in the longer term, it may be a Faustian bargain. Thus, both the advantages and disadvantages of each delivery model for the potential doctoral program must be evaluated in light of the institution's goals and capabilities.

Moreover, there are other "distribution" considerations, particularly with regards to the student target market. Does the institution wish to appeal to part-time or full-time students? What type of students (e.g., international versus domestic; academic versus professional)? How much time to degree completion is right for the target students? (This requires explicitly balancing students' desires not to invest more time and money than necessary versus making sure students are properly educated for their desired employment.) What *is* their desired employment? The decisions likely will be made at the college and university level. The types of student data and potential measures have been discussed above. Data regarding university capabilities and preferences may be acquired from internal sources. An assessment of the status of technology at the institution is clearly critical. Assessments should include evaluations of the quality and suitability of technology to the model chosen. For hybrid or distance learning models, assessments should include measures of the current state of technology infrastructure (e.g., learning management systems, robust internet capabilities, etc.), pedagogical support (e.g., instructional designers, instructional assistance), and technical support (e.g., technicians, troubleshooting, etc.). Data regarding faculty technological capabilities may be assessed through evaluations of technology usage (e.g., usage statistics for learning management systems) as well as faculty surveys or interviews (questions should include familiarity with technology, perceived expertise, perceived need for additional training, as well as attitudes toward the technology and its appropriate role in doctoral education). Similarly, administrator preferences should also be evaluated via surveys or interviews. Measures should include assessments of willingness to support technology-enabled doctoral education and readiness to provide financial resources for such programs. As discussed previously, comparison data on program structure may be obtained from model programs and competitive institution websites. Insights into the use of technology to deliver the programs can also be obtained from these sites.

Market trends

Attempting to gauge market and submarket trends requires considering the market from several points of view and gathering data from each. As discussed above, projections of doctoral employment in both education and industry available from the BLS may provide useful insights. Similarly, program data including applications, offers of admissions, number of enrollments, and degrees attained from AACSB, NSF, and the U. S. Department of Education may be helpful. Likewise, data from potential employers, also discussed above, can provide insight into how—or the degree to which—the employer community is moving toward the adoption of doctoral degrees as requirements for certain corporate positions. However, it is important to recognize that predictions of trends may have several limitations, including difficulties in predicting long-range trends and forecasting single events (Kotler & Fox, 1995). Thus, additional data are useful to help augment estimations of market trends.

More broadly, data from the economic and demographic environments may be useful in pointing out future trends in doctoral (especially professional doctoral) education programs. State government departments are likely to be good sources of information. Specific examples of information on key economic and demographic indicators for the targeted market area are: current and projected economic indicators (i.e., personal income, wage/salary employment, unemployment); projections of population stratified by age; current and projected labor force and employment; and industry and occupational employment projections. Governmental institutions can often be good sources of this data. For example, in California, this information can be obtained from the State Legislative Analyst's Office, the State Department of Finance Demographic Research Unit, and the State Employment Development Department.

Key success factors

Key success factors are the assets and competencies that provide the basis for the institution to compete successfully in the identified market or submarket (Aaker, 2014). Typical examples of key success factors relevant to business doctoral education include: 1) access to human resources; 2) access to financial capital; and 3) access to infrastructure resources. It is important to consider that key success factors may change over time and, in particular, as the market progresses through the stages of the product life cycle.

First, access to human resources pertains to faculty and staff capacity. Faculty capacity can be measured through research productivity and impact, professional activities, and experience in teaching and advising in doctoral programs. Potential useful data can be obtained through review of faculty vitae, faculty interviews, surveys, and focus groups as discussed in the Emerging Submarkets section. Staff capacity to support an additional doctoral program can be evaluated through analysis of university and college resources. Along with capacity, faculty and staff must be willing, of course, to implement such a program. As discussed previously, measures of these preferences can be obtained via surveys, interviews, and focus groups.

Clearly, the motivation and the ability to implement and execute an organizational change such as a doctoral program are critical factors and need to be considered carefully. Academic institutions, like other types of organizations, vary in their willingness and capability to implement organizational change (Kezar, 2013). Indeed, organizational change is a particular challenge, even to organizations typically viewed as nimble and innovative (Kant, Kutcher, Mahdavian, & Sprague, 2015; Kanter, 2003; Kotter, 1996). Although beyond the scope of this paper, Kezar (2013) provides an extremely useful overview of this literature as applied to academic organizations.

Second, access to financial capital relates to the institution's ability to obtain financial resources to plan, implement, maintain, and possibly expand the doctoral program. Data can be obtained from the university and college financial reporting system and from model programs to perform cost/benefit analyses and analyses of start-up and maintenance costs.

Third, access to infrastructure resources includes: research and travel support; library resources; research software (statistical, etc.); placement support; physical facilities (teaching, research, meeting, and office spaces); and technology. Technology resources incorporate routine technology (such as computers, software, internet access, etc.) and pedagogical technology (such as learning management systems, distance learning technology, etc.).

The key success factors for the different business doctoral program markets largely overlap; however they will have some differences (AACSB, 2013; Council of Graduate Schools, 2005; 2008). For the traditional academic doctoral program, there is a long established and steady—though perhaps not growing (cf. AACSB, 2013)—demand for newly-minted business Ph.D.s in institutions of higher education. In product life cycle terms, this is a market in maturity. In terms of human resource capacity, access to high quality faculty with outstanding research-driven reputations is an important success factor. This type of business doctoral program is not likely to generate steady incremental revenue, but may generate some net extra revenue in terms of contracts and research grants. The incremental investment may or may not be substantial depending on the level at which the considering institution wishes to compete. However, it is likely to require investment of financial capital to both start and support program infrastructure. For example, the faculty needed for this type of program are not only relatively expensive to hire, but they also require both physical and financial infrastructure to support their research and they will likely need to have teaching assignments that enable them to have the time to pursue their research interests. Thus, infrastructure capacity is also an important consideration.

For an institution interested in pursuing the professional business doctoral program, this submarket is in the introductory stage. Indeed, one of the primary questions to consider is whether the professional doctoral degree is an emerging submarket or is it a fad? Demand from both customers (potential students) and the companies that would hire these students is still low and uncertain (relative to academic doctoral degrees). In terms of human resource capacity, faculty who have strong credibility both in academia and in the business world are a critical component. These programs therefore may require significant investment in faculty resources (e.g., hiring new faculty or training faculty to meet these expectations and providing the appropriate reward structure). With respect to financial capacity, this type of program may generate incremental revenue, particularly if tuition is paid by the students. However, access to the financial capital needed to start and maintain the program is also important.

The infrastructure success factors may differ somewhat in emphasis from those required for an academic program. Because this type of program often emphasizes extremely applied research, resources such as access to “real world” data and professional networks fostering that type of research are critical. If the program is delivered via online or using a hybrid format, robust technology supporting those delivery mechanisms is critical. Thus, in the case of both the academic and professional doctoral markets, there is an option to access a new distribution channel that might enable economies of scale that are not available to the traditional on-campus distribution channel, but the time and technology investment required—and the customer response—is, as yet, uncertain and needs to be considered as an important factor in any potential program.

CONCLUSION

Doctoral education is entering into a new age filled with substantial opportunities for increasing doctoral program innovation, accessibility, and delivery. In order to take advantage of these opportunities, an understanding of the market for business doctoral education is key; however, this has proven to be extremely challenging. The paper extends the current literature by adapting the classic market analysis model to higher education and providing institutions with a strategic framework to gauge potential opportunities in the doctoral education “market.” The authors develop a market analysis framework for business doctoral education opportunities using the following market analysis dimensions suggested by Aaker (2014): 1) emerging submarkets, 2) market and submarket size, 3) market and submarket growth, 4) market profitability, 5) cost structure, 6) distribution systems, 7) market trends, and 8) key success factors. The authors include examples of data, and potential sources of the data, that can be obtained for the various dimensions.

Use of this market analysis framework has a number of advantages. First, it provides a codified, organized process and structure for the evaluation of market opportunities. Second, it presents a well-differentiated picture of the current market and future market trends. Third, the framework identifies potential sources of relevant data. Finally, it clarifies resource needs for the assessment of possible program offerings.

The framework is not without challenges. Most critically, it must be closely adapted to the mission, goals, strategies, and needs of the particular institution. Consequently, sources of data will often be unique to the institution's context. In addition, development of a market analysis requires that the institution devote resources to that analysis, including resources for data collection, analysis, and interpretation. Moreover, should a doctoral program be potentially viable, resources must be allocated to generating buy-in and to starting and implementing the program. From a tactical implementation standpoint, it is likely that academic institutions would face both innovation and what might be termed new product development issues—the severity of which will vary based on the capabilities of the organization (Kezar, 2013). Bringing the organizational change literature (e.g., Kanter, 2003; Kotter, 1996) to bear on these implementation issues would help institutions who identify strategic opportunities in the doctoral education market to realize those opportunities. However, use of this framework will help institutions develop a fine-grained perspective on the appropriateness of doctoral programs for their universities and allow them to better serve their important stakeholders – a primary concern of higher education.

REFERENCES

Aaker, D. A. (2014). *Strategic market management (Tenth Edition)*. Hoboken, NJ: John Wiley & Sons.

American Marketing Association Task Force. (1988). Developing, disseminating, and utilizing marketing knowledge. *Journal of Marketing, 52*(4), 1-25.

Anderson, C. (2006). *The long tail*. New York: Hyperion.

Association to Advance Collegiate Schools of Business International Doctoral Education Task Force. (2013). *The promise of business doctoral education: Setting the pace for innovation, sustainability, relevance, and quality*. Tampa, FL: Author.

Banerjee, S., & Morley, C. (2013). Professional doctorates in management: Toward a practice-based approach to doctoral education. *Academy of Management Learning & Education*, *12*(2), 173-193.

Boyer, E. (1990). *Scholarship revisited: Priorities of the professoriate*. Carnegie Foundation for the Advancement of Learning: Princeton, NJ, 1-41.

Bugandwa Mungu Akonkwa, D. (2009). Is market orientation a relevant strategy for higher education institutions? Context analysis and research agenda. *International Journal of Quality and Service Sciences, 1*(3), 311-333.

Churchill, G. A., Jr. (1988). Comments on the AMA Task Force study. *Journal of Marketing, 52*(4), 26-31.

Council of Graduate Schools. (2005). *The Doctor of Philosophy degree: A policy statement.* Washington, D.C.: Author.

Council of Graduate Schools. (2008). *Task force report on the professional doctorate*. Washington, D.C: Author.

Damast, A. (2010). PhD programs for executives gain traction. *Bloomberg Businessweek.* Retrieved from http://www.businessweek.com/bschools/content/aug2010/bs20100816_081076.htm#p2.

DeMeyer, A. (2013). The future of doctoral education in business administration. *Journal of Management Development*, *32*(5), 477-486.

Fortune, M. F., Shifflett, B. & Sibley, R. E. (2006). A comparison of online (high tech) and traditional (high touch) learning in business communication courses in Silicon Valley. *Journal of Education for Business, 81*(4), 210-214.

The Economist. (2013). Executive PhDs: Call me a doctor. *The Economist*. Retrieved from: http://www.economist.com/whichmba/executive-phds-call-me-doctor.

Garda, R. A. (1988). Comments on the AMA Task Force study. *Journal of Marketing, 52*(4), 32-41.

Gordon, R. A. & Howell, J. E. (1959). *Higher education in business.* New York: Columbia University Press.

Hammond, K. L. & Webster, R. L. (2011). Market focus in AACSB member schools: An empirical examination of market orientation balance and business school performance. *Academy of Marketing Studies Journal, 15*(1), 11-22.

Harris, D. M. & Parrish, D. E. (2006). The art of online teaching: Online instruction versus in-class instruction. *Journal of Technology in Human Services, 24*(2/3), 105-117.

Henriksen, D., Mishra, P., Greenhow, C., Cain, W., & Roseth, C. (2014). Innovation in the hybrid/online doctoral program at Michigan State University. *TechTrends*, *58*(4), 45.

Hunt, S. D. (1988). Comments on the AMA Task Force study. *Journal of Marketing, 52*(4), 42-47.

Kant, R., Kutcher, E. Mahdavian, M., & Sprague, K. (2015). Grow fast or die slow: Pivoting beyond the core. Retrieved April 21, 2015 from McKinsey & Company website: http://www.mckinsey.com/insights/high_tech_telecoms_internet/grow_fast_or_die_slow_pivoting_beyond_the_core

Kanter, R. M. (2003). *Challenge of organizational change: How companies experience it and leaders guide it*. New York: Free Press.

Kezar, A. (2013). *How colleges change: Understanding, leading, and enacting change*. New York: Routledge.

King, E. & Alperstein, N. (2015). *Best practices in online program development: Teaching and learning in higher education*. New York: Routledge.

Kotter, J. P. (1996). *Leading change*. Boston: Harvard Business School Press.

Kotler, P. & Fox, K. F. A. (1995). *Strategic marketing for educational institutions (Second Edition).* Englewood Cliffs, NJ: Prentice-Hall.

Kotler, P. & Keller, K. L. (2016). *Marketing management (Fifteenth Edition*). New Jersey: Pearson Education, Inc.

Kotler, P. & Levy, S. J. (1969a). Broadening the concept of marketing. *Journal of Marketing, 33*(January), 10-15.

Kotler, P. & Levy, S. J. (1969b). A new form of marketing myopia: Rejoinder to Professor Luck. *Journal of Marketing, 33*(July), 55-57.

Kumar, S., & Dawson, K. (2012). Theory to practice: Implementation and initial impact of an online doctoral program. *Online Journal of Distance Learning Administration*, *15*(1), n1.

Kumar, S., Johnson, M., & Hardemon, T. (2013). Dissertations at a distance: Students' perceptions of online mentoring in a doctoral program. *International Journal of E-Learning & Distance Education*, *27*(1).

Ma, J. & Todorovic, Z. (2011). Making universities relevant: Market orientation as a dynamic capability within institutions of higher learning. *Academy of Marketing Studies Journal, 15*(2), 1-15.

Munteanu, C., Ceobanu, C., Bobalca, C., & Anton, O. (2010). An analysis of customer satisfaction in higher education context. *International Journal of Public Sector Management, 23*(2), 124-140.

Pierson, F. C. (1959). *The education of American businessmen.* New York: McGraw-Hill Book Company.

Porter, M. E. (1985). *Competitive advantage.* New York: The Free Press.

Preston, J. C. (2014). Online doctoral programs: Can they produce the business scientists and leaders needed for the 21st century? *International Journal of Leadership and Change*, *2*(1), Article 5.

Webster, F. E., Jr. (1988). Comments on the AMA Task Force study. *Journal of Marketing, 52*(4), 48-51.

Webster, F. E., Jr. (1992). The changing role of marketing in the corporation. *Journal of Marketing, 56* (4), 1-17.

SEGMENTING LOCAL FINANCIAL SERVICE MARKETS: BALANCING AN INDEPENDENT IMAGE WITH THE NEED FOR MORE BUSINESS

Ronald L. Coulter, Missouri State University
R. Stephen Parker, Missouri State University
Christina S. Simmers, Missouri State University
Christopher A. Ellis, Missouri State University

ABSTRACT

Deregulation in the financial services industry has had a significant impact on the firms providing services to consumers. Increased competition has forced many traditional firms to find new ways to compete. Other firms, such as CPAs, have often been slower to accept the use of marketing techniques and have seen some of their markets erode. Accounting firms have observed that tax preparation services take a larger share of their basic tax preparation markets, while major retailers offering one-stop shopping for financial services have gained some of CPAs' more lucrative financial service customers. This article offers a methodology to examine the financial market segments that may be revealed in a regional market, using service provider images and demographics to profile consumer differences.

KEYWORDS: Segmenting; CPA; regional market; financial services

INTRODUCTION

Deregulation of the financial services industry has created a significant interest in marketing applications designed for service industries. Many firms have attempted to compete in the open market by offering more financial products/services to customers without adequately examining the true needs of the marketplace. Banks, savings and loans, accounting firms, insurance companies, financial planners, attorneys, and even traditional retailers have foraged into the open market attempting to be all things to all people. This new competitive climate has forced many traditional financial service industry players to reassess their views toward marketing.

The purpose of the present research is to develop a methodology to examine potential financial service attribute segments for tax and accounting services in regional markets. As financial service providers attempt to redefine their businesses and to compete in a deregulated and intensely competitive environment, they will need to be even more efficient and effective in the identification and targeting of profitable market segments for the different types of services they offer. The present research will first identify segments of financial service users based upon the perceived importance of relevant service/convenience dimensions. The identified user groups will then be profiled with respect to relevant attitude dimensions toward selected providers of financial service offerings.

LITERATURE REVIEW

Marketing applications in the financial services industry

Since deregulation has impacted the financial services industry, the literature has exhibited a marked increase in material relating to the need for, and potential applications of, marketing activities.

Only in recent years have the marketing techniques attracted the attention of the accounting/tax profession. The American Institute of Certified Public Accounting (AICPA) is widely recognized as the organization which sets professional standards in the field of accounting. Prior to 1978 the AICPA had set very strict guidelines for how accounting firms were allowed to promote themselves. However, these guidelines became the focus of several lawsuits involving the Federal Trade Commission. The result of these suits was that the AICPA relaxed its guidelines regarding advertising/promotion and other marketing activities performed by CPA firms. Indeed, in 1998 the AICPA published suggested guidelines along with ideas for attracting and retaining clients (Barr & McNeilly, 2003). This change in policy is important, as prior to 1985, articles relating to the use of marketing in the field of accounting discussed client communications (Bledsoe, 1980), client respect (Schintzel, 1974), and the slow introduction of the term "marketing" as a useful concept due to the effects of deregulation (Denney, 1982). This is consistent with the conservative nature of CPA firms. The concept of marketing for accounting firms was not vigorously accepted, as subsequent articles discussed "auditing" of the firm's performance with its clients (Wheatley, 1983; Axline, 1984) in an apparent attempt to make the subject more palatable. By the mid-1980s, issues of accountants providing additional services for their clients (Aquila, 1984; Wantuck, 1984; Hermann, 1987), and "how to advertise" articles for accounting firms (Smith & Achorn, 1985; Stigge, 1987) were appearing in the literature. These issues were a reaction to new competitors taking away traditional CPA firm clients. Recent articles have stressed the importance of public relations work to increase business referrals (Heightchew, 1987; Wheiler, 1987), the use of sales training for accountants in the field (Burrows, 1986; George & Wheiler, 1986; Levinson, 1987), and the use of strategic marketing plans to integrate all of the firm's marketing efforts (Helgeson & Birrer, 1986; Manassero, 1987). A strong image theme, dealing with professionalism and credibility, has remained prevalent in the accounting literature (Wood and Bull, 1978, Carter et al., 1980, Keane, 1980, Denny, 1982, Axline, 1984, Bloom, 1984). CPAs have recognized the importance of marketing (Ellingson et al. 2002), their limited marketing experience and, therefore, are beginning to employ full-time marketing specialists (Ellingson et al. 2001).

Wolosky (2008, p.32) notes that "… tax professionals may be seen as 'just numbers' people by their clients, whereas financial planners are typically expected to be more holistic advisors." If this is the typical view of CPAs, the firm should consider the need to change clients' views through the use of a well-developed marketing program. McCracken (1990) notes that CPA firms have begun to realize that the use of various forms of public relations can make the firm appear to have a particular expertise and thereby help in building a more professional image. McCracken suggests that this can be done through the use of newsletters to stay in contact with current clients, and the use of direct-mail marketing can serve as a way of reaching new clients at a very low cost to the firm. Traditionally, CPAs have used print advertisements in yellow pages, newspapers, brochures and church bulletins. However, more recently are viewing the internet as a viable source of connecting with clients (Heischmidt et al. 2002, Ellingson et al. 2001). Lombardo (2006) reports that CPA firms consider the use of flyers, brochures, yellow pages (online as well as print), radio and print ads, and web sites. In short, Lombardo is advocating the use of a fully-developed marketing campaign. The reasoning for this expense is quite clear. Lombardo (2006, p. 24) quotes Edmond Russ, partner and chief marketing and sales officer of Grant Thornton, as saying, "… the bottom line is people don't do business with people they've never heard of." Myers (2006) also suggests that direct mail, internet marketing, and telemarketing are successful tools to reach an identified market. Myers (2006, p. 57) further points out that while "marketing can be expensive … it's less costly than failure." While marketing programs can be quite costly, it appears that on average CPA firms are spending approximately 2% – 4% of net revenue on marketing programs (Caragher, 2008). However, there still appears to be a great deal of uncertainty as to which forms of promotion work best for CPA firms.

Blogs are among the more innovative marketing techniques suggested for CPA firms to use as a method of reaching a large number of potential clients. Anders (2007) indicates that while blogs require constant attention and upkeep they are effective in helping to develop a firm's reputation and showing that the firm is knowledgeable about current issues facing potential clients. The blog allows potential clients to get immediate news and information on specific topics of interest.

It is also interesting to examine who is likely to be willing to use marketing techniques in an effort to promote a CPA firm. Markham, Cangelosi, & Carson (2005) conducted a study using 600 randomly selected CPAs. The response rate for this study was 21.6% or 130 usable responses. The results of this study indicated that only six of the respondents had been asked to perform any type of marketing activity while 123 had performed no marketing activities. The results further showed that males were more likely to advertise than females and that those accountants who did advertise had ten or fewer years in the accounting field. For those who did have experience in marketing activities, direct mail was ranked as the most important medium, followed by newspapers, magazines, internet ads, television, and radio. It was concluded that as older accountants retire and are replaced by younger professionals, the use of advertising and marketing may well become more commonplace in the accounting field. It does appear that the use of marketing tools is becoming more widely accepted by CPA firms as a tool to make themselves known and as a method for attracting new clients. The accounting and tax services industry may well be evolving.

Few empirical studies of market segmentation for tax and accounting services are known to exist. The present study will explore this area.

Segmentation efforts by traditional industry service providers

Much of the more recent segmentation work done in the financial services industry has been directed toward the identification of the affluent customer segment (Liebtag, 1986, Piontek,, 1987). This direction is extremely logical given the potential levels of profitability associated with such a segment (Guiltman & Donnelly, 1982; O'Brien, 1982; Walsh, 1983). Stanley et. al., (1987) identified seven sub-segments within the affluent segment by using self-reported data on actual financial product and service usage. Not surprisingly, the authors concluded that their study "suggests that financial-service usage is directly related to the level of affluence measured in terms of income and/or net worth." (p 64). Yet those individuals and families of less affluence still require at least minimal levels of financial service (banking, tax preparation, etc.). Kelleher (1986) found that while bank attributes were influential in deciding where to borrow, the predominant influential force for the affluent individual was his or her CPA. Kelleher concluded that banks should consider cultivating CPAs to increase loan applications from affluents. This conclusion appears to be consistent with the CPA's image of being an independent, unbiased source of financial influence. Jerry Wind in a 1986 speech indicated that the affluent market had to be segmented, and behavioral variables could play a useful role in that segmentation process (Liebtag, 1986). Patronage behavior and the firm's perceived image of quality by the affluent market were also described as key marketing considerations. Another related item of interest was that the accountant and tax advisors were again found to provide key sources of advice. This finding may in part be related to client confidence in CPAs because of their status or image as independent, trustworthy sources of information.

Being able to differentiate yourself from the mass of CPA firms that a potential client has to choose from is of vital importance. For example, McCracken (1990, p. 129) noted that "To the general public, all accountants perform essentially the same functions -- some just charge higher fees than others." Indeed, Caragher (2008) suggests that niche marketing is a viable strategy for CPA firms to follow, as it tends to set apart a CPA firm which uses this strategy from the mass of firms that a potential client has to choose from, thereby increasing that firm's profitability. As AICPA guidelines have become less rigid, CPA firms have begun to explore new ways to appeal to potential clients by finding specific niches to represent. Stimpson (1998) found that approximately one-third of surveyed CPA firms reported that their primary concern was the ability to market to very specific niches. Copeland (2010) reports that niche marketing has been a successful strategy for CPA firms and that by developing a niche strategy the CPA firm may well be more successful and therefore more profitable than firms who do not use niche marketing. Copeland suggests that for a firm to use a niche marketing strategy, they should conduct market research to determine niches within their geographic area, develop specific product or service expertise (perhaps through hiring, acquiring, or merging), and develop a specific marketing plan for reaching a particular niche market. DeFelice (2011) reports that the AICPA has provided CPA firms with a list of suggestions which CPA firms might follow in an attempt to differentiate themselves from other tax preparers. These suggestions include highlighting what it takes to become a CPA, the firm's ethical commitment, breadth of knowledge and expertise, the ability to provide a very broad range of services, and year-round accessibility.

Special issues of concern to financial service providers

Concern has been raised about the issue of financial service providers attempting to become all things to all people (Brooks, 1987; Hanley, 1987; Wijnholds & Little, 1988). As service providers have attempted to compete in the marketplace by hastily offering additional lines of business to existing and new customer bases, the potential for problems exists (Fraust, 1985). As merchandise retailers have emerged to make overt attempts to become the one-stop, full-service, financial centers of the future by providing banking, investments, insurance, real estate, bank credit cards, and tax and accounting services all under one collective roof (Brooks, 1987; Wijnholds & Little, 1988), the high end of the traditional CPA market is being attacked. At the other end of the market, CPAs are seeing the market being eroded by bookkeeping and tax preparation services such as H&R Block and Jackson-Hewitt. The potential for customer confusion due to the overlap of services being provided (Brooks, 1987) and the consumer's confidence that the service provider has the expertise to adequately provide all of the services offered is not an unrealistic concern. Related issues include the actual quality of financial service innovations (Van Horne, 1985), the concern for service provider qualifications (Sager, 1985), and the overall potential for damaging the image of certain members of the financial service industry.

From the financial service marketer's perspective each of the above issues are pertinent, and each may have unique relevance in the local market in which special conditions may need to be addressed. Clawson (1974) first addressed the local market issue for banking strategies in 1974, and others have more recently addressed strategy issues in local communities (Esters & Christenson, 1986; Higgins, 1986; Whittle, 1986). Such an orientation would still appear to be a relevant concern for firms attempting to compete in limited and perhaps isolated regional markets. While these markets would likely contain some affluent customers, they might not exist in sufficient numbers to profitably support all of the existing accounting firms in a deregulated marketplace. As such, a realistic segmentation strategy to find other profitable niches would appear to have merit.

METHODOLOGICAL RESEARCH OBJECTIVES

If financial service marketers are to be effective in developing marketing mixes that will reach the desired target markets, they must understand why financial service customers patronize one firm instead of another. Firms must also recognize and offer the correct level of product/service attributes to satisfy the targeted customers' needs. The criteria used to distinguish these patronage groups include tangible service attributes such as business location (Bell & Zabriskie, 1978; George & Wheiler, 1986) and price (Wood & Bull, 1978; Barnes & LaFrancois, 1988), as well as those attributes which are less tangible, specifically, service value (Denney, 1982) and the perceived images of service providers (Keane, 1980, Denney, 1982). The present study will remain within the parameters of a set of selected financial service products located within a regional geographic market.

Sample

The data for this study were collected by employing a systematic random sample of 625 households located within a standard metropolitan service area (SMSA) of approximately 250,000 residents. Each quadrant of the SMSA was represented based upon the use of postal zip codes to assure representation within each quadrant. A self-administered questionnaire was employed to collect the data. Respondents were pre-contacted by phone to increase the response rate and questionnaires were delivered to individual households. Self-addressed postage-paid envelopes were left for the respondents to return their questionnaires. In many cases the questionnaires were completed at the time of delivery. The total number of returned questionnaires was 278 of which 271 were usable for an effective response rate of 43.4 percent.

Instrument

To identify relevant financial service attributes, respondents were asked to rate on a five point Likert-type scale how important each of 16 attributes was to them in selecting a financial service provider. The respondents were also asked to provide attitude data on specific types of service providers and characteristics regarding service provider image, local service hours and business locations, and related investment services using a six-point Likert scale format. Additional information regarding past behaviors in using tax, accounting and other financial planning services was gathered as well as general demographic data. The gender of the respondents were 53.9 percent male (n = 145) and 46.1 percent female (n = 124). Income was roughly equally distributed across income ranges: less than $10,000 (12.1%, n = 31), $10,000 - $19,999 (17.9%, n = 46), $20,000 - $29,999 (19.1%, n = 49), $30,000 - $39,999 (16.7%, n = 43), $40,000 - $49,999 (15.2%, n = 39), $50,000 - $100,000 (17.5%, n = 45), and over $100,000 (1.6%, n = 4). The age distribution included: under 25 (18.5%, n= 51), 25-34 (24.6%, n = 68), 35-44 (22.8%, n = 63), 45-54 (16.3%, n = 45), 55-64 (9.1%, n = 25), 65 and over (8.7%, n = 24).

FINDINGS

Analysis of the data was carried out in three stages. First, cluster analysis was performed on the sample using the importance ratings on the 16 attribute statements. The purpose of the analysis was to identify any underlying natural groups that might exist based on differing levels of service needs. The identification of such taxonomic groupings would serve as the basis for understanding and developing segmentation strategies.

Second, the identified service demand groups were submitted to discriminant analysis for the purpose of interpreting and profiling the resulting clusters (Hair et al., 1987, p 315). These steps were designed to further aid in understanding the makeup of the resulting clusters.

Finally, the cluster groups were profiled to determine how cluster member attitudes differed on images of selected service providers and the need to provide different service features for each cluster. The clusters were also profiled on selected demographic characteristics.

TABLE 1
MEANS FOR 3 CLUSTERS, GRAND MEANS, F-TEST, & SIGNIFICANCE LEVEL

		CLUSTERS			GRAND		
	VARIABLES	1	2	3	MEAN	F	SIG.
I.	MULTIVARIATE STATISTICS (WILKS (2,275))					24.27	.000
II.	UNIVARIATE STATISTICS						
1.	Service provider is professionally trained and accredited.	3.66	4.65	4.69	4.28	57.66	.000
2.	Service provider can also provide investment counseling as well as tax service.	2.75	3.49	4.10	3.40	37.91	.000
3.	Service provider can provide year round tax advice if needed.	3.19	4.45	4.43	3.96	67.63	.000
4.	Small differences in price of service.	2.54	2.49	3.59	2.86	30.28	.000
5.	Trustworthiness of service provider.	4.34	4.83	4.89	4.66	21.22	.000
6.	Good reputation of service provider.	4.01	4.60	4.77	4.42	28.57	.000
7.	How well the provider is viewed by the IRS.	3.63	4.16	4.52	4.07	20.05	.000
8.	The service provided is the least expensive price-wise.	2.57	1.67	3.36	2.54	50.95	.000
9.	The service is of the highest quality.	4.03	4.65	4.75	4.44	31.93	.000
10.	The service provided is highly accurate.	4.36	4.87	4.85	4.67	22.62	.000
11.	The service is provided in a timely manner.	3.94	4.20	4.61	4.22	20.98	.000
12.	The service provider is available when needed i.e. any time during the year.	3.56	4.21	4.58	4.07	40.12	.000
13.	The location of provider's office is convenient.	2.90	2.52	3.77	3.06	38.51	.000
14.	The service is available during evening hours.	3.09	1.99	3.81	2.98	72.18	.000
15.	The service is available during weekend hours.	3.02	1.66	3.71	2.83	102.60	.000
16.	Is it important to you that your investment counselor be independent from the investment that he recommends for you.	3.05	3.43	4.30	3.58	25.65	.000
		n=108	n=83	n=87	N=278		

Service cluster interpretation

Table 1 represents the results of the cluster analysis procedure employing Ward's algorithm (SPSSX User's Guide, 1986). Based upon the intergroup homogeneity and distance measures between cluster combinations, three clusters were retained for further analysis. Using the discriminant analysis techniques described by Hair (1987) and Cooley & Lohnes (1971) to interpret the clusters, Table 1 indicates that true differences do exist among the three clusters with respect to the relative importance placed on the 16 tax and accounting service attributes. For example, the F-ratios ranged from 20.05 (How well the service provider is viewed by the IRS) to 102.60 (The service is available during weekend hours) thus demonstrating large group differences on all 16 dimensions. Each of these differences provides insight for the interpretation of the three cluster segments across the 16 service attributes.

Interpreting accounting/tax service segment differences

Cluster 1 (38.9% of the sample): **BASIC NO FRILLS SERVICE.** This segment is the largest of the three containing 108 members. This market segment might best be described as being interested in quality, no-frills service. For example, only four statements were rated by this group as being above average in importance. Those statements were related to the issues of trustworthiness and the good reputation of the service provider. The other important statements dealt with the service being highly accurate, of the highest quality, and being provided in a timely manner. To this cluster, almost all of the other attributes were rated as average in their importance.

Cluster 2 (29.9% of the sample): **QUALITY YEAR-ROUND SERVICE.** This cluster was comprised of 83 members of the sample. This cluster indicated that it is relatively more important that the service provider is professionally trained and accredited and that year-round tax advice is available if needed. Like Cluster 1, the trustworthiness and good reputation of the service provider are very important. Equally important was the need for the service to be of the highest quality and to be highly accurate. This cluster is distinct from the other segments based upon its members' low importance ratings for the attributes of service being offered in the evening hours and during the weekends. Another distinguishing characteristic was the very low rating of importance the group placed on the service being the lowest-priced.

Cluster 3 (31.2% of the sample): **HIGH-QUALITY EXTENDED SERVICE.** The third cluster contained 87 sample members. This cluster expressed the highest importance ratings across a majority of the attributes. This cluster was particularly distinguished by the very high ratings it placed on the basic attributes of trustworthiness and good reputation of the service provider; as well as the attributes of quality, accuracy, and timeliness of the provided service.

Several other characteristics distinguish this cluster from the other two segments. One characteristic was the cluster's relatively higher importance rating for the convenience attributes dealing with office location and service availability during the evening and weekend hours. Also distinctive to cluster 3 is the high importance rating placed on items 2 and 16 relating to investment counseling. This cluster appreciates more than just tax and accounting services being offered by the service provider. This cluster also felt it is very important for the service provider to be positively viewed by the IRS. This segment was very price-sensitive.

Attitudes of segments toward service provider image attributes

To more fully identify and understand the various service levels desired by specific market segments, financial service firms must address the images of themselves and of competitors as perceived by members of the various segments. Nineteen attitude statements related to respondents' beliefs towards several service provider attributes were examined across the three market segments.

Factor structure of image attributes

In order to control for potential multicollinearity problems in later analyses, and to reduce the total number of variables into underlying constructs, the 19 variables were factor-analyzed. The varimax rotation procedure was employed to assure the resulting factors would be independent. The results of the analysis are presented in Table 2.

TABLE 2
VARIMAX ROTATED FACTORS OF ATTITUDES TOWARD CPAs, H&R BLOCK AND OTHERS

ITEM NUMBER	ITEM	h^2 (COMMUNALITY)	FACTOR LOADINGS F1	F2	F3	F4	F5
1.	CPAs are professionally trained and accredited.	.65	.19	.70	-.17	.19	.25
2.	H&R Block representatives are professionally trained and accredited.	.69	.78	-.09	-.07	.18	.20
3.	Other tax and accounting services personnel are professionally trained and accredited.	.57	.70	.17	.05	-.04	-.23
4.	The IRS views CPAs favorably.	.55	.31	.65	.10	.05	.13
5.	The IRS views H&R Block representatives favorably.	.66	.80	.07	.01	.00	.14
6.	The IRS views "other" tax service personnel favorably.	.68	.71	.29	.18	-.08	-.22
7.	I would prefer to have my tax accounting and investment advice done by the same person.	.65	.11	.00	.76	-.13	.18
8.	I believe that it is important to be able to receive tax advice year round if I need it.	.53	.10	.22	.35	-.02	.59
9.	I believe that I could receive tax advice from a CPA at any time during the year.	.72	.10	*.55	.15	-.02	.62
10.	I believe that I could receive tax advice from H&R Block at any time during the year.	.49	*.57	-.17	.03	.04	*.36
11.	I believe that I could receive tax advice from "other" tax preparers at any time during the year.	.47	*.55	.04	*.40	-.03	-.04
12.	If the cost of receiving my accounting services from a CPA were only slightly higher than from H&R Block or "other" service providers, I would prefer to use a CPA.	.71	-.28	.79	.01	.03	-.02
13.	If I were audited I would rather have had my taxes prepared by a CPA.	.69	-.21	.80	.02	.04	.01
14.	The Certified Public Accounting Professional is a trustworthy and reputable professional.	.56	.12	.68	-.27	.08	.03
15.	H&R Block is as trustworthy and reputable as a CPA firm.	.69	.78	-.15	-.04	.13	.18
16.	"Other" tax preparers are as trustworthy and reputable as CPAs.	.52	*.52	-.03	.23	-.15	*-.41
17.	Prices charged by CPAs are slightly higher than charged by H&R Block.	.62	.15	.18	.19	.73	-.01
18.	Prices charged by CPAs are a lot higher than those charged by H&R Block.	.64	-.05	.04	-.10	.79	.03
19.	CPAs are independent of any investments that they might recommend for you.	.59	-.03	.16	.66	.35	.02

Total variation accounted for 61.4%

Five factors were identified from the analysis. These factors were given descriptive labels and are explained below.

Factor 1: H&R Block and "other" Service Provider Image. The providers of service in this image dimension are those service institutions typically responsible for eroding away the traditional accounting/tax services market of CPAs.

Factor 2: CPA Image. CPAs were viewed as having a unique higher than overall average image, separate from H&R Block and "other" service providers.

Factor 3: Investment Philosophy. This factor was defined through the high loadings of two variables. Statement 7 related to a preference of having the same professional provide both tax and investment advice. Statement 19 relates to the belief that CPAs are independent of the investments they recommend. Taken together, these two statements allow the independent image perceived by the public to be capitalized upon in the form of CPA credibility to provide both tax and investment advice for existing client bases, as well as to new clients seeking investment advice.

Factor 4: Pricing Factor. Factor 4 is also defined by the loadings of two variables. Both variables relate to the pricing of CPA services when compared to H&R Block service.

Factor 5: Year-round Service Availability. Although two variables load on this factor, one statement is clearly split-loaded. Statement 9 relates to the issue of year-round availability, while specifically associating it with the CPA. As such, the statement also was found to correlate highly with the second factor related to CPA image. Statement 8 best reflects this factor as it is associated with the belief that it is important to be able to receive tax advice all year, if needed.

Relationship of market segments to service provider attitude images

A question that remains is what profiling differences exist across the three service clusters (Hair et al., 1987). Specifically, financial service providers must fully identify the various levels of service that the various identified market segments hold toward the available service providers. This understanding is critical for financial service providers to accurately position themselves and their agency's offerings to attract selected target markets.

Discriminant analysis is a technique that can be used to identify useful dimensions for differentiating the needs and concerns of various customer service segments (Cooley & Lohnes, 1971). The discriminant analysis technique develops linear composites of the attitudes and determines the linear function that maximizes the discriminant distances among the inherent groups. Two discriminant functions were developed in the present study, given the discovery of three market segments (clusters).

The five factors derived from the 19 attitude statements were used as the independent variables in the analysis. Summated scores for each respondent on each of the five factors were computed. As previously stated, each of the five factors were independent as the varimax rotation procedure was employed during factor analysis.

The results of the discriminant analysis procedure are presented in Table 3 and Table 4. Two significant discriminant functions were revealed by the procedure. An examination of the correlations between the summated factors and the discriminant functions in Table 4 provides valuable information for financial service providers attempting to provide service to one or more market segments. Specifically, information about the perceptions and images of various service providers across cluster segments will allow service providers to target segments having needs congruent with the services and images they can provide.

TABLE 3
MEANS OF 5 FINANCIAL SERVICE ATTITUDE ACROSS 3 CLUSTERS

		CLUSTERS			GRAND		SIG.
VARIABLES		1	2	3	MEAN	F	LEVEL
I.	MULTIVARIATE STATISTICS (WILKS (10,542))					8.618	.000
II.	UNIVARIATE F-RATIO STATISTICS						
	1. H&R Block and "Others" Image	3.90	3.76	4.14	3.93	4.441	.013
	2. CPA Image	4.51	5.16	5.03	4.87	18.78	.000
	3. Investment and Tax Service Philosophy	3.88	3.78	4.55	4.06	15.53	.000
	4. Pricing Dimension	3.85	4.15	4.27	4.07	4.962	.008
	5. Year-round Service Availability	4.74	5.25	5.20	5.04	13.27	.000
		n=108	n=83	n=87	N=278		

TABLE 4
CORRELATIONS BETWEEN DISCRIMINANT FUNCTIONS AND 5 FINANCIAL SERVICE IMAGE ATTITUDE FACTORS

FACTORS/ VARIABLES	MAXIMUM LOADING	FACTOR LEVEL OF SIGNIFICANCE
DISCRIMINANT FUNCTION #1		
CPA Image	.87	.000
Year-round Service	.73	.000
Pricing	.41	.008
DISCRIMINANT FUNCTION #2		
Investment & Tax Service Philosophy	.87	.000
H&R Block and "Others" Image	.49	.013

The nature of the loadings across each of the discriminant functions suggests the need for a closer examination of the variables represented by each of the previously defined attitude factors. The mean scores for each attitude variable are examined across the three market clusters in Table 5.

TABLE 5
ATTITUDE MEAN SCORES ACROSS CLUSTERS

Factor	Item No.	Statement	Cluster 1	Cluster 2	Cluster 3	Over all Mean	Univariate F-Score	Sig
H & R Block and Other Service Provider Image								

Factor	Item No.	Statement	Cluster 1	Cluster 2	Cluster 3	Over all Mean	Univariate F-Score	Sig
	2.	H & R Block representatives are professionally trained and accredited.	3.97	3.76	4.10	3.95	1.263	.2843
	3.	Other tax and accounting services personnel are professionally trained and accredited.	3.85	3.86	4.28	3.99	3.868	.0221
	5.	The IRS views H & R Block representatives favorably.	3.96	3.93	4.26	4.05	2.718	.0678
	6.	The IRS views "other" tax service personnel favorably.	3.73	3.81	4.05	3.85	2.570	.0784
	10.	I believe that I could receive tax advice from H & R Block at any time during the year.	4.33	3.89	4.46	4.24	4.613	.0107
	11.	I believe that I could receive tax advice from "other" tax preparers at any time during the year.	3.91	3.86	4.13	3.96	1.083	.3399
	15.	H & R Block is as trustworthy and reputable as a CPA firm.	3.88	3.55	4.03	3.83	2.996	.0516
	16.	"Other" tax preparers are as trustworthy and reputable as CPAs.	3.55	3.45	3.77	3.59	1.772	.1719
<u>CPA Image</u>								
	1.	CPAs are professionally trained and accredited.	4.81	5.36	5.34	5.14	11.96	.0000
	4.	The IRS views CPAs favorably.	4.29	4.75	4.86	4.60	10.77	.0000
	12.	If the cost of receiving my accounting services from a CPA were only slightly higher than from H & R Block or "other" service providers, I would prefer to use a CPA.	4.32	5.25	4.91	4.78	13.87	.0000
	13.	If I were audited I would rather have had my taxes prepared by a CPA.	4.61	5.37	5.08	4.99	8.692	.0002
	14.	The Certified Public Accounting Professional is a trustworthy and reputable professional.	4.51	5.05	4.97	4.81	8.150	.0004
<u>Tax & Investment Philosophy</u>								
	7.	I would prefer to have my tax accounting and investment advice done by the same person.	4.11	3.88	4.83	4.27	10.38	.0000

Factor	Item No.	Statement	Cluster 1	Cluster 2	Cluster 3	Over all Mean	Univariate F-Score	Sig
	19.	CPAs are independent of any investments that they might recommend for you.	3.66	3.67	4.26	3.85	9.550	.0001
Pricing								
	17.	Prices charged by CPAs are slightly higher than charged by H & R Block.	4.12	4.54	4.66	4.41	6.332	.0020
	18.	Prices charged by CPAs are a lot higher than those charged by H & R Block.	3.58	3.76	3.89	3.73	1.376	.2544
Year-Round Advice								
	8.	I believe that it is important to be able to receive tax advice year-round if I need it.	4.76	5.30	5.40	5.12	16.29	.0000
	9.	I believe that I could receive tax advice from a CPA at any time during the year.	4.72	5.20	5.00	4.95	6.087	.0026

Function 1: CPA image and year-round service availability

The first discriminant function is highly correlated with the CPA image factor (.87) and the year-round service factor (.73). This factor is useful in discriminating between Cluster 1, which was interested in basic no-frills service, and the remaining two clusters whose members placed more value on the high-profile image of the CPA. The pricing factor also correlated with the first discriminant function, but at a lower level (.41). Pricing therefore did not play as important a role as the other two factors in explaining the discriminating power of the first function.

Function 2: tax and investment advice service combined.

The second discriminant function has two attitude factors correlated with it. The tax and investment counselor combined service factor is most highly associated with this function (.87). The H&R Block and "other" service provider factor is also correlated with this factor but at a lower level (.49). The second function is useful in explaining the image differences that separate the members of the second cluster segment from the third cluster segment.

Cluster 3 members, labeled the High Quality Extended Service cluster, wanted both convenience and investment counseling from the same financial service provider. In some ways this segment exemplifies the one-stop financial services shopper. Cluster 3 members differ from Cluster 2 members, in that the members of Cluster 2 were not interested in extended service, and they were not particularly price-sensitive. Cluster 3 members desire weekend and evening services, along with investment and tax advice together, and is a very price-sensitive segment. Cluster 3 wants the security and safe image of the CPA, but they want the services at the best possible price.

From Table 5 it is evident that the members of Cluster 3 view the CPA as being clearly independent of the investment services they might recommend.

Market segments and demographic profiles

A series of demographic questions were asked in the final section of the survey instrument. The response categories from these questions were examined to further profile the three previously identified market segments. The findings of the analysis procedures suggest that natural segments exist in the financial services market. Three segments were identified in the present study. Each segment exhibited unique characteristics regarding the salient attributes they require from financial service providers, as well as different attitudes towards the perceptions (images) of service providers operating in the marketplace.

The first cluster was labelled the "Basic No-Frills Service" segment. This group was the largest of the three identified segments, but required only limited financial services. Tax preparation is the primary service required by this segment. Even though members of this segment see the image of the CPA as loftier than that of the H&R Block or "other" service provider, members of this segment do not need that level of service or the image associated with such a service provider. This segment apparently represents the lower end of the financial services market that has been slowly eroded from the CPA firm's workload.

The second cluster from the analysis was given the label of the "Quality Year-round Service" segment. This segment provided the CPA with the highest image ratings when compared to H&R Block and "other" financial service providers (See Table 5). The members of this segment indicated the strongest belief that CPAs provide year-round service, and that they would strongly prefer to have their taxes done by a CPA if they were to be audited by the IRS. Members of this segment appear to be willing to pay the going rate for CPA services, and the level of image comfort provided by using the CPA. This segment of the market does not appear to be sensitive to the cost for financial services. Interestingly, evening and weekend service availability is not an issue to members of this segment. It is likely that members of this segment form the nucleus of the customer base for CPAs. As such, it is imperative that the CPA professionals maintain and support the service levels required by this segment. This segment holds the information necessary for the CPA and his firm to attract new customers through referrals to expand his customer base.

The last cluster identified was given the descriptive label of the "High Quality Extended Service" segment. The members of this segment felt that it was important to have financial services available during both the evening and weekend hours, and at convenient locations. They want extended services, yet they are the most cost-sensitive segment in the market. The price of service is an important consideration for this segment. While the members of this segment hold very favorable image positions toward CPAs, they hold even higher image positions for H&R Block and "other" financial service providers. The key factor separating this segment from members of Cluster 2 was the members of Cluster 3 desiring the convenience of obtaining both tax and investment advice from the same financial service professional. Thus, this segment appears to be a readily available market for the one-stop financial service provider. To retain and attract members of this segment, CPAs must first demonstrate that their services are cost-effective and become more flexible with regard to service availability. To attract this share of the market will require the elimination of the old "banker's hours" philosophy, and a willingness to accept walk-in traffic without the traditional appointment. For some accounting firms this may be unacceptable; it will depend upon how badly new business is needed.

CONCLUSION AND MANAGERIAL IMPLICATIONS

In conclusion, this study has demonstrated the existence of three market segments for financial services. Each segment has its own unique needs based upon salient service-related attributes. The members of each segment also have different images of the providers of such services, as well as which types of service providers are best suited for their unique needs. The CPA firm and its CPA profession have seen their share of the tax and accounting services market continue to be eroded by members of the first segment moving to professionals who provide quick and simple service. At the same time, members of the third segment have moved away from the CPA towards the one-stop financial service center, thus eroding another portion of the traditional CPA market. The convenience and lower-cost images of these centers have attracted market share away from the CPA. There is the possibility that the CPA may be able to regain these lost customers by deciding which targets are attractive and by developing marketing strategies to influence the CPA's image on affordability and availability. Each of these clusters are a potential target market and each require a different approach. Tang et al. (2002) suggest that accountants will need to use specific forms of advertising messages and media for each market segment to effectively and efficiently reach those segments. Each segment will have its own strategy. For example, should a CPA firm wish to pursue the lower-end tax preparation segment, which sees the typical CPA firm as being very expensive and providing many services that they are not interested in, the CPA firm may be able to establish a separate business which could aim at this group. Separate offices may be needed with advertising which promotes the skill of a CPA but at the price of an H&R Block. This type of business could be staffed with bookkeepers who do the actual tax preparation with a CPA reviewing the return for accuracy. The second segment appears to be the traditional market for the CPA firm. This represents a client who needs year-round service and expertise for both operational and tax purposes. The professional expertise of the CPA firm should be promoted through a variety of methods to both assure current clients of the expertise level of the CPA firm as well as attempting to bring new business into the firm.

The third segment may also require that a new division of the CPA firm be established which would include the hiring of professional retirement planners working alongside professional tax preparers. Again, this may require the firm to open new offices under a different name to entice the one-stop shopper segment. The CPA and its firm must make the decision as to whether they wish to attract and retain these lost market segments.

Due to the ever increasing demand and use of technology by the average consumer, future research may help accounting firms to stay abreast of commonly utilized online media. Different segments may have different preferences and different levels of social media usage which need to be explored. Various geographic areas should be examined to determine if the segmentation patterns are consistent in other markets.

REFERENCES

Anders, S. B. (2007) Introduction to accounting blogs. *The CPA Journal,* 77(6): 72-73.

Aquila, A. J. (1984) Marketing of accounting services hinges on referrals, service expansion, communications. *Marketing News* (April 27): 3.

Axline, L. L. (1984) Are your clients satisfied? *Journal of Accountancy* (July): 84-90.

Barnes, N. G. & LaFrancois, H. A. (1988) *Marketing an accounting firm: How individuals and families assess the financial services they buy.* In D. L. Moore (ed.) Marketing: Forward Motion. Williamsburg: Atlantic Marketing Association, pp. 610-619.

Barr, T. F. & McNeilly, K. M. (2003) Marketing: is it still "just advertising"? The experiences of accounting firms as a guide for other professional service firms. *Journal of Services Marketing,* 17 (6/7): 713-729.

Bell, R. R. & Zabriskie, N. B. (1978) Assisting marketing decisions by computer mapping: A branch banking application. *Journal of Marketing Research* (Feb): 122-128.

Berry, L. L. & Thompson, T. W. (1982) Relationship banking: The art of turning customers into clients. *Journal of Retail Banking,* 4 (June): 64-73.

Bledsoe, J. L. (1980) How to improve your relationships with clients - and your staff too. *The Practical Accountant* (Jan/Feb): 43-49.

Bloom, P. N. (1984) Effective marketing for professional services. *Harvard Business Review,* 62 (5): 102-110.

Brien, R. H. & Stafford, J. E. (1967) The myth of marketing in banking. *Business Horizons,* 10 (16) (Spring): 71-78.

Brooks, N. A. L. (1987) Strategic issues for financial services marketing. *The Journal of Services Marketing,* 1 (Summer) (1): 57-66.

Burrows, G. E. (1986) Selling your office on sales. *CPA Magazine* (November): 69-70.

Caragher, J. M. (2008) Expand your horizons: Niche marketing success stories" *Journal of Accountancy,* 205 (4): 56-59.

Carter, D. B., Edwards, L. H., Jackson, K. G., & J. D. Kirchhofer (1980) Competition in accounting: issues and impact. *Georgia Journal of Accounting* (Spring): 74-82.

Clawson, C. J. (1974) Fitting branch locations, performance standards, and marketing strategies to local conditions. *Journal of Marketing*, 38 (January): 8-14.

Cooley, W. W. & Lohnes, P. R. (1971) *Multivariate Data Analysis*. New York: John Wiley & Sons, 223-237.

Copeland, M. K. (2010) Marketing and advertising for CPAs: Leading-edge strategies. *The CPA Journal,* 80 (8): 58-62.

DeFelice, A. (2011) How to stand out in today's marketplace. *Journal of Accountancy*, 211 (1): 32.

Denney, R. (1982) Marketing Accounting Services: An introduction. *The National Public Accountant* (September): 14-17.

Ellingson, D. A., Hiltner, A. A., Elbert, D. J. & Gillett, J. (2001) Public Accounting: Marketing a Changing Profession, *Services Marketing Quarterly,* 22 (3): 67-84.

Ellingson, D.A., Hiltner, A. A., Elbert, D. J. & Gillett, J. (2002) Marketing: Where Do Accountants Stand Today*?* *Services Marketing Quarterly,* 23 (3): 1-15.

Esters, R.& Christenson, D. (1986-87) Market segmentation: Effective design and use in financial service institutions. *Journal of Retail Banking,* 8 (1) (Winter): 19-28.

Fraust, B. (1985) Tax Services Approved for Holding Firms. *American Bank,* 28 January, pp. 2, 6.

George, W. R. & Barksdale, H. C. (1974) Marketing activities in the service industries. *Journal of Marketing,* 38 (October): 65-70.

George, W. R. & Wheiler, K. W. (1986) Practice development - A services marketing perspective. *The CPA Journal* (October): 30, 32, 35, 36, 38, 40.

Hair, J. E., Anderson R. E., & Tatham, R. L. (1987) *Multivariate Data Analysis: with Readings*, New York: Macmillan Publishing Company.

Hanley, K. (1987) One-stop banking. *Target Marketing* (November): 22-23.

Heightchew, R. E., Jr. (1987) Strategies for marketing your accounting practice. *The CPA Journal* (September): 64, 68, 70, 72, 74.

Heischmidt, K., Elfrink, J. & Mays, B. (2002) Professional Accounting Services: Types of Marketing Communications Used by CPAs, *Services Marketing Quarterly,* 23(3): 63-72.

Helgeson, J. G. & Birrer, G. E. (1986) Marketing plans for accounting firms. *Journal of Accountancy* (September): 115-126.

Hermann, J. R. (1987) How to market financial planning services profitably. *Practical Accounting* (June): 76-78, 80.

Higgins, M. T. (1986) Shakeout for bank managers: New survival skills. *Bank Marketing* (February): 30-33.

Keane, J. G. (1980) The marketing perspective: The CPA's new image. *The Journal of Accountancy,* 149: 60-66.

Kelleher, T. J. (1986) Breaking new ground with credit needs of the affluent*.* *Bank Marketing* (March): 6-9.

Levinson, R. J. (1987) More on public relations and marketing. *Journal of Accountancy* (September): 184-185.

Liebtag, B. (1986) Marketing to the affluent. *Journal of Accountancy* (August): 65-71.

Lombardo, C. (2006) Time to advertise. *Accounting Technology,* 22 (1): 22-26.

Manassero, B. (1987) Management of an accounting practice - Developing a strategic practice marketing plan. *The CPA Journal*, 57 (April): 88-90.

Markham, S., Cangelosi, J., & Carson, M. (2005) Marketing by CPAs: Issues with the American Institute of Certified Public Accountants. *Services Marketing Quarterly,* 26 (3): 77-82.

McCracken, J. L. (1990) An attention getting marketing strategy. *Journal of Accountancy*, 170 (3): 129-132.

Myers, R. (2006) Start Your Own Practice. *Journal of Accountancy*, 201 (4): 51-57.

O'Brien, J. D. (1982) Developing a market segmentation program. *Journal of Retail Banking*, 4 (3) (Fall): 1-12.

Piontek, S. (1987) Capturing the elusive affluent investor market. *National Underwriter*, 16 November 16, pp. 19-21.

Sager, W. H. (1985) What's in a name? The unlicensed accountant. *National Public Accountant,* 30 (8): 22-29.

Schintzel, A. (1974) Profiles in accounting. *The National Public Accountant* (Sept): 16-23.

Smith, C. C. & Achorn, E. H. (1985) Advertising and marketing: Should you and how? *The Practical Accountant* (March): 49-58.

SPSSX Users Guide, 2nd ed. (1986) Chicago: SPSS Inc.

Stanley, T. J., Moschis, G. P. & Danko, W. (1987) Financial service segments: The seven faces of the affluent market. *Journal of Advertising Research* (August/September): 52-67.

Stigge, S. L. (1987) Developing a marketing program without really knowing what you're doing: One firm's experience. *The Practical Accountant* (March): 51-54.

Stimpson, J. (1998) Marketing gets bolder. *Practical Accountant,* 31 (6): 30-36.

Tang, T.L., Moser, H. R. & Austin, M. J. (2002) Attitudes Toward Advertising by Accountants: Scale Validation and Application, *Services Marketing Quarterly,* 23 (3): 35-62.

Van Horne, J. C. (1985) Of financial innovations and excesses. *The Journal of Finance,* 40 (3) (July): 621-631.

Walsh, D. (1983) Banking on demographics. *American Demographics* (June): 40-41.

Wantuck, M. (1984) Accountant's roles are multiplying. *Nation's Business,* 72 (11) (November): 56-58.

Wheatley, E. W. (1983) Auditing your marketing performance. *Journal of Accountancy* (September): 68-75.

Wheiler, K. (1987) Management of an accounting practice, practice development and promotion: What about referrals? *The CPA Journal* (August): 102-105.

Whittle, J. W. (1986) Community banks can compete - Using 'awesome' service. *Bank Marketing,* 18 (8) (August): 6, 65.

Wijnholds, H. B. & Little, M. W. (1988) One-stop financial shopping - In search of consumer markets. *The Journal of Services Marketing,* 2 (1) (Winter): 39-48.

Wolosky, H. W. (2008) Marketing financial planning services. *Practical Accountant*, 41 (9): 30-33.

Wood, D. W. & Bull, D. A. (1978) New rule 502 and effective advertising by CPAs. *Journal of Accountancy,* 145 (June): 65-70.

THE IMPORTANCE OF UNIVERSITY TRADITIONS AND RITUALS IN BUILDING ALUMNI BRAND COMMUNITIES AND LOYALTY

Mary C. Martin, Fort Hays State University
Emi Moriuchi, Fort Hays State University
Ronda M. Smith, Ball State University
Jill D. Moeder, Fort Hays State University
Charlene Nichols, Fort Hays State University

ABSTRACT

The purpose of this study is to expand the literature and determine factors that impact alumni giving and loyalty at institutions of higher education. Specifically, this research aims to identify a relationship between university traditions and rituals, the relationships of an alumni brand community, and loyalty toward an institution of higher education. This research proposes that a university, as a branded institution, constitutes a brand community, and that traditions and rituals, an important component of brand communities, can serve as a means by which students engage on campus and participate in a university's brand community and, in turn, become active and giving alumni of a university. We propose that the greater the perception of alumni that a university has valued, well-established traditions and rituals, the greater their brand community relationships and intended behaviors associated with loyalty.

The research was conducted in the context of the "University," a regional, comprehensive state university in the Midwest. A survey was conducted with alumni of the University to test a series of six hypotheses. Statistical analyses of MANOVA, ANOVA, and independent t-tests found support for all hypotheses; the mean scores for all four brand community relationships, overall brand community integration, and for four loyalty measures were all significantly different. Alumni who perceive that the University has valued, well-established traditions and rituals perceive stronger alumni-product, alumni-brand, alumni-institution, and alumni-alumni relationships, perceive a stronger overall integration within the alumni brand community, and exhibit stronger behaviors associated with loyalty than alumni who do not perceive that the University has valued, well-established traditions and rituals.

The results from this analysis provide theoretical and practical implications. Theoretically, the contribution of the research reported here is considering the importance of traditions and rituals in alumni brand communities and loyalty, a concept not addressed in previous research. Research has demonstrated that brand community integration is an influential contributor to desired marketing outcomes of institutions of higher education, both large and small. So, university initiatives that enhance and strengthen alumni brand community relationships are vital. Further, given the economic climate in higher education today, it is also vital that universities foster active and dedicated alumni as to garner financial support. Future research may incorporate the role and impact of additional constructs, such as nostalgia, on university traditions and rituals and alumni brand community relationships, expand the study beyond the University studied here, and expand the conceptualization and measurement of the four alumni brand community relationships.

Practically, suggestions for universities' marketing strategies and tactics are provided. Alumni associations, in particular, should be viewed as strategic, vital assets of

universities and serve as keepers of traditions and rituals by supporting active student alumni groups and promoting the importance of traditions and rituals. Further, alumni associations should create new, cultivate existing, and revitalize old traditions and rituals. Finally, universities should develop and nurture brand communities with online students as well, create and foster traditions and rituals in which they may participate, and instill a sense that the university has valued, well-established traditions and rituals.

INTRODUCTION

Alumni support, especially financial support, is increasingly important at institutions of higher education in today's economic climate. Since the latest economic recession, many universities, particularly state-funded institutions of higher learning, have had to cut their budgets and find alternative funding sources beyond state governments to increase revenues. According to the Voluntary Support of Education (VSE) survey, charitable contributions to colleges and universities in the U.S. increased 10.8 percent in 2014 to $37.45 billion, the highest recorded in the history of the survey (Council for Aid to Education newsletter, January 28, 2015). Giving from alumni increased 9.4 percent, but alumni participation (calculated by dividing the number of alumni donors by the number of alumni for whom the institution has a means of contact) declined to 8.3 percent from 8.7 percent in 2013, and from 9.2 percent in 2012. Alumni gave $9.85 billion in 2014, making up 26.3 percent of total contributions, second only to foundations which gave $11.2 billion or 29.9 percent of total contributions. The institution that raised the most in charitable contributions in 2014 was Harvard University ($1.16 billion). According to a *U.S. News and World Report* study, the number of university alumni donors continues to decrease, much as it did before the economic downturn. Florida College topped the list of colleges and universities with the highest two-year average percentage of alumni donors. An average of 64.7 percent of alumni gave back to the school during the 2011-2012 and 2012-2013 school years – the highest percentage among the 1,146 ranked schools that reported the data to *U.S. News* in an annual survey (Haynie, 2014).

The purpose of this study is to expand the literature and determine factors that impact alumni giving and loyalty. Specifically, this research aims to identify a relationship between university traditions and rituals, the relationships of an alumni brand community, and loyalty toward an institution of higher education. This research proposes that a university, as a branded institution, constitutes a brand community (McAlexander, Koenig & Schouten, 2004), and that traditions and rituals, an important component of brand communities, can serve as a means by which students engage on campus and participate in a university's brand community and, in turn, become active and giving alumni of a university. The research was conducted in the context of the "University," a regional, comprehensive state university in the Midwest. The results from this analysis provide theoretical and practical implications. Theoretically, the research will contribute to the literature on brand communities by examining empirically the role of university traditions and rituals. Practically, the research will assist universities in determining the role that traditions and rituals play in alumni brand communities and in generating marketing strategies and tactics for garnering alumni support.

ALUMNI SUPPORT OF UNIVERSITIES

While charitable contributions to some colleges and universities in 2014 was substantial, financial support is important to universities of all sizes. Unfortunately, smaller, state-funded institutions with smaller alumni bases sometimes struggle to garner such alumni support in comparison to larger, state-funded or private institutions with large alumni bases.

While Harvard University raised $1.16 billion in 2014, the University raised $6.202 million from 7,819 donors (University Foundation Financial Report 2013-2014, n.d.).

What drives alumni support at institutions of higher education? Much research has attempted to determine university alumni profiles and what motivations and attitudes drive their giving and participatory behavior. Some predictors include household income, student activities and emotional attachment (Conely, 1999; Lindahl & Conely, 2002). In addition, more and more universities are recognizing the value of and practicing *relationship marketing* whereby they utilize strategies to communicate both economic and noneconomic benefits better and develop and maintain relationships with individual donors to influence marketing outcomes such as loyalty and support (Arnett, German, & Hunt, 2003; McAlexander, Koenig, & Schouten, 2004; Schertzer & Schertzer, 2004). McAlexander and Koenig (2001), for example, examine the impacts of the alumni-university relationship and alumni assessments of their college experiences on important expressions of loyalty toward an institution of higher education. In the study, expressions of loyalty include current behavior (wearing university logo clothing, current involvement in alumni functions, donations to the university) and behavioral intentions (future involvement in an alumni group, future donations of money, wanting their children to attend the university, a preference for future enrollment in continuing education at the university). The researchers found that alumni perceptions of their present relationship with the institution and the character of their university experience are positively related to expressions of loyalty, including current behavior and behavioral intentions. They conclude that "alumni relationships with the university have significant impacts upon loyalty-related behaviors and attitudes" (McAlexander & Koenig, 2001, p. 37). Similarly, Bruce (2007) found that alumni involvement of MBA graduates is correlated more strongly with alumni giving behavior than other variables assessed, including school location, overall value of the MBA, the opportunity to network and to form relationships with long-term value, and desired credentials.

Therefore, it is important to provide universities with a means of creating and increasing positive relationships with and support from alumni and other various constituency groups. A university must look at the tools at its disposal, and one of the most readily available activities that a university can promote in an effort to increase alumni support are its *traditions and rituals*. "Traditions and rituals represent vital social processes by which the meaning of the community is reproduced and transmitted within and beyond the community" (Muniz & O'Guinn, 2001, p. 421). They "perpetuate the community's shared history, culture, and consciousness" (Muniz & O'Guinn, 2001, p. 413). Traditions and rituals are a characteristic of *brand communities* and literature on brand communities will be reviewed first. Then, literature on traditions and rituals will be reviewed.

BRAND COMMUNITIES

Literature on brand communities is relevant to the study of alumni support at institutions of higher education and university traditions and rituals. Muniz and O'Guinn (2001) introduce the idea of brand community and defined it as "a specialized, non-geographically bound community, based on a structured set of social relationships among admirers of a brand" (Muniz & O'Guinn, 2001, p. 412). Brand communities create value for consumers (Schau, Muniz, & Arnould, 2009) and loyalty to a brand is enhanced by a greater number of and stronger relationships that bind a person to a brand community (McAlexander, Schouten & Koenig, 2002; Muniz & O'Guinn, 2001). As an example of how a brand community, when implemented effectively and efficiently, Fournier and Lee (2009) discuss Harley-Davidson:

In 1983, Harley-Davidson faced extinction. Twenty five years later, the company boasted a top-50 global brand valued at $7.8 billion. Central to the company's turnaround, and to its subsequent success, was Harley's commitment to building a brand community: a group of ardent consumers organized around the lifestyle, activities, and ethos of the brand (Fournier & Lee, 2009, p. 105).

McAlexander, Koenig and Schouten (2004) propose that a university, as a branded institution, constitutes a brand community, which consists of "all the people for whom a particular brand is relevant and the relationships they form in the context of using the brand" (p. 62) and that a university as a brand community "consists of a wide assortment of entities and the relationships among them" (p. 63). Student communities are an important component of a university's brand community, where "students have opportunities to interact with one another and form connections that, although temporary in nature, can sometimes last a lifetime" (McAlexander, Koenig, & Schouten, 2004, p. 63). The researchers describe the university experience as a transformational experience for students where "shared and extraordinary experiences provide situations that build relationships" (p. 65). The researchers found that the interpersonal ties among students and the feeling that they enjoyed their time at the university strongly influence students' loyalty behavior (wearing university-logo clothing, participating in alumni functions, and donating money to the university). Balmer and Liao (2007) investigate corporate brand identification towards a UK university, a leading UK business school, and an overseas collaborative partner institute in Asia, three closely linked corporate brands. The authors found that the strength of student identification with a corporate brand is related to corporate brand community; students believe it to be important to belong to a distinct brand community.

McAlexander, Koenig and Schouten (2006) propose a model of brand community in the context of higher education that includes four relationships: the customer-product relationship, the customer-brand relationship, the customer-institution relationship, and the customer-customer relationship:

1. *The Customer-Product Relationship* – student and alumni perceptions of the quality of their education and satisfaction with the educational experience; one's perceived identity connection with her university education
2. *The Customer-Brand Relationship* – the value and meanings derived from a brand; one's personal connection developed with the university brand and its personality (e.g., wearing university-logo-branded merchandise demonstrates this connection)
3. *The Customer-Institution Relationship* – one's interpersonal relationships with agents of the university; relationships between students and alumni and faculty and staff of the university
4. *The Customer-Customer Relationship* – social groups (dorms, fraternities and sororities), affiliations (majors, students organizations), and events (cultural, athletic) that allow students to interact with one another and form connections; in fact, "relationships among customers are more fundamental to the existence of a brand community than any other type of customer relationship" (McAlexander, Koenig & Schouten, 2006, p. 111).

The researchers propose that a university should assess and manage these various dyadic relationships collectively to build a university brand community in synergistic ways (McAlexander, Koenig & Schouten, 2006). They found support for the higher-order construct of brand community comprised of the four relationships and that brand community in higher education can contribute to donations, college referrals, engagement in alumni groups, and participation in continuing education. The authors propose that a brand community can be nurtured and strengthened by the institution, and that "integration in the brand community creates enduring bonds of loyalty to the institution" (McAlexander, Koenig & Schouten, 2006, p. 117). Further, "loyalty yields returns in terms of support for the university, its products, and its programs" (McAlexander, Koenig & Schouten, 2006, pp. 117-118).

In the context of university alumni, McAlexander and Koenig (2010) examine the impact of institutional size (small versus large universities) on alumni brand community relationships (alumni-product, alumni-brand, alumni-institution, and alumni-alumni). The authors found that smaller universities tend to be more successful in fostering relationships between their alumni and the institution, though graduates of larger institutions are generally more disposed toward purchasing licensed apparel and recommending the university to family or friends. "Alumni of smaller schools have more opportunities to build tighter bonds with faculty and other institutional professionals while they are students than alumni of the larger schools. Evidently, these alumni also feel that the institution does a better job of extending this relationship into the present day" (McAlexander & Koenig, 2010, p. 81). The authors also concluded that alumni of smaller universities believe their educational experience to be more impactful than do graduates of larger universities. In the broader context of higher education marketing, "… Brand community integration is the most influential contributor to the desired marketing outcomes. Brand community integration manifests its influence to alumni of both the small and large institutions of higher education" (McAlexander & Koenig, 2010, p. 82).

THE ROLE OF TRADITIONS AND RITUALS IN BRAND COMMUNITIES

Brand communities have specific characteristics; one of those is *traditions and rituals*. Muniz and O'Guinn (2001) identify three characteristics of brand communities: consciousness of kind, moral responsibility, and shared traditions and rituals. The function of shared traditions and rituals in a brand community is to maintain the culture of the community. At an institution of higher education, traditions and rituals include activities such as a university mascot performing pushups for each point scored during a football game (About U.H. Traditions, n.d.), a school fight song (K-State Traditions, 2009), and a specific greeting of "howdy" to and from university alumni and fans (Aggie Traditions, n.d.). The importance of traditions and rituals to institutions of higher education is demonstrated by the fact that Texas A&M University formed a *Traditions Council* "dedicated to promoting and preserving the traditions of Texas A&M University through education and awareness" (Aggie Traditions - Home Page, n.d.). The importance is also demonstrated by programs like the UNI Traditions Challenge. This program is an opportunity for a University of Northern Iowa student to become an official *Traditions Keeper* of the university. A Traditions Challenge Book provides students challenges or must-do campus activities to complete while attending the university "to make memories as a Panther" (Traditions Challenge - University of Northern Iowa, n.d.).

Schau and Muniz (2002) examine brand communities in the context of personal websites devoted to various brands. Participating in brand-related traditions and rituals demonstrates a consumer's legitimacy (understanding the brand) and authority (expertise, experience and knowledge) of the brand within that brand community. "The more rituals the web author has participated in, the more legitimacy he/she demonstrates and the more credible all content becomes within the context of the community" (Schau & Muniz, 2002, p. 347). In the personal websites studied by Schau and Muniz (2002), the rituals, such as singer Tom Petty concert attendance or attendance at Xena, Warrior Princess television show conventions, are demonstrated through personal stories shared on the websites. The authors also found that the density and intensity of traditions and rituals vary between brand communities, depending on the age of the brand (Schau & Muniz, 2002). Older brands have more history and traditions and rituals than newer brands.

Madupu and Cooley (2010) propose a conceptual framework for online brand communities that includes antecedents and consequences of participation in an online brand community. One type of community consequence proposed by Madupu and Cooley (2010) is shared traditions and rituals which can include greeting rituals, jargon, conventions and best practices, celebrations of special events and member milestones, sharing the brand's history, brand stories, new member initiations, and elevation of members to formalized volunteer roles. When brand community members participate in the community, they become more familiar with, learn about and gain a better understanding of the shared traditions and rituals. In turn, the members' awareness of the community's shared traditions and rituals has a positive effect on sustainable brand loyalty among the community members (Madupu & Cooley, 2010). In a study of online brand communities formed around motorcycle, car and camera brands, Madupu and Krishnan (2008) found that online brand community participation is positively related to shared traditions and rituals.

The common factor among the studies cited here is brand community member engagement and participation. For example, those who are active in university activities as students tend to become more active and giving alumni of the institution. Universities viewing themselves as *brand communities* will be more successful in developing and maintaining an active student body and, in turn, garner more support, both financial and participative, from those students as alumni. Traditions and rituals, an important component of brand communities, can serve as a means by which students engage on campus and participate in a university's brand community.

RESEARCH QUESTIONS AND HYPOTHESES

This research analysis attempts to answer the following question: What is the relationship between the extent to which alumni believe a university has valued, well-established traditions and rituals and their alumni brand communities and loyalty? Specifically, we propose that the greater the perception of alumni that a university has valued, well-established traditions and rituals, the greater their brand community relationships and intended behaviors associated with loyalty, and this is articulated in the following hypotheses:

H1 *Alumni who perceive that a university has valued, well-established traditions and rituals will perceive stronger alumni-product relationships than alumni who do not perceive that a university has valued, well-established traditions and rituals.*

H2 *Alumni who perceive that a university has valued, well-established traditions and rituals will perceive stronger alumni-brand relationships than alumni who do not perceive that a university has valued, well-established traditions and rituals.*

H3 *Alumni who perceive that a university has valued, well-established traditions and rituals will perceive stronger alumni-institution relationships than alumni who do not perceive that a university has valued, well-established traditions and rituals.*

H4 *Alumni who perceive that a university has valued, well-established traditions and rituals will perceive stronger alumni-alumni relationships than alumni who do not perceive that a university has valued, well-established traditions and rituals.*

H5 *Alumni who perceive that a university has valued, well-established traditions and rituals will perceive a stronger overall integration within the alumni brand community than alumni who do not perceive that a university has valued, well-established traditions and rituals.*

H6 *Alumni who perceive that a university has valued, well-established traditions and rituals will exhibit stronger behaviors associated with loyalty than alumni who do not perceive that a university has valued, well-established traditions and rituals.*

METHODOLOGY

Sample and Data Collection Procedure

The University is a public, regional comprehensive state institution with a total enrollment of approximately 13,400, including on-campus, online, and international students. It is located in a rural region of a Midwestern state in a city with an approximate population of 20,000. The population for this research project was defined as all alumni of the University with e-mail addresses registered with the University or those using the University's e-mail accounts. If alumni did not have an e-mail account or do not have their updated e-mail account listed with the University's Alumni Association, they were excluded from the population. A total of 19,541 emails were sent, with 1,227 alumni respondents completing the survey for a sample size of 6.3 percent. Unfortunately, the number of outdated or undelivered emails was unable to be determined, so the sample size reported here may be underestimated. Respondents' ages ranged from 21 to 81 or older, 65.5 percent work full-time, and 74.9 percent are married. The sample is split almost evenly by gender (52.1 percent are male; 47.9 percent are female).

A tool called *Student Voice* was used to create the online survey, send the survey to recipients, collect the data and aid in the analysis of the survey data. The tool was obtained through the permission of the University's Student Affairs office.

Measures

The Alumni-Product Relationship was measured with a Satisfaction with Educational Institution scale. Four, five-point Likert statements ($\alpha = .78$) measured the degree to which a person is satisfied with the University, including the education she received at the University, its facilities, the manner in which she was treated, and the extent to which the University helped prepare her for a career (Arnett, German, & Hunt, 2003).

The Alumni-Brand Relationship was measured with three, five-point Likert statements ($\alpha = .54$) that assess the degree to which a person wears university logo clothing, is currently involved in alumni functions, and donates to the University (McAlexander & Koenig 2001). The Cronbach's α of .54 likely resulted from the items assessing somewhat diverse types of behavior and the number of scale items.

The Alumni-Institution Relationship was measured with four, five-point Likert statements ($\alpha =.71$) that assess the degree to which a person feels connected to the University through her present or past relationship with it (McAlexander & Koenig 2001). Items assessed the belief that the University values and cares about a person's needs and opinions, the extent to which she interacted with faculty, and her belief that faculty showed a personal interest in her.

The Alumni-Alumni Relationship was measured by determining the degree to which a person participated in on- or off-campus activities while a student at the University. A respondent indicated which activities in which she participated including student government, intramurals, Greek life, athletics, academic/departmental organizations, student alumni association, university activities board, diversity affairs, and/or other. The number of activities in which a person participated was calculated by summing the activities selected.

Brand community integration was measured with an additive combination of the four components of brand community integration (alumni-product, alumni-brand, alumni-institution, and alumni-alumni) was used (McAlexander & Koenig, 2010).

Four, five-point Likert statements ($\alpha = .70$) measured the degree to which a person expresses intended behaviors associated with her loyalty to the University, including future involvement in an alumni group, future donations of money, wanting their children to attend the University, and a preference for future enrollment in continuing education at the University (McAlexander & Koenig, 2001).

The extent to which a person believes the University has strong traditions and rituals was measured with two five-point Likert statements that assess their belief that the University has well-established traditions and rituals and the value they place on those traditions and rituals.

DATA ANALYSIS

For all statistical tests, comparisons were made between alumni who perceive the University has valued, well-established traditions and rituals (scores of 9 or 10 on the summed scale; n=460) and those who believe the University does not have valued, well-established traditions and rituals (scores of 2-8 on the summed scale; n=705). A multivariate analysis of variance analysis was used to test hypotheses 1-4 because four individual ANOVAs would have inflated the overall Type 1 error rate and the four relationships of brand community are correlated (McAlexander & Koenig, 2010). Hypothesis 5 for overall brand community integration was tested in a separate ANOVA (McAlexander & Koenig, 2010). As in McAlexander and Koenig's (2010) study, separate analyses for each of the four items that measured expressions of loyalty were run to test hypothesis 6 because the items appear sufficiently different. Individual independent t-tests were run. Two of the four loyalty variables exhibited unequal variances (using Levene's test for homogeneity of variance), and the appropriate statistic is reported depending on whether a variable passed or failed the Levene test.

RESULTS

The one-way MANOVA was significant (*Lambda*(4,1118)=.727, *p*=.000). The mean scores for all four brand community relationships for the two groups of alumni are statistically different (see Table 1). Hypotheses 1-4 are supported; alumni who perceive that the University has valued, well-established traditions and rituals perceive *stronger* alumni-product, alumni-brand, alumni-institution, and alumni-alumni relationships than alumni who do not perceive that the University has valued, well-established traditions and rituals.

The mean scores for overall brand community integration for the two groups of alumni are statistically different (see Table 1). Hypothesis 5 is supported; alumni who perceive that the University has valued, well-established traditions and rituals perceive *a stronger overall integration within the alumni brand community* than alumni who do not perceive that the University has valued, well-established traditions and rituals.

Table 1
RESULTS FOR HYPOTHESES 1-5

Hypothesis	Brand Connection*	Low – Valued, well-established traditions and rituals	High – Valued, well-established traditions and rituals	MANOVA or ANOVA results
1	Alumni-Product	16.90	18.90	p = .000 $F(1,1121)$=259.27
2	Alumni-Brand	10.01	12.23	p = .000 $F(1,1121)$=212.72
3	Alumni-Institution	14.77	17.02	p = .000 $F(1,1121)$=267.67
4	Alumni-Alumni	1.68	2.01	p = .000 $F(1,1121)$=16.51
5	Overall BCI	43.36	50.16	p = .000 $F(1,1121)$=404.76

*Summative scales

Of the four loyalty variables used to test Hypothesis 6, the means for all of the items are significantly different for the two groups of alumni (see Table 2). Hypothesis 6 is supported; alumni who perceive that the University has valued, well-established traditions and rituals exhibit stronger behaviors associated with loyalty than alumni who do not perceive that the University has valued, well-established traditions and rituals.

Table 2
RESULTS FOR HYPOTHESIS 6

Loyalty Outcomes*	Low – Valued, well-established traditions and rituals	High – Valued, well-established traditions and rituals	Independent-samples *t* test results
I would like to be involved in a University alumni group.	2.89	3.58	$p = .000$ $t(984)=-11.51$
If I were to continue my professional education, I would prefer to take those classes at the University.	3.33	4.05	$p = .000$ $t(1163)=-11.2$
In the future, I could see myself donating money to the University.	3.61	4.30	$p = .000$ $t(1129)=-11.78$
If I were to have children, I would want them to go to the University.	3.38	4.18	$p = .000$ $t(1163)=-15.03$

*Five-point Likert scale from “strongly agree” to “strongly disagree”

DISCUSSION

Consistent with McAlexander, Koenig and Schouten (2004), this research proposes that a university, as a branded institution, constitutes a brand community, and that traditions and rituals can serve as a means by which students engage on campus, participate in a university’s brand community, and, in turn, become active and giving alumni of a university. Six hypotheses that addressed alumni perceptions of the value and establishment of traditions and rituals were supported; the greater the perception of alumni that a university has valued, well-established traditions and rituals, the greater their brand community relationships and intended behaviors associated with loyalty.

Theoretically, the contribution of the research reported here is considering the importance of traditions and rituals in alumni brand communities and loyalty, a concept not addressed in previous research; therefore, our understanding of brand communities and loyalty has been expanded. McAlexander and Koenig (2010) have demonstrated that brand community integration is an influential contributor to desired marketing outcomes of institutions of higher education, both large and small. So, university initiatives that enhance and strengthen alumni brand community relationships are vital. Further, given the economic climate in higher education today, it is also very important that universities foster active and dedicated alumni as to garner financial support. We found that those alumni who perceive a university to have valued, well-established traditions and rituals perceive stronger brand community relationships and overall brand community integration and exhibit stronger loyalty to the institution.

Future research may incorporate the role and impact of additional constructs, such as nostalgia, on university traditions and rituals and alumni brand community relationships. University-related experiences are often remembered with a feeling a nostalgia which may be evoked by tangible objects such as college t-shirts as a give-away from an event or an award recognition ceremony honoring alumni. "When one feels nostalgic, there seems to be a bittersweet quality to the meaning which is associated with a memory from the past" (Baker & Kennedy, 1994, p. 169). Participation in university traditions and rituals seems like an obvious time in which nostalgia would be experienced, especially for university alumni whereby that participation recalls happy, positive memories from the past but, at the same time, evokes feelings of sadness because the time at which these activities occurred has passed.

Future research should also overcome limitations in this study, such as expanding the study beyond the University studied here and expanding the conceptualization and measurement of the four alumni brand community relationships, especially the brand-alumni relationship where a higher Cronbach's alpha is desirable. In addition, we recognize that using email as a method of contact for the online survey precluded some alumni from participating, particularly older alumni who may not be computer-savvy. Future research should incorporate other methods of contact to result in a more inclusive sample.

From a practical perspective, the findings have implications for higher education marketers. Institutions of higher education should take a holistic approach to the student experience, be willing to invest resources and time to enhancing the student experience, and include a variety of institutional constituencies in that effort. Many universities have placed a priority on the freshmen experience in an effort to increase student retention. However, universities should not neglect the overall student experience. They should facilitate the process of student engagement and participation in the university as a brand community.

Alumni associations and university foundations should work together to develop supportive and active alumni communities that are integrated within a larger brand community to encourage desirable alumni actions. One important action is donating to the university, especially as institutional funding by state governments decreases. But other desirable actions by alumni are important as well, such as wearing university logo clothing, being involved in alumni functions, sending their children to attend the university, and continuing their own education at the university. The broader brand community of alumni should be segmented according to important demographic, psychographic, and behavioral variables. Specific strategies and tactics should be employed to reach specific target markets within that community (e.g., traditional versus nontraditional, international, and online students) when soliciting donations and participation from alumni.

Alumni associations, in particular, should be viewed as strategic, vital assets of universities and serve as keepers of traditions and rituals by supporting active student alumni groups and promoting the importance of traditions and rituals. This may include a Traditions Challenge, listing of traditions and rituals on the alumni association website, memorabilia displays featuring past traditions and rituals, social media updates (e.g., Traditions Tuesday), and holding lectures and seminars about traditions and rituals. As keepers of traditions and rituals, alumni associations should also create new, cultivate existing, and revitalize old traditions and rituals, promoting those traditions and rituals to current students and alumni to encourage meaningful participation. One example at the University is the creation and maintenance of a campaign by the alumni association whereby university faculty, staff and students, as well as community members, are encouraged to wear university colors on Fridays. In addition, the University brought back the bonfire to Homecoming week after it had been abandoned many years ago.

Relationships with alumni should be cultivated while they are students through traditions and rituals and working within the framework of the four brand community relationships. But this effort needs to involve *all* students. According to Muniz and O'Guinn (2001), a brand community is non-geographically bound because communities evolved from a *place* to a *shared identity*; therefore, the notion of brand community for a university does not restrict the development and nurturing of a brand community to on-campus students. Those universities that have sizeable populations of online students and international students, such as the University that is studied here, should develop and nurture brand communities with those students as well, create and foster traditions and rituals in which they may participate, and instill a sense that the university has valued, well-established traditions and rituals.

REFERENCES

About U.H. Traditions. (n.d.). Retrieved February 21, 2015, from http://www.uh.edu/about/history/traditions.php

Aggie Traditions - Community. (n.d.). Retrieved February 21, 2015, from http://aggietraditions.tamu.edu/community

Aggie Traditions - Home Page. (n.d.). Retrieved February 21, 2015, from http://aggietraditions.tamu.edu

Arnett, D. B., German, S. D., & Hunt, S. D. (2003). The identity salience model of relationship marketing success: The case of nonprofit marketing. *Journal of Marketing*, *67*(2), 89-105.

Baker, S. M., & Kennedy, P. F. (1994). Death by nostalgia: A diagnosis of context-specific cases. *Advances in Consumer Research, 21*(1), 169-174.

Balmer, J. T., & Liao, M. (2007). Student corporate brand identification: An exploratory case study. *Corporate Communications: An International Journal, 12*(4), 356-375.

Bruce, G. D. (2007). Exploring the likelihood and reality of MBA alumni financial donations. *GMAC Research Reports*, RR-07-12 (January 10).

Conely, A. T. (1999). Student organization membership and alumni giving at a public, research I university. Unpublished doctoral dissertation, Indiana University.

Council for Aid to Education newsletter (January 28, 2015). Colleges and universities raise $37.45 billion in 2014. January 28, 2015. Accessed February 21, 2015 at http://cae.org/images/uploads/pdf/VSE-2014-Press-Release.pdf

Fournier, S., & Lee, L. (2009). Getting brand communities right. *Harvard Business Review, 87*(4), 105-111.

Haynie, D. (2014, December 14). Ten schools where the most alumni donate. Retrieved April 10, 2015, from http://www.usnews.com/education/best-colleges/the-short-list-college/articles/2014/12/30/10-schools-where-the-most-alumni-donate

K-State traditions every incoming student should know. (2009, August 19). Retrieved February 21, 2015, from http://www.kstatecollegian.com/2009/08/20/kstate-traditions-every-incoming-student-should-know/

Lindahl, D., & Conely, A. T. (2002). Literature review: Philanthropic fundraising. *Nonprofit Management & Leadership, 13*(1), 91-112.

Madupu, V. & Cooley, D. O. (2010). Antecedents and consequences of online brand community participation: A conceptual framework. *Journal of Internet Commerce, 9*(2), 127-147.

Madupu, V. & Krishnan, B. (2008). The relationship between online brand community participation and consciousness of kind, moral responsibility, and shared rituals and traditions. *Advances in Consumer Research, 35*, 853-854.

McAlexander, J. H., & Koenig, H. F. (2001). University experiences, the student-college relationship, and alumni support. *Journal of Marketing for Higher Education*, *10*(3), 21-43.

McAlexander, J. H., & Koenig, H. F. (2010). Contextual influences: Building brand community in large and small colleges. *Journal of Marketing for Higher Education, 20*(1), 69-84.

McAlexander, J. H., Koenig, H. F., & Schouten, J. W. (2004). Building a university brand community: The long-term impact of shared experiences. *Journal of Marketing for Higher Education, 14*(2), 61-79.

McAlexander, J. H., Koenig, H. F., & Schouten, J. W. (2006). Building relationships of brand community in higher education: A strategic framework for university advancement. *International Journal of Educational Advancement, 6*(2), 107-118.

McAlexander, J. H., Schouten, J. W., & Koenig, H. F. (2002). Building brand community. *Journal of Marketing, 66*(1), 38-54.

Muniz, A. M., Jr., & O'Guinn, T. C. (2001). Brand community. *Journal of Consumer Research, 27*(4), 412-432.

Schau, H. J. & Muniz, A. M., Jr., (2002). Brand communities and personal identities: Negotiations in cyberspace. *Advances in Consumer Research, 29*, 344-349.

Schau, H. J., Muniz, A. M., Jr., & Arnould, E. J. (2009). How brand community practices create value. *Journal of Marketing, 73*(5), 30-51.

Schertzer, C. B. & Schertzer, S. M. B. (2004). Student satisfaction and retention: A conceptual model. *Journal of Marketing for Higher Education, 14*(1), 79-91.

Traditions Challenge - University of Northern Iowa. (n.d.). Retrieved February 21, 2015, from http://www.uni.edu/traditions/

University Foundation Financial Report 2013-2014. (n.d.). Retrieved February 21, 2015, from http://issuu.com/fhsufoundation/docs/financial_report_2013_2014_210b89e623113b/1?e=3244387/10236408

THE EFFECT OF COSMOPOLITANISM ON MULTI-ETHNIC U.S. MARKETS UNDER VARYING CONDITIONS OF DIVERSITY IN ADVERTISING

Delonia O. Cooley, Texas Southern University
Jeff Brice, Texas Southern University
Enrique P. Becerra, Texas State University
Sindy Chapa, Florida State University

ABSTRACT

Major retailers and other marketers have long decided that ethnic-specific advertisements, which target the major ethnic groups in the U.S., are best to use in diverse markets as opposed to standardized ads, which are not tailored to any specific ethnic groups in the population. While standardized ads are more cost efficient, it is assumed that major ethnic groups in the populace are influenced more by ads that target them directly. However, these conclusions may be shifting due to the increasing levels of cosmopolitanism in young adult market segments. Cosmopolitanism, which sanctions a philosophical detachment from an individual's native culture and fosters identification with other cultures and customs, may be a potentially game-changing consideration for advertisers.

This study looks at cosmopolitanism and its effect on attitudes toward ads, brands, and brand purchase intentions in multi-ethnic markets. Specifically, this study compares, across three different young adult U.S. ethnic groups, the effects of multi-ethnic ads and ethnic-specific ads under various conditions of diversity. Data is tested via a structural equation model and results indicate that the answer to the conundrum of how to successfully advertise to shifting multi-ethnic markets (especially to the young adult demographic) may be to fully understand the target market's desire for diversity in the ad based on the direct, and indirect, influence of cosmopolitanism. Additional findings, limitations, and implications for research and practice are discussed.

INTRODUCTION

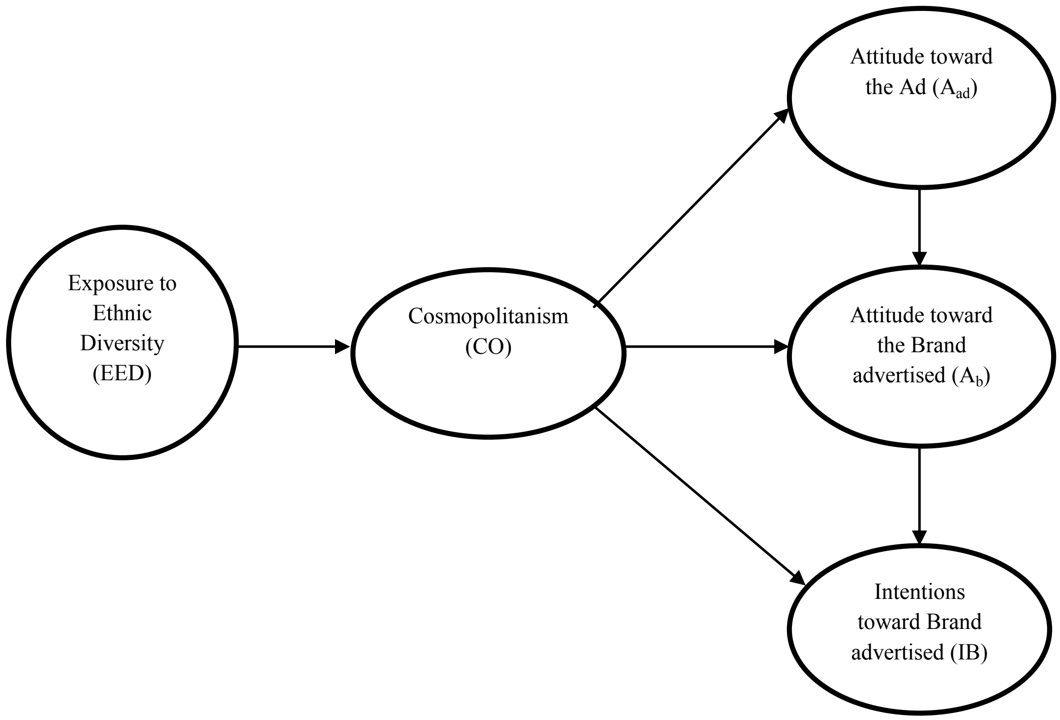
Multi-ethnic U.S. markets, or markets consisting of groups of individuals with distinct ethnic origins, culture, language, history, customs, religion, or features (Riggins 1992) located in the United States, present marketers with an advertising strategy conundrum. Should they invest in ethnic-specific or standardized advertisements? Since individuals have been shown to be more likely to self-define on characteristics, like ethnicity, that makes them distinctive relative to others (McGuire 1984), ethnic-specific ads use spokespersons, cues, language, and/or idioms specific to the targeted ethnicity and thus the firm must create ads for each ethnic group significantly represented in the population. Standardized, or integrated, ads are not tailored to any specific ethnic group and utilize the same spokespersons, cues, language, and/or idioms for all ethnic groups. Standardized ads are more effective and cost efficient than ethnic-specific ads when there are few consumer behavioral differences across ethnic groups (Cui and Choudhury 2002). However, ethnic-specific ads are best when there are recognized consumer behavioral differences across ethnic groups within a market (Cui and Choudhury 2002). In addition, ethnic-specific ads, regardless of consumer differences across ethnic groups, increase the targeted ethnic groups' positive attitudes toward the ad and the brand influencing their purchase intentions (Forehand, Deshpande, and Reed 2002). For this reason, firms targeting ethnic groups in the U.S., such as Wal-Mart, McDonalds, and Coca-Cola tend to use ethnic-specific ads.

Findings on the effects of ethnic-specific ads are not conclusive though. Some studies find that members of one ethnicity prefer ads with models or actors of another ethnicity (Appiah 2001a; Martin, Lee, and Yang 2004). Results concerning standardized ads come from cross-country studies, but findings on standardized ads in multi-ethnic U.S. markets are scant. In addition, within-country consumer variations tend to be greater than between-country consumer variations (Ter Hofstede, Steenkamp, and Wedel, 1999). Therefore, consumer similarities across-countries may warrant an ad standardization strategy while consumer differences within U.S. markets, intensified by widespread online communications, may not. There is little empirical justification to conclude, however, that ethnic-specific ads should be favored in multi-ethnic U.S. markets over standardized ads. The conflicting evidence concerning utilizing ethnic-specific ads versus standardized ads warrants further scrutiny to determine the optimal advertising strategy for a multi-ethnic market. Most studies of ethnic-specific ads in the U.S. have mostly compared an ad's effectiveness on different ethnic groups by using ads with appropriate ethnic-specific spokespersons (Sierra, Hyman, and Torres 2009). This is much different than conducting a comparison of ad effectiveness on different ethnic groups by incorporating ads highlighting a mix of ethnic actors to reflect a multi-ethnic market which can then be standardized across ethnic groups.

Another by-product of multi-ethnic markets is an increase of cosmopolitanism among the populace. Cosmopolitanism reflects an acceptance of other cultures, customs, and preferences in deference to one's own (Anderson, 1998) and has been identified as a mitigating factor influencing preference for a variety of international consumer goods and services (Beckmann, Douglas, Botschen, Botschen, Friese, and Nijssen, 2001). In multi-ethnic markets, such as in the U.S., young adults are becoming more cosmopolitan for reasons which include increased inter-ethnic marriages and ethnic diversity in schools, neighborhoods, and the workplace. This is in stark contrast to less ethnic and/or culturally diverse markets such as South Korea, Japan, and Italy (Fearon, 2003), for example. These markets are notoriously (if not religiously) ethnocentric to the point where cosmopolitanism might be viewed with some scorn. In these markets, consumers tend to embrace the parochial attitudes and narrow values that they recognize as representative of the local culture that they seek to maintain (Cannon and Yaprak, 2002). In short, the more homogeneous and insular the society, the less cosmopolitan the citizenry; hence, it is more beneficial to examine cosmopolitan influences within a diverse population, such as in the U.S., instead of across several independent countries. Accordingly, this study compares, across three different young adult U.S. ethnic groups (White, African-American, and Hispanic-American young adults), the effects of using diversity ads, that is, ads using a mix of ethnic actors against the effects of using ads with ethnic-specific actors on attitudes toward the ad, attitudes towards the brand, and brand purchase intentions (see Figure 1). The study accounts for the influence of cosmopolitanism and prior ethnic contact on ad effects.

The remainder of the study is organized as follows. First, we build upon social identity theory and the extant literature on advertising and cosmopolitanism to develop a theoretical framework to include hypotheses concerning the difference of ad effects. Next, we discuss the methodology, analysis, and results. Finally, we conclude with managerial implications, future research directions, and potential limitations.

Figure 1 - Cosmopolitanism and Ad Effects



THEORETICAL FRAMEWORK AND HYPOTHESES

Ethnic affiliation is based on an individual's perceived identification or affinity to a group or community that maintains a common culture, customs, language or expression, history, and/or religious beliefs different from other groups (Holland and Gentry 1999). Whereas ethnicity emanates from culture, race is associated with genetic diversity. Race is indicative of genetically distinct populations within the same species that is expressed through relatively superficial differences. Thus, individuals may identify more strongly with their ethnicity than with their race. For example, Hispanic Americans come in all races (Allen 2001) but they identify more with a shared common ancestry, culture, and/or language and mode of expression different from other U.S. ethnic groups making them distinct and influencing their behavior (Becerra and Korgaonkar 2009, 2010). This study uses the three main American ethnic groups by population: White non-Hispanic, Hispanic American, and African American non-Hispanic. African Americans account for $957 billion, Hispanic Americans account for nearly $1 trillion, and Asian Americans account for $544 billion of the expected total 2010 U.S. $11.2 trillion in purchasing power (Davis 2011; Fahmy and Humphreys 2010). The Asian American non-Hispanic group, despite its growth and purchasing power, is not used in the study because it is composed of several small non-Hispanic groups each sharing a common culture, language, and/or history (Japanese American, Chinese American) different from the other groups (Cui and Choudhury 2002).

The increasing population growth and purchasing power of American ethnic groups have made them important market segments (Wilson 2007), which firms want to attract and capture. Consequently, advertising dollars targeting ethnic groups in the U.S. have increased and are expected to continue to grow in the future (Aaker et al., 2000; De Run 2004). Ads targeting ethnic groups use either ethnic-specific ads or standardized ads, and overall, $5.4 billion and $1.9 billion respectively were spent on Hispanic specific and African American specific advertising in 2009 (Bachman 2009).

The case for ethnic-specific ads

The usage of ethnic-specific ads is grounded in several theories, such as distinctiveness, social identification, congruity, and/or speech accommodation theories, among others. Distinctive theory suggests that ads that target distinctive traits of a minority group are more effective and trusted more by that minority than ads that target common traits the minority group shares with the majority (Appiah 2001b; McGuire et al. 1978). Social identity theory posits that people perceive and categorize themselves and others into in-groups and outer-groups (Tajfel 1978a), which define their identity, including their self-concept. Consequently, individuals will identify more with ads that display traits of in-groups than ads displaying traits of the outer-groups (Sierra, Hyman, and Torres 2009). Similarly, ads that are congruent with one's values, attitudes, and/or perceptions will resonate more than ads that are not congruent (Campbell and Goodstein, 2001; Peracchio and Tybout, 1996). Speech accommodation theory posits that ad effectiveness increases when the audience perceives the ad to be similar to them through the usage of similar spokespersons, language, tone, and/or mode of expression (Giles, Coupland and Coupland 1991). Therefore, the rationale for using ethnic-specific ads is that the targeted consumer would prefer ads displaying spokespersons, language, idioms, and/or ethnic cues similar to him/her (Appiah 2001b; Deshpande, Hoyer, and Donthu 1986; Holland and Gentry 1999; Sierra, Hyman, and Torres 2009; Taylor and Stern 1997). Some research on the usage of ethnic-specific spokespersons finds that non-ethnic-specific spokesperson ads are as effective as, if not more effective than, ethnic-specific spokesperson ads (Appiah 2001a; Martin, Lee, and Yang 2004). However, most research comparing the usage of spokespersons' ethnicity indicate that ads using spokespersons of an ethnicity matching the intended audience have greater effects on the audiences' attitude towards the ad, attitude towards the brand, and intentions to purchase the brand advertised than ads using a spokesperson of a different ethnicity from the targeted audience (Sierra, Hyman, and Torres 2009).

The case for standardized ads

Research on advertising across cultures indicates that for countries with similar consumer behavior, firms should use standardized ads. That is, firms should use the same ads across similar markets with perhaps changes in the language if needed (Cui and Choudhury 2002). Substantive changes to the ad, such as changes to the spokesperson, slogan, main cues, etc., are considered adaptations required due to variations in consumer behavior brought by differences in cultures across the markets. Standardization increases economies of scale and thus reduces costs and may increase the firm's performance. Adaptation, on the other hand, increases costs and could decrease the firm's performance. The rationale for adapting ads across markets is similar to the rationale for using ethnic-specific ads within a market. Adaptation is based on culture dissimilarities that lead to differences in perceptions of, behavior toward, and/or usage of the product/brand, the same argument for ethnic-specific ads (Triandis, Marin, Lisansky, and Betancourt 1984). Differences in cultures across, or within, markets specifically differences in cultural beliefs that influence consumers perceptions of, behavior toward, and/or usage of the product/brand, warrant the use marketing mix adaptations to include culture specific ads. Marketing mix standardization is warranted when cultural differences across, or within, markets do not influence consumers' perceptions of, behavior toward, and/or usage of the product/brand (Cui and Choudhury 2002). Coca-Cola determined that the perceptions, behavior, and usage of carbonated soft drinks are similar across the U.S. population and, therefore, call for a standardized marketing mix to include using standardized ads (Rousch 1997). Pepsi-Cola Company and Miller Brewing Company, on the other hand, each adopted an umbrella ad campaign which maintains a consistent message and slogan across ethnic groups while adapting spokesperson actors, cues, and/or idioms in the ads to effectively target each ethnic group (Faura 1999). Coca-Cola's, Pepsi's, and Miller's decisions suggest that perceptions of similarities or dissimilarities in consumer behavior across U.S. ethnic groups vary among firms.

The optimal type of ad to use with an ethnic group depends on which type of ad creates the greatest effects on that ethnic group. This study is concerned with, as suggested by the extant advertising literature (Brown and Stayman 1992, Mackenzie, Lutz and Belch 1986), the effect of the ad on attitude toward the ad (A_{AD}), attitude toward the brand advertised (A_B), and behavior toward the brand advertised (B_B) produced by either type of ad. Using social identification theory, cosmopolitanism, and the extant literature on advertising (including the effects of ethnicity and/or culture), we propose and discuss a framework below that tests the effects of exposure to ethnic diversity and cosmopolitanism on attitudes toward the ad, attitudes toward the brand, and intentions to purchase the product (see Figure 1).

Exposure to diversity and cosmopolitanism and their effect on advertising

There is a growing openness and desire for diversity in the U.S., particularly amongst young adults, because of the increasing incidence of inter-ethnic marriages, portrayal of ethnic minorities on television and cinematic movies, and ethnic diversity in schools, neighborhoods, and the workplace (Friedman, 1997; Glaeser and Vigdor 2012; Robertson, 1995; U.S. Census 2011; Werbner, 2007). This increased contact across ethnicities results in increased openness toward diversity (cosmopolitanism) (Werbner, 2007; Friedman, 1997; Robertson, 1995). Cosmopolitanism is the willingness to move beyond one's community boundaries and/or beliefs (Merton 1957) by consciously being open to cultural differences (Skrbis, Kendal, and Woodward 2004) and actively interacting with those outside one's community (Hannerz 1992).

Cosmopolitanism is, to some, a predisposition (Merton 1957, Gouldner 1957), or a personality trait (Skrbis, Kendal, and Woodward 2004), and/or a learnable skill (Morse and Gordon, 1974). Nevertheless, cosmopolitanism is operationalized as a set of beliefs and/or attitudes that affect consumer behavior (Cleveland, Laroche, and Papadopoulos 2009). Cosmopolitanism engenders greater preference for products outside one's culture and/or community (Thompson and Tambyah 1999), and increases interactions with members outside one's group, which suggests a desire for diversity. Social identification theory posits that people perceive and categorize others into in-groups and outer-groups, which defines their identity (Tajfel and Turner 1975; Tajfel 1978a, 1981). Contact with outer-group members leads to changes in individual's identity, including changes in perceptions toward outer-group members making them more acceptable and part of the in-group (Tajfel 1978a,b). As individuals' identity becomes more inclusive of outer-group members, individuals will identify with diversity and start to expect ads that display traits of it because individuals prefer ads that display traits of their identity (Deshpande, Hoyer, and Donthu 1986). Therefore, increased exposure to ethnic groups, other than one's own, should lead to greater cosmopolitanism and reduce the need for ethnic-specific ads while simultaneously increasing the need for ads reflecting diversity (e.g., multi-ethnic ads) that can be standardized.

Hence, we offer the following hypothesis:

H1 Exposure to ethnic diversity is positively related to cosmopolitanism.

Social identity theory suggests that people who define and evaluate themselves in terms of social groups, such as ethnicities, and non-group members provide the bases for evaluating another group's status (Tajfel 1978b). Ads that reflect through cues, to include the primary spokesperson, the viewers' perceived ethnic social identity have a greater effect on attitude toward the ad (Aaker, Brumbaugh, and Grier 2000) and on behavior toward the brand advertised when compared to those that do not (Qualls and Moore 1990). Consequently, the more (less) a person identifies with their ethnic group, the stronger (weaker) a person's ethnic identification. Further, the more (less) that person identifies with ads containing an actor reflecting their ethnicity, the more (less) positive their attitudes are toward that ad and the more (less) open they will be to buying the brand advertised (Sierra, Hyman and Torres 2009).

Increased exposure to diversity affects perceived social identity. When exposed to diversity, individuals start to identify with other groups along with their native ethnic group (Tajfel 1978b), which is a hallmark of increased cosmopolitanism. Cosmopolitanism reflects, as ethnic identification does, individual's beliefs about themselves including their desire for diversity. Therefore, cosmopolitanism, as ethnic identification does, should affect attitude towards the ad and intentions toward the brand advertised. Hence, we propose the following hypotheses:

H2 Cosmopolitanism is positively related to attitude toward the ad.

H3 Cosmopolitanism is positively related to intentions toward the brand advertised in the ad.

Aaker, Brumbaugh, and Grier (2000) among others (Sierra, Hyman and Torres 2009) indicate that ads depicting outer-groups, such as an ethnic group other than one's own, have a negative effect on individuals whose identity does not include outer-group members. However, increased contact with outer-groups fosters cosmopolitanism, which reinforces the desire for ads reflecting diversity. Diversity can be depicted by multi-ethnic ads (ads displaying multiple ethnic groups to include one's own) and/or by multi-ethnic ads displaying ethnic groups other than one's own (to include ethnic-specific ads highlighting a single ethnic group different from one's own). However, the influence on attitude towards ads targeting ethnicities different from one's own might not be as strong as the influence on attitude towards ads displaying more than one ethnicity. While it is known that cosmopolitanism increases acceptance of ads displaying ethnicities different from one's own, it also increases desire for diversity. Ethnic-specific ads do not display diversity, although they do display an ethnicity different from one's own. Therefore, the more cosmopolitan the ad reader, the greater the response may be toward more diverse ads. Based on this reasoning, the following hypotheses are proposed:

H4 The effect of cosmopolitanism on attitude toward the ad will be greater for ads displaying diversity than for ethnic-specific ads targeted to ethnic groups different from one's own.

H5 The effect of cosmopolitanism on intentions toward the brand advertised will be greater for ads displaying diversity than for ethnic-specific ads targeted to ethnic groups different from one's own.

Increased exposure to diversity fosters acceptance of members of outer-groups and affects one's identity to become more inclusive. As suggested previously, increased cosmopolitanism should increase the desire for ads displaying diversity. Consequently, we propose, grounded in social identity theory, that the effect of cosmopolitanism on attitude toward the ad and on intentions toward the brand advertised is greater from ads displaying diversity than for ads with ethnic-specific images of one's own ethnic group. Social identity theory suggests that ads reflecting one's identity are preferred over ads that do not. As cosmopolitanism rises, so does one's identification with diversity. Therefore, individuals high in cosmopolitanism will prefer ads focused on diversity, such as multi-ethnic ads, to those specific to one ethnicity, even if the ethnicity highlighted is that of the ad reader.

Ads specific to ethnicities different from one's own reflect some level of inclusion or diversity while ads specific to one's own ethnicity do not. Social identity theory suggests that individuals can identify with more than one group (Tajfel and Turner 1985), that is, individuals can identify with their ethnic group and with diversity at the same time. However, as cosmopolitanism rises we expect individuals' identification with diversity to be more salient than identification with one's own ethnic group. As a result, high cosmopolitanism individuals may accept members of outer-groups and start calling them members of their in-group. As identification with diversity rises, the desire to see ads focused on one's own ethnicity depicted in ads decreases because individuals crave ads that reflect more diversity. Consequently, we propose that, as cosmopolitanism increases, ethnic-specific ads focused on ethnicities different from one's own will have a greater effect on attitudes toward the ad and intentions toward the brand advertised. Hence, we offer the following hypotheses:

H6 *The effect of cosmopolitanism on attitude toward the ad will be greater for ads displaying some diversity (such as ethnic-specific ads targeted to ethnicities different from one's own than for ads that are ethnic-specific for one's ethnicity.*

H7 *The effect of cosmopolitanism on intentions toward the brand advertised will be greater for ads displaying some diversity (such as ethnic-specific ads targeted to ethnicities different from one's own) than for ads that are ethnic-specific for one's ethnicity.*

Attitude toward the ad is positively related to attitude toward the brand advertised (Mitchell and Olson, 1981), but its effect may vary depending on the type of ad used because of the indirect effect that cosmopolitanism exerts on attitude toward the brand advertised through attitude toward the ad. As cosmopolitanism increases, attitude toward brands advertised for ads displaying diversity should be more positive than attitudes toward the same brand advertised for ads without diversity. Therefore, we proposed the following hypotheses:

H8a *Cosmopolitanism has a positive indirect effect of attitude toward the brand advertised through attitude toward the ad.*

H8b *The indirect effect of cosmopolitanism on attitude toward the brand advertised through attitude toward the ad will be greater for ads displaying high diversity than for ads displaying moderate diversity, such as ethnic-specific ads highlighting ethnicities different from one's own.*

H8c *The indirect effect of cosmopolitanism on attitude toward the brand advertised through attitude toward the ad will be greater for ads displaying some diversity than for ads not displaying diversity, such as ads specific to one's ethnicity.*

Similarly, as cosmopolitanism increases it should influence the effect of attitude toward the brand and intentions toward the brand advertised through its effect on attitude toward the ad. Therefore, as cosmopolitanism increases, brands advertised in ads depicting diversity should have a greater influence than brands depicted in other type of ads. We offer the following hypotheses:

H9a Cosmopolitanism has a positive indirect effect on intentions toward the brand advertised, through its influence on attitude toward the brand advertised.

H9b The indirect effect of cosmopolitanism on intentions toward the brand advertised through its influence on attitude toward the brand will be greater for ads displaying high diversity than for ads displaying moderate diversity.

H9c The indirect effect of cosmopolitanism on intentions toward the brand advertised through its influence on attitude toward the brand will be greater for ads displaying some diversity than for ads not displaying diversity.

Next we discuss the study and its measurements and present the results and analysis.

METHODOLOGY

Study Description

The study and the pretests were conducted in several universities in the southern region of the United States; the main study was conducted during a 10-months time period. Prior to the main study, we conducted several pretests of the ads to be used including the product and brand to be advertised. The first pretest asked 60 students to list the products they planned to purchase during the next 12 months. Ten products with the highest scores were then pretested again, asking a different set of 90 students, the likelihood of purchasing within the next twelve months each of the 10 products listed. Blue jeans were the product selected, given the high likelihood of being purchased during the next 12 months.

A third pretest was conducted to determine the brand to be used in the ad. Several made up brands were used and 190 students participated. We selected UpJeans, the brand that scored highest on perceptions between both genders and across all ethnicities. After the selection of the brand, ads were created, one for each ethnicity to be tested (White, African American, Hispanic) and one diverse or multi-ethnic ad (all ethnicities represented), for a total of four ads, depicting three males and three females all in similar poses wearing alike clothes, white t-shirt and jeans (Please see sample in Figure 2). Students were selected as models in order for the target audience, young adults, could identify with actors in each ad. The actors were selected based on their ethnic look.

Figure 2 – Diversity or Multi-Ethnic Ad

After creating the ads, each was pretested individually, through an online survey, for a total of four pretests. This pretest tested how each ad was perceived to determine if it was perceived as intended for a specific ethnicity or as a diversity ad. Each pretest had three randomly presented ads, two of which served as controls, an ad for Pedigree dog food depicting an English Bull dog, and a picture of a modern sculpture. Respondents, after seeing each ad, provided their perception of each ad, including their perceived intended audience for each ad from the following choices: White American audience only, African American audience only, Hispanic American audience only, Asian American audience only, any audience, and other ethnic group. They were asked if they felt the ad was intended for them, and lastly they were asked their perception of the ethnicity of the spokespersons depicted in each ad. Demographic information, including ethnicity, was asked randomly with some seeing at the beginning and some at the end of the survey. All ads tested across all ethnicities as intended with similar ratings, ads with white models were perceived by 96% of respondents as intended for a White American audience. Control ads tested as intended across all ethnic groups, with the majority perceiving the ads as intended for any audience.

After pretesting, the main study was conducted online. Each respondent saw an ad out of the four, randomly assigned regardless of ethnic makeup. So, a White respondent saw one of the four ads for a 4 (ads) x 3 (ethnic groups) study. Some, not all, participants in the study were given extra credit in a marketing class for completing the study. A total of 701 respondents participated in the study with 638 of them from the groups of interest; 63 responses from respondents of other ethnic makeup were excluded from analysis. The majority of participants, 88%, ranged in age from 18 to 32 years old with 41.8% males completing the study. A total of 151 saw the ad depicting White American models; 170 the ad depicting African American models; 163 the ad depicting Hispanic American models; and, 154 the multi-ethnic or diversity ad. A total of 280 Whites Americans participated with the majority (92.9%) ranging in ages from 18 to 32 years old with 43.9% of males. A total of 185 African Americans participated, with the majority (75.35%) ranging in ages from 18 to 32 years old with 36.9% males and the total participation of Hispanic Americans, with the majority (92.4%) ranging in ages from 18 to 32 years old with 43.9% males, was 173. The diversity ad was seen by a total of 154 participants, with 44.1% White, 32.4% African American and 23.5% Hispanic American. The ethnic-specific ad presented to the same ethnicity depicted in the ad was seen by a total of 150 participants with 39.3% White, 32% African American and 28.7% Hispanic American. The ethnic-specific ad presented to another ethnicity than the one depicted in the ad was seen by a total of 334 participants with 71.7 % White, 14.1 % African Americans and 14.2 % Hispanic Americans.

Participation in the study was voluntary, anonymous, and conducted online. The study had 10 pages with the first two pages presenting instructions and asking respondents if they voluntarily wanted to participate in the study. The third and fourth page has questions on ethnic makeup, cosmopolitanism, exposure to ethnicities other than their own, and questions not related to this study. The fifth page presented one of the ads, randomly selected. In addition it asked two questions-- how many males and how many brands were depicted in the ad, to corroborate the participants seeing the ad. The sixth page asked questions about the ad presented, including attitudes toward the ad, attitude toward the brand advertised, intentions to purchase the brand advertised, and perceptions of the intended target audience for the ad. The seventh page presented participants with a list of brands and asked to choose the brand that was advertised in the ad presented. The eight page asked questions not related to this study and the ninth page asked demographic questions, including age, gender and income. The last page thanked the participants for completing the study and asked whether they were participating to obtain extra credit, and if so, the system redirected them to another survey, not linked to the study's survey, to provide information relevant to obtaining extra credit.

Measurements

Previously validated and published scales were used to measure the variables (Biehal, Stephens, and Curlo 1992; Cleveland, Laroche, and Papadopoulos 2009; Dovidio, Gaertner, and Kawakami 2003; Homer and Yoon 1992; Pettigrew and Tropp 2008; Riefler and Diamantopoulos 2009; Sierra, Hyman and Torres 2009).

Ethnicity was self-reported as customary in this type of study using the six options provided by the census bureau (White American non-Hispanic, African American non-Hispanic, and Hispanic). However, participants were allowed to choose only one option, including “other” to describe their ethnicity.

Exposure to other ethnicities was measured with an eight-item five-point scale, with 1 defined as zero and 5 defined as more than 10, including questions such as *the approximate number of close high school friends you had that belong to an ethnic group other than you own,* and in *the neighborhood you grew up, the approximate number of households belonging to an ethnic group other than your own.*

Cosmopolitanism was measured using a six-item five-point Likert scale from strongly agree to strongly disagree, including questions such as *“I enjoy exchanging ideas with people from other ethnic groups than my own, I am interested in learning about people from other ethnicities than my own, and I like to learn about other ways of life.”*

Attitude Toward the Ad was measured using a five-item five-point semantic scale with items such as *“I find the ad (unappealing to appealing), I find the ad (not believable to believable), and the ad is (unattractive to attractive).”*

Attitude Toward the Brand Advertised was measured using a five-item five-point semantic scale with items such as *“my impression of the brand advertised is (unfavorable to favorable).” “The brand advertised is (unpleasant to pleasant), and I have a (negative to positive) feeling toward the brand advertised.”*

Intentions Toward the Brand Advertised was measured using an eight-item five-point Likert scale from strongly disagree to strongly agree, with items such as: “*I would like to try the brand advertised, I would likely buy the brand advertised, I would like to learn more about the brand advertised,”* and *“I would search online for more information about the brand advertised.”*

Demography: **Age** was measured using a six-point scale with 1 being 18 to 20 and 6 being 33 or older. **Sex** was measured as follows: Males were coded as 1 and females as 2.

DATA ANALYSIS AND RESULTS

The data was analyzed using multi-group Structural Equations Modeling (SEM) in LISREL 8.72 (Bollen 1989; Byrne 1998; Hancock and Mueller 2006). Before analyzing the data, a Confirmatory Factor Analysis (CFA) for the three groups (Diversity Ad (AD1), Ethnic-specific Ad presented to another ethnicity (AD2), and Ethnic-specific Ad presented to same ethnicity (AD3) was run to validate the scales and to determine whether the specified factor structured was invariant among the three groups. In addition, the CFA assessed the indicators’ internal and external consistencies of each group (see Appendix 1).

Invariance is determined by a Chi-square test difference between a constrained factor structure, where all factors are constrained to be the same across all groups, and a free factor structure, where all factors are unconstrained (free). After purifying the scales, the factors were tested across the three groups. The results indicate no statistical difference ($\Delta\chi^2$= 164.24; Δdf= 104) between the constrained factor structure (χ^2 = 1,009.21; df = 641; p < .0001; RMSEA = .052; CFI = .97; GFI = .83 to .90) and the free factor structure (χ^2 = 844.97;

df = 537; p< .0001 RMSEA = .052; CFI = .98; GFI = .86 to .91). The goodness of fit statistics for both factor structures suggests an adequate fit to proceed with SEM analysis. Average Variance Extracted (AVE) for exposure to ethnic diversity (EED), ranging from .38 to .46, and for attitude toward the ad, ranging from .43 to .55 are slightly below acceptable levels (.5), Composite Reliability (CR) for all constructs (.69 to .91) is within acceptable levels (see Appendix 1). While the square correlation between A_{ad} and A_b is greater than A_{ad}'s AVE, overall AVE and CR levels as well as CFA fit indices suggest an adequate internal and external validity to proceed (see Appendix 1).

To the test the performance of the factor structure, two SEM models were run before testing the invariance of specific paths: a constrained model (all structural parameters constrained equal across all groups) and a free model (all paths free). A statistical difference, determined by Chi-square difference test between the two models, suggests differences in the proposed paths across the group, as proposed in the hypotheses. The Chi-square difference ($\Delta\chi^2$= 73.93; Δdf= 52; p < .05) between the SEM constrained (χ^2 = 1,081.17; df = 646; p < .0001; RMSEA = .056; CFI = .97; GFI = .83 to .89) and SEM free (χ^2 = 1,007.24; df = 594; p < .0001; RMSEA = .057; CFI = .97; GFI = .84 to .89) models is statistically significant and the goodness of fit statistics suggests an adequate model. Therefore, a test of invariance for each path can proceed as formulated in the hypotheses. The equally constrained model assesses the proposed relationships across all groups. In other words, it tests for the direction and significance of each relationship across all groups (i.e., H1 to H3, H8a, and H9a; see Table 1 for results).

Table 1 - Results of Multiple Group Analysis

Effects	Results for Equally Constrained Model[c] Value (CR[a])	Results for Unconstrained Model[d] : Diversity Ad AD1 Value (CR[a])	Results for Unconstrained Model[d] : Ethnic-specific Ad other than one's own AD2 Value (CR[a])	Results for Unconstrained Model[d] : Ethnic-specific Ad AD3 Value (CR[a])	Path Differ. between Ad Effects AD1>AD2 & AD2>AD3 $\Delta\chi^{2b}$
Direct Effects					
H1: Ethnic Contact on Cosmopolitanism	.16 (5.33)**	.17 (2.73)**	.20 (4.59)**	.08 (1.35) .03 (.39)	H4/H6: $6.54_{/df=6}$
H2: Cosmopolitanism on A_{ad}	.11 (3.52)**	.17 (2.69)**	.09 (2.46)*		
H3: Cosmopolitanism on Intentions toward Brand	.10 (2.29)*	.16 (2.42)*	.05 (.80)	.14 (1.61)	H5/H7:$20.05_{/df=6}$***
A_{ad} on A_b	1.78 (9.04)**	1.66 (4.71)**	2.24 (5.33)**	1.31 (5.90)**	$8.63_{/df=6}$
A_b on Intentions toward the Brand	.61 (16.16)**	.65 (8.35)**	.54 (10.70)**	.75 (9.22)**	$4.24_{/df=6}$
Indirect Effects					
H8a: Cosmopolitanism on A_b (through A_{ad})	.20 (3.74)**	.28 (3.10)**	.21 (1.63)	.04 (.57)	H8b,c: $12.29_{/df=10}$
H9a: Cosmopolitanism on Intentions toward Brand	.12 (3.68)**	.18 (2.97)**	.11 (1.60)	.03 (.57)	H9b,c:$29.61_{/df=12}$***
Total Effects					
Cosmopolitanism on A_b	.14**	.25**	.14	.03	
Cosmopolitanism on Intentions toward Brand	.18***	.34**	.13	.13	
A_{ad} on Intentions toward Brand	.59***	.65***	.53***	.67*	

[a] C.R. is the critical ratio (t-value).
[b] The chi square difference is the value difference between the constrained model and a model for which the indicated path can take on different values in each group (AD1, AD2, AD3).
[c] χ^2 = 1,081.17; df = 646; RMSEA = .056; NNFI = .97; CFI = .97; GFI = .83 - .89
[d] χ^2 = 1,007.24; df = 594; RMSEA = .057; NNFI = . ; CFI= .97; GFI = .84 - .89
[*] p< .05; ** p< .01; [***] p< .001.

As proposed in the hypotheses (H4 to H7 and H8b-c and H9b-c), the study tests for specified path differences across all type of ads or groups, that is, a difference for specified paths for diversity ads (AD1) vs. ethnic-specific ads presented to another ethnicity (AD2) vs. ethnic-specific ads presented to the same ethnicity (AD3). It also analyzes the relationship between exposure to ethnic diversity and cosmopolitanism (H1) but did not test for differences for these paths among groups. The path differences test, using a Chi-square difference test, a constrained model (all structural parameters constrained across all groups) against a free model with the path or structural parameter in question unconstrained (free) (relationship between cosmopolitanism and attitude towards the ad free across all groups). A significant Chi-square difference between the two models would suggest a significant difference for the path in question. The difference in unstandardized values for that parameter between the groups indicates the group in which the parameter exerts a greater influence (see Table 1 for $\Delta\chi^2$ results) (Byrne 1998; Hancock and Mueller 2006).

The results indicate (see Table 1 equally constrained model results) that contact with ethnic diversity and cosmopolitanism influence ad effects across all three types of ads. Specifically, the results indicate that contact with ethnic diversity has a significant positive influence ($p< .01$), as predicted by hypothesis 1, on cosmopolitanism across all three types of ads. In addition, it indicates that cosmopolitanism has a significant positive influence on attitude toward the ad ($p< .01$) and intentions toward the brand advertised ($p< .01$) across all three types of ads, as predicted by hypotheses 2 and 3. The results validate the proposed influence of cosmopolitanism on ad effects on young adults in the US. The results also indicate, as suggested by the preponderance of evidence in the literature, that attitude toward the ad has a significant positive influence on attitude toward the brand advertised ($p< .01$) across all types of ads, and that attitude toward the brand advertised has a significant positive influence on intentions toward the brand advertised ($p< .01$). In addition, the results indicate that cosmopolitanism exerts a significant positive influence ($p< .01$) on attitude toward the brand across all types of ads, through attitude toward the ad, as proposed by hypothesis 8a. It has an impact on intentions toward the brand advertised ($p< .01$) across all types of ads, mediated by its influence on attitude toward the brand advertised, as proposed by hypothesis 9a. These results validate the proposed model across all three types of ads and provide credence to any significant difference found among the paths.

The influence of cosmopolitanism on attitude toward the ad does not vary across all three types of ads ($\Delta\chi^2/_{df=6} = 6.54$) questioning hypotheses 4 and 6, which posit that the influence of cosmopolitanism on attitude toward the ad varies across the three ads with AD1 exerting a greater influence than AD2, and in turn, a greater influence than AD3. The results indicate that the direct influence of cosmopolitanism on intentions toward the brand advertised varies across the three types of ads ($\Delta\chi^2/_{df=6} =20.05$; $p< .001$). The unconstrained (free) models' results (see Table 1) indicate that the direct influence of cosmopolitanism on intentions toward the brand advertised is only significant for ads displaying diversity (AD1) ($p< .05$). In addition, it indicates that the direct influence of cosmopolitanism on intentions toward the brand advertised is highest for the diversity ad (AD1) (.16), followed by the ethnic-specific ad (AD3) (.14), and by the ad ethnic-specific to different ethnicities from one's own (AD2) (.05). These findings provide support to hypothesis 5 (AD1 > AD2) but not to H7 (AD2 > AD3) and suggest that cosmopolitanism exerts greater influence on intentions toward the brand advertised through diverse ads (AD1) than through ethnic-specific ads (AD3). The indirect influence of cosmopolitanism on attitude toward the brand through attitude toward the ad does not vary across the three types of ad ($\Delta\chi^2/_{df=10} = 12.29$). This result questions hypotheses 8b and 9b or the proposition that the indirect influence of cosmopolitanism on attitude toward the brand through attitude toward the ad varies across groups with the effect of AD1 greater than the effect of AD2, and in turn, greater than the effect of AD3.

The indirect influence of cosmopolitanism on intentions towards the brand advertised through attitude toward the ad, which influences attitude toward the brand, varies across the three types of ads ($\Delta\chi^2/_{df=12}$ =29.61; p< .001). The indirect influence of cosmopolitanism on intentions toward the brand advertised through attitude toward the ad and attitude toward the brand is significant only for the diverse ad (p< .01). In addition, the effect is greatest for the diverse ad (AD1) (.18), followed by ad ethnic-specific to different ethnicities from one's own (AD2) (.11) and by ethnic-specific ads (AD3) (.03). This confirms hypotheses 8c (AD1 > AD2) and 9c (AD2 > AD3). In addition, the direct influence of attitude toward the ad on intentions toward the brand advertised, while not different across groups ($\Delta\chi^2/_{df=6}$ = 8.63), is highest for ethnic-specific ads (AD3) (0.75) followed by diverse ads (AD1) (0.65) and by ethnic-specific ads presented to ethnicities different from one's own (AD2) (0.54). These results indicate that unless the indirect effect of cosmopolitanism on attitude toward the brand and on intentions toward the brand advertised are taken into account, ethnic-specific ads appear to have a greater influence than diverse ads. The total effects on intentions toward the brand, that is the sum of effects on intentions toward the brand (see Table 1) confirms that diverse ads (AD1) (1.64) exert a greater influence than ethnic-specific ads (AD3) (1.55), and ethnic-specific ads presented to ethnicities different than one's own (AD2) (1.2) but AD2 exerts a lesser influence than AD3.

Results confirm the proposed model and indicate that diversity ads or multi-ethnic ads (AD1) exert greater effect on intentions toward the brand than ethnic-specific ads (AD3) and that, this in turn, exert a greater influence than ethnic-specific ads to different ethnic groups other than one's own (AD2). However, A_b exerts a greater influence on intentions toward the brand using AD3 than AD1 type of ads. This could be explained by the strength of respondents' identification. Diversity is slowly taking hold in society, and young adults may have not fully accepted outer-group members as part of their in-group and, therefore, may develop greater attitudes toward brands advertised through the portrayal of their in-group or ethnicity (such as AD3) than by portrayal of diversity (such as AD1). However, young adults' desire for diversity is growing and exerts a greater total influence on intentions toward the brand than their desire for ads portraying their ethnic group.

Advertisers may also be confused on what ad works best in multi-ethnic markets, such as the U.S., because the total effect difference on intention toward the brand between AD1 and AD3 seems small (1.64 vs. 1.55). The results indicate that unless cosmopolitanism is taken into account and direct and indirect effects on intentions toward the brand are accounted for, ethnic-specific ads appear to be best for multi-ethnic markets. However, as markets become more accepting of diversity, as young adults results indicate, ethnic-specific ads will become less effective than multi-ethnic ads. Advertisers' confusion may be grounded in findings that only test differences among ethnic-specific ads (Sierra, Hyman, and Torres 2009). This study enlightens marketers on what type of ad to use in multi-ethnic markets by testing a diversity ad (AD1) and comparing it against ethnic-specific ads, viewed by a targeted audience (AD3) or a non-targeted audience (AD2). Its contribution is to reduce any confusion regarding what type of ad works best for young adults in a multi-ethnic market, such as the U.S. Moreover, it increases the body of knowledge on multi-ethnic markets, advertising, and cosmopolitanism. Next we discuss further the results and present managerial and future research implications.

DISCUSSION, LIMITATIONS, AND FUTURE RESEARCH DIRECTIONS

The study sheds light on the advertising conundrum faced by marketers in multi-ethnic markets. Should ethnic-specific ads or standardized ads be used in a multi-ethnic market? Standardized ads reduce costs but ethnic-specific ads display greater congruity to individuals who identify with their ethnic group. To date, most findings on this subject (which has increased marketers confusion around it) test differences across ethnic-specific ads and find that individuals prefer ads portraying their ethnicity to ads that portray another ethnic group. However, increased diversity in the U.S., due to increased inter-ethnic marriages and diversity of ethnicities in social places (such as schools and workplaces) among others, argues for ads that are more diverse than ethnic-specific ads. This study investigates whether advertisements that display diversity, such as multi-ethnic ads, which can be standardized with lower costs, work best for young adults in the U.S. than ads that are ethnic-specific.

We develop a framework that accounts for U.S. young adults' desire for diversity through exposure to ethnic diversity and cosmopolitanism and test their effect on attitude toward the ad, attitude toward the brand advertised, and intentions toward the brand advertised (see Figure 1). We tested the framework with three type of ads, diversity or multi-ethnic ads (AD1), ethnic-specific ads displayed to ethnicities other than one's own (AD2) and ethnic-specific ads highlighting individuals of the same ethnicity as the ad reader (AD3).

Results uphold the premise that cosmopolitanism influences ad effects across the three different types of ads. Findings indicate that the difference in effects across all three types of ads is due to the direct and indirect influence of cosmopolitanism on intentions toward the brand advertised. In other words, if cosmopolitanism is not taken into account, advertisers may select ethnic-specific ads as the best option to advertise to young adult ethnic groups in the U.S. However, when cosmopolitanism is taken into account, ads displaying diversity exert a greater influence on intentions toward the brand than both types of ethnic-specific ads.

These findings indicate that marketers should be cognizant of their target's cosmopolitanism before deciding the type of ad to use when targeting young adult ethnic groups in the U.S. Cosmopolitanism may vary across geographic areas because contact with diverse groups may be higher than others in different areas of the country. Therefore, advertisers should consider using ethnic-specific ads in geographic areas with low levels of cosmopolitanism, whereas in areas with high levels of cosmopolitanism they should consider ads displaying diversity. Findings on ethnic-specific ads to ethnic groups different from one's own ethnicity are mixed. Overall ethnic-specific ads performed better than ethnic-specific ads targeted to ethnicities different from one's own, suggesting that while cosmopolitanism is on the rise, young adults would rather see diversity or their own ethnic group displayed in an ad than ethnic-specific ads targeted to ethnic groups different from one's own.

Results also indicate that the affinity toward one's own ethnic group is quite strong and influences the direct effect of attitude toward the brand on intentions toward the brand advertised. The strong desire for seeing one's ethnicity reflected in the ad may be confusing marketers if they don't include cosmopolitanism in their target market analysis. Our findings indicate that as cosmopolitanism increases, so does its direct and indirect influence on intentions toward the brand, and this relationship is the strongest for diversity ads. Therefore, marketers could still appeal to the strong desire for seeing one's ethnicity reflected in the ad as long as the ad includes diversity features or cues.

For example, advertisers could use two spokespersons in the ad; one that displays a high level of cosmopolitanism or diversity while the other represents the ethnicity of the target market (e.g., Cover Girl ads with Ellen DeGeneres, spokesperson displaying diversity, and Sophia Vergara, Hispanic spokesperson). This type of ad allows the advertiser to capture the best of both worlds, a person's desire for a spokesperson that displays his/her ethnicity and his/her desire for diversity. Furthermore, this type of ads can be used in two target markets, those desiring ethnic affinity and those desiring diversity (in the case of the Cover Girl ad, the ad can target Hispanic women as well as gay women). However, this type of ad reduces the benefits of standardizing the ad across ethnic groups. This type of ad may not appeal to African or Asian Americas, since neither ethnicity is portrayed in the ad. Using a multi-ethnic ad is more effective as this study demonstrates.

The key to successfully advertise in multi-ethnic markets is to fully understand the target market, including the target market's desire for diversity in the ad. Standardized multi-ethnic ads can be used across target markets desiring diversity and ethnic-specific ads can be used where diversity has not taken hold. Nevertheless, the results of this study indicate that cosmopolitanism affects U.S. young adult college students of the three main U.S. ethnic groups: White, African, and Hispanic Americans.

The study advances our knowledge of advertising in multi-ethnic markets, specifically to young adults, a growing target market in the U.S., and on cosmopolitanism. However, further corroboration and investigation is needed. For example, we now know that the level of cosmopolitanism in individuals influences how they perceive themselves and the brands that seek to target their ethnicities. However, highly cosmopolitan individuals have been described as considering themselves "world citizens" instead of belonging to any particular ethnic or cultural base (Cannon and Yaprak, 2002). A question that might be researched is: Can the influence of nationalism override the effect of cosmopolitanism? It seems reasonable that in highly nationalistic societies, regardless of the level of diversity, individuals might choose to ignore cosmopolitan desires in order to maintain the appearance of conformity. For that matter, not everyone in highly diverse markets desires to identify with ethnic or cultural groups outside of their own. In that case, the specter of consumer ethnocentrism may play a greater role in individuals and dampen cosmopolitan behaviors. Also, individuals in diverse societies may be accepting of others without desiring to identify with them. Multiculturalism is somewhat similar to the topic of cosmopolitanism but instead of desiring to emulate other ethnicities and/or cultures, multiculturals just accept the fact that there are diverse groups in the population and, while highly accepting of others, they do not identify closely with them. One can speculate that multiculturals may not perceive ads in the same frame as cosmopolitans. These, and other, topics are ripe for additional scrutinization in the context of marketing.

Future studies could also provide credence to our findings through a sample of young adults including more than just college students. While using college students for studies of this type is valid, college students represent a small portion of the population of young adults. In addition, college students may have more contact with diversity than non-college students. Therefore, future studies should incorporate a more diverse sample of young adults, including college and non-college students. In addition, a wider sample of adults may be warranted to test whether other segments of the population besides young adults are affected by cosmopolitanism. It is possible that older individuals, because of television influence, which displays diversity, may desire diversity as much as young adults. In addition, future studies may incorporate different geographical areas, such as large, medium and small cities, to determine if the desire for diversity holds across different size of cities.

Appendix 1 - Reliability and Validity*

Construct	Factor Loading AD1/AD2/AD3	Composite Reliability AD1/AD2/AD3	Average Variance Extracted AD1/AD2/AD3	Square Correlation with Other Construct AD1/AD2/AD3
Exposure to Ethnic Diversity (EED)		.76 / .71 / .69	.46 / .41 / .38	
EED1	.75 / .86 / .75			
EED2	.82 / .67 / .64			
EED3	.52 / .39 / .43			
EED4	.56 / .54 / .59			
Cosmopolitanism (CO)		.90 / .91 / .89	.66 / .67 / .64	
CO1	.76 / ,80 / .86			
CO2	.87 / .85 / .85			
CO3	.78 / .83 / .86			
CO4	.83 / .84 / .80			
CO5	.84 / .78 / .60			
Attitude Toward the Ad (A_{ad})		.75 / .73 / .82	.46 / .43 / .55	With A_b (.75/.64/.68)
$A_{ad}1$	.40 / .34 / .50			
$A_{ad}2$	.79 / .83 / .89			
$A_{ad}3$	.68 / .58 / .69			
$A_{ad}5$	.79 / .78 / .83			
Attitude Toward the Brand (A_b)		.91 / .87 / .88	.73 / .64 / .67	With A_{ab} (.75/.64/.68)
A_b2	.86 / .85 / .88			
A_b3	.94 / .90 / .90			
A_b4	.91 / .86 / .84			
A_b5	.70 / .54 / .60			
Intentions Toward the Brand (IB)		.87 / .90 / .90	.62 / .69 / .69	
IB3	.69 / .79 / .82			
IB5	.66 / .75 / .78			
IB6	.88 / ,90 / .85			
IB8	.91 / .89 / .90			

*Based on free factor structure; goodness of fit-indices: χ^2=844.97; χ^2/df= 1.57; RMSEA= 0.052, GFI = 0.86 to .91

REFERENCES

Aaker, Jennifer L., Anne M. Brumbaugh, and Sonya A. Grier (2000), "Non-target market effects and viewer distinctiveness: The impact of target marketing on attitudes. *Journal of Consumer Psychology*", 9(3), 127 - 140.

Allen, Brenda J. (2011), *Difference matters: Communicating social identity* (2nd ed.). Long Grove, IL: Waveland Press.

Anderson, A. 1998. Cosmopolitanism, universalism, and the divided legacies of modernity. In P. Cheach and B. Robbins (Eds), *Cosmopolitics thinking and feeling beyond the nation*. Minneapolis, MN: University of Minnesota Press.

Appiah, Osei (2001a), "Black, white, hispanic, and asian american adolescents' responses to culturally embedded ads," *Howard Journal of Communications*, 12 (January), 29-48.

Appiah, Osei (2001b), "Ethnic identification on adolescents' evaluations of advertisements," *Journal of Advertising Research*, 41 (September/October), 7-22.

Bachman, Katy (2010), "Minorities fare better in advertising?" http://www.adweek.com/news/television /multicultural-ad-spending-outpaced-market-101830

Becerra, Enrique P. and Pradeep Korgaonkar (2009), "Hispanics' information search and patronage intentions online," *Journal of Electronic Commerce Research*, 10 (2), 76-93.

Becerra, Enrique P. and Pradeep Korgaonkar (2010), "The influence of ethnic identification on digital advertising: How hispanic americans' response to pop-up, email, and banner advertising affects online purchase intentions," *Journal of Advertising Research*, September, 279-91.

Beckmann, S., Douglas, S., Botschen, G., Botschen, M., Friese, S., and Nijssen, E. 2001. The world minded consumer: An emic exploration. In M.C. Gilly & J. Meyers-Levy (Eds), *Advances in consumer research*, Vol. 28: 138–144. Salt Lake City, UT: Association for Consumer Research

Biehal, Gabriel, Debra Stephens, and Eleonora Curlo (1992), "Atttiude toward the ad and brand choice" *Journal of Advertising*, 21 (3), 19-36.

Bollen, Kenneth A. (1989), *Structural equations with latent variable*. New York: Wiley.

Brown, Steven P. and Douglas M. Stayman (1992), "Antecedents and Consequences of Attitude toward the Ad: A Meta-analysis," *Journal of Consumer Research*, 19 (June), 34-51.

Byrne, Barbara M. (1998), *Structural equation modeling with LISREL, PRELIS, and SIMPLIS: Basic concepts, applications, and programming*. Lawrence Erlbaum, Mahwah, NJ: Lawrence Erlbaum.

Campbell, Margaret C. and Goodstein, Ronald C. (2001), "The moderating effect of perceived risk on consumers' evaluations of product incongruity: Preference for the norm," *Journal of Consumer Research,* 28(3), 439-449.

Cannon, Hugh M. and Attila Yaprak (2002), "Will the real-world citizen please stand up! The many faces of cosmopolitan consumer behavior*," Journal of International Marketing*, 10(4), 30-52.

Cleveland, Mark, Michael Laroche, and Nicolas Papadopoulos (2009), "Cosmopolitanism, consumer ethnocentrism, and materialism: An eight-country study of antecedents and outcomes," *Journal of International Marketing*, 17 (1), 118-146.

Cui, Geng and Pravat Choudhury (2002), "Marketplace diversity and cost-effective marketing strategies," *Journal of Consumer Marketing*, 19 (1), 54-73.

Davis, Tisha (2011), "The spending power game: Ethnic spending and the companies that target them." http://www.examiner.com/article/the-spending-power-game-ethnic-spending-and-the-companies-that-target-them

Deshpandé, Rohit, Wayne D. Hoyer, and Naveen Donthu (1986), "The intensity of ethnic affiliation: A study of the sociology of hispanic consumption," *Journal of Consumer Research*, 13 (September), 214-220.

De Run, Ernest Cyril (2004), *Unintended effects of ethnically targeted advertising*. The University of Otago.Thesis. Otago University Research Archives.

Dovidio, JohnF., Samuel L. Gaertner, and Kerry Kawakami (2003), "Intergroup contact: The past, present, and the future," *Group Process & Intergroup Relations*, 6 (1), 5-21.

Fahmy, Sam and Jeff Humphreys (2010), "Despite recession, hispanic and asian buying power expected to surge in U.S., according to annual UGA Selig Center Multicultural Economy study." http://www.terry.uga.edu/news/releases/2010/minority-buying-power-report.html

Faura, Juan (1999), "Transcultural marketing no longer an afterthought," Marketing *News*, 4 January, 16-22.

Fearon, James (2003), "Ethnic and cultural diversity by country," *Journal of Economic Growth,* 8, 195–222.

Forehand, Mark R. and Rohit Deshpandé (2001), "What we see makes us who we are: Priming ethnic self-awareness and advertising response," *Journal of Marketing Research*, 38 (August), 336-348.

Forehand, Mark R., Rohit Deshpandé, and Americus Reed II (2002), "Identity salience and the influence of differential activation of the social self-schema on advertising response," *Journal of Applied Psychology*, 87 (December), 1086-1099.

Friedman, Jonathan (1997), Global crises, the struggle for cultural identity and intellectual porkbarrelling. Cosmopolitans versus locals, ethnics and nationals in an era of de-hegemonisation', in PninaWerbner and TariqModood, (eds.), *Debating Cultural Hybridity. Multicultural Identities and the Politics of Anti-racism*, 70–89. London : Zed Books.

Giles, Howard, Nikolas Coupland, and Justine Couplnad (1991), Accomodation therory: communciation, context, and consequences, 1-68. In *Contexts of Accommodation: Development in Applied Sociolinguistics*, H. Guiles, J. Coupland, and N. Coupland, eds. Cambridge: Cambridge University Press.

Glaeser, Edward and Jacob Vidgor (2012), "The end of the segregated century: racial separations in america's neighborhoods, 1890-2010," *Civic Report – Manhattan Institute for Policy Research*, 66 (January).

Gouldner, AlvinW. (1957), "Cosmopolitans and locals: Towards an analysis of latent social roles," *Administrative Science Quarterly*, 2 (3), 231-306.

Hancock Gregory R. and Mueller, Ralph O. (2006), *Structural equations: A second course*. Greenwich, CT: Information Age Publishing, Inc.

Hannerz, Ulf (1992), "Cosmopolitans and local in a world culture," *Theory, Culture and Society*, 7, 237-51.

Holland, Jonna, and JamesW. Gentry (1999), "Ethnic consumer reaction to targeted marketing: A theory of intercultural accommodation," *Journal of Advertising*, 28 (1), 65-77.

Homer, Pamela M., and Sun-Gil Yoon (1992), "Message framing and the interrelationships among ad-based feelings, affect, and cognition," *Journal of Advertising*, March, 19-32.

Mackenzie, Scott B., Richard J. Lutz, and George E. Belch (1986), "The role of attitude toward the ad as a mediator of advertising effectiveness: A test of competing explanations," *Journal of Marketing Research*, 23 (May), 130-143.

Martin, Brett A. S., Christina Kwai-Choi Lee, and Feng Yang (2004), "The influence of ad model ethnicity and self-referencing on attitudes," *Journal of Advertising*, 33 (Winter), 27-37.

McGuire, William J. (1984), "Search for the self: Going beyond self-esteem and the reactive self," in *Personality and the Prediction of Behavior*, Robert A. Zucker, Joel Aronoff, and Albert I. Rabin, eds., New York: Academic Press, 73-120.

McGuire, W.J., McGuire, C.V., Child, P., and Fujioka, T. (1978), "Salience of ethnicity in the spontaneous self-concept as a function of one's ethnic distinctiveness in the social environment," *Journal of Personality and Social Psychology*, 36 (5), 511-20.

Merton, R. (1957), Patterns of influence: Local and cosmopolitan influentials. *Social Theory and Social Structure.* New York: The Free Press (387-420).

Mitchell, A. A. and Olson, J. C. (1981). Are product attribute beliefs the only mediator of advertising effects on brand attitudes? *Journal of Marketing Research*, 18, 318-322.

Morse, Edward V. and Gordon, G. (1974), "Cognitive skills: A determinant of scientists' local-cosmopolitan orientation." *Academy of Management Journal*. 17 (4), 709-723.

Moschis, George P. (1987), *Consumer Socialization: A Life-Cycle Perspective*. Lexington, MA: Lexington Books.

Muehling, Darrel D., Jeffrey J. Stoltman, and Sanford Grossbart (1990), "The impact of comparative advertising on levels of message involvement," *Journal of Advertising,* 19(4), 41-50

Peracchio, Laura A. and Alice M. Tybout (1996), "The moderating role of prior knowledge in schema-based product evaluation," *Journal of Consumer Research,* 23(3), 177-1 92.

Pettigrew, Thomas F.and Laura R. Troop (2008), "How does intergroup contact reduce prejudice? Meta-analytic tests of three mediators," *European Journal of Social Psychology*, 38 (6), 922-34.

Qualls, William J. and David J. Moore (1990), "Stereotyping effects on consumers' evaluation of advertising: Impact of racial differences between actors and viewers," *Psychology & Marketing*, 7 (Summer), 135-151.

Riefler, Petra and Adamantios Diamntopoulos (2009), "Consumer cosmopolitanism: Review and replication of the CYMYC scale," *Journal of Business Research*, 62, 407-419.

Riggins, Stephen H., ed. (1992), *Ethnic Minority Media: An International Perspective*, Newbury Park, CA: Sage

Robertson, Roland (1995), 'Globalisation. Time-space and homogeneity-heterogeneity', in Mike Featherstone, ScottLash and RolandRobertson, (eds.), *Global Modernities*, 25–44. London : Sage.

Rousch, Chris (1997), "Marketing shift: Coca-cola mainstreams ethnic group sales strategy," *Atlantic Journal of Constitution*, 19 January, D1.

Sierra, Jeremy J., Michael R. Hyman , and Ivonne M.Torres (2009), "Using a model's apparent ethnicity to influence viewer responses to print ads: A social identity theory perspective," *Journal of Current Issues and Research in Advertising,* 31 (2), 41-66.

Skrbis, Zlatko, Gavin Kendall, and Ian Woodward (2004), "Locating cosmopolitanism: Between humanist ideal and grounded social category," *Theory, Culture and Society*, 21 (6) 115-36.

Tajfel, Henri (1978a), *Differentiation between Social Groups*, New York: Academic Press, Inc.

Tajfel, Henri (1978b), *The Social Psychology of Minorities*, New York: Minority Rights Group.

Tajfel, Henri (1981), *Human Groups and Social Categories*, United Kingdom: Cambridge University Press.

Tajfel, Henri and John C. Turner (1985), "The social identity theory of group behavior," in *Psychology of Intergroup Relations*, Vol. 2, Stephen Worchel and William G. Austin, eds., Illinois: Nelson-Hall, 7-24.

Taylor, Charles R. and Barbara B. Stern (1997) "Asian-americans: Television advertising and the "model minority" stereotype," *Journal of Advertising*, 26 (2), 47-61.

Ter Hofstede, Frankel, Jan-Benedict E. M. Steenkamp, and Michael Wedel(1999), International market segmentation based on consumer-product relations," *Journal of Marketing Research*, 36 (February), 1-17.

Thompson, Craig J. and Siok KuanTambyah (1999), "Trying to be cosmopolitan". *Journal of Consumer Research*, 26 (3), 214-41.

Triandis, Harry C., Marín, Gerardo, Lisansky, Judith, Betancourt, Hector. (1984). Simpatía as a cultural script of hispanics. *Journal of Personality and Social Psychology,* 47(6), 1363-1375.

U.S. Census Bureau, (2011). Retrieved from: http://www.census.gov.

U.S. Census Bureau (2008). Retrieved from: http://www.census.gov

Werbner, Nina (1999), Global pathways. Working class cosmopolitans and the creation of transnational ethnic worlds. *Social Anthropology*, 7: 17–35.

Werbner, Nina (1991), "The effects of actors' race in commercial advertising: Review and extension," *Journal of Advertising*, 20 (Spring), 54-60.

Wilson, Rick T. (2007), "Acculturation and discrimination in the global market place: The case of hispanics in the U.S.," *Journal of International Consumer Marketing* 20 (1), 67-78.

IDENTIFYING ON-LINE SHOPPING EXPERIENCES FROM THE PERSPECTIVE OF SHOPPING MOTIVES

Sangyeon Song, Dongduk Womens University

ABSTRACT

Online shopping experiences have until now not suggested integrated and easily applicable shopping experience factors. As the quality of living improves and the value of life varies, shopping evolves into a profound activity that involves experience from various motivations. By analyzing shopping activities according to customer experience, this study redefines shopping experience factors as prime experience from a hedonic perspective and procedural experience in the context of value shopping. The primary experience is defined as Sensory, Affective, Intellectual, Behavioral, and Relational experience. The procedural experience is defined as Decision convenience, Access convenience and Benefit convenience. The above experience factors show an impact on the attractiveness of shopping sites.

INTRODUCTION

Recently, online shopping has rapidly increased as an important market channel. In the 2008 SERI (Samsung Economic Research Institute) report, while in 2006 the online shopping channel was ranked third after Large Supermarket and Department Stores, it took over 20% of the market share, competing with department stores for second place. Also the characteristics of customers who are shopping online have changed. Shoppers trust the product information provided by other customers more than they do the information given by the company, and this has led to more active production and distribution of information by customers. Historically, customers have been reluctant to buy service products and clothes online, but the contribution of those sales are increasing. Also, various informational experiences are becoming active through proactive exchange of feedback in the online community of customers (SERI 2008).

As the standard of living improves, and the needs and values of life diversify, shopping has evolved as a profound activity that requires experience from various motivations. Kim et al. (2007) stated that the value of shopping that customers seek is not limited to buying a product, meaning that through these various shopping environments, customers are not only just buying, but are shopping in various aspects. It can be inferred from the previous contents that the value customers seek from shopping happens online as well as off-line. In other words, shopping activities that happen online are changing to activities with experiences from various motivations.

However, studies of online shopping experiences have not yet suggested integrated and easily applicable shopping experience factors. Vazques et al. (2001) claimed that shopping experience factors can show differently, depending on the industry and circumstances. But these experience factors need to be defined in a highly generalized format. Brakus, Schmitt and Zarantonello (2009) defined the experience factors that can be highly generalized according to the brand experience, and also revealed the performance of these experience factors.

By analyzing shopping activities according to customer experience, the core of shopping activities can be understood as integrated factors, and through this, the implication of shopping can be found (Schumitt 2003). Therefore, this study will give new definitions of shopping experience factors in the online shopping environment.

When we define shopping experience factors, we intend to study the preceding factor of shopping, i.e. shopping motivation. Also, this study will reveal the effectiveness of these shopping experience factors to shopping site attractiveness.

Shopping experience factors are categorized as primary experience and procedural experience in this study. Primary experience is defined as Sensory, Affective, Intellectual, Behavioral, and Relational experience. Procedural experience is defined as Decision convenience, Access convenience and Benefit convenience. The experience factors listed above impact the attractiveness of shopping sites.

THEORETICAL BACKGROUND

Studies on the shopping motives

For a comprehensive analysis of customer experience factors in online shopping environments, we need to study the preceding variables for the customer experience, their shopping motives. This study re-defines and systemizes the shopping experience from the perspective of shopping value, and tries to derive in-depth studies of the online shopping experience, as well as highly applicable shopping experience factors.

What kinds of purpose and motivations do customers bring to shopping? First, to answer this question, Batra and Ahtola define shopping as task-related rational activities (1991). Studies have defined shopping from various shopping utilitarian points of view, such as in terms of orientation and product usage (Darden and Reynolds 1971), store preference and shopping behavior (Stephenson and Willett 1969), and AIO in relation to shopping (Moschis 1976). Second, Tauber suggests that shopping is motivated by emotional needs (1972). Tauber categorizes shopping motives into personal motives and social motives.

These studies can be divided into practical motives and hedonic motives. Dawson et al. (1990) categorize the practical motive as product motives, and hedonic motive as experiential motives. Jin and Kim (2002) classify hedonic motives as diversion motives and socialization motives, besides practical motives. Arnold and Reynolds (2003) subdivide the shopping motives further into value shopping, adventure shopping, gratification shopping, idea shopping, role shopping, and social shopping.

This study aims to derive the shopping experience factors that can consolidate these shopping motives.

Studies on shopping Experience

Deway (1963) states that in the early study of experience, experience is a combination that includes continuous time, expectation, emotional engagement, and uniqueness, which is different from general things. In other studies, Gupta and Vajic (2000) consider experience to be cognition or knowledge that is produced from reciprocal reaction among other environmental factors created by the service provider. Barry et al. (2002) point out that experience is a combination of a practical aspect and an emotional aspect; while Gsikszentmihalyu (1997) suggests that experience is flow and engagement, individually controlling, feeling joy and value, and voluntarily participating, and experiencing the process and cognition. Arnould and Price

(1993) define extraordinary experience as the case where this experience appears with a high level of emotional intensity.

Through the definitions of experience and characteristics of current studies of experience, we can see that experience is very subjective, has both practical and emotional aspects, and is created by reciprocal reaction with other environmental factors.

As an important study related to experience, Schmitt (1999) holds that the traditional marketing perspective does not consider the customers as rational decision makers who make decisions according to functional characteristics and the benefits of the product and services, but rather understands the customer as an emotional being who wants a joyful experience. That study claims that there are 5 types of experiences. The first is sensual, the second is feeling, the third is creative and cognitive thought, the fourth is action-oriented and life-style related action, and the fifth is relating, which is the experience of social identity created by the reference group and culture.

Studies of shopping by Vazquez et al. (2001) define the factors of service experience from the service marketing perspective, and categorize them into four factors. Through interviews of the user group, he claims that experience factors consist of tangibility, reliability, personal interaction and policy - variety/cost factor etc. In the study of the in-store shopping experience, Terblanche and Boshoff (2004) also categorize the factors that affect in-store shopping experiences into 5 factors of personal interaction, merchandise value, internal store environment, merchandise variety and assortment, and complaint handling. Jones defines the retail factors that make shopping enjoyable as retail price, selection, store environment, and salespeople, in an investigative study of the factors that make shopping enjoyable. The study also defines customer factors as social aspects, tasks, time, product involvement, and financial resources.

Recently in relation to customer shopping on the Internet, Steve and Sue (2000) maintain that Internet shopping satisfies 70% of customer expectations for convenience, customized service, and variety of selection, and reveals that the customer aversion towards security, user friendliness, and service standards hinders the development of Internet shopping. Novak et al. (2003) find that the customer experiences deeper engagement in the website experience, and it occurs more in the activity of using an experience-oriented website, rather than the activity of using a purpose-oriented website.

In this shopping environment, experience factors are suggested in various forms. However, these experience factors need to be re-fined from two perspectives in this study based on the previous researches. First, shopping motives include the hedonic perspective and the experiential perspective. Second, both practical and emotional factors need to be considered in defining the experience.

Arnold and Reynolds (2003) suggest 6 dimensions of shopping motives that include emotional/hedonic and reasonable/practical aspects. Value shopping, adventure shopping, gratification shopping, idea shopping, role shopping, and social shopping can be understood as motives that include various shopping experiences during shopping. They show that particularly in value shopping, reasonable and practical aspects are important shopping motives.

Therefore, this study re-defines the customer shopping experience based on the studies of Brakus, Schmitt, Zarantonello (2009) and Schmitt (1999). We define the customer shopping experience as the customer's inner and emotional experience from a primary experience perspective. Also to define the integrated motives of shopping in the practical/rational dimensions, our study adopts the dimension of convenience suggested by Seiders, Voss, Godfrey

(2007) in relation to retail distribution. Morganosky (1986) defines convenience as accomplishment of the task with the least energy consumption, within the shortest time period. This concept is further developed in the context of time and effort as the basic concept of the purchase decision-making process (Anderson and Shugan 1991; Gross and Sheth 1989). Sediers et al. (2007) define the dimensions of convenience as decision convenience, access convenience, benefit convenience, post-benefit convenience, and transaction convenience. Among the above 5 dimensions, our study defines the procedural experience though decision convenience, access convenience, and benefit convenience, which are highly related to value shopping of the shopping environment.

Studies on the site attractiveness

The attractiveness of a website can be defined as the effectiveness of message persuasion through friendliness, preference, or similarity(Backer and Churchill 1977). This study measured the attractiveness of sites as the final result variable based on the former study. For site attractiveness, we measure the retention proneness and intended patronage as aspects of sustainable attractiveness and situational attractiveness, based on the study of Teller and Reuttterer (2008).

HYPOTHESES

Schmitt (1999) insists that customers should not be considered as decision makers who make rational decisions according to the functional characteristics and benefits of the product or services, but rather as emotional beings who seek enjoyable experiences. Shopping activity in this age is an activity that seeks both a practical shopping motive, as well as a hedonic shopping motive (Babin et al. 1994), and these activities coincide with various experiences. Therefore, to assess the attractiveness of shopping sites, customer shopping experience in a certain environment has to be considered.

In our study, we define shopping experience as prime experience and procedural experience. Prime experience is the experience felt from the shopping site in the emotional dimension, which we define as Sensory, Affective, Intellectual, Behavioral, and Relational experience.

Childers et al. (2002) suggests the hedonic value of online shopping activities affects attitude. Also, experience involves the emotional factor, and this correlates with customer attitude (Pullman and Gross 2004); and an interesting and enjoyable experience in Internet shopping affects satisfaction and loyalty (Menon and Kahn 2002). In other words, this means that positive hedonic experience will lead to the user assessing the site as attractive. Reciprocal action on the Internet that causes hedonic experience can result in positive customer experience, such as emotional happiness, and this positive experience will have an impact on sub-factors of site attractiveness, such as repeat visits and purchase intentions. Therefore, the following hypothesis can be proposed.

H1. Assessment of Positive Prime Experience will increase Site Attractiveness.

Shopping activities necessarily involve the optimization of decision making in the shopping process. In this context, it is revealed that studies on shopping motives define rational shopping motives or value shopping. Study of the service industry suggests that decision making, information access, and convenience of purchase benefit affect service attitude (Berry, Seiders, and Grewal 2002). In other words, a more positive attitude can be formed towards a service that feels more convenient (Childers et al. 2001). An easy and effective decision making procedure in the shopping site reduces the risk of purchase, which means that this experience of convenience can affect the attractiveness of the site. Therefore, we can propose the following hypothesis.

H2. Assessment of Positive Procedural Experience will increase Site Attractiveness.

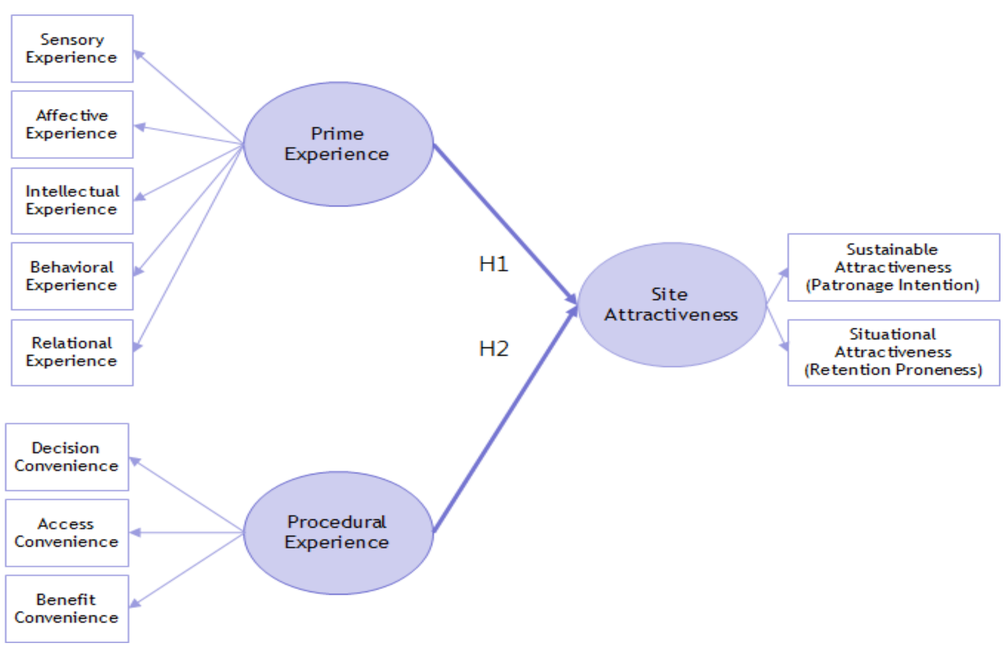
MODEL CONSTRUCTION AND ASSESSMENT OF HYPOTHESIS TESTING

In this study, shopping experience is defined as prime experience and procedural experience based on theoretical background. Prime experience is the experience felt from the shopping site in the emotional dimension, which we define as Sensory, Affective, Intellectual, Behavioral, and Relational experience. Secondly, we define procedural experience from the decision making, information access, and convenience of purchase benefit.

<Figure 1> shows our research model. The model consists of two kinds of hypotheses: Assessment of positive prime experience will increase site attractiveness; and assessment of positive procedural experience will increase site attractiveness.

Scale items are based on former research. We measure the prime experience by the scales of Schmitt (1999). We measure the procedural experience by the scales of Berry, Seiders and Grewal (2002).

The research samples for empirical study are university students in their 20's, who are familiar with online shopping, and who purchase various products online. The samples are limited to those students who have purchased online, since it would otherwise be difficult to answer the assessment of experience-related factors that this study is trying to analyze. We surveyed 300 university students in Seoul, and used 290 samples, rejecting incomplete samples, for the final analysis.



<Figure 1>

<Table1> and <Figure 2> show the results from investigative factor analysis of the research concept and confirmative factor analysis. Through this, we tested the reliability and validity of this research concept.

The first stage of scale purification involved 11 items undergoing the computation of Cronbach alpha. The reliability of the scale items is from 0.903 to 0.962, which was appropriate for the data. The Cronbach alpha for the 11-item scale was .943 (n = 290). The first factor corresponded with the prime experience dimension of the shopping experience (five items, α = .903), the second the procedural experience dimension (three items, α = .953), and the third site attractiveness as a result variable (three items, α = .962). The Kaiser–Meyer Olkin (KMO) value and a significant chi-square value were appropriate for the data. The final set of 11 items reflected a three-factor solution, accounting for 85.93% of the variance (see Table 1).

Table 1
Results of Factor Analysis of external variables and all the variables

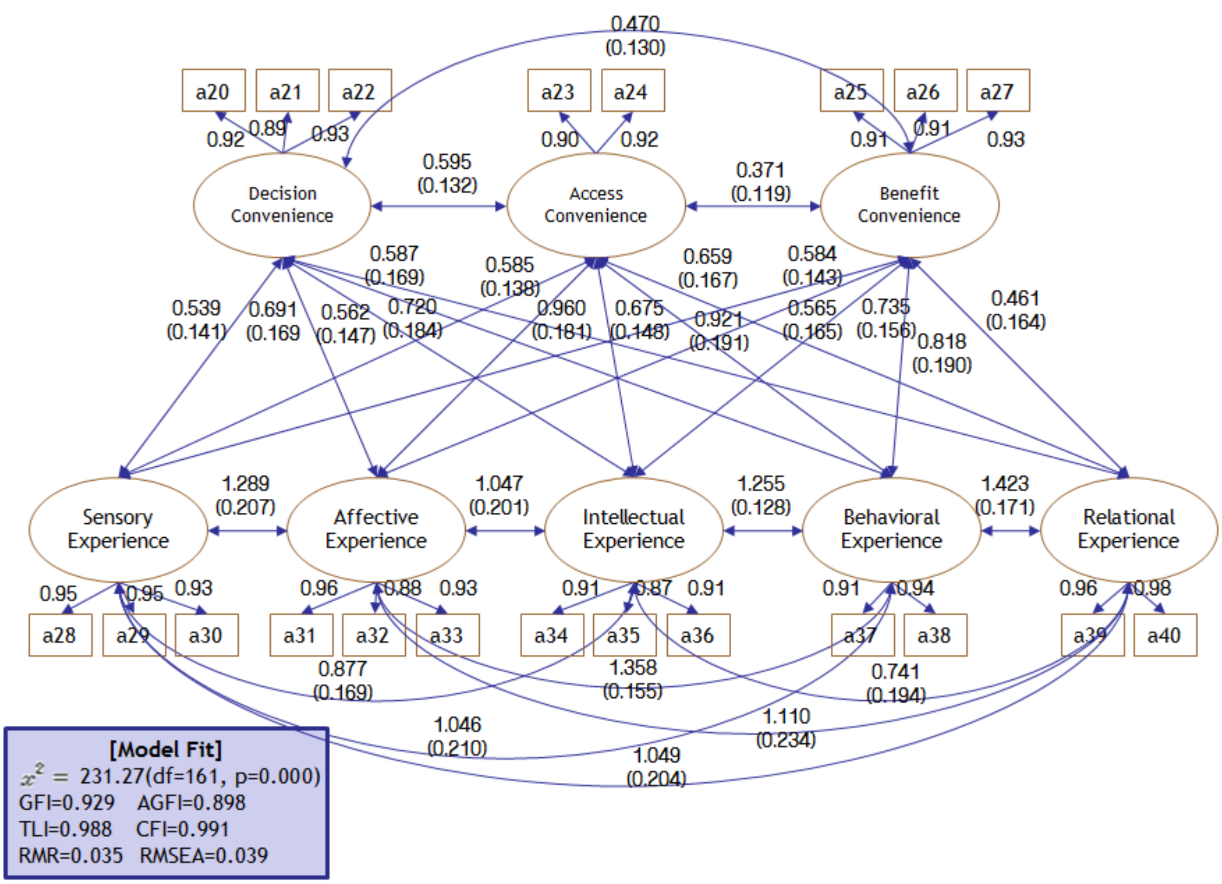
Concepts	Measurement	Factor1	Factor 2	Factor 3	Reliability	Variance Ratio
Procedural Experience	Decision convenience	0.360	0.340	0.790	0.903	85.93%
	Access convenience	0.532	0.293	0.697		
	Benefit convenience	0.246	0.452	0.762		
Prime Experience	Sensory Experience	0.706	0.492	0.314	0.953	
	Affective Experience	0.796	0.314	0.353		
	Intellectual Experience	0.734	0.414	0.329		
	Behavioral Experience	0.748	0.443	0.329		
	Relational Experience	0.801	0.354	0.292		
Site Attractiveness	User Intention	0.451	0.728	0.391	0.962	
	Repeat Visit	0.446	0.750	0.375		
	Repeat Purchase	0.451	0.717	0.418		

In order to evaluate the items and the underlying factor structure, we examined a confirmatory factor model. We used structural equation modeling to perform a confirmatory factor analysis (Figure 2). Figure 2 shows that the fit statistics were chi-square = 231.27, 161 degrees of freedom (p = 0.000); goodness of fit index (GFI) = 0.929, comparative fit index (CFI) = 0.991, non-normed fit index (TLI) = 0.988, and a root mean square error of approximation (RMSEA) = 0.035, which are within the guidelines commonly recommended. The results of the confirmatory factor analysis indicate that prime experience and procedural experience are second-order factors that correspond with a higher order shopping experience construct. Cronbach alphas for the two factors are acceptable as well.

The final test employed in this study was to assess whether positive shopping experiences are a significant predictor of site attractiveness. We regressed the two kinds of shopping experience dimensions onto the site attractiveness measure.

The adjusted R2 measured 0.527 (p=0.05), which means positive shopping experiences in the online shopping site influence the site attractiveness of that online shopping site. The two kinds of shopping experience are significant predictors of site attractiveness (prime experience β = 0.296 (p=0 .005), procedural experience β = 0.781 (p= 0.05)).

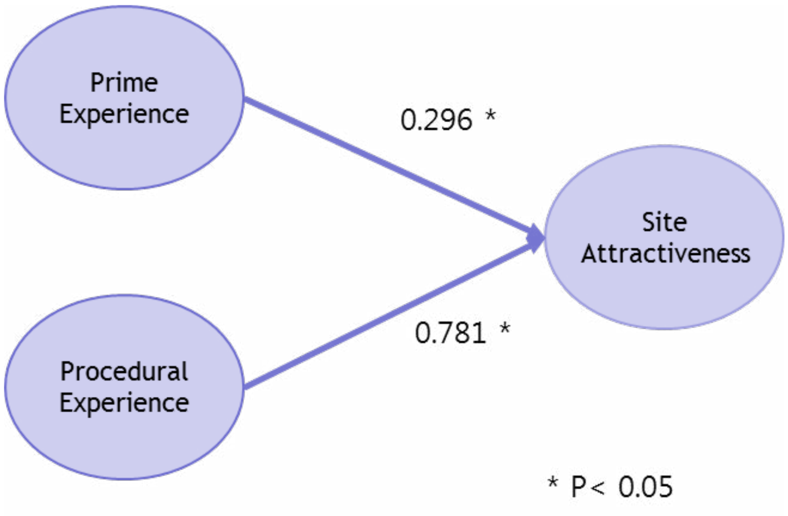
From the results of Figures 2 and 3, this research shows that the shopping experiences on the online shopping site could consist of two kinds of prime and procedural experience. We defined prime experience as Sensory, Affective, Intellectual, Behavioral, and Relational experience. We defined procedural experience from the decision making, information access, and convenience of purchase benefit. These two types of experience positively affect site attractiveness.



<Figure 2>

Therefore, we have proved the main hypotheses of this research. The first hypothesis, Assessment of Prime Procedural Experience will increase site Attractiveness, is accepted. The path coefficient of the above relations is 0.296, and it is statistically significant (p=0.050). The direction of the relation correlates with the direction proposed by the hypothesis.

The second hypothesis, Assessment of Positive Procedural Experience will increase site Attractiveness, is also accepted. The path coefficient of the above relations is 0.781, and it is statistically significant (p=0.050). The direction of the relation correlates with the direction proposed by the hypothesis, so H2 is accepted. <Figure 3> shows the final result of the hypothesis test.



<Figure 3>

CONCLUSION AND DISCUSSION

This study reveals that the shopping experience factors of online shopping sites can impact the attractiveness of such a site. As the standard of living improves and the value of life varies, shopping evolves to become a profound activity that involves experience from various motivations. This study redefines the shopping experience factors as prime experience from a hedonic perspective, and procedural experience within a context of utilitarian motivation. Prime experience is the experience felt from the shopping site in the emotional dimension, which we define as Sensory, Affective, Intellectual, Behavioral, and Relational experience. Procedural experience involves the optimization of decision making in the shopping process, which we define as decision convenience, access convenience, and benefit convenience.

These shopping experience factors affect the attractiveness of the shopping site. In conclusion, this study suggests that the shopping experience is a highly applicable dimension from shopping motivations, and through this, the experiential value of shopping needs to be considered important when assessing the attractiveness of the shopping site. In other words, positive customer experience of a certain environment affects the attractiveness of online shopping stores.

This research differs from other research into shopping experiences in terms of various aspects. First, this research is about online specific shopping experiences. Second, we approach this research in terms of shopping motives. We divide these shopping motives into two sides of experience, which are the hedonic aspect (prime experience), and the utilitarian aspect (procedural experience). Third, this research suggests the relationship between these experiential factors and site attractiveness.

This research output suggests online shopping experience factors that can apply to further academic research. An online shopping company will be able to efficiently construct a shopping environment following this research output.

REFERENCES

Carland, J.W., F. Hoy, W.R. Boulton & J.A. Carland (1984). Differentiating entrepreneurs from small business owners. *Academy of Management Review, 9*(2), 354-359.

Anderson, E. W. and S. M. Shugan (1991). "Repositioning for changing preferences: the case of beef versus poultry." Journal of consumer research: 219-232.

Arnold, M. J. and K. E. Reynolds (2003). "Hedonic shopping motivations." Journal of Retailing 79(2): 77-95.

Arnould, E., and Price, L. (1993), "River Magic: Extraordinary Experience and the Extended Service Encounter," Journal of consumer Research, 20, 24.

Babin, B. J., W. R. Darden, et al. (1994). "Work and/or fun: measuring hedonic and utilitarian shopping value." Journal of consumer research: 644-656.

Backer, M., and Churchill, G. (1977), "The Impact of Physically Attractive Models on Advertisement Evaluations," Journal of Marketing Research, 14, 538-555.

Batra, R., Ahtola, O.(1991), "Measuring the hedonic and utilitarian sources of consumer attitudes," Marketing Letters, 2, 159–170.

Berry, L., Seiders, K., & Grewal, D. (2002). Understanding service convenience. Journal of Marketing, 66(3), 1-17.

Brakus, Schmitt, Zarantonello(2009). Brand Experience: What Is It? How Is It Measured? Does It Affect Loyalty? Journal of Marketing, 73(3).

Childers, T. L., C. L. Carr, et al. (2002). "Hedonic and utilitarian motivations for online retail shopping behavior." Journal of Retailing 77(4): 511-535.

Csikszentmihalyi, M.(1997), Finding flow: The psychology of engagement with everyday life. New York: BasicBooks.

Darden, W. R., Reynolds, F. D.(1971), "Shopping orientations and product usage rates," Journal of Marketing Research, 8(4), 505-508.

Dawson, S., Bloch, P. H., Ridgway, N. M.(1990), "Shopping Motives, Emotional States, and Retail Outcomes," Journal of Retailing, 66, 408-427.

Dewey, J. (1938), Experience and education.

Gross, B. L. and J. N. Sheth (1989). "Time-oriented advertising: a content analysis of United States magazine advertising, 1890-1988." The Journal of Marketing: 76-83.

Gupta, S., and Vajic, M. (2000), "The Contextual and Dialectical Nature of Experiences," New service development: creating memorable experiences, 33-51.

Jin, B., Kim, J.(2001), "Discount store retailing in Korea: Shopping excitement, shopping motives, and store attributes," Journal of Global Marketing, 15, 81-107.

Kim, D., Cho, B., & Rao, H. (2000). Effects of consumer lifestyles on purchasing behavior on the Internet: A conceptual framework and empirical validation.

Kim, Y.K. (2002). "Consumer value: an application to mall and Internet shopping." International Journal of Retail & Distribution Management 30(12): 595-602.

Kim, Y.K., P. Sullivan, et al. (2007). Experiential retailing: Concepts and strategies that sell, Fairchild Publications.

Menon, S., and Kahn, B. (2002), "Cross-Category Effects of Induced Arousal and Pleasure on the Internet Shopping Experience," Journal of Retailing, 78, 31-40.

Morganosky, M., and Buckley, H. (1986), "Complaint Behavior: Analysis by Demographics, Lifestyle and Consumer Values," Advances in Consumer Research, 14, 223-226.

Moschis, G. P. (1976). "Shopping orientations and consumer uses of information." Journal of Retailing 52(2): 61-&.

Novak, T., Hoffman, D., & Yung, Y. (2000). Measuring the customer experience in online environments: A structural modeling approach. Marketing Science, 19(1), 22-42.

Pullman, M. E. and M. A. Gross (2004). "Ability of experience design elements to elicit emotions and loyalty behaviors." Decision Sciences 35(3): 551-578.

Schmitt, Bernd H.(1999), Experiential Marketing : How to Get Customers to Sense, Feel, Think, Act, Relate, NJ: Simon & Schuster.

Schmitt, Bernd H.(2003) Customer experience management: A revolutionary approach to connecting with your customers, John Wiley & Sons

Seiders, K., Voss, G., Godfrey, A., & Grewal, D. (2007). SERVCON: development and validation of a multidimensional service convenience scale. Journal of the Academy of Marketing Science, 35(1), 144-156.

Stephenson, P. R., Willett, R. P.(1969), "Analysis of consumers' retail patronage strategies," In P. R. McDonald(Ed.), Marketing involvement in society and the economy(pp. 316-322), Chicago: American Marketing Association.

Steve Elliot and Sue Fowell(2000), "Expectations versus reality : a snapshot of consumer experiences with Internet retailing, International journal of information management, 20: 323-336.

Tauber, E. M.(1972), "Why do people shop?," Journal of Marketing, 36.

Teller, C., & Reutterer, T. (2008). The evolving concept of retail attractiveness: what makes retail agglomerations attractive when customers shop at them? Journal of Retailing and Consumer Services, 15(3), 127-143.

Terblanche, N., & Boshoff, C. (2004). The in-store shopping experience: a comparative study of supermarket and clothing store customers. South African Journal of Business Management, 35(4), 1-10.

Vazquez, Rodolfo., Ignacio A. Rogriguez-Del Bosque, Ana Ma Diaz, Agustin V. Ruiz(2001), "Service quality in supermarket retailing: identifying critical service experiences," Journal of Retailing and Consumer Services, 8: 1-14.

CONSUMER ETHNOCENTRISM AND TENDENCIES TO PROTECT WISCONSIN-MADE CHEESE PRODUCTS

Mary J. Weber, University of Phoenix
John T. Lambert, University of Southern Mississippi
Kelley A. Conrad, University of Phoenix
Sherry S. Jennings, University of Phoenix

ABSTRACT

Consumer loyalty is built on culturally rooted perceptions that a particular brand or product is better than any other brand or product. There is limited research on cultural and regional taste preferences that affect consumer purchasing intentions for local cheese versus cheese made elsewhere. Despite the abundant literature on country of origin and ethnocentrism as a cue in consumer decision making attributes, there is a need to address distinctions of consumer ethnocentrism toward locally sourced agricultural food products.

Using an adapted CETSCALE, our research was conducted in the State of Wisconsin USA and explored socioeconomic influences toward buying and protecting locally produced cheese products from cheese products produced in foreign countries or elsewhere in the USA. Wisconsin consumer responses to the WI CHEESE CETSCALE were significantly related to lower purchases of cheese from foreign countries, but not significantly different from purchases of cheese made elsewhere in the USA.

Keywords: Ethnocentrism, Consumer Ethnocentrism, Cheese Industry, Local Food Systems, Wisconsin

INTRODUCTION

Local food systems rely upon a network of sourced agricultural food products and consumer support. A high consumer predilection to purchase locally rather than purchase product sourced from foreign or made elsewhere in the USA is influenced by socioeconomic factors (Verlegh, 2007). The purpose of this research was to determine the effects of socioeconomic factors on consumer ethnocentrism and intentions among Wisconsin residents to protect locally produced cheese products from foreign cheese products and cheese products made elsewhere in the USA. Additionally, the study investigated Wisconsin consumer bias and the tendency toward making purchasing decisions toward Wisconsin cheese products.

Traditionally, the CETSCALE has been used to assess consumer beliefs about the moral appropriateness of purchasing products identified by country of origin (COO). The COO, or geographic setting for this study, is Wisconsin a.k.a. “Wisconsin Dairyland.” Wisconsin has a long tradition of making cheese supported by a broader local food system commitment to promoting and protecting Wisconsin cheese products (Paxson, 2012). Cheese makers from small, independent family farms to local manufacturers have recognized cheese in local farmers markets, cheese houses, retail grocers, and restaurants across Wisconsin. Fyksen (2013) noted “if Wisconsin were a country, it would rank fourth in the world in cheese production” (para. 8).

Wisconsin cheese makers and producers will benefit from understanding to what extent consumer ethnocentrism will predict consumers' desire to protect local Wisconsin cheese products and cheese producers. The CETSCALE instrument used to measure consumer ethnocentric tendencies related to purchasing imported versus American products (Shimp & Sharma, 1987), provided the framework for the study. We developed a research instrument [WI CHEESE CETSCALE] based upon Shimp and Sharma's (1987) CETSCALE to measure consumer ethnocentrism in different areas of socio-economic conditions and demographic regions, specifically Wisconsin. The interview questions for the WI CHEESE CETSCALE were modified to language germane to the Wisconsin cheese study. Questions were directed to consumer preferences for Wisconsin cheese versus imported cheese and cheese elsewhere in USA. We collected data from 421 participants then analyzed the data with SPSS software to reveal consumer ethnocentric intentions to purchase and protect Wisconsin cheese products from foreign producers and producers elsewhere in the USA. Unlike other ethnocentrism studies (Akram, Merunka, & Muhammad 2011; Beverland & Lindgreen, 2002; Bojei, Tuah, Alwie, & Ahmad, 2010; Klein & Ettenson, 1999; Moon, 2004; Orth & Firbasová, 2003; Parker, Haytko, & Hermans, 2011; Pecotich & Rosenthal, 2001; Sharma, Shimp, & Shin, 1995), our study investigated gender, education, and income variables as a measure of preference for purchasing and protecting local Wisconsin cheese products. The resulting cultural, societal, and economic influences on consumer choice were examined against consumer ethnocentric intentions. Examining consumer ethnocentrism intentions is a topic of concern for Wisconsin cheese manufacturers and retailers, many who rely on locally sourced food to enhance the economy.

LITERATURE REVIEW

Ethnocentrism

Ethnocentrism introduced by Sumner (1906) is a sociological concept derived from attitudes and behaviors of one's connection with others. Ethnocentric attitude is a view that one's group (the in-group) is the center of everything, superior, or righteous; and that all others (the out-group) are inferior and are looked upon with contempt (Shimp & Sharma, 1987). Ethnocentric behavior is determined by "primitive society" concept characterized by language, accent, physical features, or religion (Sumner, 1906; Levine & Campbell, 1972). Social implications of ethnocentrism are linked to ethical issues, diversity, political, patriotism, and consumer choice (Hammond & Axelrod, 2006; Levine & Campbell, 1972).

Consumer Ethnocentrism

The quest to explore ethnocentrism influence on consumer buying behavior is evident in the literature produced over the last two decades (e.g., Akram, Merunka, & Muhammad 2011; Beverland & Lindgreen, 2002; Bojei, Tuah, Alwie, & Ahmad, 2010; Klein & Ettenson, 1999; Moon, 2004; Orth & Firbasová, 2003; Parker, Haytko, & Hermans, 2011; Pecotich & Rosenthal, 2001; Sharma, Shimp, & Shin, 1995). COO influenced consumer loyalty and perceptions that a particular brand or product is better than any other brand or product (Orth & Firbasová, 2003; Verlegh & Steenkamp, 1999). Cultural perceptions that "local is better" or "made locally" phrases provide a frame of reference within a given country. Economic and political use of food culture by ethnologists (Salomonsson, 1984) revitalized attitude and behavior to create a regional identity. A regional identity of food products is a cultural expression in a post modern society

(Urry, 1990). Despite numerous studies on COO and consumer ethnocentrism's effect on purchasing decisions, research specific to food products such as Wisconsin cheese is limited. Regional identity may be a strong case for consumer ethnocentrism related to purchasing foreign cheese products, but where food, specifically cheese, is tied to regional culture, attitudes, and behaviors are grounded by regional ethnocentrism.

Based on sociological concepts of in-group/out-group, ethnocentrism evolved as a psychosocial construct. Consumer ethnocentrism is the "belief held by American consumers about the appropriateness, indeed morality, of purchasing foreign products" (Shimp & Sharma, 1987, p. 280). Consumer ethnocentrism is predicated on consumer tendency that dictates a preference for domestic product rather than foreign product. Chowdhury (2012) reported consumer ethnocentric attitudes exist in developing nations and increase as they are segregated into smaller social circles (the in-group social status). Chowdhury's (2012) findings were significant for our research in applying the CETSCALE (Shimp & Sharma, 1987) to measure consumer ethnocentrism intentions in different areas of socio-economic conditions and demographic regions, specifically Wisconsin as compared to elsewhere in the USA.

Consumer product evaluations, preferences, and buying intentions are not solely based on product cues such as price, brand name, or quality, but feelings or attitudes that affect purchase decisions (Oberecker & Adamantios, 2011). In a study by Mockaitis, Salciuviene, and Ghauri (2013) ethnocentric consumers view domestic products more favorably and non ethnocentric consumers view foreign products more favorably. Furthermore, significant differences were found in all product areas except computers and dairy products with ethnocentric consumers favoring domestic products (Mockaitis, Salciuviene, & Ghauri, 2013).

In past studies, consumer ethnocentrism is associated with several demographic variables including educational attainment and income, as well as attitudinal variables including cultural openness, patriotism, nationalism, conservatism, and collectivism (Shimp & Sharma, 1995). In this way, the ethnocentric buying intentions and behavior of Wisconsin cheese product, as compared to foreign cheese and elsewhere in the USA, is germane to this study. For example, Josiassen, Assaf, and Karpen (2011) emphasized that older consumers and female consumers tended to be significantly more ethnocentric than younger and male consumers. Within the context of this research, demographic variables such as gender, income, and education were measured to determine the impact of consumer ethnocentrism toward Wisconsin cheese products.

Local food system and wisconsin cheese

Buying local has several common rationales: increased food security, economic growth, the social sustainability of communities, and strengthening of relationships within the communities (Onozaka & McFadden, 2012). Ethnocentrism may cause consumers to purchase their regional product even if it is of a lower quality than that of an imported brand (Siemieniako, Kubacki, Glinska, & Krot, 2011). Wisconsin cheese producers have historical roots in local economies, social ties to the community, and cultural values (Paxson, 2012). Economic and political forces support regional food culture and unique artisan food production as a tool to promote rural growth (Tellström, Gustafsson, & Mossberg, 2006). Wisconsin cheese producers' labels or brands are a distinct origin giving way to symbolic and cultural meaning (Hultman, 2002; Lein, 2000; Paxon, 2012). Locally produced Wisconsin cheese brands provide cultural authenticity or identity to meet consumers' demands for pronounced and reliable origin (Ilbery & Kneafsey, 1998; Nótári & Ferencz, 2011).

As we noted, consumer preferences related to locally produced products, identified by producers' labels or brands as a distinct origin, influence taste and trust is well documented. Consumers identify and remember the relation between origin and quality rather than between brand and quality (Guerrero, 2001, p. 284). Ethnocentric tendency and behavior are grounded by consumer preferences in origin and quality despite influences to migrate to a foreign cheese product or one elsewhere in the USA. The Wisconsin cheese supply chain is a unique systemic relationship driven by history, culture, and business (Paxson, 2012). Relationships between Wisconsin cheese producers, suppliers, retailers, restaurants, farmers' markets, and consumers is an example of a local food system. Connecting consumers with Wisconsin cheese industry has taken many forms stimulating a culture rich in human and social interactions.

Wisconsin cheese producers have taken the love of cheese to another level. Some cheese manufacturers process the cheese in the shape of a football and seal it with green and gold wax coating symbolizing the State's Green Bay Packers team of the National Football League. Wisconsin cheese producers host events such as cheese carving contests, cheese recipe contests, cheese tastings, and other cheese related events. Regional chefs support Wisconsin cheese producers in restaurant menu items such as cheese fondue, artisan cheeses, trays of assorted cheese, soups, salads, and desserts. Wisconsin cheese producers work with retailers that specialize in marketing Wisconsin cheese gift baskets.

Wisconsin citizens proudly embrace the nickname "Cheesehead," which is symbolic of cultural identity and a love of Wisconsin cheese products. Marketing promoters created cheese influenced novelties such as the Cheesehead™ hats, ties, footballs, and other various shaped items (Kapler, 2002). O'Leary (2011) discussed how the Wisconsin Milk Marketing Board connected Wisconsin's dairy industry to consumers in all 50 states through a broad offering of year round retail promotions, point-of-sale information, Wisconsin cheese signage, and specialty items. Mass perception affects how others see Wisconsin. O'Leary (2011) explained how 90% of Wisconsin cheese is sold outside of the State, even though Wisconsin produces 25% of all cheese in the United States.

A point of pride for many Wisconsinites, "buying local" is a motto adopted by many local producers. Bouhlal and Capps (2012) stated buyer decisions to purchase nationally recognized brand cheeses instead of local private label cheeses are influenced not only by couponing, but by several socioeconomic factors such as household size, income, age, education, race, ethnicity, and location. Additionally, private label cheeses account for 35% of the market share while national brands are 65% with Kraft alone at 45% of the total market share (Bouhlal & Capps, 2012). The economic downturn may be some cause for concern in the national brand cheese industry where consumers may be more likely to be influenced by price and private label cheeses that promote quality at reasonable prices (Petev & Pistaferri, 2012). This marketing insight provided the inspiration for understanding of Wisconsin ethnocentrism and the relationship with the local Wisconsin cheese consumer.

METHODOLOGY

Purpose of the Study

Building on previous consumer ethnocentrism research, this study used Shimp and Sharma's (1987) CETSCALE model with adapted validated measures to address distinctions of consumer ethnocentrism toward locally sourced agricultural food products. A modified instrument, the WI CHEESE CETSCALE, focused on a local food system and explored consumer attitudes toward Wisconsin cheese products and producers. This study specifically measured consumer ethnocentric tendencies to purchase Wisconsin cheese products and willingness to protect Wisconsin cheese products. In addition, our study assessed consumer attitudes with regard to a local food system product and introduced a unique concept and predilection to purchase local rather than purchase cheese from foreign countries and from cheese produced elsewhere in the USA.

Predecessors of this Study

This study at its core is influenced by Shimp & Sharma (1987) whose seminal work on consumer ethnocentrism provided measures that subsequent researchers adapted in both broad and narrow applications. Researchers conducting this study tested concepts of consumer ethnocentrism (Lambert, Klieb & Weber; 2008), before utilizing and further modifying the model tested by Orth & Firbasová (2003). What emerged is a model that has successfully tested narrow product preferences in various applications. Lambert & Harrell (2010) tested the validity of the model in a low-CETSCALE environment. Lambert, Duhon & Peyrefitte (2012) tested it in the aftermath of the 2010 B. P. oil spill. This study is a continuation of the testing of this research model in a narrow consumer test, focusing upon a specific region and specific products.

Hypotheses for analysis

The aim of this study is to advance literature of consumer ethnocentrism by understanding consumer purchase behavior in order to determine purchasing intentions. The Wisconsin cheese study investigated how local ethnocentrism influenced consumer purchasing intentions to purchase locally produced cheese products. Furthermore, the Wisconsin Cheese study examined consumer ethnocentrism intentions or tendencies to purchase cheese from foreign countries or elsewhere in the USA. The following hypotheses guided the study:

H1 *Consumer ethnocentrism is not significantly related to Wisconsin consumers' intentions to purchase cheese from Wisconsin.*

H2 *Consumer ethnocentrism is not significantly related to Wisconsin consumers' intentions to purchase cheese from foreign countries.*

H3 *Consumer ethnocentrism is not significantly related to Wisconsin consumers' intentions to purchase cheese from elsewhere in the USA.*

Participants

A convenience sampling technique was used. Twelve students in a senior level Applied Data Gathering and Analysis Research Course distributed surveys to adults in Wisconsin over a period of two weeks in July 2013. Each student was instructed to randomly select 30 participants. Data were collected from a sample (n = 421) of consumers (225 females and 191 males) solicited in Wisconsin by means of a secure online website.

Each student completed the Collaborative Institutional Training Initiative (CITI) training through the University prior to collection and used identical solicitation templates. The instructor monitored collection procedures to ensure consistent and ethical practices during the recruitment and data collection phases. Participant selection employed the following criteria; age 18 or older, resident of Wisconsin by zip code, a consumer of cheese, and required to have a personal email address.

Data collectors distributed the survey along with his or her assigned student identification (ID) number to at least 30 adults over the age of 18. Participants were instructed to use the student ID assigned to access the survey. The student ID provided validation for the number of participants and return rate from each student distribution list. Each participant received an introductory message to include the consent, volunteer information, and contact information upon logging on to the SurveyMonkey® website.

Measures

The quantitative research instrument, structured by the researchers as a reliable and construct valid adaptation of the 17-item CETSCALE (see Table 2), measured "tendency" rather than "attitude" (Shimp & Sharma, 1987). The five-point Likert-type scale provided the contextual framework, which most accurately reflects the tendency of individual responses (Carifio & Perla, 2007). Each item satisfied the .5 reliability criterion (Shimp & Sharma, 1987). The COO was changed to reflect specificity of Wisconsin cheese products. The measures used in the study are described in two sections: The first section consisted of 18-item WI CHEESE CETSCALE statements; and the second section summarized basic demographic characteristics. Four areas of study are derived from the CETSCALE model measuring tendency toward foreign (non Wisconsin) product purchase intentions.

The CETSCALE is among the most used scale in marketing studies. CETSCALE and other adapted versions have been used to measure consumer ethnocentric tendencies in various settings and on various products (Jiménez-Guerrero, Gázquez-Abad, & Linares-AgÜera, 2014). The Jiménez-Guerrero et al. (2014) study demonstrated factor analytic research using the full 17-item scale that consistently yielded two underlying factors. Factor 1 contains items reflecting consumer's negative attitude toward foreign products and accounts for 48% of the variance. Factor 2 contains items reflecting consumer's positive attitude toward domestic products and accounts for 19% of the variance. Jiménez-Guerrero et al. (2014) analyzed 64 studies of the CETSCALE. Twelve studies were conducted in the United States and the remaining 52 studies were applications in other countries; most of which required translation of the CETSCALE to the native language and some wording changes to adapt the items to the consumer product of interest. In addition, Jiménez-Guerrero et al. (2014) found evidence for the two factors in 7 of the 11 studies that used a full 17-item version of the scale. We compared our version of the scale to these previous findings.

The WI CHEESE CETSCALE research instrument was pilot tested by students in the Applied Data Gathering and Analysis Research Course. Based on the responses and the comments provided by the 12 students, the instrument had face validity. All questions were assessed for clarity, readability, and reliability. Given that this study was about consumer ethnocentrism toward Wisconsin cheese, the following questions provided a regional demographic measure: How often do you consume cheese; What are your consumer habits regarding cheese made in Wisconsin; and Approximately how much cheese do you buy during the year [Wisconsin, elsewhere in USA or imported]. Age, gender, home zip code, education, and personal income variables of interest provided measures for statistical use. Statistical analysis of data included factor analysis and Spearman correlational coefficient statistical methods. Statistical software used was SPSS Version 21.

DATA ANALYSIS AND RESEARCH RESULTS

Demographics

Although we collected data from 421 participants, some participants skipped some of the questions. Consequently, there is a discrepancy in the total number for each characteristic in Table 1 and each measure in Table 2 to the total number of participants in the study.

The number of responses among each characteristic presented in Table 1 are; gender 416, level of education 415, and annual income 408. Female and male was quite evenly split with 54.1% being female and 45.9% being male. The level of education results show 43.4% have a four-year college degree and the annual income results show 22.1% have an annual income of $45,001 to $60,000.

Table 1
DEMOGRAPHICS OF WISCONSIN CHEESE STUDY PARTICIPANTS

Characteristic		Value Label	Percentage
Gender	1.00	Male	45.9
	2.00	**Female**	**54.1**
Level of education	1.00	Did not finish high school	.7
	2.00	High school diploma	15.0
	3.00	Some college, but did not finish	27.2
	4.00	**Four-year college degree**	**43.4**
	5.00	Graduate School or higher	13.7
Annual income	1.00	$15,000 or less	5.8
	2.00	$15,001 to $25,000	7.1
	3.00	$25,001 to $35,000	13.2
	4.00	$35,001 to $45,000	17.4
	5.00	**$45,001 to $60,000**	**22.1**
	6.00	$60,001 to $80,000	18.7
	7.00	Greater than $80,000	15.7

We computed frequencies, percentages, and averages for the categorical data from the Likert-type scales for all items on the WI CHEESE CETSCALE. These statistics are displayed in Table 2. Although data was collected from 421 participants, some participants skipped some of the questions accounting for the discrepancy in rating count.

Table 2
WISCONSIN CONSUMERS' WILLINGNESS TO PROTECT WISCONSIN-MADE CHEESE PRODUCTS

MEASURE	STRONGLY AGREE	AGREE	NEITHER AGREE NOR DISAGREE	DISAGREE	STRONGLY DISAGREE	RATING AVGERAGE	RATING COUNT
1. Wisconsin consumers should always buy Wisconsin-made cheese products instead of imports.	21.2% (89)	**35.5% (149)**	25.2% (106)	15.0% (63)	3.1% (13)	3.57	420
2. Only those cheese products that are unavailable in Wisconsin should be imported.	15.8% (66)	**30.1% (126)**	29.1% (122)	20.3% (85)	4.8% (20)	3.32	419
3. Buy Wisconsin-made products. Keep Wisconsin working.	37.4% (157)	**46.2% (194)**	11.7% (49)	3.8% (16)	1.0% (4)	4.15	420
4. Wisconsin cheese products first, last, and foremost.	21.3% (89)	**33.3% (139)**	30.9% (129)	12.4% (52)	2.2% (9)	3.59	418
5. Purchasing foreign-made cheese products is un-Wisconsin.	11.7% (49)	19.0% (80)	29.3% (123)	**30.0% (126)**	10.0% (42)	2.92	420
6. It is not right to purchase imported cheese products because it puts Wisconsin citizens out of jobs.	10.5% (44)	20.5% (86)	29.4% (123)	**32.7% (137)**	6.9% (29)	2.95	419
7. A real Wisconsin consumer should always buy Wisconsin-made cheese products.	17.0% (71)	**26.8% (112)**	25.4% (106)	25.8% (108)	5.0% (21)	3.25	418
8. We should purchase cheese products made in Wisconsin instead of letting other countries get rich off us.	17.1% (71)	**31.5% (131)**	26.4% (110)	18.8% (78)	6.3% (26)	3.34	416
9. Only cheese products that are unavailable in Wisconsin should come from another state.	11.3% (47)	**33.9% (141)**	25.2% (105)	23.6% (98)	6.0% (25)	3.21	416
10. There should be very limited trading or purchasing of cheese products from other countries unless out of necessity.	10.8% (45)	24.2% (101)	**29.9% (125)**	26.3% (110)	8.9% (37)	3.02	418
11. Wisconsin consumers should not buy foreign cheese products because this hurts Wisconsin business and causes unemployment.	10.8% (45)	23.7% (99)	28.7% (120)	**28.9% (121)**	7.9% (33)	3.00	418
12. Curbs should be put on all cheese imports to Wisconsin.	8.6% (36)	24.7% (103)	**30.5% (127)**	26.6% (111)	9.6% (40)	2.96	417
13. It may cost me in the long run, but I prefer to support Wisconsin cheese products.	25.2% (105)	**43.0% (179)**	21.6% (90)	7.9% (33)	2.2% (9)	3.81	416
14. Foreigners should not be allowed to put their cheese products in Wisconsin markets.	7.7% (32)	16.8% (70)	24.9% (104)	**36.7% (153)**	13.9% (58)	2.68	417
15. Foreign cheese products should be taxed heavily to reduce their entry into Wisconsin.	11.1% (46)	21.9% (91)	**30.0% (125)**	26.9% (112)	10.1% (42)	2.97	416

Table 2 WISCONSIN CONSUMERS' WILLINGNESS TO PROTECT WISCONSIN-MADE CHEESE PRODUCTS							
MEASURE	STRONGLY AGREE	AGREE	NEITHER AGREE NOR DISAGREE	DISAGREE	STRONGLY DISAGREE	RATING AVGERAGE	RATING COUNT
16. We should buy from foreign countries only those products that we cannot obtain within our country.	12.8% (53)	**32.8%** **(136)**	26.7% (111)	20.2% (84)	7.5% (31)	3.23	415
17. Wisconsin consumers who purchase products made in other countries are responsible for putting their fellow Wisconsin citizens out of work.	6.7% (28)	21.6% (90)	25.0% (104)	**31.0%** **(129)**	15.6% (65)	2.73	416
18. There should be very limited trading or purchasing of cheese products from other states unless out of necessity.	7.7% (32)	28.3% (118)	25.2% (105)	**28.5%** **(119)**	10.3% (43)	2.94	417

Factor analysis

All items in the WI CHEESE CETSCALE survey instrument (see Table 3) were evaluated using Hair, Black, Babin, Anderson, and Tatham's (2005) criteria and found suitable for factor analysis. Hutcheson and Sofroniou (1999) indicated a Kaiser-Meyer-Olkin (KMO) value of .9 or greater is considered superb. Our value for these data was .938 (approx. Chi Square = 3159.209) indicating we could be confident the sample size was adequate for factor analysis. Following Field's (2013) advice, we examined the diagonal elements of the anti-image correlation matrix to insure all values were well above .5 and all off diagonal elements (the partial correlations) were small. No variables were removed. Bartlett's Test with was highly significant ($p < .000$, df = 45) which allowed us to reject the null hypothesis that the original correlation matrix was an identity matrix. Since there were some relationships present we expected some would show up in the factor analysis.

We used SPSS to compute a principal component factor analysis (Harman, 1976) with Varimax rotation combined with Hatcher's (1994) criterion to accept eigenvalue loadings of 1 or more to make decision about the number of factors. The scree plot (see Appendix B) where the eigenvalues are presented on the Y axis and the extracted components on the X axis. The analysis showed four factors with eigenvalues above the cutoff of 1.0.

Inspection of the item loadings on the four factors revealed factors 1 and 2 were appropriate WI CHEESE CETSCALE factors. These two factors paralleled the results of Jiménez-Guerrero et al. (2014) who found the CETSCALE to be multidimensional. Our results were comparable to those of the seven studies that used the full 17-item CETSCALE. These results indicate that our use of the CETSCALE adapted for Wisconsin cheese consumers operated similarly to the use of the scale in most other regional and country adaptations that used the full 17-item scale.

Factor 3 included only the particular Wisconsin consumer habits questions. We expected these three items to load on two different scales. The two items (where they buy and eat) were Likert-type scaled items that loaded on factor 3 as expected. The Cronbach's alpha for our data was .963. When based on standardized items Cronbach's alpha was .962. Both calculations indicating a good level of consistency, stability, and reliability in the CETSCALE as used in this study. Total variances explained by the three factors extracted in the principal component factor analysis were:

Factor 1 = 66.08 % of Variance 66.08 Cumulative % of variance.
Factor 2 = 7.34 % of Variance 73.42 Cumulative % of variance.
Factor 3 = 6.29 % of Variance 79.71 Cumulative % of variance.

Table 3
WISCONSIN CHEESE PRODUCTS FIRST, LAST, AND FOREMOST[a]

	Component			
	1	2	3	4
WI Cheese Purchase Intentions (Extracted Component 3)				
Frequency of cheese consumption	-.121	-.095	**.737**	.108
Wisconsin cheese purchases	.050	.041	**.788**	.062
WI Cheese Purchase Behaviors (Extracted Component 4)				
Cheese made in Wisconsin	.069	.114	.018	**.937**
Cheese made elsewhere in the USA	-.009	.015	-.007	**.951**
Cheese made in a foreign country - imported cheese	-.064	-.153	.029	**.885**
WI CHEESE CETSCALE Cheese Protector (Extracted Component 2)				
Wisconsin consumers should always buy Wisconsin-made cheese products instead of imports.	.496	**.624**	.341	-.023
Only those cheese products that are unavailable in Wisconsin should be imported.	.458	**.713**	-.045	.012
Buy Wisconsin-made products. Keep Wisconsin working.	.217	**.558**	.532	-.045
Wisconsin cheese products first, last, and foremost.	.391	**.629**	.353	.001
WI CHEESE CETSCALE Cheese Patriot (Extracted Component 1)				
1. Purchasing foreign-made cheese products is un-Wisconsin.	**.706**	.434	.146	-.001
2. It is not right to purchase imported cheese products because it puts Wisconsin citizens out of jobs.	**.775**	.316	.128	.033
3. A real Wisconsin consumer should always buy Wisconsin-made cheese products.	**.662**	.501	.219	-.030
4. We should purchase cheese products made in Wisconsin instead of letting other countries get rich off us.	**.691**	.485	.170	-.028
5. Only cheese products that are unavailable in Wisconsin should come from another state.	**.484**	.686	.018	-.001
6. There should be very limited trading or purchasing of cheese products from other countries unless out of necessity.	**.715**	.375	.022	.040
7. Wisconsin consumers should not buy foreign cheese products because this hurts Wisconsin business and causes unemployment.	**.830**	.260	.143	-.040
8. Curbs should be put on all cheese imports to Wisconsin.	**.779**	.335	.102	-.036
9. It may cost me in the long run, but I prefer to support Wisconsin cheese products.	**.370**	.402	.498	-.044
10. Foreigners should not be allowed to put their cheese products in Wisconsin markets.	**.823**	.216	.092	.042
11. Foreign cheese products should be taxed heavily to reduce their entry into Wisconsin.	**.813**	.184	.117	.019
12. We should buy from foreign countries only those products that we cannot obtain within our country.	**.685**	.314	.074	.026
13. Wisconsin consumers who purchase products made in other countries are responsible for putting their fellow Wisconsin citizens out of work.	**.863**	.145	.033	-.002
14. There should be very limited trading or purchasing of cheese products from other states unless out of necessity.	**.772**	.296	.050	.035
15. Wisconsin cheese or non-Wisconsin cheese?	**.224**	.316	.565	-.087
16. Purchasing foreign-made products is un-American.	**.830**	.068	.111	-.085

Table 3 WISCONSIN CHEESE PRODUCTS FIRST, LAST, AND FOREMOST[a]				
	Component			
	1	2	3	4
17. We should purchase products manufactured in America instead of letting other countries get rich off us.	**.729**	.136	.252	-.069
18. It may cost me in the long run but I prefer to support American products.	**.406**	.191	.582	-.094

[a]Extraction Method: Principal Component Analysis. **Bold** type indicates factor of primary loading. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 5 iterations.

Factor analysis of variance

Because our original hypotheses were to test the three hypotheses exploring the relationships between consumer ethnocentrism and customer intentions to purchase cheese from Wisconsin, from foreign countries, and elsewhere in the USA, we conducted a three-way between-groups factor analysis of variance to further explore:

The 3-way interaction of income and education and gender differences.
The 2-way interaction of gender with income, gender with education, and income with education.
The main effects for gender, income level, and education level.

The results are presented in Table 4.

Table 4 FACTORIAL ANALYSIS OF VARIANCE TESTS OF BETWEEN GROUPS EFFECT FOR WI CHEESE CETSCALE TOTAL SCORES WITH WISCONSIN CHEESE SURVEY DEMOGRAPHIC CATEGORIES Dependent Variable: 18-Item total WI CHEESE CETSCALE score					
Source	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	[a] 19752.806	51	387.310	2.035	.000
Intercept	245075.413	1	245075.413	1287.874	.000
Gender	130.821	1	130.821	.687	.408
Education	3710.015	4	927.504	4.874	**.001**
Income	919.209	6	153.202	.805	.567
Gender x Education	276.384	4	69.096	.363	.835
Gender x Income	176.981	6	29.497	.155	.988
Income x Education	2834.016	19	149.159	.784	.727
Gender x Income x Education	1320.245	11	120.022	.631	.802
Error	63748.688	335	190.295		
Total	1255717.000	387			
Corrected Total	83501.494	386			
a. R Squared = .237 (Adjusted R Squared = .120)					

The only significant finding was a main effect for income level, $F(4, 335) = 4.87$, $p < .001$). Examination of the effects of income level on the total WI CHEESE CETSCALE scores found for both genders the lowest score was for the 54 participants who indicated that they had completed some graduate school or higher education.

Factor analysis of wi cheese cetscale instrument

The complete WI CHEESE CETSCALE survey instrument using CETSCALE consisted of the Wisconsin adaptation of the CETSCALE, two items specific to Wisconsin consumer habits, and three items specific to the amount of cheese purchased. The two items specific to Wisconsin consumer habits of cheese made in Wisconsin were:

How often do you consume cheese?
How often do you buy Wisconsin cheese?
The frequency analysis for these two items specific to Wisconsin consumer habits.

The results are presented in Table 5 and Table 6.

We failed to reject the null hypotheses that ethnocentrism was not related to intentions to purchase Wisconsin cheese. We rejected the hypotheses that ethnocentrism was not related to Wisconsin consumers actual Wisconsin cheese purchases.

Table 5
WISCONSIN CHEESE CONSUMER HABITS

Characteristic		Value Label	Percentage
Cheese consumption	1.00	I never eat cheese	.7
	2.00		3.7
	3.00	I eat cheese on occasion	17.9
	4.00		14.6
	5.00	**I frequently eat cheese**	**63.1**
Wisconsin cheese buys	1.00	I never buy Wisconsin Cheese	.4
	2.00		2.5
	3.00	I am a moderate consumer of Wisconsin Cheese	27.0
	4.00		19.1
	5.00	**I buy plenty of Wisconsin Cheese**	**51.0**

Table 6
WI CHEESE CETSCALE MEASURE OF ETHNOCENTRISM AND CONSUMERS' INTENTIONS TO PURCHASE WISCONINS CHEESE - ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Cheese consumption	Between Groups	75.796	63	1.203	1.421	**.027**
	Within Groups	283.668	335	.847		
	Total	359.464	398			
Wisconsin cheese buys	Between Groups	96.737	64	1.512	1.929	**.000**
	Within Groups	261.674	334	.783		
	Total	358.411	398			

Finally, we were interested in the relationships between the WI CHEESE CETSCALE measure of ethnocentrism and the amounts of cheese (in pounds) purchased from Wisconsin, foreign countries, and elsewhere in the USA. The three items assessing purchases were open-ended questions and requested participants report the amount of cheese (in pounds) purchased from different sources:

Cheese made in Wisconsin
Cheese made elsewhere in USA
Cheese made in a foreign country

The results are presented in Table 7.

We failed to reject the null hypotheses that ethnocentrism, as measured by the WI CHEESE CETSCALE, was not related to purchase amounts of Wisconsin cheese and cheese made elsewhere in the USA. We rejected the null hypotheses that the WI CHEESE CETSCALE was not related purchase amounts of cheese made in a foreign country $F(63, 237) = 2.04$, $p < .000$).

Table 7
WI CHEESE CETSCALE MEASURE OF ETHNOCENTRISM AND CONSUMERS' PURCHASE AMOUNTS OF WISCONSIN CHEESE, CHEESE FROM USA, AND CHEESE FROM FOREIGN COUNTRIES - ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
Cheese made in Wisconsin	Between Groups	4937241651484.218	64	77144400804.441	1.284	.085
	Within Groups	19999660442178.156	333	60059040366.901		
	Total	24936902093662.375	397			
Cheese made elsewhere in the USA	Between Groups	30452.433	64	475.819	1.039	.408
	Within Groups	118194.279	258	458.117		
	Total	148646.712	322			
Cheese made in a foreign country - imported cheese	Between Groups	2723.191	63	43.225	2.038	**.000**
	Within Groups	5027.155	237	21.212		
	Total	7750.346	300			

Non-significant factorial interactions of demographic categories

We used a straightforward approach examining the potential complexities of the effects of the three major demographic variables on the WI CHEESE CETSCALE results. Our univariate analysis of variance found only one significant effect, that of education level (see Figure 2). Closer inspection revealed this effect was for the lower WI CHEESE CETSCALE scores found for the demographic group of participants with some graduate training or who had graduated from graduate school.

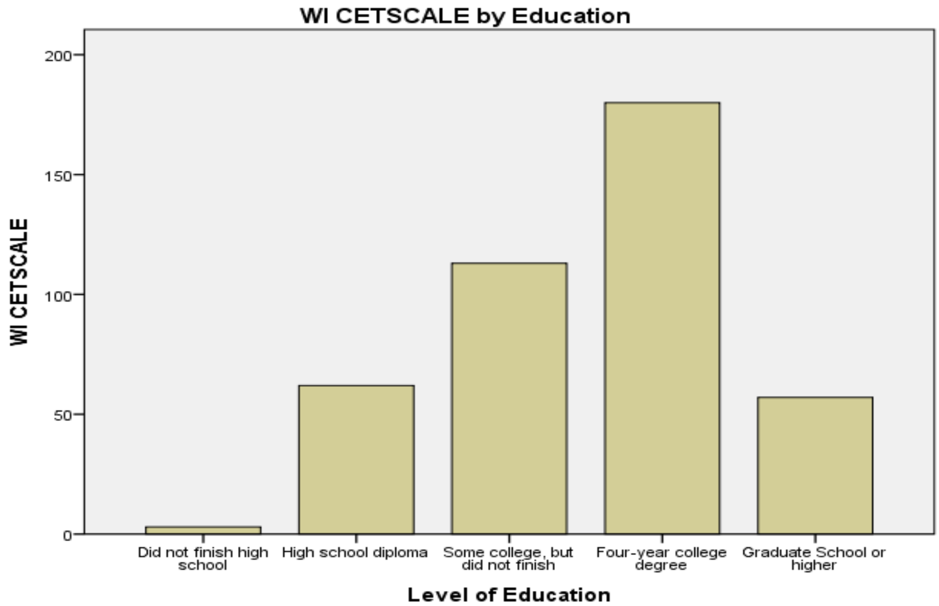


Figure 2**. Plot of Significant influence of education level on average WI CETSCALE scores.**

Wisconsin Ethnocentrism Related to Lower Purchases of Foreign Cheeses and supports the Lahne and Trubeck's (2013) Social Context Model of Consumer Sensory Experience

Finally, we found the WI CHEESE CETSCALE ethnocentric responses were positively related to lower purchases of cheese from foreign countries, but not significantly different from purchases of cheese made elsewhere in the USA. Researchers may sometimes refer to this as a "nationalism" effect, which is a social context influence similar to Lahne's and Trubeck's (2013) social theory of sensory perception. Lahne's and Trubeck's theoretical model indicated education as a social context informs and dictates consumer knowledge of local producers which is, in turn, reflexively incorporated into external referents individuals use to make their distinctions. Lahne and Trubeck showed the Vermont artisan cheese consumer sensory experience was influenced by social factors and social context.

DISCUSSION

Conclusions

The study examined consumer ethnocentrism toward Wisconsin cheese products and Wisconsin cheese producers. Identifying those consumers who seek out locally sourced products would certainly help local producers' marketing efforts. Wisconsin consumer responses to the WI CHEESE CETSCALE were significantly related to lower purchases of cheese from foreign countries, but not significantly different from purchases of cheese made elsewhere in the USA. Although we had not intended to explore the social theory approach, link between consumers' level of education and predilections for purchasing cheese from the local food system is evidence of the influence of social influences. Further analysis revealed an effect for the lower WI CHEESE CETSCALE preference scores were linked to the demographic group of participants with some graduate training or who had graduated from graduate school.

The implication of this study for business strategy is to understand consumer predilection for locally sourced product rather than product from foreign countries and from cheese produced elsewhere in the USA. Specifically, the social context of education is a consideration for marketing efforts seeking to differentiate locally sourced versus products produced elsewhere. With regard to education level, it is seen that the values of consumers with some graduate school experience and higher may be less inclined to purchase local. Nevertheless, we point out that education effects can be moderated by attention to other cultural, societal, and economic influences on consumer ethnocentric intentions as confirmed in our study.

Significant influence of education on ethnocentrism of wisconsin cheese purchasers

Some recent studies of sensory and consumer science have identified the influences of past experience (Reverdy, Schlich, Köster, Ginon, & Lange, 2010), and social context (Hein, Hamid, Jaeger, & Delahunty, 2010; King, Meiselman, Hottenstein, Work, & Cronk, 2007; Meiselman, Johnson, Reeve, & Crouch, 2000) on consumer sensory perceptions and preferences. These influences were further substantiated in Lahne and Trubeck's (2013) literature review in their article "A little information excites us." Their important finding was consumers often described their "preferences in terms of intrinsic sensory and extrinsic—supposedly nonsensory—food qualities. In laboratory sensory studies, however, the relationship between preference, intrinsic, and extrinsic qualities changes or disappears" (p. 129). To understand this, Lahne and Trubeck (2013) defined a social theory of sensory perception as a common practice of adults in their everyday lives.

The social theory included three major components; "producer practice, social context, and the materiality of the product through an actively learned practice of sensory perception" (p. 129). Underlying the theory is the idea that consumers learn their reactions to sensory cues through active engagement in their sensory experience and their social interactions. Lahne and Trubeck (2013) concluded the social theory was "particularly important for traditional and small production foods, like Vermont artisan cheese… there is room for the consumer, through practices of sensation, to taste producer practices and other socially valued properties in the product" (p. 131). Although we had not intended to explore the social theory approach, we feel the finding of a significant effect for the level of education of our participants from the WI CETSCALE results is evidence of the influence of social influences on Wisconsin cheese consumer preferences and may prompt additional research.

Our study findings were consistent with the extensive results of Jiménez-Guerrero et al. (2014) and their two-factor group of consumer ethnographic studies using the original CETSCALE. Even though it is 27 years since the CETSCALE was first published by Shimp and Sharma (1987), this robust scale continues to be of value to marketing researchers and a valuable tool for assessing consumer preferences in the market. Because of the consistency with Jiménez-Guerrero et al.'s analyses, the adapted WI CHEESE CETSCALE did not alter the underlying characteristics of the CETSCALE when assessing consumer ethnocentrism. We anticipated the open-ended consumer items included in the WI CHEESE CETSCALE would behave differently from the Likert-scaled CETSCALE. Factor analysis identified the Likert items specific to Wisconsin consumer habits as unique from the open-ended items assessing purchases and self-reported purchases of cheese (in pounds) from different sources.

Limitations and implications for future research

This research is limited by the use of convenience sampling and by the intentional constraints of one geographical area. This sampling procedure was inspired by Jiménez-Guerrero, Gázquez-Abad, & Linares-AgÜera (2014). Future research related to Wisconsin cheese or other food and beverage products could replicate the model used herein. Given that ethnocentrism levels are stable over time (Lumb & Kuperman, 2012), we would expect our results to be stable over time. However, it would be interesting to examine the influence of consumer ethnocentrism related to different generations and examine the influence of generational values. Finally, the interaction between consumer ethnocentrism and lifestyles and other sociographic or psychographic variables could be examined.

Future research can adapt the model to incorporate additional variables as in Lambert, Duhon, & Peyrefitte (2012) when an external man-made disaster was found to have shaken consumer loyalty. Future researchers could also use this model and variables relating to man-made, natural disaster, economic, political, or social issues to test consumer ethnocentric traits.

REFERENCES

Akram A., Merunka, D., & Muhammad, S. A. (2011). Perceived brand globalness in emerging markets and the moderating role of consumer ethnocentrism. *International Journal of Emerging Markets, 6*(4), 291-303. doi:10.1108/17468801111170329

Beverland, M., & Lindgreen, A. (2002). Using country of origin in strategy: The importance of context and strategic action. *Journal of Brand Management, 10*(2), 147-167.

Bojei, J., Tuah, S., Alwie, A., & Ahmad, M. (2010). Local vs. foreign made: Are Malaysians ethnocentric*? Journal of Marketing Management, 9*(3), 6-23.

Boulahl, Y., & Capps, O. (2012). The impact of retail promotion on the decision to purchase private label products: The case of U.S. processed cheese. *Agribusiness, 28*(1), 15-28. doi: 10.1002/agr.20289

Carifio, J., & Perla, R. J. (2007). Ten common misunderstandings, misconceptions, persistent myths and urban legends about Likert scales and Likert response formats and their antidotes. *Journal of Social Sciences, 3*(3), 106-116. Retrieved from http://thescipub.com/jss.toc

Chowdhury, T. (2012). Can social identity theory addresses the ethnocentric tendencies of consumers? *Journal of Knowledge Management, Economics & Information Technology, 2*(5), 56-77.

Field, A. (2013). *Discovering statistics using IBM SPSS statistics*. London, UK: SAGE Publications, Inc.

Fyksen, J. (2013, February 28). WMMB CEO: Wisconsin dairy industry thirsty for more milk [Blog post]. Retrieved from http://www.agriview.com/news/dairy/wmmb-ceo-wisconsin-dairy-industry-thirsty-for-more-milk/article_f1e84610-81c3-11e2-a8de-0019bb2963f4.html

Guerrero, L. (2001). Marketing PDO (products of origin) and PGI (products with geographical identities). In L. J. Frewer, D. Risvik, & H. Schifferstein (Eds.) *Food, people, and society*, (pp. 281-297). Heidelberg, Germany: Springer Berlin.

Hair, J. F., Black, W. C., Babin, B. J., Anderson, R. E., & Tatham, R. L. (2005). *Mulitvariate data analysis* (6th ed.). Upper Saddle River, NJ: Pearson Prentice-Hall.

Hammond, R. A., & Axelrod, R. (2006). The evolution of ethnocentrism. *Journal of Conflict Resolution, 50*(6), 926-936. doi:10.1177/0022002706293470

Harman, H. H. (1976). *Modern factor analysis*. Chicago, IL: University of Chicago Press.

Hatcher L. (1994). *A step-by-step approach to using the SAS system for factor analysis and structural equation modeling*. Cary, NC: SAS Institute Inc.

Hein, K. A., Hamid, N., Jaeger, S. R., & Delahunty, C. M. (2010). Application of a written scenario to evoke a consumption context in a laboratory setting. Effects on hedonic ratings. *Food Quality and Preference, 21*(4), 410–416.

Hultman, J. (2002). *Nature TM. Happy pigs, walking booths and ecologic modernisation*. (in Swedish 'Natur TM. Glada grisar, vandrarkängr och ekologisk modernisering'), in O'Dell, T. (ed.) "The Materiality of Experience" (in Swedish Upplevelsens materialitet"), Studentlitteratur, Lund, 35-54.

Hutcheson, G., & Sofroniou, N. (1999). *The multivariate social scientist: Introductory statistics using generalized linear models*. Thousand Oaks, CA: SAGE Publications.

Ilbery, B., & Kneafsey, M. (1998). Product and place: Promoting quality products and services in lagging rural regions of the European Union. *European Urban and Regional Studies, 16*(2), 217-230.

Jiménez-Guerrero, H. F., Gázquez-Abad, J. C., & Linares-AgÜera, E. D. C. (2014). Using standard CETSCALE and other adapted versions of the scale for measuring consumers' ethnocentric tendencies: An analysis of dimensionality. *Business Research Quarterly, 75*. Advance online publication. doi.10.1016/j.cede.2013.06.003

Josiassen, A., Assaf, A. G., & Karpen, I. O. (2011). Consumer ethnocentrism and willingness to buy. *International Marketing Review, 28*(6), 627-646. doi:10.1108/02651331111181448

Kapler, J. (2002, Spring). On Wisconsin icons: When you say "Wisconsin" what do you say? *Wisconsin Magazine of History, 85*(3), 18-31.

King, S. C., Meiselman, H. L., Hottenstein, A. W., Work, T. M., & Cronk, V. (2007). The effects of contextual variables on food acceptability. A confirmatory study. *Food Quality and Preference, 18*(1), 58–65.

Klein, J., & Ettenson, R. (1999). Consumer animosity and consumer ethnocentrism: An analysis of unique antecedents. *Journal of International Consumer Marketing,11*(4), 5-24.

Lahne, J., & Trubek, A. B. (2013). A little information excites us. Consumer sensory experience of Vermont artisan cheese as active practice. *Appetite, 78*(2014), 129-138.

Lambert, J., Duhon, D., & Peyrefitte, J. (2012). 2010 BP oil spill and the systemic construct of the Gulf Coast shrimp supply chain. *Systemic Practice and Action Research, 25(3)*, doi:10.1007/s11213-011-9219-3.

Lambert, J., & Harrell, A. (2010). Imported product acceptance when national origin is not an issue: The influence of personal choice in a low CETSCALE environment. *Journal of International Business Research, 9(1)*, 57-70.

Lambert, J., Klieb, L., & Weber, M. (2008). Regional influences upon the selection of imported versus domestic seafood. *Academy of Marketing Studies Journal, 12(1)*, 17-42.

Levine, R. A., & Campbell, D. T. (1972). *Ethnocentrism: Theories of conflict, ethnic attitudes, and group behavior.* New York, NY: John Wiley & Sons.

Lien, M. (2000). *Imagined cuisines: Nation and market as organizing structures in Norwegian food marketing.* In P. Jacksons, M. Lowe, D. Miller, & F. Mort, F. (Eds.). *Commercial cultures: Economies, practices, spaces* (pp. 153-173). Oxford, UK: Berg,

Lumb, R., & Kuperman, J. C. (2012). Ethnocentrism in the U.S.: An examination of CETSCALE stability from 1994 to 2008. Academy of Marketing Studies Journal, 16(1), 99-110.

Meiselman, H. L., Johnson, J. L., Reeve,W., & Crouch, J. E. (2000). Demonstrations of the influence of the eating environment on food acceptance. *Appetite, 35*(3), 231–237.

Mockaitis, A. I., Salciuviene, L., & Ghauri, P. N. (2013). On what do consumer product preferences depend on determining domestic versus foreign product preferences in an emerging economy market? *Journal of International Consumer Marketing, 25*(3), 166-180. doi:10.1080/08961530.2013.780456

Moon, B. J. (2004). Effects of consumer ethnocentrism and product knowledge of consumers' utilization of country-of-origin information. *Advances in Consumer Research, 31*(1), 667-684.

Nótári, M., & Ferencz, Á. (2011). Examination of contact of consumer behavior and the country image in Hungary. *Annals of the Faculty of Engineering Hunedoara-International Journal of Engineering, 9*(3), 199-201.

Onozakan, Y., & McFadden, D. T. (2012). Local food consumers: How motivations and perceptions translate to buying behavior. *Choices. Magazine of Food, Farm and Resources*. Retrieved from http://www.choicesmagazine.org/magazine/article.php?article=109

Oberecker, E. M, & Adamantios, D. (2011). Consumers' emotional bonds with foreign countries: Does consumer affinity affect behavioral intentions? *Journal of International Marketing, 19(*2), 45-72.

O'Leary, F. (2011). Connecting consumers with Wisconsin cheese. *Wisconsin Agriculturist*, p. 7.

Orth, U. R., & Firbasová, Z. (2003). The role of consumer ethnocentrism in food product evaluation. *Agribusiness, 19*(2), 137-153.

Parker, R., Haytko, D. L., & Hermans, C. M. (2011). Ethnocentrism and its effect on the Chinese consumer: A threat to foreign goods? *Journal of Global Marketing, 24*(1), 4-17. doi:10.1080/08911762.2011.545716

Pecotich, A., & Rosenthal, M. J. (2001). Country of origin, quality, brand, and consumer ethnocentrism. *Journal of Global Marketing, 15*(2), 31-60.

Petev, I. D., & Pistaferri, L. (2012). Consumption in the great recession. Stanford, CA: Stanford Center on Poverty and Inequality. Retrieved from www.recessiontrends.org

Paxson, H. (2012). *California studies in food and culture, volume 41: Life of cheese: Crafting food and value in America*. Berkeley, CA: University of California Press.

Reverdy, C., Schlich, P., Köster, E. P., Ginon, E., & Lange, C. (2010). Effect of sensory education on food preferences in children. *Food Quality and Preference, 21*(7), 794–804.

Salomonsson, A. (1984). Some thought on the concept of revitalization. *Ethnologia Scandinavica, 14*(1), 34-47.

Sharma, S., Shimp, T. A, & Shin, J. (1995). Consumer ethnocentrism: A test of antecedents and moderators. *Journal of the Academy of Marketing Science, 23*(1), 26-37.

Shimp, T., & Sharma, S. (1987, August). Consumer ethnocentrism: Construction and validation of the CETSCALE. *Journal of Marketing Research, 24*(3). 280-289. Retrieved from Business Source Complete database.

Siemieniako, D., Kubacki, K., Glinska, E., & Krot, K. (2011). National and regional ethnocentrism: A case study of beer consumers in Poland. *British Food Journal, 113*(3), 404-418.

Sumner, W. G. (1906). *Folkways*. New York: NY. Dover Publications. Retrieved from http://www.archive.org /details/folkwaysstudyofs1906sumn

Tellström, R., Gustafsson, I., & Mossberg, L. (2006). Consuming heritage: The use of local food culture in branding. *Place Branding, 2*(2), 130-143.

Urry, J. (1990). *The tourist gaze: Leisure and travel in contemporary societies.* London: UK. Sage.

Verlegh, P. W. J., & Steenkamp, J. B. E. M. (1999). A review and meta-analysis of country-of-origin research. *Journal of Economic Psychology, 20*, 521-546.

Verlegh, P. (2007). Home country bias in product evaluation: The complementary roles of economic and socio-psychological motives. *Journal of International Business Studies, 39*(3), 361-373.

Appendix A
WI Cheese Survey Instrument

Consumers Ethnocentrism: Wisconsin Consumers' Willingness to Protect Wisconsin-made Cheese Products

1. How often do you consume cheese?
2. What are your consumer habits regarding cheese made in Wisconsin?
3. Approximately how much cheese do you buy during the year? Please enter pounds.

Please circle the answer that most suits your response, from strongly agree = 5 to strongly disagree = 1. [Strongly Agree=5, Agree=4, No Opinion=3, Disagree=2, to Strongly Disagree=1]

1. Wisconsin consumers should always buy Wisconsin-made cheese products instead of imports.	5 4 3 2 1
2. Only those cheese products that are unavailable in Wisconsin should be imported.	5 4 3 2 1
3. Buy Wisconsin-made products. Keep Wisconsin working.	5 4 3 2 1
4. Wisconsin cheese products first, last, and foremost.	5 4 3 2 1
5. Purchasing foreign-made cheese products is un-Wisconsin.	5 4 3 2 1
6. It is not right to purchase imported cheese products because it puts Wisconsin citizens out of jobs.	5 4 3 2 1
7. A real Wisconsin consumer should always buy Wisconsin-made cheese products.	5 4 3 2 1
8. We should purchase cheese products made in Wisconsin instead of letting other countries get rich off us.	5 4 3 2 1
9. Cheese products that are unavailable in Wisconsin should come from another state.	5 4 3 2 1
10. There should be very limited trading or purchasing of cheese products from other countries unless out of necessity.	5 4 3 2 1
11. Wisconsin consumers should not buy foreign cheese products because this hurts Wisconsin business and causes unemployment.	5 4 3 2 1
12. Curbs should be put on all cheese imports to Wisconsin.	5 4 3 2 1
13. It may cost me in the long run, but I prefer to support Wisconsin cheese products.	5 4 3 2 1
14. Foreigners should not be allowed to put their cheese products in Wisconsin markets.	5 4 3 2 1
15. Foreign cheese products should be taxed heavily to reduce their entry into Wisconsin.	5 4 3 2 1
16. We should buy from foreign countries only those products that we cannot obtain within our country.	5 4 3 2 1
17. Wisconsin consumers who purchase products made in other countries are responsible for putting their fellow Wisconsin citizens out of work.	5 4 3 2 1
18. There should be very limited trading or purchasing of cheese products from other states unless out of necessity.	5 4 3 2 1

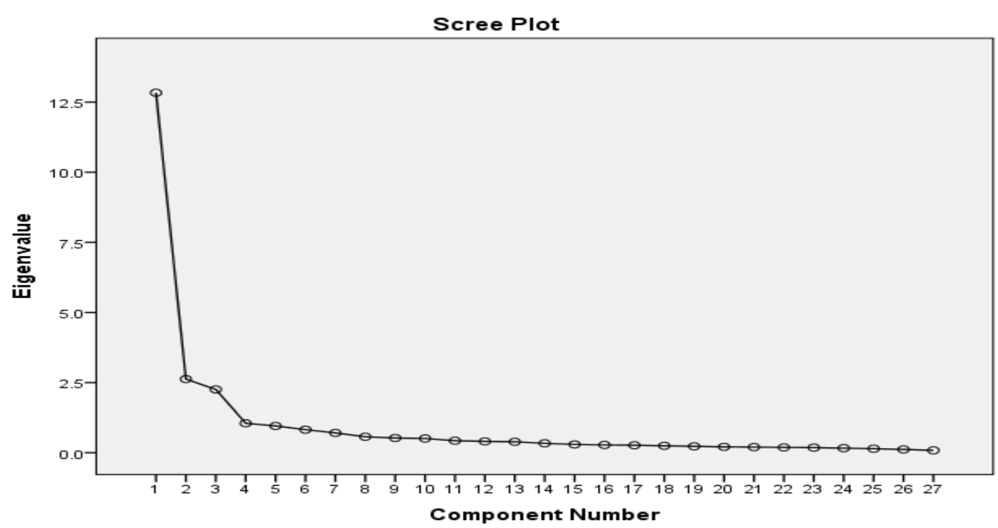
Age: ____________________

Gender: Male Female

Education: What is the highest degree or level of school you have completed? If currently enrolled, mark the previous grade or highest degree received.
o Did not finish high school
o High School
o Some college, but did not finish
o Four-year college degree
o Graduate School or higher

Household Income: What is your total household income?
o $15,000 or less
o $15,001 to $25,000
o $25,001 to $35,000
o $35,001 to $45,000
o $45,001 to $60,000
o $60,001 to $80,000
o Greater than $80,000

Appendix B
Scree Plot



Scree test of eigenvalues showing three factors meet criteria of an eigenvalue >1.0 and can be included in the principal component analysis (PCA).

THE EFFECT OF MARKET ORIENTATION ON NEW PRODUCT PERFORMANCE: THE ROLE OF STRATEGIC CAPABILITIES

Türkan Dursun, West Texas A&M University
Ceyhan Kilic, IMC

ABSTRACT

The high product failure rate has been a major concern for businesses for decades. It has become extremely important for companies to understand the critical determinants of new product success and failure to be able to develop successful products for markets. The main objective of this research study is to explore the link between market orientation and new product performance through a structural model by taking into account the possible mediating effects of the organization's strategic capabilities -- organizational innovativeness and learning orientation. The proposed model was tested over a sample of 111 NPD projects from the U.S. manufacturing industry. The study results revealed that market orientation positively influences learning orientation and new product performance. The results suggest that developing a strong market orientation provides an appropriate foundation for a learning orientation to flourish which drives the level of innovativeness within the organization.

INTRODUCTION

In today's business world, one of the most important problems that companies encounter is new product failure. The high product failure rate has been a major concern for practitioners for years. It was reported that almost half of the new products introduced each year will actually fail (Sivadas and Dwyer, 2000). While there are different failure rates reported, the issue is absolutely a critical one for firm survival in intensely competitive markets.

Given the fact that the increasing level of technological advancement, consumer expectations, and domestic as well as international competitive pressures continue to reduce the product life cycle for new products, it has become extremely important for companies to understand the critical determinants of new product success and failure and to be able to develop satisfactory, failure-free, and long-living products for markets. A group of studies on new product performance has predominantly investigated project-level or process-based factors as the potential determinants of new product success (e.g., Cooper, 1979a, 1979b; Kalyanaram and Krishnan, 1997; Link, 1987). Another stream of past research on new product performance has addressed organizational-level predictors of new product performance (e.g., Ayers, Dahlstrom and Skinner, 1997; Gupta, Raj and Wilemon, 1986; Moorman and Miner, 1997). In a number of studies, a market orientation has been presented as a significant factor that affects new product performance (e.g., Appiah-Adu, 1997; Atuahene-Gima, 1995; Atuahene-Gima, Slater and Olson, 2005; Cooper and Kleinschmidt, 1988; Im and Workman, 2004; Langerak, Hultink and Robben, 2004; Narver, Slater and MacLachlan, 2004; Slater and Narver, 1994a, 1994b). In spite of its significance, the relationship between market orientation and new product performance has not received much scholarly attention (Narver, Slater and MacLachlan, 2004). Past research has failed to explore the relationship between market orientation and new product performance in more specific studies.

It has been argued that a market orientation may enable the organization to develop a number of strategic capabilities which are critically important for the organization (Deshpandé, 1999; Narver and Slater, 1990; Slater and Narver, 1994b). A market-oriented organizational culture may develop some strategic capabilities whose independent effects and interactions with each other lead to better new product performance. Learning orientation and organizational innovativeness have been recognized by some researchers as strategic capabilities which are likely to be developed and reinforced by a strong market orientation (Day, 1994; Deshpandé, 1999).

A significant number of scholars have recognized the importance of the potential link between market orientation and innovativeness and have stressed the need for additional research on this issue (e.g., Deshpandé, 1999; Hurley and Hult, 1998; Jaworski and Kohli, 1996; Lukas and Ferrell, 2000). Deshpandé (1999) posited that since organizational innovativeness might have an important effect on business profitability, the linkage between a market orientation and a firm's innovative capability should be investigated (p.5-6).

Learning orientation is defined as "an organizational characteristic that reflects the value that a firm places not only on adroitly responding to changes in the environment but on constantly challenging the assumptions that frame the organization's relationship with the environment" (Baker and Sinkula, 1999, p.412). It is believed that a learning orientation "has a direct bearing on the degree to which higher order learning occurs" (Baker and Sinkula, 1999, p.413; Slater and Narver, 1995). This statement means that the higher the degree of learning orientation within an organization, the greater the level of organizational learning occurring within the organization. To the authors' best knowledge, the incorporation of learning orientation into marketing has been limited to date (e.g., Baker and Sinkula, 1999; Hult, 1998; Hurley and Hult, 1998). Marketing Science Institute (MSI) placed a call inviting scholars to work on the issue of organizational learning and marketing. The vitality of integration of the organizational learning concept to marketing has been addressed by few scholars as well (e.g., Hurley and Hult, 1998; Sinkula, 1994; Slater and Narver, 1995; Sujan, Weitz, and Kumar, 1994).

Hurley and Hult (1998) suggested that future research should deeply explore the relationships among market orientation, learning orientation and organizational innovativeness in the cultural context. Hurley and Hult (1998) maintained that "taking a process approach and examining how firms innovate and develop new capabilities to compete, along with the role of learning and market orientation in the process, should enhance our understanding of how firms learn, change, and perform" (p.52-53). This study aims to answer these research calls and empirically explore the link between market orientation and new product performance by taking into account the role of learning and innovative capabilities of the organization.

This study contributes to the relevant literature in three ways: First, this study investigates the link between market orientation and new product performance in a more theoretically-grounded model. Second, it examines a crucial link between market orientation and learning orientation that has not been previously investigated in-depth. There has been a lack of theories that explain the conditions and climate necessary for learning to occur. This study may fulfill this urgent need for theory development on organizational learning. Furthermore, the incorporation of a learning orientation into the marketing context has been limited to date. This study aims to provide researchers valuable insights with regard to the nature of the connection between market orientation and learning orientation within the marketing context. Third, the potential effect of a learning orientation on organizational innovativeness has been mentioned by researchers but has not been thoroughly investigated. The current study explores this link and sheds some light on possible drivers of innovative behavior in organizations by empirically linking market orientation and learning orientation to organizational innovativeness. We believe that the results of this study provide valuable insights for businesses.

RESEARCH ON MARKET ORIENTATION

Market orientation is briefly defined as the implementation of the marketing concept. The market orientation literature has been marked by two widely-acknowledged perspectives on market orientation (Jaworski and Kohli, 1996). These are (1) a *behavioral/activities/process perspective* (e.g., Day, 1994; Kohli and Jaworski, 1990), and (2) a *cultural perspective* (e.g., Deshpandé, Farley, and Webster, 1993; Hurley and Hult, 1998; Narver and Slater, 1990). According to Kohli and Jaworski (1990), market orientation concentrates on "ongoing behaviors and activities in an organization" (Jaworski and Kohli, 1996, p.121) including customer and competitor intelligence generation, dissemination of this intelligence throughout the firm, and responsiveness to it. Narver and Slater (1990), however, view market orientation as "the organizational culture that most effectively and efficiently creates the necessary behaviors for the creation of superior value for buyers and, thus, superior performance for the business" (p.21). According to Narver and Slater (1990), market orientation has three important components: customer orientation, competitor orientation, and inter-functional coordination. Narver, Slater and MacLachlan (2004) and Atuahene-Gima, Slater and Olson (2005) identified responsive and proactive dimensions of market orientation.

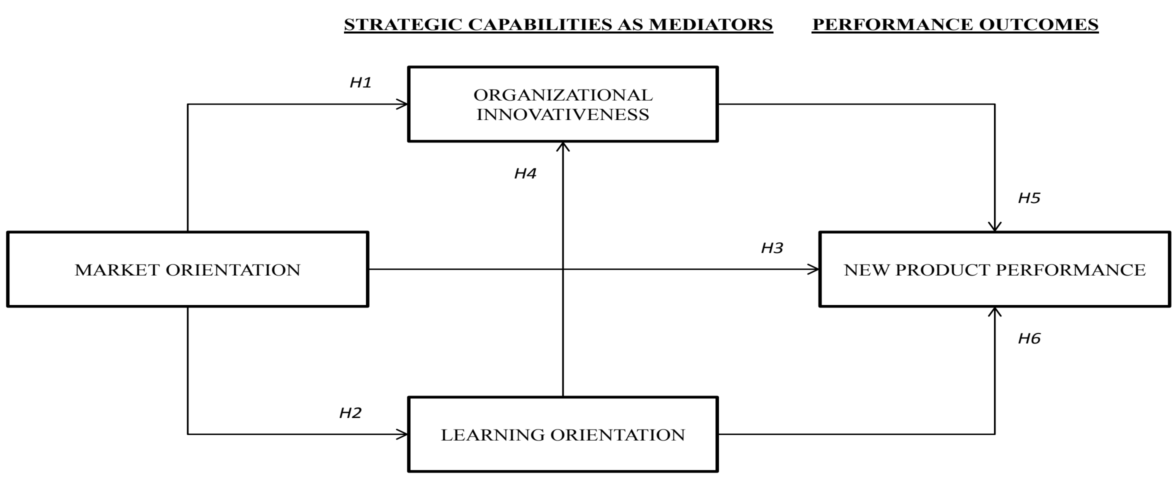
Research on market orientation has received substantial interest from marketing scholars. A large volume of studies on market orientation has focused on such descriptive issues as how companies implement a market orientation strategy in their respective organizations (e.g., Day, 1990, 1994, 1998; Ruekert, 1992) and how they create market orientation (Gebhardt, Carpenter and Sherry, 2006). Another significant stream of research on market orientation has concentrated on developing more reliable and valid market orientation measurement scales (e.g., Deng and Dart, 1994; Deshpandé and Farley, 1996; Jaworski and Kohli, 1993; Kohli, Jaworski, and Kumar, 1993; Narver and Slater, 1990). Some of these studies have focused on making a comparison or criticism of the extant measurement scales (e.g., Deshpandé and Farley, 1996; Oczkowski and Farrell, 1998). The current research direction has been towards developing more parsimonious and reliable measures of market orientation that have potential for global and inter-industry applications (e.g., Atuahene-Gima, Slater and Olson, 2005; Deshpandé and Farley, 1996; Kohli, Jaworski, and Kumar, 1993; Narver, Slater and MacLachlan, 2004).

A substantial amount of research explores the relationship between market orientation and business performance in a single or a multi-industry context in the U.S., as well as in international settings (e.g., Deshpandé, Farley and Webster, 1993; Grewal and Tansuhaj, 2001; Han, Kim, and Srivastava, 1998; Jaworski and Kohli, 1991; Kirca, Jayachandran and Bearden, 2005; Kohli and Jaworski, 1990; Matsuno, Mentzer and Ozsomer, 2002; Narver and Slater, 1990; Pelham and Wilson, 1996). Within this specific research context, the moderating or mediating effects of various organizational variables (i.e., learning orientation, organizational learning, innovativeness, strategy type, and so on) on the relationship between market orientation and firm performance (e.g., Baker and Sinkula, 1999; Han, Kim, and Srivastava, 1998; Hurley and Hult, 1998; Matzuno and Mentzer, 2000; Noble, Sinha and Kumar, 2002) have been a popular research subject. Furthermore, the effects of market orientation on various constructs such as technology- and market-based breakthrough innovations (Zhou, Yim and Tse, 2005) have been investigated. Some studies have examined antecedents of market orientation in different cultural contexts (e.g., Brettel, Engelen, Heinemann, and Vadhanasindhu, 2008).

PROPOSED MODEL AND RESEARCH HYPOTHESES

The suggested research model is predicated on the notion that market orientation is an integral part of the firm's organizational culture (see Figure 1). Narver and Slater (1990) argued that market orientation is the organizational culture that encourages certain behaviors which are essential for the creation of superior customer value which in turn leads to superior business performance. The suggested research framework is established on the premise that a market-oriented organizational culture has the ability to develop a set of strategic capabilities whose independent effects and interactions with each other lead to better organizational performance, and in the present model, to better new product performance. It has often been suggested that a market orientation may help the firm develop a number of strategic capabilities that are critically significant for the firm (Deshpandé, 1999; Narver and Slater, 1990; Slater and Narver, 1994b).

Figure 1
Strategic Capabilities Model of the Market Orientation – New Product Performance Linkage



A *capability* is defined as "a knowledge system composed of complementary behaviors and abilities, expressed through organizational processes, that enable a business to anticipate changing market conditions and respond to market requirements" (Leonard-Barton, 1992; Rumelt, Schendel, and Teece, 1991; Lukas and Ferrell, 2000, p.240). From a slightly different viewpoint, Day (1994) defines capabilities as "complex bundles of skills and collective learning, exercised through organizational processes, that ensure superior coordination of functional activities" (p.38). Slater and Narver (1994b) noted that the market-oriented culture builds and maintains the core capabilities that continuously generate superior value for customers. If a firm exploits its core capabilities successfully, the firm can develop a competitive advantage that is based on high customer loyalty, high market share and high new product performance (Slater and Narver, 1994b).

Deshpandé (1999) openly suggested that market orientation is positively linked to some strategic capabilities such as becoming a learning organization. Deshpandé (1999) maintained that since a market orientation facilitates "the translation of market knowledge into strategic capabilities (competence) that become disseminated organizationwide" (p.4), it serves as a means for developing a learning organization as a strategic competence or capability (Deshpandé, 1999). This statement implies that learning or organizational learning is a strategic competence or capability that is an outcome of a market orientation. Likewise, the "complex bundles of skills and collective learning" are seen as capabilities of the organization by Day (1994, p.38). According to Han, Kim, and Srivastava (1998), innovation is regarded as "one of the 'core value-creating capabilities'" (p.31, quotation marks were converted to apostrophes). Further, market-driven firms are expected to have excellent outside-in capabilities such as market sensing, customer linking, and channel bonding (Day, 1994). According to Day (1994), two capabilities in particular (i.e., market sensing and customer linking) are unique to a market-driven organization. Market sensing capability is facilitated via open-minded inquiry, synergistic information distribution, mutually informed interpretations, and accessible memories (Day, 1994, p.44). These facilitators are closely associated with organizational innovativeness (vs. open-minded inquiry), and organizational learning and learning orientation (vs. synergistic information distribution, mutually informed interpretations and accessible memories).

The current study focuses on learning orientation and organizational innovativeness as strategic capabilities that are likely to be developed and reinforced by a strong market orientation. More plainly, these capabilities can be considered as the outcomes of being market-oriented. The suggested research model presupposes that market orientation is positively linked to new product performance, and this possible positive link is indirectly facilitated by these strategic organizational capabilities that act as mediators.

Market Orientation and Organizational Innovativeness

Two opposite perspectives on the effect of market orientation on innovation have been prevalent in the literature. One perspective suggests that keeping a close focus on both customers and competitors impedes breakthrough innovations (e.g., Bennet and Cooper, 1981; Kaldor, 1971; Tauber, 1974). The earlier literature on the market orientation-innovativeness relationship generally criticized the marketing concept for impeding product/organizational innovativeness in an organization (Bennet and Cooper, 1979; McGee and Spiro, 1988) since the marketing concept does not take into account the firm's inherent strengths and distinctive competencies (McGee and Spiro, 1988). From an opposing point of view, it has been argued that focusing closely on changing markets actually enhances the firm's ability to generate innovative ideas and solutions to customer needs, wants, and preferences (e.g., Hurley and Hult, 1998; Jaworski and Kohli, 1993,1996).

Hunt and Morgan (1995) explicitly argued that market orientation which responds to intelligence gathered about consumers and competitors enhances firm performance and improves innovativeness (also see Hurley and Hult, 1998). Hurley and Hult (1998) viewed a market orientation as a cultural antecedent of innovativeness and argued that since "market orientation is a source of new ideas and motivation to respond to the environment . . . market orientation promotes a receptivity to innovation (innovativeness) in a group's culture" (p.52). Han, Kim, and Srivastava (1998) suggested that "a market-oriented business culture facilitates organizational innovativeness" (p.35). Lukas and Ferrell (2000, p.240) claimed that "what separates innovative businesses from less innovative ones is their market orientation emphasis". The amount of evidence that establishes a direct connection between market orientation and innovativeness is voluminous. As a result, the following hypothesis is presented.

H1 A higher level of market orientation in an organization will result in a higher level of organizational innovativeness.

Market Orientation and Learning Orientation

Both learning orientation and market orientation are regarded as organizational characteristics (Baker and Sinkula, 1999). With regard to the relationship between market orientation and organizational learning/learning orientation, two different viewpoints have been suggested in the literature. The proponents of the first viewpoint believe that learning orientation is a determinant or an antecedent of a market orientation (e.g., Deshpandé, 1999; Jaworski and Kohli, 1996). A strong learning orientation within the organization has been seen as the best possible ground for a market orientation to cultivate (Deshpandé, 1999, p.4). Jaworski and Kohli (1996) noted that "principles of organizational learning can help foster market-oriented thought and behavior in an organization" (p.125).

The advocates of the second viewpoint see learning orientation/organizational learning as a consequence of a market orientation (e.g., Deshpandé, 1999; Sinkula, 1994; Slater and Narver, 1995, 2000). Developing a market orientation in an organization is a first step in maximizing the organization's ability to learn from its markets (Slater and Narver, 1995). Deshpandé (1999) argues that a market orientation acts as a means of building a learning organization as a strategic competence or capability since it facilitates the process in which market information and/or knowledge is translated into strategic capabilities that are disseminated organizationwide (p.4). A market orientation serves as a preeminent cultural ground for the learning organization (Slater and Narver, 1995). Slater and Narver (1995) stated that "market orientation, as an overall organizational value system, provides strong norms for sharing of information and reaching a consensus on its meaning" (Day, 1994; Kohli and Jaworski, 1990; Sinkula, 1994; Slater and Narver, 1995, p.67). The interpretation of market information is central to organizational learning (Sinkula, 1994). A market orientation requires information sharing among organizational members across functions. Continuous information sharing leads to shared interpretations within the organization which are crucial for organizational learning to occur. Slater and Narver (2000) suggest that "organizational learning occurs only when intelligence is widely shared in the organization. It is essential to create opportunities and forums for this sharing to occur" (p.126). Thus, a market orientation prepares a right cultural medium for information sharing to occur. This study adopts the second view. The relationship between market orientation and learning orientation is hypothesized as follows:

H2 Market orientation will have a positive effect upon organizational learning orientation.

Market Orientation and New Product Performance

In the 1990s, many firms have started to share the notion that they will be more profitable if they can develop and maintain a strong market orientation within their organization, especially in the area of new product development and R&D (Hauser, Simester, and Wernerfelt, 1996). Narver and Slater (1990, p.33) suggested that researchers should investigate the relationship between market orientation and various performance dimensions, such as new product success, more specifically. It is widely acknowledged that a thorough knowledge of user needs is a very important factor for the success of product innovation (e.g., Baker, Siegman, and Rubinstein, 1967; Kulvik, 1977; Myers and Marquis, 1969). Cooper (1979b) suggested that the success of industrial products is primarily dependent upon the firm's market orientation — market-oriented activities, market information, and the marketing mix. Cooper (1983) recognized that a strong market orientation, management action, a product with real customer advantages, and successful innovation fostered by internal communication and coordination between internal groups were all necessary for the success of new industrial products. Drawing on his extensive work on new product success, Cooper (1997) suggested that "Successful businesses emphasize the voice of the customer and a strong market orientation, especially in the early stages" (p.21, originally in italics). The author sees the lack of market analysis, especially in the early stages of the development, as the most important factor in new product failures. Most of the studies by Robert G. Cooper suggest that a strong market orientation has a very crucial role to play in new product success. Most studies found a positive connection between market orientation and new product success (e.g., Pelham and Wilson, 1995; Pelham, 1997; Slater and Narver, 1994a). A few studies found a conditional relationship between these variables (e.g., Greenley, 1995). Drawing on the literature, the following hypothesis is postulated for the relationship between market orientation and new product performance:

H3 The higher the level of market orientation within an organization, the higher the new product performance will be.

Learning Orientation and Organizational Innovativeness

Hunt and Morgan (1995) claimed that both learning and market orientations responding to intelligence about consumers and competitors not only increase organizational performance but also enhance organizational innovativeness (see also Hurley and Hult, 1998). Hurley and Hult (1998) contended that "a market- and learning-oriented culture, along with other factors, promotes a receptivity to new ideas and innovation as part of an organization's culture (innovativeness)" (p.45). Based on their results, Hurley and Hult (1998) suggested that learning and development have a significant positive influence on the innovativeness of the group's culture.

Baker and Sinkula (1999) argued that "learning orientation affects the degree to which organizational members are encouraged, or even required, to 'think outside the box'" (p.413). A learning orientation by directly encouraging firm employees to challenge and question long-held beliefs, operating assumptions, norms, and practices of the organization enhances the organization ability to generate discontinuous innovation which is "innovation that creates new paradigms" (Baker and Sinkula, 1999, p.412; Senge, 1990; Slater and Narver, 1995). An organization with a strong learning orientation is likely to be capable of generating and utilizing every type of knowledge including market-derived knowledge. Learning-oriented organizations tend to lead the market by acting in a proactive manner. These organizations try to anticipate the future needs/wants of their customers in addition to the current needs/wants of their customers. This kind of behavior of a learning-oriented organization leads to more innovations. An organization with a strong learning orientation is likely to be a generative learner (Baker and Sinkula, 1999; Sinkula, Baker, and Noordewier, 1997). Generative learning is considered to be a key to innovation (Senge 1990; Slater and Narver 1998). However, a learning orientation should be accompanied by a strong market orientation that provides the foundation for success (Baker and Sinkula, 1999). Drawing upon their findings, Baker and Sinkula (1999) concluded that "the coupling of a strong market orientation with a strong learning orientation can offer lower risk innovation and the promise of ongoing modifying behaviors that are responsive to market needs after successful innovations are introduced" (p.422).

Drawing upon the convincing arguments presented above, the following hypothesis regarding the relationship between learning orientation and organizational innovativeness is suggested:

H4 *The degree of learning orientation is positively linked to the degree of organizational innovativeness exhibited by the organization.*

Organizational Innovativeness and New Product Performance

It has been argued that organizational characteristics such as innovative climate and culture may significantly contribute to product success (Cooper, 1998). Bharadwaj and Menon (2000) found that the coexistence of both individual and organizational creativity mechanisms within the organization results in the greatest degree of new product performance. Based on their findings, Bharadwaj and Menon (2000) noted that "high levels of organizational creativity mechanisms (even in the presence of low levels of individual creativity) led to significantly superior innovation performance than low levels of organizational and individual creativity mechanisms" (p.424). As a result, the authors suggested that firms should try to establish both individual and organizational creativity mechanisms at the same time. Actually, doing either is likely to improve innovation performance. Yet, doing both will result in higher innovation performance levels (Bharadwaj and Menon, 2000). From all the findings mentioned above, it can be concluded that a high level of innovativeness in an organization is likely to increase new product performance. The following hypothesis is therefore offered:

H5 *The higher the degree of innovativeness exhibited by an organization, the higher the performance of a new product developed by this organization.*

Learning Orientation and New Product Performance

An organization with a strong learning orientation emphasizes information dissemination and sharing (Huber, 1991, 1996) and interfunctional coordination or interaction (Slater and Narver, 1995). These aspects of organizational learning orientation are also critical in the success of new product development. When information freely flows from one functional department to another, the organization's ability to make rapid decisions and execute them effectively increases (Slater and Narver, 1995). Information sharing in the product development process is greatly encouraged by sending people from various departments on customer visits. In this way, not only the quality of the information collected increases, but also real-time (Slater and Narver, 1995) information sharing is achieved. In order to carry new products from concept to launch more quickly and with minimal mistakes, all functional interfaces among organizational units are of great importance in the product development process (Gupta, Raj, and Wilemon, 1986). Effective interfacing is accomplished by conducting "multifunctional activities . . . multifunctional discussions and information exchange" (Cooper and Kleinschmidt, 1991, p.140). In brief, a learning orientation ensures continuous, organization-wide information sharing and information interpretation which in turn enhance new product performance.

Furthermore, an emphasis on constant innovation is regarded as a part of a learning-oriented corporate culture (Sinkula, Baker, and Noordewier, 1997). Organizational learning concentrates on understanding customer needs/wants and successfully fulfilling them via new product and service offerings, and different ways of conducting business (Day, 1994; Dickson, 1992; Sinkula, 1994; Slater and Narver, 1995). This is expected to directly lead to superior outcomes such as greater new product success, superior customer retention, higher customer-defined quality, and lastly, superior growth and/or profitability (Slater and Narver, 1995). Cravens, Greenley, Piercy, and Slater (1998) suggested that "companies achieving a superior performance through robust market-based strategies display characteristics of constant learning and innovation that continually refine market sensing and the vision of the future" (Cravens et al., 1998, p.33). Market-driven learning is considered to be the major facilitator of superior customer value (Slater and Narver, 1994b). On the basis of these arguments, the following hypothesis is offered:

H6 *The higher the level of learning orientation exhibited by the organization, the higher the degree of the new product's performance introduced by the organization.*

RESEARCH METHODOLOGY AND DATA ANALYSIS

Sample Selection and Data Collection

The suggested theoretical framework was tested over a systematic random sample of 2,000 U.S. manufacturing companies drawn from *D&B Million Dollar Database Premier*. In preliminary fieldwork, in-depth interviews with 6 marketing managers/executives from 6 manufacturing companies were conducted. Based on the findings of the fieldwork, necessary modifications in the measurement scales and/or the questionnaire were done. A pilot test of the questionnaire was conducted over a representative sample of 40 marketing managers/executives from 40 manufacturing companies selected through a systematic random sampling method. Based on the results of the pilot survey, few changes were made in the questionnaire.

Survey packages were sent to a final sample of 1,804 marketing managers/executives. Each survey package included a cover letter, a questionnaire booklet, and a postage-paid return envelope. The cover letter briefly explained the general purpose of the research along with appeals for cooperation and assurances of anonymity (Ayers, Dahlstrom, and Skinner, 1997). The participants were offered to receive a summary report of the research findings as a reward for each complete and usable questionnaire (e.g., Maignan, Ferrell, and Hult, 1999). Following Homburg and Pflesser (2000) and Chandy and Tellis (1998), organizations that did not respond within the time frame of three weeks after the initial mailing were automatically sent a second wave of mailing.

At the *micro* level, the unit of analysis was a particular new product development project undertaken by the firm within the last five years. Each respondent was asked to identify the most recent new product development project which satisfies all of the following three conditions: (1) the respondent should have been actively involved in the development of this new product, (2) this new product should have been introduced into the U.S. market by the respondent's business unit, and (3) this new product should have been in the market for a minimum of one year and a maximum of five years. In order to derive a sample that contains both successful and unsuccessful NPD projects in acceptable proportions, the respondents were asked to select the most recent NPD project in which they were involved. This study utilizes a minimum of a one-year and the maximum of a five-year time frame to identify new products since this time period seemed to be reasonable for a new product project to be effectively commercialized (Li and Calantone, 1998). Target respondents were asked to focus only on their strategic business unit's activities if there were two or more SBUs within their corporation.

A total of 292 questionnaires were not delivered to the target person for various reasons (e.g., incorrect or insufficient addresses, the person moved and left no address, forwarding order expired, and so on). A total of 27 respondents wrote back or sent an e-mail message or directly phoned to inform us that their business units did not involve new product development activities. A total of 129 questionnaires were returned entirely or partially completed. Only 111 of these questionnaires were usable. Given the fact that the subject matter and content of this survey was very specific and that the target respondents had to meet certain criteria to be able to respond to this survey, the achieved sample size (n = 111) is reasonable and acceptable, and is comparable to that of Moorman and Miner's (1997) study in which the suggested hypotheses were tested over a sample of only 92 firms.

The sample reflects the diversity of manufacturing businesses quite well. Overall, the sample encompasses a diverse set of manufacturing businesses from acrylic whirlpool / bath manufacturing to wireless communication and from toy manufacturing to aviation-avionics.

In this study, new product performance was measured at the project level while market orientation, learning orientation, and organizational innovativeness were assessed at the organizational level. All measures employed in this study were borrowed from the extant literature. The scales used to measure the levels of market orientation, learning orientation and organizational innovativeness were originally based on a 5-point scale. In this study, a 7-point Likert scale was used for all of these scales in order to increase reliabilities of the scales without sacrificing their psychometric properties (Churchill and Peter, 1984; Nunnally, 1978).

Market orientation was measured by using MKTOR designed by Narver and Slater (1990). This scale was borrowed from Maignan, Ferrell and Hult (1999). The 17-item scale consists of the following three sub-constructs: customer orientation, competitor orientation, and interfunctional coordination. In the current study, a 7-point Likert scale, where 7 indicates *strongly agree* and 1 indicates *strongly disagree,* was used. *Organizational innovativeness* was evaluated using the scale utilized by Hurley and Hult (1998) which was originally developed by Burke (1989). Innovativeness was defined as "the notion of openness to new ideas as an aspect of a firm's culture" (Hurley and Hult, 1998, p.44). In this study, a 7-point Likert scale with anchors of 1= *strongly disagree* and 7= *strongly agree*, was employed to measure organizational innovativeness. *Learning orientation* was measured by the scale developed by Baker and Sinkula (1999, p.425). A 7-point Likert scale where 7 indicates the state of *strongly agree* and 1 indicates the state of *strongly disagree* was utilized. The scale consisted of 18 items and three sub-constructs which are commitment to learning, shared vision, and open-mindedness. *New product performance* was assessed at the product level by mostly judgmental measures that were adapted from Moorman (1995). New product performance was measured on the basis of assessments of market share, sales, return on assets, profit margin and return on investment relative to their stated objectives. A 7-point scale with anchors of *1= low* and 7= *high*, was used to measure new product performance."

Assessment of Nonresponse Bias

The usable responses obtained from the first mailing (n=66) and the usable responses obtained from the second mailing (n=45) were compared with regard to some of the critical demographic variables. The results of the independent-samples t-test indicated that there were no statistically significant differences between the early respondents and the late respondents since none of t-values for the preceding variables are statistically significant.

Unidimensionality, Reliability and Validity Assessments

In order to assess the unidimensionality / multidimensionality of the model constructs, each construct of the model was subjected to a principle component analysis (PCA) to verify a single or multiple factor structure. In the principle component analysis, varimax rotation and an Eigen value of 1 were utilized. For each construct or dimension, only a single factor structure was obtained with the exception of market orientation for which a three-factor structure was extracted (see Table 1).

Table 1
Summary Results of Principle Component Analysis of Scale Items

Construct	Number of Items	Number of Factors Extracted	% of Variance Extracted
New Product Performance	5	1	69.12
Market Orientation	17	3	58.26
Customer Orientation	6	1	57.64
Competitor Orientation	6	1	47.73
Interfunctional Coordination	5	1	61.98
Learning Orientation	18	3	66.38
Commitment to Learning	6	1	68.32
Shared Vision	6	1	65.38
Open-Mindedness	6	1	60.86
Organizational Innovativeness	5	1	63.37

Reliability for each construct was assessed using the coefficient alpha (see Table 2). All of the coefficient alphas are greater than 0.70 (Nunnally, 1978).

After verifying unidimensionality and reliability of the model constructs, the summated scales approach was used to generate a single measure for each construct per case. Then, the bivariate correlations between the observed variables were calculated. None of the confidence

Table 2
Reliability Estimates of Model Constructs

Construct	Cronbach Alpha	Standardized Item Alpha	Cronbach Alphas of Past Studies
Market Orientation	.90	.90	.88 (Narver and Slater, 1990) .90 (Deshpandé & Farley, 1996)
Customer Orientation	.84	.85	.85, .87 (Narver & Slater, 1990)
Competitor Orientation	.78	.78	.72, .73 (Narver & Slater, 1990)
Interfunctional Coordination	.84	.85	.71, .73 (Narver & Slater, 1990)
Learning Orientation	.94	--	.94 (Baker & Sinkula, 1999)
Commitment to Learning	.90	.91	unknown
Shared Vision	.88	.89	unknown
Open-mindedness	.86	.87	unknown
Organizational Innovativeness	.85	.85	.82 (Hurley & Hult, 1998)

intervals of the construct correlations in the correlation matrix included 1. This provides evidence of discriminant validity for the model constructs. The evidence of discriminant validity also serves as evidence of construct validity for all the model constructs (Churchill, 2001).

Model Fit and Hypothesis Testing

The hypothesized full SEM consists of a measurement component and a structural component. The fit of the hypothesized full structural equation model was evaluated using AMOS (Arbuckle, 1999). First-order confirmatory factor analyses (CFAs) were run on each unidimensional or multidimensional construct of the model separately to test the validity of the indicator variables (items) of the construct. If the model fit is good, no changes were made. In order to obtain a better fit for each construct, either some items were deleted from the scales or some error terms were correlated on the basis of modification indices of CFAs on each model construct.

After the model fitting process, the item scores related to the remaining items of each construct were summated to obtain a single score per case, with the exception of the new product performance construct whose item scores were not summated. Some constructs including competitor orientation and interfunctional coordination represented a perfect fit. The error variance associated with organizational innovativeness was assigned to a fixed value of 0.1609. The error variance for this construct was calculated by subtracting the reliability (alpha) of the construct from 1 (DeVellis, 1991, p.26).

The full SEM was next evaluated. Post hoc analyses were conducted to obtain a better fitting model. In order to identify possible areas of model misfit, the standardized residuals and modification indices were examined. The residual covariance matrix shows any discrepancy between the restricted covariance matrix, implied by the hypothesized model, and the sample covariance matrix (Byrne, 2001). The magnitudes of none of the standardized residuals in the residual covariance matrix were larger than the cutoff value of 2.58 (Byrne, 2001). None of the standardized residuals or discrepancies in the residual covariance matrix was statistically significant. Thus, examination of the standardized residuals did not provide much help. The hypothesized model was modified on the basis of modification indices which were larger than 10.

The estimation of the final model resulted in a discrepancy value of 39.009 (P= 0.035) with degrees of freedom of 36. The fit between the model and the sample data was found to be very good (GFI= 0.941>0.90; IFI=0.996>0.90; TLI=0.993>0.90; CFI=0.995>0.90; RMSEA=0.028<0.08; P-close fit= 0.729>0.05). The value of ECVI (0.9) improved and was less than the ECVI values (respectively, 1.2 and 6.727) of the alternative models (saturated and independence models). This model was accepted as a final best-fitting model.

Hypothesis Testing

Table 3 exhibits the parameter estimates of the suggested links in the model and the t-values of these parameter estimates. The critical t-values that were used for hypothesis testing are 2.358, 1.658, and 1.289 at the 0.01, 0.05, and 0.10 significance levels respectively.

Table 3
Parameter Estimates for Hypothesized Relationships of Proposed Model

Sign / Hypothesized Relationship	Hypothesis	Parameter Estimate	p-value
(+) Market Orientation - Organizational Innovativeness	(H1)	-0.059	0.669
(+) Market Orientation - Learning Orientation	(H2)	0.891	0.000*
(+) Market Orientation - New Product Performance	(H3)	0.088	0.071***
(+) Learning Orientation - Organizational Innovativeness	(H4)	0.774	0.000*
(+) Organizational Innovativeness - New Product Performance	(H5)	0.029	0.481
(+) Learning Orientation - New Product Performance	(H6)	-0.080	0.158

(*) Significant at the 0.01 level ($t_{critical}$ = 2.358)

(**) Significant at the 0.05 level ($t_{critical}$ = 1.658)

(***) Significant at the 0.10 level ($t_{critical}$ = 1.289)

H1 is not supported by the survey data. The parameter estimate for this link is negative (-0.059) and statistically insignificant at the significance level of 0.10 (C.R.=-0.427; P=0.669). H2 is supported by the survey data. The parameter estimate for this relationship is positive (0.891) as suggested and statistically significant at the 0.01 level (C.R.=8.08; P= 0.000). There is a strong relationship between market orientation and learning orientation. H3 is supported by the survey data. The parameter estimate for this link is positive (0.088) and statistically significant at the significance level of 0.10 (C.R.=1.805; P=0.071). H4 is supported by the sample data and there is a strong relationship between learning orientation and organizational innovativeness. The coefficient for this link is positive (0.774) as expected and statistically significant at the 0.01 significance level (C.R.=6.127; P=0.000). H5 is not supported. The estimated coefficient for the link is positive (0.029) as proposed but not statistically significant at the 0.10 significance level (C.R.=0.705; P=0.481). This suggests that there is no relationship between innovativeness and new product performance. Finally, H6 is not supported. The parameter estimate for this linkage is negative (-0.08) and statistically insignificant at the 0.10 level (C.R.= -1.413; P= 0.158).

DISCUSSION AND MANAGERIAL IMPLICATIONS

The main objective of this study was to investigate the link between market orientation and new product performance by taking into account the organization's strategic capabilities which are learning orientation and organizational innovativeness. This study has important practical implications that should be considered by practitioners.

The results of the study revealed that the relationship between market orientation and organizational innovativeness is not statistically significant. Thus, this result is not consistent with those of past studies. In fact, the two opposing views on the effect of market orientation on innovation have been suggested by past research. One view suggests that keeping a close eye on both customers and competitors may adversely affect the development of breakthrough innovations (e.g., Bennet and Cooper, 1981; Kaldor, 1971; McGee and Spiro, 1988; Tauber, 1974). On the other hand, it has been suggested that focusing closely on changing markets actually positively affects innovativeness by enhancing the firm's ability to generate innovative ideas and solutions to customer needs, wants, and preferences (e.g., Hurley and Hult, 1998; Jaworski and Kohli, 1993,1996). Past research has revealed inconsistent results on the direction of the relationship between the marketing concept and innovation so far. The findings from this study are not consistent with any of these suggested views. Overall, this research study contributes to the ongoing debate on whether or not the marketing concept or customer orientation drives organizational innovativeness (e.g., Hurley and Hult, 1998; Jaworski and Kohli, 1993, 1996) or impedes it (e.g., Bennet and Cooper, 1979; McGee and Spiro, 1988) by revealing the possibility of no significant relationship between market orientation and organizational innovativeness. This finding might be a result of different impacts of the components of a market orientation on innovativeness.

It has been suggested that the environment has a key role in the occurrence of organizational learning (e.g., Cyert and March, 1963; Sinkula, 1994). This study showed that the internal environment of an organization may affect the degree to which the organization is learning-oriented. According to this study's results, there is a strong positive relationship between market orientation and learning orientation, which are both organizational characteristics (Baker and Sinkula, 1999). A market-oriented organizational culture is more likely to promote learning orientation within the organization. Such a culture emphasizes "the development of new knowledge or insights that have the potential to influence behavior" (Slater and Narver, 1995, p.63). The findings of this study support the viewpoint that learning orientation / organizational learning is a consequence of a market orientation (e.g., Deshpandé, 1999; Sinkula, 1994; Slater and Narver, 1995, 2000).

This finding suggests a number of relevant practical managerial implications. A strong market orientation provides multiple benefits. As this study has shown, market orientation has a crucial role in maximizing the firm's capability to learn from its markets (Slater and Narver, 1995). Hence, company managers need to develop a strong market orientation within their organization. Building a market-oriented organization requires the rigorous and concerted effort of top management and employees at every level (Day, 1998; Schlosser and McNaughton, 2007). Top management's strong commitment and active involvement in this process are essential. Furthermore, a great deal of employee training and heavy investments in capital-intensive processes and activities are also required (Appiah-Adu, 1997; Slater and Narver, 1994a). In addition, there is a need to build an organizational infrastructure that sustains a strong market orientation. Establishing effective organizational norms and controls that can ensure a continuous flow of market information to the firm and continuous information sharing among functional units (Gebhardt, Carpenter and Sherry, 2006) would be beneficial. Jaworski and Kohli (1993) found that interdepartmental conflict inhibits intelligence dissemination and the responsiveness of an organization while connectedness among departments promotes a market orientation. In order to reduce interdepartmental conflicts and increase connectedness, effective conflict resolution methods should be adopted and used.

Traditionally, innovation has been viewed by scholars as a complicated, multi-faceted concept that is hard to grasp (e.g., Wolfe, 1994). According to the results of this study, there is a strong positive relationship between a learning orientation and organizational innovativeness. This finding is consistent with a significant amount of anecdotal evidence suggesting the presence of a link between learning and innovation (e.g., Brown and Duguid, 1996; Drucker, 1993; Huber, 1996; Hunt and Morgan, 1995; Hurley and Hult, 1998). The argument that learning and innovating are interlinked and compatible activities (Brown and Duguid, 1996) is supported by this study. Based on the study results, it can be argued that learning orientation which is associated with a set of "*knowledge-questioning values*" (Baker and Sinkula, 1999, p.413) may boost innovative thinking within the organization.

A strong market orientation provides an appropriate foundation for a learning orientation to flourish, as this study revealed. A concerted effort is needed to transform a market-oriented organization into a learning-oriented one. Top management needs to strongly emphasize and encourage learning at every level. The firm's ability to learn should be seen as the key to its competitive advantage, improvement, survival and future (Baker and Sinkula, 1999). Organizations should emphasize on establishing a strong learning orientation to increase the chances of becoming generative learners (Baker and Sinkula, 1999; Sinkula, Baker, and Noordewier, 1997). A strong learning orientation can create generative learning in organizations that, in turn, leads to innovation (Senge, 1990; Slater and Narver, 1998) or discontinuous innovation which is associated with creating new paradigms (Baker and Sinkula, 1999; Senge, 1990; Slater and Narver, 1995). Learning orientation encourages proactive organizational behavior which can be considered one of the keys to being a market leader (Baker and Sinkula, 1999). Top management needs to pay closer attention to a commitment to learning and open-mindedness to promote organizational innovativeness.

In terms of the organizational innovativeness-new product performance relationship, the study failed to find evidence to show that there is a statistically significant link between organizational innovativeness and new product performance. This insignificant link between innovativeness and new product performance suggests that organizational innovativeness which is an organizational characteristic may not directly affect performance outcomes of an individual new product project.

CONCLUSIONS AND FUTURE RESEARCH SUGGESTIONS

This research study has critical implications for businesses. This study examines possible consequences of a market orientation in organizations. Market orientation increases the level of learning orientation and new product performance. Learning orientation and organizational innovativeness do not mediate the relationship between market orientation and new product performance.

This study failed to find evidence to support the hypothesis that market orientation is positively linked to organizational innovativeness. This finding contributes to the debate regarding whether the marketing concept or a market-oriented approach serves as an impediment to (e.g., Bennet and Cooper, 1979; McGee and Spiro, 1988) or as a facilitator of organizational innovativeness (e.g., Hurley and Hult, 1998) by adding new information.

The examination of the link between market orientation and learning orientation contributed to the relevant research in two ways: First, even though the amount of scholarly work on organizational learning has been extensive (e.g., Argyris, 1977; Garvin, 1993; Huber, 1996; Levitt and March, 1988; March, 1991; McGill, Slocum, and Lei, 1992; Senge, 1990; Simon, 1991), there has been a lack of any widely-accepted theory that explains the conditions and climate necessary for a learning. In this sense, the results of this study may contribute to the ongoing research effort that aims to fulfill an immediate need for theory development on organizational learning and to answer the calls for more systematic research on organizational learning. Second, the incorporation of a learning orientation into the marketing context has been limited to date. This study significantly contributes to this line of research by providing valuable insights to researchers with regard to the nature of the connection between market orientation and learning orientation within the context of manufacturing businesses.

Organizational innovativeness was also viewed as an outcome of a learning orientation. It was shown that learning orientation positively affects organizational innovativeness. This finding sheds some light on the nature of innovative behavior in organizations and reveals one of the potential determinants of organizational innovativeness. Thus, the nature of the relationship between learning orientation and organizational innovativeness was uncovered.

The proposed model was tested over a large random sample of U.S. manufacturing companies. The study sample is composed of a large variety of businesses. As a result, the findings of this study may be applicable to a wide range of industries rather than being limited to a single industry as was the case in past research.

Future studies should investigate the market orientation – learning orientation link more closely at a component level. A component-wise approach may provide valuable insights for researchers as well as practitioners regarding which dimensions of market and learning orientations are closely connected and which are not. Thus, researchers can focus on potential factors that facilitate these component-level links. By targeting component-level facilitators of the market orientation – learning orientation link, practitioners can develop more precise action plans to enhance learning orientation within their organizations.

REFERENCES

Appiah-Adu, K. (1997). Market orientation and performance: Do the findings established in large firms hold in the small business sector? *Journal of Euro-Marketing, 6*(3), 1-26.

Arbuckle, J.L. (1999). *Amos 4.01* [Computer Software]. Chicago, IL: SmallWaters Corp.

Argyris, C. (1977). Double loop learning in organizations. *Harvard Business Review, 55*(September/October), 115-25.

Atuahene-Gima, K. (1995). An exploratory analysis of the impact of market orientation on new product performance: A contingency approach. *The Journal of Product Innovation Management, 12*(4), 275-293.

Atuahene-Gima, K., S.F. Slater & E.M. Olson (2005). The contingent value of responsive and proactive market orientations for new product program performance. *The Journal of Product Innovation Management, 22*, 464-482.

Ayers, D., R. Dahlstrom & S.J. Skinner (1997). An exploratory investigation of organizational antecedents to new product success. *Journal of Marketing Research, 34*, 107-116.

Baker, N.R., J. Siegman & A.H. Rubinstein (1967). The effects of perceived needs and means for the generation of ideas for industrial research and development processes. *IEEE Transactions on Engineering Management*, December, 156-163.

Baker, W.E. & J.M. Sinkula (1999). The synergistic effect of market orientation and learning orientation on organizational performance. *Journal of the Academy of Marketing Science, 27*(4), 411-427.

Bennett, R.C. & R.G. Cooper (1979). Beyond the marketing concept. *Business Horizons, 22*(June), 76-83.

Bennett, R.C. & R.G. Cooper (1981). The misuse of marketing: an American tragedy. *Business Horizons, 24*(6), 51-61.

Brettel, M., A. Engelen, F. Heinemann & P. Vadhanasindhu (2008). Antecedents of market orientation: A cross-cultural comparison. *Journal of International Marketing*, *16*(2), 84-119.

Bharadwaj, S. & A. Menon, (2000). Making innovation happen in organizations: Individual creativity mechanisms, organizational creativity mechanisms or both? *Journal of Product Innovation Management, 17*, 424-434.

Burke, W.W. (1989). Culture instrument (Working Paper). Columbia University.

Byrne, B.M. (2001). *Structural equation modeling with AMOS: Basic concepts, applications, and programming*. Mahwah, NJ: Lawrence Erlbaum Associates, Publishers.

Chandy, R.K. & G.J. Tellis (1998). Organizing for radical product innovation: The overlooked role of willingness to cannibalize. *Journal of Marketing Research, 15*, 474-487.

Churchill, G.A., Jr. (2001). *Basic Marketing Research* (4th ed.). Mason, OH: South-Western Thomson Learning.

Churchill, G.A., Jr. & J.P. Peter (1984). Research design effects on the reliability of rating scales: A meta analysis. *Journal of Marketing Research, 21*(November), 360-375.

Cooper, R.G. (1979a). Identifying industrial new product success: Project NewProd. *Industrial Marketing Management, 8*(2), 136-144.

Cooper, R.G. (1979b). The dimensions of industrial new product success and failure. *Journal of Marketing, 43*(3), 93-103.

Cooper, R.G. (1983). A process model for industrial new product development. *IEEE Transactions on Engineering Management, 30*(1), 2-11.

Cooper, R.G. (1988). Predevelopment activities determine new product success. *Industrial Marketing Management, 17*, 237-247.

Cooper, R.G. (1997). Fixing the fuzzy front end of the new product process: Building the business case. *CMA, 71*(8), 21-23.

Cooper, R.G. & E.J. Kleinschmidt (1988). Resource allocation in the new product process. *Industrial Marketing Management, 1*(3), 249-262.

Cooper, R.G. & E.J. Kleinschmidt (1991). New product processes at leading industrial firms. *Industrial Marketing Management, 20*(2), 137-147.

Cravens, D.W., G. Greenley, N.F. Piercy & S.F. Slater (1998). Mapping the path to market leadership: Effectively combining various dimensions of strategy in to an integrated process of strategic analysis and action maps the path to market leadership. *Marketing Management, 7*(3), 29-39.

Day, G.S. (1990). *Market driven strategy: Processes for creating value*. New York, NY: The Free Press.

Day, G.S. (1994). The capabilities of market-driven organizations. *Journal of Marketing, 58*(4), 37-52.

Day, G.S. (1998). What does it mean to be market-driven? *Business Strategy Review, 9*(1), 1-14.

Deng, S. & J. Dart (1994). Measuring market orientation: A multi-factor, multi-item approach. *Journal of Marketing Management, 10*, 725-742.

Deshpandé, R., ed. (1999). *Developing a market orientation*. Thousands Oaks, CA: Sage Publications.

Deshpandé, R. & J.U. Farley (1996). Understanding market orientation: A prospectively designed meta-analysis of three market orientation scales (Report No. 96-125). Marketing Science Institute, (December).

Deshpandé, R., J.U. Farley & F.E. Webster, Jr. (1993). Corporate culture, customer orientation, and innovativeness in Japanese firms: A quadrad analysis. *Journal of Marketing, 57*, 23-27.

DeVellis, R.F. (1991). *Scale development: Theory and applications* (Applied Social Research Methods Series, Vol. 26). Newbury Park, CA: Sage Publications, Inc.

Dickson, P.R. (1992). Toward a general theory of competitive rationality. *Journal of Marketing, 56*(January), 69-83.

Drucker, P.F. (1993). *Management: Tasks, Responsibilities, Practices*. New York: HarperBusiness.

Garvin, D.A. (1993). Building a learning organization. *Harvard Business Review*, (July-August), 78-91.

Gebhardt, G.F., G.S. Carpenter & J.F. Sherry (2006). Creating a market orientation: A longitudinal, multifirm, grounded analysis of cultural transformation. *Journal of Marketing, 70*(4), 37-55.

Greenley, G.E. (1995). Market orientation and company performance: Empirical evidence from UK companies. *British Journal of Management, 6*(1), 1-13.

Grewal, R. & P. Tansuhaj (2001). Building organizational capabilities for managing economic crisis: The role of market orientation and strategic flexibility. *Journal of Marketing, 65*, 67-80.

Gupta, A.K., S.P. Raj & D. Wilemon (1986). A model for studying R&D marketing interface in the product innovation process. *Journal of Marketing, 50*, 7-17.

Han, J.K., N. Kim & R.K. Srivastava (1998). Market orientation and organizational performance: Is innovation a missing link? *Journal of Marketing, 62*(4), 30-45.

Hauser, J.R., D.I. Simester & B. Wernerfelt (1996). Internal customers and internal suppliers. *Journal of Marketing Research, 33*(August), 268-280.

Homburg, C. & C. Pflesser (2000). A multiple-layer model of market-oriented organizational culture: Measurement issues and performance outcomes. *Journal of Marketing Research, 37*(November), 449-462.

Huber, G.P. (1991). Organizational learning: The contributing processes and the literatures. *Organization Science, 2*(February), 88-115.

Huber, G.P. (1996). Organizational learning: The contributing processes and the literatures. In M.D. Cohen & L.S. Sproull (Eds.), *Organizational Learning* (pp. 101-123). Thousands Oaks, CA: Sage Publications.

Hult, G.T.M. (1998). Managing the international strategic sourcing process as a market-driven organizational learning system. *Decision Sciences, 29*(1), 193-216.

Hunt, S.D. & R.M. Morgan (1995). The comparative advantage theory of competition. *Journal of Marketing, 59*(2), 1-15.

Hurley, R.F. & G.T.M. Hult (1998). Innovation, market orientation, and organizational learning: An integration and empirical examination. *Journal of Marketing, 62*(3), 42-54.

Im, S. & J.P. Workman, Jr. (2004). Market orientation, creativity, and new product performance in high-technology firms. *Journal of Marketing, 68*(April), 114-132.

Jaworski, B.J. & A.K. Kohli (1991). Market orientation: Antecedents and consequences. Working Paper, Marketing Science Institute.

Jaworski, B.J. & A.K. Kohli (1993). Market orientation: Antecedents and consequences. *Journal of Marketing, 57*(July), 53-70.

Jaworski, B.J. & A.K. Kohli (1996). Market orientation: Review, refinement, and roadmap. *Journal of Focused Management, 1*(2), 119-135.

Kaldor, A.G. (1971). Imbricative marketing. *Journal of Marketing, 35*, 19-25.

Kalyanaram, G. & V. Krishnan (1997). Deliberate product definition: Customizing the product definition process. *Journal of Marketing Research, 34*(May), 276-285.

Kirca, A.H., S. Jayachandran & W.O. Bearden (2005). Market orientation: A meta-analytic review and assessment of its antecedents and impact on performance. *Journal of Marketing, 69*(April), 24-41.

Kohli, A.K. & B.J. Jaworski (1990). Market orientation: The construct, research propositions, and managerial implications. *Journal of Marketing, 54*, 1-18.

Kohli, A.K., B.J. Jaworski & A. Kumar (1993). MARKOR: A measure of market orientation. *Journal of Marketing Research, 30*(4), 467-477.

Kulvik, H. (1977). Factors underlying the success or failure of new products. Laboratories of Industrial Economics and Industrial Psychology, Helsinki University of Technology, Otaniemi, p.49.

Langerak, F., E.J. Hultink & H.S.J. Robben (2004). The impact of market orientation, product advantage, and launch proficiency on new product performance and organizational performance. *The Journal of Product Innovation Management, 21*, 79-94.

Leonard-Barton, D. (1992). Core capabilities and core rigidities: A paradox in managing new product development. *Strategic Management Journal, 13*(Summer), 111-125.

Levitt, B. & J.G. March (1988). Organizational learning. *Annual Review of Sociology, 14*, 319-340.

Link, P.L. (1987). Keys to new product success and failure. *Industrial Marketing Management, 16*, 109-118.

Li, T. & R.J. Calantone (1998). The impact of market knowledge competence on new product advantage: Conceptualization and empirical examination. *Journal of Marketing, 62*(October), 13-29.

Lukas, B.A. & O.C. Ferrell (2000). The effect of market orientation on product innovation. *Journal of the Academy of Marketing Science, 28*(2), 239-247.

March, J.G. (1991). Exploration and exploitation in organizational learning. *Organization Science, 2*, 71-87.

Maignan, I., O.J. Ferrell & G.T.M. Hult (1999). Corporate citizenship: Cultural antecedents and business benefits. *Journal of the Academy of Marketing Science, 27*(4), 455-469.

Matsuno, K. & J.T. Mentzer (2000). The effects of strategy type on the market orientation-performance relationship. *Journal of Marketing, 64*(October), 1-16.

Matsuno, K., J.T. Mentzer & A. Ozsomer (2002). The effects of entrepreneurial proclivity and market orientation on business performance. *Journal of Marketing, 66*(July), 18-32.

McGee, L.W. & R.L. Spiro (1988). The marketing concept in perspective. *Business Horizons*, (May-June), 40-45.

McGill, M.E., J.W. Slocum, Jr. & D. Lei (1992). Management practices in learning organizations. *Organizational Dynamics*, (Summer), 5-17.

Moorman, C. (1995). Organizational market information processes: Cultural antecedents and new product outcomes. *Journal of Marketing Research, 32*(August), 318-35.

Moorman, C. & A.S. Miner (1997). The impact of organizational memory on new product performance and creativity. *Journal of Marketing Research, 34*(February), 91-106.

Myers, S. & D.G. Marquis (1969). Successful industrial innovations. Superintendent of Documents, Washington, DC, pp. 117, and National Science Foundation, NSF, pp. 69-17.

Narver, J.C. & S.F. Slater (1990). The effect of a market orientation on business profitability. *Journal of Marketing*, (October), 20-34.

Narver, J.C., S.F. Slater & D.L. MacLachlan (2004). Responsive and proactive market orientation and new-product success. *The Journal of Product Innovation Management, 21*, 334-347.

Noble, C.H., R.K. Sinha & A. Kumar (2002). Market orientation and alternative strategic orientations: A longitudinal assessment of performance implications. *Journal of Marketing, 66*(October), 25-39.

Nunnally, J.C. (1978). *Psychometric theory* (2nd ed). New York, NY: McGraw Hill.

Oczkowski, E. & M.A. Farrell (1998). Discriminating between measurement scales using non-nested tests and two-stage least squares estimators: The case of market orientation. *International Journal of Research in Marketing, 15*, 349-366.

Pelham, A. (1997). Mediating influences on the relationship between market orientation and profitability in small industrial firms. *Journal of Marketing Theory and Practice, 5*(3), 55-76.

Pelham, A. & D.T. Wilson (1995). Does market orientation matter for small firms? (Report No. 95-102). Marketing Science Institute, (April), 1-35.

Pelham, A. & D.T. Wilson (1996). A longitudinal study of the impact of market structure, firm structure, strategy, and market orientation culture on dimensions of small-firm performance. *Journal of the Academy of Marketing Science, 24*(1), 27-43.

Ruekert, R.W. (1992). Developing a market orientation: An organizational strategy perspective. *International Journal of Research in Marketing, 9*(3), 225-245.

Rumelt, R.P., D. Schendel & D.J. Teece (1991). Strategic management and economics. *Strategic Management Journal, 12*(Winter), 5-30.

Schlosser, F.K. & R.B. McNaughton (2007). Individual-level antecedents to market-oriented actions. *Journal of Business Research, 60*(5), 438-446.

Senge, P.M. (1990). *The fifth discipline*. New York, NY: Doubleday.

Simon, H.A. (1991). Bounded rationality and organizational learning. *Organization Science, 2*(1), 125-134.

Sinkula, J.M. (1994). Market information processing and organizational learning. *Journal of Marketing, 58*(1), 35-45.

Sinkula, J.M., W. Baker & T.G. Noordewier (1997). A framework for market-based organizational learning: Linking values, knowledge and behavior. *Journal of the Academy of Marketing Science, 25*(Fall), 305-318.

Sivadas, E. & F.R. Dwyer (2000). An examination of organizational factors influencing new product success in internal and alliance-based processes. *Journal of Marketing, 64*(January), 31-49.

Slater, S.F. & J.C. Narver (1994a). Does competitive environment moderate the market orientation-performance relationship? *Journal of Marketing, 58*(January), 46-55.

Slater, S.F. & J.C. Narver (1994b). Market orientation, customer value, and superior performance. *Business Horizons*, (March-April), 22-28.

Slater, S.F. & J.C. Narver (1995. Market orientation and the learning organization. *Journal of Marketing, 59*(3), 63-74.

Slater, S.F. & J.C. Narver (1998). Customer-led and market-oriented: Let's not confuse the two. *Strategic Management Journal, 19*, 1001-1006.

Slater, S.F. & J.C. Narver (2000). Intelligence generation and superior customer value. *Journal of the Academy of Marketing Science, 28*(1), 120-127.

Sujan, H., B.A. Weitz & N. Kumar (1994). Learning orientation, working smart, and effective selling. *Journal of Marketing, 58*(July), 39-52.

Tauber, E.M. (1974). How marketing discourages major innovation. *Business Horizons, 17*(June), 22-26.
Zhou, K.Z., C.K. Yim & D.K. Tse (2005). The effects of strategic orientations on technology- and market-based breakthrough innovations. *Journal of Marketing, 69*(April), 42-60.

THE MODERATING ROLES OF COMPANY STRUCTURE AND EXTERNAL ENVIRONMENT ON MARKET ORIENTATION AND BUSINESS STRATEGY TYPES

Omer Gokus, Norfolk State University

ABSTRACT

Company performance is mainly determined by the strategy a company follows, and strategy is mainly determined by the market oriented culture and company structure. This link is affected by several factors. One of them is the external environment in which companies operate. Two types of external environment – market turbulence and competitive intensity- are investigated in this paper along with company structure. The purpose of this paper is twofold. First, the current research explores the moderating role of external environment and structure on the relationship between customer orientation and strategy types. Two major strategy types were used for this purpose, prospectors and defenders. In addition to customer orientation, another component of the market oriented culture; interfunctional coordination was investigated in the same manner. Second, the moderating role of external environment and company structure are examined on the relationship between companies' strategy level and their performance. The data is collected from selected service industries which they have high level of customer interaction and high level of labor of intensity. Hierarchical multiple regression and multiple group analysis procedure are employed for the data analyses. The results are discussed at the end from both theoretical and practical perspectives.

CONCEPTUAL BACKGROUND

Over the years, marketing scholars have studied the theoretical foundations of market orientation. Although the conceptualization, the antecedents and the consequences of market orientation were the focal point of the market orientation studies (e.g., Narver and Slater 1990; Jaworski and Kohli 1993; Deshpande, Farley and Webster 1993; and Matsuno, Mentzer and Mentz 2000), the external environment has only attracted academic researchers by its moderating role of the market orientation – performance relationship (e.g., Grewal and Tansuhaj 2001; Han, Kim and Srivastava 1998; Noble, Sinha, and Kumar 2002; Slater and Narver 1995; and Im and Workman, 2004). As a result, market turbulences and competitive intensity have been considered as external environments in such studies.

Unlike strong contextual support for moderator effect, Jaworski and Kohli (1993) find no evidence of environment affecting the strength of the relationship. Kirca, Jayachandran, and Bearden's (2005) meta-analysis study also did not support the moderating roles of environmental turbulence on the market orientation–performance relationship.

Instead of the moderating role of environment on the market orientation- performance relationship, current study investigates if the environmental factors and company structure moderate market orientation-strategy link. This study presumes that there is a relationship between market orientation and company strategy, because firm performance is mainly determined by implementation of a business strategy (Walker and Ruekert 1987). And implementing a firm strategy depends on how values and norms inside the organization (market oriented culture) are developed for the specified strategy (Slater and Olson 2001).

HYPOTHESES DEVELOPMENT

Environment as a moderator of the relationship between dimensions of market orientation and performance for each strategy types: the role of market turbulence[1]

The turbulences in the market typically are generated by heterogeneity in the composition of customers and their preferences. In highly turbulent markets, the effect of customer orientation on prospectors will be stronger. The reason is that market orientation with customer emphasis is about market intelligence, which entails generation and dissemination of and responsiveness to market information (Kohli and Jaworski 1990). Prospectors proactively seek and exploit new market opportunities and often experiment with responses to changing market trends (Miles and Snow 1978). In addition, prospectors compete on new offerings and focus on value creating activities; programs emphasizing prospectors address the issues that have the greatest impact on overall customer satisfaction or matching their offerings with customers' needs (Matsuno and Mentzer 2000). Therefore, prospectors with superior market information or a highly market oriented culture will monitor customers' needs and preferences closely and less likely to make mistakes about their offerings. Accordingly, in order to successfully implement a prospector strategy, organizations will more likely to depend on a customer oriented culture in a highly turbulent market environment.

On the other hand, in stable markets, customers' preferences do not change very much and organizations' offerings are likely to require relatively little modification in those markets (Matsuno and Mentzer 2000). In such an environment, organizations will place a greater emphasis on developing low cost related activities as opposed to developing customer sensing activities such as marketing research and innovation (Dobni and Luffman 2000). Defenders emphasize such activities by employing standardized practices to routine actions and focused functional groups (Ruekert and Walker 1987).

To be successful and operate efficiently in low turbulent markets, defenders should be highly interconnected to each other. Because defenders focus on maintaining a secure position in existing product-markets. They often compete through operations or quality- based investments that offer efficiency related advantages, rarely pioneering the development of new markets or products.

[1] These sets of hypotheses are summarized in figure 1

Interfunctional coordination, one of the components of market orientation, fosters greater communication, collaboration, and cohesiveness (Narver and Slater 1990; Noble, Sinha, and Kumar 2002) that are essential for implementing a defender strategy type (Narver and Slater 1990). More explicitly, in order to successfully implement a defender strategy, organizations will more likely depend on interfunctional coordination in a low turbulent market environment.

H_1 The greater the extent of market turbulence, the greater the positive impact of the relationship between customer orientation and prospectors' performance.

H_2 The lesser the extent of market turbulence, the greater the positive impact of the relationship between interfunctional coordination and defenders' performance.

Environment as a moderator of the relationship between dimensions of market orientation and performance for each strategy types: the role of competitive intensity[2]

In a less competitive environment, competitors do not have the capacity or resources to substantially alter the balance of power among the sellers. In such an environment, focusing on the customers' needs and wants and seeking superior customer value is most likely to lead to success (Slater and Narver 1995). Conversely, prospectors' success depends on the value creating and boundary spanning activities in this environment. Since only customer oriented values and norms provide prospectors to implement such activities, prospectors should highly emphasize customer orientation in less competitive environment. As a result, prospector strategy type and the level of customer orientation relationship will be stronger in less competitive environment compared to the high competitive environment.

On the other hand, defenders' focus is internal and their goal is to reduce costs by focusing on the efficiency of the firm's processes (Rust, Moorman and Dickson, 2002). To do this, they depend on highly interconnected functional units. In an intensely competitive environment, a high level of interfunctional coordination is required for defenders to perform activities such as aggressive pricing or promotions. Consequently, defender strategy type and the level of interfunctional coordination relationship will be stronger in highly competitive environment compared to the less competitive environment.

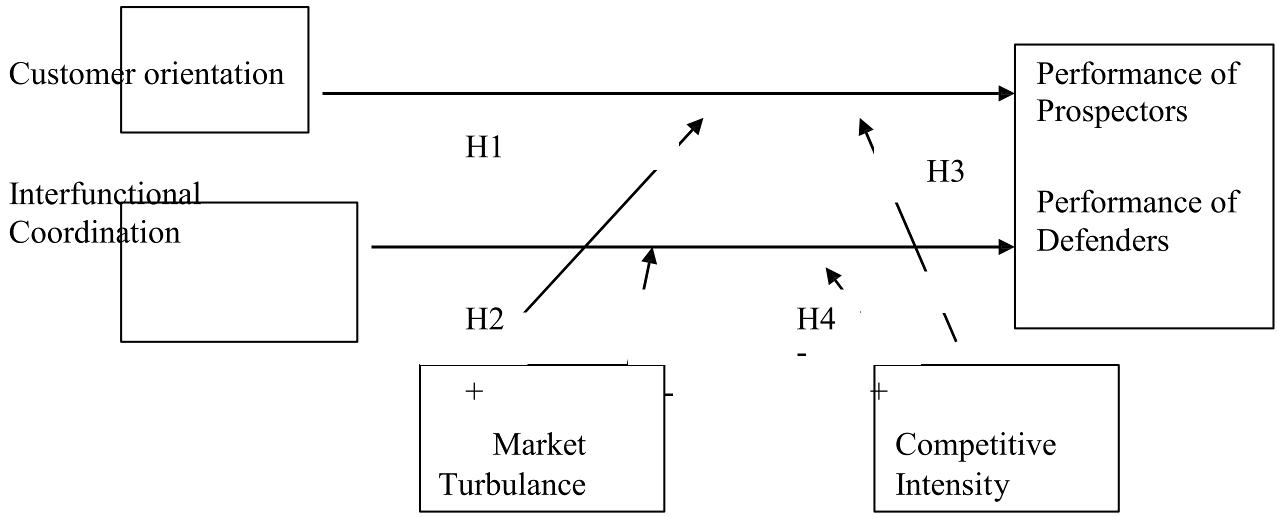
H_3 The lesser the extent of competitive intensity, the greater the positive impact of the relationship between customer orientation and prospectors' performance.

H_4 The greater the extent of competitive intensity, the greater the positive impact of the relationship between interfunctional coordination and defenders' performance.

[2] These sets of hypotheses are summarized in figure 1

Figure 1

Moderator Effect of the relationship between dimensions of market orientation and performance for each strategy types:



Environment as a moderator of the relationship between strategy and performance: the role of market turbulence[3]

The strategy literature generally posits that strategy selection is conditional on how closely an organization is aligned with its environment (Porter 1980). Since organizations may not be aligned their environment with the same level, same speed or same direction, there will be different types or different levels of strategy in the same environment. Furthermore the relationship between strategy and performance will be affected by the environment, the organization operates in.

In highly turbulent markets, composition of customers and their preferences change rapidly. If customer sets and/or their preferences in the market are unstable, there is a greater likelihood that the company's offerings will become mismatched with customers' needs over a period of time (Kohli and Jaworski 1990). In such environment organizations which develop capability to adapt rapid market conditions changes and capability to collect superior market information (McKee, Varadarajan and Pride (1989), will monitor customers' needs and preferences closely and less likely to make mistakes about their offerings. Since only prospector strategy type carries such capabilities and characteristics such as competing on new offerings or focusing on value creating activities, highly prospector firms are likely to be more strongly related to performance in turbulent markets than in stable markets.

On the other hand, in stable markets, customers' preferences do not change very much and organizations' offerings are likely to require relatively little modification in those markets (Matsuno and Mentzer 2000). In such an environment, organizations will place a greater emphasis on developing low cost related activities for superior performance as opposed to developing customer sensing activities such as marketing

[3] These sets of hypotheses are summarized in figure 2

research and innovation (Dobni and Luffman 2000). Since defenders emphasize efficiency through standardized practices to reach their goal of reducing costs of their offerings, firms using high degree of defender strategy are likely to be more strongly related to their performance in stable markets than in turbulent markets.

H_5 The greater the extent of market turbulence, the greater impact of the relationship between the degree of prospectors and their performance.

H_6 The lesser the extent of market turbulence, the greater impact of the relationship between the degree of defenders and their performance.

Environment as a moderator of the relationship between strategy and performance: the role of competitive intensity[4]

As stated earlier, defenders' focus is internal and their goal is to reduce costs by focusing on the efficiency of the firm's processes (Rust, Moorman and Dickson, 2002).
In an intensely competitive environment along with the lack of potential opportunities for further growth, organizations need to develop activities such as cost control, aggressive pricing or promotions. These activities can be gained successfully in defenders strategy type. As a result, level of defenders and their performance relationship will be stronger in highly competitive environment compared to the less competitive environment.

On the other hand, in a less competitive environment, competitors do not have the capacity or resources to substantially alter the balance of power among the sellers. In such an environment, focusing on the customers' needs and wants and seeking superior customer value is most likely to lead success (Slater and Narver 1995). As prospectors' success depends on the value creating and boundary spanning activities, implementing a prospector strategy is desirable in less competitive environment. As a result prospectors are likely to be more strongly related to performance in less competitive environment than in relatively more competitive environment.

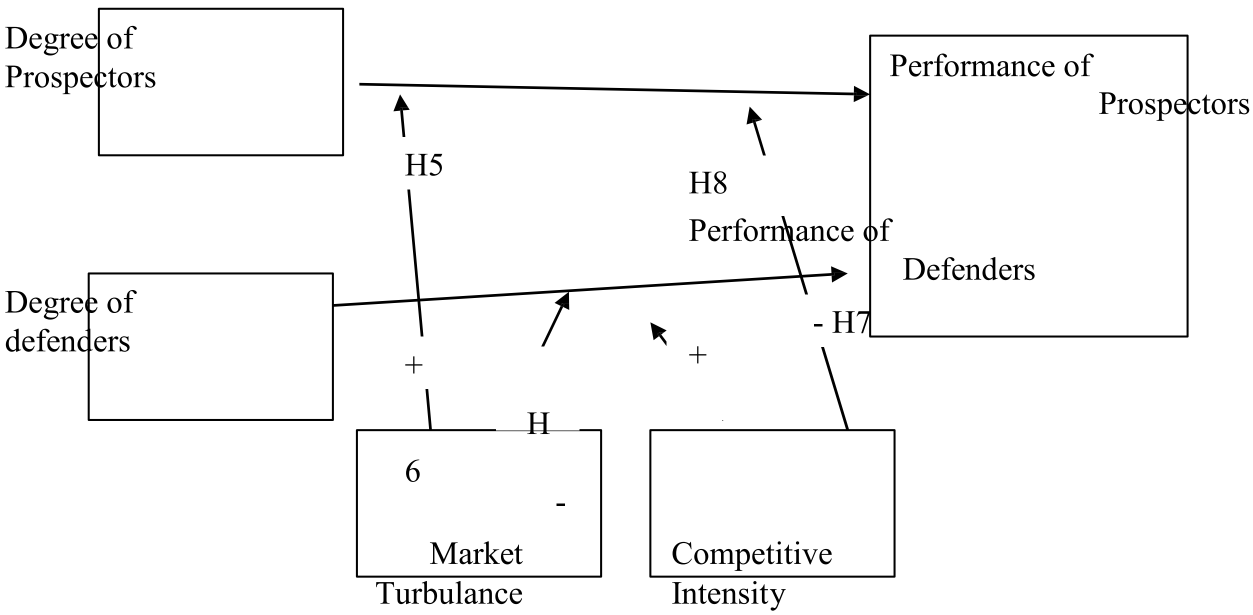
H_7 The greater the extent of competitive intensity, the greater impact of the relationship between the degree of defenders and their performance.

H_8 The lesser the extent of competitive intensity, the greater impact of the relationship between the degree of prospectors and their performance.

[4] These sets of hypotheses are summarized in figure 2.

Figure 2

Moderator Effect
Environment as a moderator of the relationship between strategy and performance



Company Structure as a moderator of the relationship between strategy and performance

Organizational resources shape the characteristics of organizations because they are the many important structural and cultural characteristics that together constitute the way activities are organized within the business (Day 1997). Although the construct has been introduced to the literature by Pugh, Hickson, Hinnings, and Turner (1968) and Aiken and Hage (1968), it has been improved and applied to marketing concept by Ruekert, Walker, and Roering (1985). The structural characteristics of an organization pertain to how activities, routines and related decision-making authority are arranged (Pugh et al. 1968, and Aiken and Hage 1968; Ruekert, Walker, and Roering 1985).

Although the literature identifies several different structural characteristics of organization, three have been viewed as particularly important in this study: **centralization** regarding the concentration of decision-making authority at higher levels of the business's hierarchy; **formalization**, which is the degree to which standardized rules and procedures proscribe how activities are performed; and **specialization**, which is the extent to which activities are narrowly divided into unique elements that are performed by those with specialized knowledge. Together, these structural characteristics indicate whether activities are arranged in a bureaucratic or an organic manner (Moorman and Miner 1997; Jaworski and Kohli 1993; Ruekert, Walker, and Roering 1985; Pugh et al. 1968; and Aiken and Hage 1968).

For Defenders

A company following a defenders strategy type is to provide quality products or services at the lowest overall cost for superior performance. The emphasis for defenders is on efficiency through standardized practices, rather than on effectiveness that stems from flexibility. (Ruekert, Walker and Roering 1985). Therefore, implementing this strategy requires an organization to configure its activities in a routine way and with a narrow, less technically sophisticated production process (Ruekert and Walker 1987). In performing such routine activities, defenders should use highly centralized, formalized and unspecialized structures. Centralized authority structures provide control over the deployment of available resources and formalized work routines minimize errors in executing required activities (Ruekert and Walker 1987). Creating specialized structures with team workflows and developing a wide range of different activities are not likely to be efficient ways to implement this strategy (Vorhies and Morgan 2003; Olson,Slater and Hult 2005; and Conant, Mokva, and Varadarajan 1990).

> *H_9 The greater the extent of centralization, the greater impact of the relationship between the degree of defenders and their performance.*
>
> *H_{10} The greater the extent of formalization, the greater impact of the relationship between the degree of defenders and their performance.*
>
> *H_{11} The lesser the extent of specialization, the greater impact of the relationship between the degree of defenders and their performance.*

FOR PROSPECTORS

Prospector strategic types focus on entering unfamiliar new markets and attaining differentiation-based advantages (Miles and Snow 1978). Therefore, achieving required goals in implementing a prospector strategy involves performing many complex activities. Accomplishing these activities ideally requires specialized, decentralized, and informal marketing structures (Ruekert, Walker, and Roering 1985)[5]. In implementing prospector strategies, such organizational characteristics should be emphasized because they empower specialists to access to wide-ranging capabilities and provide them with decision-making freedom and work routine flexibility to use these capabilities to produce timely and innovative responses in their competitive industry (Vorhies and Morgan 2003).

> *H_{12} The lesser the extent of centralization, the greater impact of the relationship between the degree of prospectors and their performance.*

[5] While Ruekert, Walker, and Roering (1985) initiated specialization by adaptiveness by saying that "…greater specialization leads to greater adaptiveness, in that specialists understand problems more clearly, adapt more readily to changing conditions, and discover new ways of doing things (p.15), as explained before adaptiveness and prospectors represent the organizational learning process and conceptually similar.

H_{14} The greater the extent of specialization, the greater impact of the relationship between the degree of prospectors and their performance.

SAMPLE SELECTION AND DATA COLLECTION

For the purposes of the study, the sample was drawn from the service industries. Service industries generate over two-thirds of GNP and employment in developed countries and their importance is growing in developing countries (Asia Pacific Business Review, 2002). The importance of service industries is undeniable in the USA, since they account for 72 percent of GNP and 76 percent of employment (Van Egeren, O'Connor 1998). Characteristics of the service industry make the market orientation an essential construct for most service organizations. The service industry has three distinct characteristics from goods industry-intangibility, heterogeneity, and inseparability. First, most services are intangible. Because they are performance rather than objects, precise manufacturing specifications can rarely be set. Most services cannot be counted, measured, inventoried and tested. Second, services are heterogeneous. It means their performance often varies from producer to producer, from customer to customer, and from day to day. Third, production and consumption of many services are inseparable. Satisfaction occurs during the service delivery, usually in an interaction between the customer and employees (Parasuraman, Zeithaml, and Berry 1985).

For the purpose of this study, only a carefully selected set of service businesses were represented in the sampling frame. For this selection, three major criteria were used: (1) businesses should require high level of customer interaction, (2) labor of intensity should be high in the business and, (3) businesses should not be prone to any monopoly power.

Depending on those criteria, the sample covers four sets of service industries in the service sector: finance and insurance (NAICS 52), accommodation and food services (NAICS 72), transportation (NAICS 48), real estate and rental and leasing (NAICS 53). As discussed above, these business lines are characteristically similar to each other in terms of high level of customer interaction and high level of labor of intensity (Tinnila and Vepsalainen 1995; Schmenner 1993). Characteristically similar industries do not increase industry effects while they enhance the generalization of our findings.

The North American Industry Classification System (NAICS) were used in the selection of those qualifying service businesses that are represented in the final sample. The companies in the sample frame were selected by using Corporate Affiliations database.

1980 companies were selected using above criteria.

To increase response rate a variety of methods were used in combination. These methods are as follows: (1) Emails with a personal salutation (e.g., emails starting with "Dear Mr. Wright" rather than "Dear Manager." If no response received, a direct telephone call to the manager(2) indicating Old Dominion University's association with the research study, (3) offering a monetary incentive (i.e., lottery), (4) offering a brief summary of research findings for each complete and usable questionnaire, and (5) providing detailed contact information to respondents. Two-hundred and seventeen managers agreed to participate or examine the survey package. Only one-hundred thirty five of those questionnaires were usable for this specific study. Of those businesses, seventy one were pursuing a defender strategy, sixty four were pursuing a prospector strategy.

For the strategy type scale, Conant, Mokwa, and Varadarajan's (1990) eleven- item scale to classify firms into strategic types has originally been created for service industries. This scale has been successfully applied elsewhere (e.g., Dyer and Song 1997, Lucas 1999, DeSarbo et al. 2004). Only prospectors and defenders strategy types were extracted from the sample since they are generically different types and represents two
end of the continuum. For the market orientation, Narver and Slater's (1990) market orientation 15 item scale adapted and it is modified to reflect the study's focus on the service industries. Surveys were added to the appendices.

Results for Environmental Moderators

There are two types of analysis in literature to identify the presence of moderators between the predictor and criterion variables. The first one is multiplicative interaction term which is used in hierarchical multiple regression procedure, specifies the form of the relationship between the predictor and criterion variables. The second one is multiple group analysis and modifies the strength of the relationship between the predictor and criterion variables. Following Sharma, Durand and Gur-Arie (1981) suggestion, the both types of analysis have been used identifying the presence and type of moderator variables in this study.

In first method, moderator effects can be detected by using moderated regression analysis (Sharma, Durand and Gur-Arie 1981). The procedure requires the introduction of a multiplicative interaction term into the regression equation:

$Y = b0+ b1X1 + b2X2+ b3\ X1X2 +. . . .bnXn+ e$

where X1X2 is the multiplicative interaction term; where X1 is predictor variable and where X2 is a moderator variable. A moderator effect is indicated where the regression coefficient of the interaction term (b3) is statistically significant.

A specific type of regression analysis, hierarchical multiple regression, is employed to test the interaction term. There are two reasons for this action. First, hierarchical multiple regression produces fewer Type I and Type II errors for detecting moderator effects relative to procedures that involve the use of cut points (Frazier, Tix and Barron 2004) and second, it provides the partial F associated with the resulting change in R^2 for each step to test whether or not a moderating effect exists.

Coordination, Environmental Variables and the Interaction Terms for Prospectors and Defenders

Dependent Variable Independent Variables	Pros. Perform.	Defend. Perform.	VIF Pros	VIF Def
Step 1				
Customer Orientation	.471***	-.046	1.526	1.389
Interfunctional Coord.	-.226	.446**	1.526	1.389
R Square	.148	.180		
R Square Change	.148	.180		
F Value	4.95*	4.49*		
Step 2				
Customer Orientation	.409**	-.050	1.774	1.908
Interfunctional Coord.	-.257	.382**	1.591	1.736
Market Turb.	.122	.055	1.608	1.506
Competitive Ints.	.047	.251	1.571	1.284
R Square	.165	.249		
R Square Change	.016	.070		
F Value	.540	1.81		
Step 3				
Customer Orientation	.640*	-.058	7.565	1.917
Interfunctional Coord.	-.279*	-.814	1.647	62.416
Market Turb.	.850	.396	50.996	22.583
Competitive Ints.	-.417	-1.091	59.438	47.343
Customer Orientation * Market Turbulence Int. (H_1)		-1.033		94.914
Customer Orientation * Competitive Intensity Int. (H_3)		.599		104.966
Interfunctional Coordination * Market Turbulence Int. (H_2)				
Interfunctional Coordination *Competitive Intensity Int. (H_4)	-.532			140.248
	2.346			47.793
R Square	.181	.289		
R Square Change	.017	.039		
F Value	.546	1.02		

In the moderated hierarchical regression analysis (Table 1) the predictor variables (customer orientation and interfunctional coordination) were entered in the first step, environmental variables (market turbulence and competitive intensity) were entered in the second step. In the last step, the interaction variables were entered. As seen in step 3, the inclusion of interaction terms to the model explains the limited amount of variance (R square change .017 for prospectors and .039 for defenders) and as non significant F value (.546 for prospectors and .1.02 for defenders) indicates that the contribution of interaction terms to the model does not make significant change. As a result, the moderation effect of environmental uncertainties on the relationship between dimensions of market orientation (customer orientation and interfunctional coordination) and business performance does not support the hypothesized moderating effects for both strategy types.

About the second type of moderation effect, the moderation effect of environmental uncertainties and company structure on the relationship between the level of strategy types and their performance has been assessed by using both moderated hierarchical regression analysis and subgroup analysis. Structural variables have entered to the model at the 3. Step (Table 2).

As seen in step 3, the inclusion of interaction terms to the model explains the significant amount of variance (R square change .106 for prospectors and .114 for defenders) and as significant F value (3.65 for prospectors and .3.57 for defenders) indicates that the contribution of interaction terms to the model makes significant change. The significant results may not be comprehended that hypothesized moderating effects are supported. The following two reasons explain this assertion in detail.

The first reason is that variance inflation factor (VIF) which is calculated for each of the regression coefficients. The VIF provides information on the extent to which nonorthogonality among independent variables inflates standard errors. The VIF ranges from 34.31 to 54.22, well above the cutoff of 10 recommended by Neter, Warresaman and Kutner (1985, p.32). This finding suggests that multicollinearity is a threat to the substantive conclusions drawn from the parameter estimates.

The second reason is about the meaning of the moderators drawn from moderated regression analysis. According to Sharma, Durand and Gur-Arie (1981) multiplicative interaction terms shown in step 3 in Table 2 may not be considered as a pure moderator, because both moderator variables and predictor variable are significantly correlated to performance.

Table 2
Hierarchical Regression Results of Regressing Performance on Strategy Level, Environmental Variables and the Interaction Terms for Prospectors and Defenders

Independent Variables	Dependent Variables			
	Defend. Prosp. Perform.	Perform.	VIF Pros	VIF Def
Step 1				
Strategy Level	-.421***	-.338**	1.000	1.0
R Square	.177	.114		
R Square Change	.177	.114		
F Value	12.5***	5.42**		
Step 2				
Strategy Level	-.429***	-.397***	1.001	1.051
Market Turb.	.195	-.076	1.441	1.140
Competitive Ints.	.106	.430***	1.442	1.128
R Square	.249	.283		
R Square Change	.072	.168		
F Value	2.68*	4.68**		
Step 3				
Strategy Level	-.487	1.19	18.432	36.546
Market Turb.	1.875***	-.032	35.699	34.402
Competitive Ints.	-1.520**	1.983***	35.765	29.610
St. level and Mark Turb Int	-2.877**	-.176	71.802	47.048
St. Level and Competitive Ints Int	2.520**	-2.292**	76.809	55.086
St. level and Form Int	-.108	.095	78.656	64.078
St. level and Cent Int	-.096	.221	79.776	70.654
St. level and Speci Int	.132	.303	79.102	71.861
R Square	.355	.397		
R Square Change	.106	.114		
F Value	3.65**	3.57**		

The subgroup analysis is employed to overcome those difficulties discussed above. Although subgroup analysis cannot avoid the loss of information resulting from the artificial transformation of a continuous variable into a categorical one, partitioning the total sample into homogeneous subgroups with respect to the error variance can increase the predictive efficacy for each subgroup (Zedeck 1971). The partial correlation coefficient for market orientation and performance in each subgroup are reported in Table3.

Table 3
Subgroup Analysis of Moderator Effects for Turbulent Environment

Part A	**Partial Correlation Coefficients for Subgroups Dependent Variable - Performance**					
Independent Variable	Market Turbulence (H5, H6)			Competitive Intensity (H7, H8)		
	LO		HI	LO		HI
prospectors	-.293		-.557***	-.565***		-.387**
Chow test F value		2.10ns			5.73**	
Defenders	-.378*		-.261	-.319		-.533**
Chow test F value		.281ns			4.72**	

Table 3 correlates strategy level and performance for each subgroups of environmental uncertainty and reports the correlation coefficients for prospectors and defenders. The mainly significant results of correlation coefficient for subgroups are not enough for the presence of moderating effect. It also needs to be tested that whether those high and low group regression coefficients are significantly different. The Chow test provides whether the full set of regression parameters differ among groups. Table 3- shows that there is no differences between high and low market turbulence for both strategy types. Both F values are not significant (2.10 for prospectors, .281 for defenders).

H_8 (F value = 5.73 $p < .05$) is supported indicating that the changes in competitive intensity affect the relationship between prospectors' strategy level and prospectors' performance. And H_7 is significant (F value = 4.72 $p < .05$) indicating that the changes in competitive intensity affect the relationship between defenders' strategy level and defenders' performance.

As seen, structural variables interaction are not significant for both strategy types in Table 2. Interaction of structural variables, centralization and formalization are negative; specialization is positive for prospectors. Those are predicted but none of them are significant. Interaction of structural variables, centralization and formalization and specialization are positive for defenders. The sign of formalization and centralization are as predicted but specialization is not in parallel with this study's prediction. Again none of them are significant. These findings suggest that there is no support that structural variables moderate the strategy performance relationship for both strategy types.

CONCLUSION

The first set of hypotheses contains the results of the influence of environmental turbulence on the relationship between dimensions of market orientation and performance. The findings suggest that there is no support for the proposition that environmental turbulence has a moderating effect on the strength of the dimensions of market orientation and performance (for both prospectors and defenders) relationship.

The results, consistent with the Kohli and Jaworski (1993) and Slater and Narver (1994), suggest that the linkage between market orientation components and performance appears to be robust across contexts characterized by market turbulence and competitive intensity. Implications of these finding to managers is rooted under the cultural concept. Establishing an organizational culture, market oriented culture in specific, requires long term dedication and expense. Adjusting market orientation to the today's fast changing environment might not be easy and cost effective. It might be also possible that the hypothesized moderating effects exist but were not detected because of the relatively small sample size.

The second set of interaction effect is the influence of environmental turbulence on the relationship between the level of strategy types and their performance. The results reveal that the relationship between strategy level and performance does not moderated by market turbulence for defenders and prospectors.

Although market turbulence determines the prospectors' performance, companies do not respond differently to the changes in turbulent markets (composition of customers and their preferences) on the relationship between strategy level and performance. On the other hand, relationship between prospectors' strategy type and prospectors' performance is moderated by competitive intense environment. In parallel with the related theory, relationship between prospectors' strategy level and prospectors' performance gets stronger in low intense competitive environment for prospectors. Since, in a less competitive environment, competitors do not have the capacity or resources to substantially alter the balance of power among the sellers; focusing on the customers' needs and wants and seeking superior customer value (like prospectors do) is most likely to lead success (Slater and Narver 1994). It is implied to managers that relatively less competitive intense environment are the appropriate environment to implement prospector strategy for superior performance.

In addition, the research results show that the coefficients values measuring the relationship between the level of prospectors and their performance are negative. If managers increase the level of prospectors' strategy, their performance decreases. It indicates that prospectors should not take their characteristic activities, such as market sensing, customer preference and new opportunities, to the extreme levels. This finding suggests to managers that they should not use all their resources for the activities like market sensing, customer preference and new opportunities, because they will not have enough resources to be used internal process or efficiency related activities.

For defenders, relationship between defenders' strategy level and defenders' performance is not affected by the changes in turbulent market environment. This can be explained as, defenders focus on efficiency related activities and internal processes rather than changes in customer conditions or market turbulence for superior performance. On the other hand, competitive environment moderates the relationship between defenders' strategy level and defenders' performance. In parallel with the related theory, defenders' center of attention is internal and their goal is to reduce costs by focusing on the efficiency of the firm's processes

(Rust, Moorman and Dickson, 2002). In an extremely competitive environment along with the lack of possible opportunities for further growth, organizations need to develop activities such as cost control, aggressive pricing o promotions. As a result, study findings advise to managers that the level of defenders and their performance relationship will be stronger in highly competitive environment compared to the less competitive environment.

The regression results reveal that there is a negative significant relationship between defenders' strategy level and defenders' performance. As discussed before, defenders depend on internal process and efficiency related activities. Certain defenders may use all their limited resources on efficiency related activities and they may find themselves using an excessive level of cost related activities. Even though those activities increase the defenders related competence, they drive out customer sensing and innovative capabilities of the organizations. As a result, defenders perform poorly since they lack of ability to execute necessary activities for customer sensing and innovation. Managers of defenders should not use all their resources for the efficiency related activities, because they will not have enough resources to be used for the activities related to customer preference and new opportunities.

Results indicate that the level of strategy and company performance relationship is not affected by organizational structure. Level of defenders and level of prospectors are strongly related to the company performance for both strategy types. It appears that the linkage between these two sets of variables is robust across organizational structural characteristics. Although the signs are in hypothesized direction, centralization, formalization and specialization are not moderating strategy level and performance relationship. The lack of moderating effect might be explained by the characteristics of sample. Data is collected from both large and small companies. Although it provides an ability to generalize the results to entire service companies, small companies' organizational structure might have different characteristics from large companies. Developing a market-oriented culture and engaging in market oriented behaviors is a
requirement for both large and small companies and it is not an activity only for large and rich companies (Pelham and Wilson 1996, and Slater and Narver 1996). But the same approach might not be applicable to organizational structure characteristics.

Study Limitations and Future Research Implication

Although current study employs a standard research design used by many social studies, it has some limitations. This study uses a cross-sectional design. Cross-sectional design investigates the hypothesized relationships among the model variables at "one point in time" and gives "a static perspective" on the suggested relationships. These relationships are often dynamic in nature and subject to change over time. There is a possibility that there is a laggard effect between market orientation and performance for a strategy type. Future researches should investigate this relationship on a longitudinal base.

Finally the present study assessed the level of market orientation only from the firm's perspective. Another word, this construct is measured by the subjective judgments of one respondent from each surveyed firm. It is common concern that measuring the level of market orientation in a company through perceptions of sellers only is likely to generate biased study results. It was argued that even using multiple respondents from each company might not reduce this bias. The one way in which market orientation can be measured more precisely is to measure it through the perceptions of customers. It is clear that this approach is much easier to apply when research involves only a single company. If there is more than one company involved, this method might not be cost and time efficient.

REFERENCES

Aiken, Michael and Jerald Hage (1968), "Organizational Interdependence and Intra-organizational Structure," *American Sociological Review*, 33 (6), 912-30.

Baker, W. E., and Sinkula, J. M. (1999), "Learning Orientation, Market Orientation and Innovation; Integrating and Extending Models of Organizational Performance," *Journal of Market Focused Management*, Vol. 4, No. 4.

Deshpande Rohit, and John U. Farley, and Frederick E. Webster Jr. (1993), "Corporate Culture, Customer Orientation, and Innovativeness in Japanese Firms: A Quadrad Analysis," *Journal of Marketing*,57 (January), 23-27.

Dobni, Brooke and George Luffman (2003) "Determining the Scope and Impact of Market Orientation Profiles on Strategy Implementation and Performance," *Strategic Management Journal,* 24 (Jun), 577-585.

Frazier, P. A., Tix, A. P., & Barron, K. E. (2004). Testing moderator and mediator effects in counseling psychology research. *Journal of Counseling Psychology, 51*(1), 115-134.

Gatignon, Hubert and Jean-Marc Xuereb (1997), "Strategic Orientation of the Firm and New Product Performance," *Journal of Marketing Research*, 34 (February), 77-90.

Grewal, R, P. Tansuhaj (2001) "Building organizational capabilities for managing economic crisis: The role of market orientation and strategic flexibility" *Journal of Marketing***,** 65, (Apr).

Han, Jin K., Namwoon Kim, and Rajendra K. Srivastava (1998), "Market Orientation and Organizational Performance: Is Innovation a Missing Link?" *Journal of Marketing*, 62 (October), 30-45.

Im, Subin and John P. Workman Jr., (2004) "Market Orientation, Creativity, and New Product Performance in High-Technology Firms," *Journal of Marketing***,** 68 (Apr)

Jaworski, Bernard J. and Ajay K. Kohli (1993), "Market Orientation: Antecedents and Consequences," *Journal of Marketing*, 57 (July), 53-70.

Kohli, Ajay K. and Bernard Jaworski (1990), "Market Orientation: The Construct, Research Propositions, and Managerial Implications," *Journal of Marketing*, 54 (April), 1-18.

Kirca, H. Ahmet, S. Jayachanran and W. O. Bearden, (2005) "Market Orientation: A Meta-Analytic Review and Assessment of Its Antecedents and Impact on Performance" *Journal of Marketing*, 69 (April).

Narver, John C. and Stanley F. Slater (1990), "The Effect of a Market Orientation on Business Profitability," *Journal of Marketing*, 54 (October), 20-35.

Neter, J., Wasserman, W., & Kutner, M. (1985). *Applied linear statistical models.* Homewood, IL: Richard D. Irwin.

Noble, Charles H., Rajiv K. Sinha, and Ajith Kumar (2002), "Market Orientation and Alternative Strategic Orientations: A Longitudinal Assessment of Performance Implications," *Journal of Marketing*, 66 (October).

Matsuno, Ken and John T. Mentzer (2000), "The Effects of Strategy Type on the Market Orientation- Performance Relation-ship," *Journal of Marketing*, 64 (October), 1-16.

McKee, Daryl O., P. Rajan Varadarajan, and William M. Pride (1989), "Strategic Adaptability and Firm Performance: A Market-Contingent Perspective," *Journal of Marketing*, 53 (July), 21-35.

Miles, Raymond E. and Charles C. Snow (1978), Organizational Strategy Structure, and Process. NewYork: McGraw-Hill.

Olson, E. M., Walker, Orville C Jr, Ruekert, Robert W. (1995) "Organizing for effective new productdevelopment: The moderating role of product innovativeness" *Journal of Marketing*, 59, (Jan).

Olson, Eric M., Stanley F. Slater and G. Tomas M. Hult (2005). "The Performance Implications of Fit Among Business Strategy, Marketing Organization Structure, and Strategic Behavior" *Journal of Marketing*, 69 (Jul).

Porter, Michael E. (1980), Competitive Strategy. New York: The Free Press.

Ruekert, Robert; Orville C. Walker, Jr.; and Kenneth J. Roering (1985), "The Organization of Marketing Activities: A Contingency Theory of Structure and Performance," *Journal of Marketing*, 49 (Winter), 13-25.

Rust, Roland, T., C. Moorman, Peter R. Dickson (2002) "Getting Return on Quality: Revenue Expansion, Cost Reduction, or Both?" *Journal of Marketing*, 65 (oct), 7-24.

Pugh, D., Hickson, D., Hinings, C.R., Turner, C. (1968), "Dimensions of organizational structure", *Administrative Science Quarterly*, Vol. 13 No.June, pp.65-105.

Schmenner, R.W. (1993), Production/Operations Management – from the Inside Out, 5th edition, Macmillan, New York, NY.

Sharma, S., R.M. Durand, and O. Gur-Arie (1981), "Identification and Analysis of Moderator Variables,"*Journal of Marketing Research*, 18 (August), 291-320.

Slater, Stanley F. and Eric M. Olson (2001)), "Marketing's Contribution to the Implementation of BusinessStrategy*" Strategic Management Journal,* 22 (Nov), 1055-1067.

Slater, Stanley F. and John C. Narver (1995), "Market Orientation and the Learning Organization," *Journal of Marketing*, 59 (July), 63-74.

Tinnila, M. and Vepsalainen, A.P.J. (1995), "A model for strategic repositioning of service processes", *International Journal of Service Industry Management,* Vol. 6 No. 4, pp. 57-80.

Vorhies, Douglas W., Neil A Morgan, (2003), "A Configuration Theory Assessment of Marketing Organization Fit with Business Strategy and Its Relationship with Marketing Performance" *Journal of Marketing*, Jan, Vol. 67

Walker, Orville C. and Robert W. Ruekert (1987), "Marketing's Role in the Implementation of BusinessStrategies: A Critical Review and Conceptual Framework," *Journal of Marketing*, 51(July), 15-33.

Zedeck,S. (1971). Problems with the use of "moderator" variables. Psychological Bulletin, 76: 295-310.

APPENDICES

Appendix 1: Survey Questionnaire for Market Orientation.

Dear Respondent:
Please read each question carefully and answer it completely. There is no right or wrong answers to these questions (seven-point scale with 1 indicating "strongly disagree" and 7 indicating "strongly agree" as anchors).

Section A:
1. To what extent does each statement listed below accurately describe your division or business unit's organizational culture? Please indicate your level of agreement or disagreement with each of the following statements.

Strongly Disagree 1	2	3	4	5	6	Srongly Agree 7	Statement
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**1. Our business objectives are driven primarily by customer satisfaction.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**2. We constantly monitor our level of commitment and orientation to serving customers' needs.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**3. Our business strategies are driven by our belief about how we can create greater value for customers.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**4. We measure customer satisfaction systematically and frequently.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**5. We give close attention to after-sales service.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**6. Our strategy for competitive advantage is based on our understanding of customers' needs.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**7. We target customers where we have an opportunity for competitive advantage.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**8. Our salespeople regularly share information within our business concerning competitors' strategies.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**9. We rapidly respond to competitive actions that threaten us.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**10. Top management regularly discusses competitors' strengths and strategies.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**11. Our top managers from every function visit our current and prospective customers.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**12. We freely communicate information about our successful and unsuccessful customer experiences across all business functions.**

Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**13. All of our business functions (marketing/sales, manufacturing, R&D, finance/accounting, etc.) are integrated in serving the needs of our target markets.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**14. All of our managers understand how everyone in our business can contribute to creating customer value.**
Strongly Disagree 1	*2*	*3*	*4*	*5*	*6*	*Srongly Agree 7*	**15. We share resources with other business units.**

Appendix 2: Survey Questions for Strategy Types.

For the following eleven questions, please choose one of the three response options listed for each question that define your division or business unit best.

1. **In comparison to other organizations, the services which we provide to our customers are best characterized as:**
   {Choose one}
   ( ) Services which are more innovative, continually changing and broader in nature throughout the organization and marketplace.
   ( ) Services which are well focused, relatively stable and consistently defined throughout the organization and marketplace.
   ( ) Services which are fairly stable in certain units/departments and markets while innovative in other units/departments and markets.

2. **In contrast to other organizations, my business unit has an image in the marketplace as which:**
   {Choose one}
   ( ) Has a reputation for being innovative and creative.
   ( ) Offers fewer, selective services which are high in quality.
   ( ) Adopts new ideas and innovations, but only after careful analysis.

3. **The amount of time my organization spends on monitoring changes and trends in the marketplace can best be described as:**
   ( ) Lengthy: We are continuously monitoring the marketplace.
   ( ) Minimal: We really don't spend much time monitoring the marketplace.
   ( ) Average: We spend a reasonable amount of time monitoring the market-place.

4. **In comparison to other organizations, the increase or losses in demand which we have experienced are due most probably to:**
   {Choose one}
   ( ) Our practice of aggressively entering into new markets with new types of service offerings and programs.
   ( ) Our practice of concentrating on more fully developing those markets which we currently serve.
   ( ) Our practice of assertively penetrating more deeply into markets we currently serve, while adopting new services only after a very careful review of their potential.

5. **One of the most important goals in this organization, in comparison to other organizations, is our dedication and commitment to:**
   {Choose one}
   ( ) Insure that the people, resources and equipment required to develop new services and new markets are available and accessible.
   ( ) Keep costs under control.
   ( ) Analyze our costs and revenues carefully, to keep costs under control and to selectively generate new services or enter new markets.

6. In contrast to other organizations, the competencies (skills) which our managerial employees possess can best be characterized as:

{Choose one}
( ) Broad and entrepreneurial: their skills are diverse, flexible, and enable change to be created. ( ) Specialized: their skills are concentrated into one, or a few, specific areas.
( ) Analytical: their skills enable them to both identify trends and then develop new service offerings or markets.

7. The one thing that protects my organization from other companies is that we:
{Choose one}
( ) Are able to consistently develop new services and new markets. ( ) Are able to do a limited number of things exceptionally well.
( ) Are able to carefully analyze emerging trends and adopt only those which have proven potential.

8. More so than many other organizations, our management staff tends to concentrate on:
{Choose one}
( ) Developing new services and expanding into new markets or market segments.
( ) Maintaining a secure financial position through cost and quality control measures.
( ) Analyzing opportunities in the marketplace and selecting only those opportunities with proven potential, while protecting a secure financial position.

9. In contrast to many other organizations, my organization prepares for the future by:
{Choose one}
( ) Identifying trends and opportunities in the marketplace which can result in the creation of service offerings or programs which are new to the industry or which reach new markets.
( ) Identifying those problems which, if solved, will maintain and then improve our current service offerings and market position.
( ) Identifying those trends in the industry which other companies have proven possess long-term potential while also solving problems related to our current service offerings and our current customers' needs.

10. In comparison to other organizations, the structure of my organization is:
{Choose one}
( ) Service or market oriented (i.e. customer service have marketing or accounting responsibilities). ( ) Functional in nature (i.e. organized by department-marketing, accounting, personnel, etc.)
( ) Primarily functional (departmental) in nature; however, a service or market oriented structure does exist in newer or larger service offering areas.

11. Unlike many other organizations, the procedures my organization uses to evaluate our performance are best described as:
{Choose one}
( ) Decentralized and participatory encouraging many organizational members to be involved. ( ) Highly centralized and primarily the responsibility of senior management.
( ) Centralized in more established service areas and more participatory in newer service areas.

INDEPENDENT SALES REPRESENTATIVES: THE INFLUENCE OF INFORMATION QUALITY ON MANUFACTURER TRUST

Michael W. Pass, Sam Houston State University

ABSTRACT

A manufacturer outsourcing the sales function to an independent sales representative relies on the representative to obtain information about the selling environment and share it effectively. To understand the influence of this communication, manufacturers' opinions of the quality of information provided to them was examined. Information quality was studied in relation to the manufacturer's trust and two antecedents to trust. The representative's performance and compatibility were examined. Using survey data collected from 115 manufacturers, a path analysis was completed to test hypothesized relationships. Findings indicate that improving the quality of information is related to increases in manufacturer trust and the antecedents.

INTRODUCTION

Outsourcing the sales function to independent sales representatives enables a manufacturer to focus more time on developing and managing core competencies, thus being able to leverage them to obtain a competitive advantage. Independent sales representative firms are called *manufacturers' representatives* in this article and denoted as *MRs.* The manufacturers they represent are termed *principals,* as they are commonly identified in the literature. Principals were asked in the study, described in this article, what they would like to be different when working with an MR. Fifty-seven principals responded to the question and sixteen of them described the need for better communication. For example, one "wished he (the MR) would respond quicker and wish he would just be honest when giving an answer and avoiding baloney." These comments and others indicate the importance of communication. Communication is the "glue that holds together a channel of distribution (Mohr & Nevin, 1990, p. 36) and influences the continuity of interfirm relationships (Anderson & Weitz, 1989).

To understand the influence of communication in the MR-Principal relationship, the principal's opinion of information shared by an MR (i.e. Information Quality) was examined. It was studied in relation to the principal's trust in the MR. This article reports findings of the study that sought to answer two questions: (1) To what extent does the principal's perception of the quality of information, provided by the MR, influence the principal's trust in the MR? (2) To what extent does the principal's perception of the quality of information influence the principal's perceptions of antecedents to trust? Antecedents included in this study are MR Performance and MR Compatibility with the principal. The study makes two contributions to academic literature pertaining to MRs. First, it breaks new ground by examining factors from the perspective of the principals; their opinions of MRs are considered. Previous research on the MR-Principal relationship is primarily based on opinions of MRs (e.g., Pass, Evans, Lastovicka & Schlacter, 2012). The second contribution is that the study findings show the influence of quality information on the principal's trust perceptions in tandem with its influence on antecedents to trust.

BACKGROUND

The quality of information an MR provides the principal was examined in relation to trust, since trust is fundamental to successful MR-Principal relationships (McQuiston, 2001). Trust is the willingness to be vulnerable to the behavior of another because there is the belief that the behavior will be performed as expected (Mayer, Davis & Schoorman, 1995). It has been described as one's perceptions of another's credibility and benevolence (Doney & Cannon, 1997). With respect to the MR-Principal relationship, the *credibility* dimension of trust is the extent to which the principal can rely upon the MR to do what is promised. *Benevolence* is the extent to which the MR is truly interested in the success of the principal and wants to help the principal succeed.

A study of salespeople identified by principals as trusted advisors found that the quality of information they provide principals is a key component influencing trust perceptions (Neu, Gonzalez & Pass, 2012). Several characteristics of information were considered when principals evaluated its quality. Some are related to information content (relevance, unbiased, and completeness) while other characteristics denote the process taken when sharing information (proactiveness, timeliness, frequency, and responsiveness). Therefore, Information Quality is defined for this study as the principal's perceptions of the information content provided by the MR and the process of sharing the information.

HYPOTHESES

The quality of information, based on a manufacturer's perceptions of content and the process of sharing, influences both components of trust (i.e. credibility and benevolence). Therefore, it is proposed that the principal's perception of information quality is positively related to trust in the MR. As the quality of the content improves (e.g., being relevant, unbiased, and complete), the *credibility* of an MR is likely to be greater. The *benevolence* component of trust increases as the process of sharing improves (e.g., showing greater proactiveness, timeliness, frequency, and responsiveness). It is also proposed that the quality of information is positively related to two trust antecedents: MR Performance and MR Compatibility. These are suggested in the literature as influencing trust perceptions (Ingram, LaForge, Avila, Schwepker, Jr. & Williams, 2015). In the literature, compatibility is referred to as likeability and performance is analogous to dependability.

MR Performance is defined for this study as the principal's opinion of how well the MR generates sales for current and new products, acquires new customers, and meets the principal's expectation for sales. A positive relationship is proposed to exist between MR Performance and Information Quality. Support is provided by studies of communication among employees.

Viewing the MR as a quasi-employee of the principal, information content and sharing is similar to "communication" noted in the studies. They show a positive relationship between communication and employee participation that contributes positively to their motivation to perform (e.g., Kohli, 1985; Teas, 1982; Tyagi, 1985) and, presumably, performance improves. Therefore, as the quality of information improves the MR would be more involved with selling the principals products, thus leading to improved principal's perceptions of performance. A positive relationship is also expected to exist between MR Performance and the principal's trust in the MR. Ganesan (1994) explains that a vendor's satisfaction with an outcome of a supplier influences the vendor's opinion of the supplier's credibility. As noted, credibility is one dimension of trust. Therefore, as the principal becomes more satisfied with MR Performance, perceptions of credibility improve, thus leading to increases in the principal's trust.

MR Compatibility exists when the MR is perceived to be nice, friendly, and agreeable to requests made by the principal. As noted, information quality is denoted in part by the process taken when sharing information and the process entails proactiveness, timeliness, frequency, and responsiveness. These attributes also indicate the degree of customer orientation that an MR exhibits with the principal. Customer orientation is defined as "the set of beliefs that puts the customer's interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise" (Deshpande, Farley & Webster, 1993, Pg. 27). As greater customer orientation is perceived, the principal would report greater MR Compatibility that, in turn, influences the benevolence perceived by the principal. Benevolence is a dimension of trust so the principal's trust in the MR would also increase. These relationships are hypothesized as:

H1: The principal's perception of the quality of information shared by a manufacturers' representative is positively related to the principal's trust in the representative.

H2: The principal's perception of the quality of information shared by a manufacturers' representative is positively related to the principal's perception of manufacturers' representative performance.

H3: The principal's perception of the manufacturers' representative performance is positively related to the principal's trust in the representative

H4: A principal's perception of quality of information shared by a manufacturers' representative is positively related to a principal's perception of compatibility with the representative.

H5: The principal's perception of compatibility with the manufacturers' representative is positively related to the principal's trust in the representative.

METHODOLOGY

Principals working with MRs were asked to provide opinions of MRs by completing an online survey. Manufacturers' Representatives Educational Research Foundation (MRERF), member associations of MRERF, and MRs completing the Certified Professional Manufacturers' Representative program provided manufacturer contact information. Directories of manufacturers were also reviewed for potential respondents. The research was supported by the

Manufacturers' Representatives Educational Research Foundation (MRERF) and through a research grant from the College of Business Administration at Sam Houston State University. Of 485 manufacturers contacted, the questionnaire was completed by 115 respondents to yield a 23.7% response rate.

Measures for constructs were based on previously published scales that were modified for the context of this study. Exploratory factor analysis was completed to determine final scale items to represent each construct. Table 3 presents scale items, reliability scores, and sources. Cronbach's alpha scores exceed the recommended .70 level (Nunnally, 1978). ANOVA analyses indicated no significant differences in opinions across industry types, sales volumes, and length of MR-Principal relationships. Annual sales volumes were reported at less than \$20 million (45%), \$20 million to \$100 million (38%) and above \$100 million (17%). Respondents have worked with the MRs less than 4 years (36%), 4-9 years (36%), or greater than 9 years (28%).

DATA ANALYSIS AND FINDINGS

A path analysis was completed with LISREL 8.51 (Jöreskog & Sörbom, 2001) using a covariance matrix and maximum likelihood estimation with listwise deletion. Table 1 presents construct means, standard deviations, and correlations. Table 2 reports the modeling results shown in Figure 1. The fit indices align with those recommended (Hu & Bentler, 1999) for small sample sizes: a cutoff value close to .95 for TLI (NNFI) and CFI with cutoff values of .08 and .06 for SRMR and RMSEA, respectively. All relationships are significant with t-values greater than 2.00, thus supporting all hypotheses.

TABLE 1
MEANS, STANDARD DEVIATIONS AND CORRELATIONS

Construct	Mean (n=115)	SD	1	2	3	4
1. Principal Trust	4.09	.890	1.00			
2. Information Quality	3.73	.960	0.79	1.00		
3. MR Performance	3.55	.872	0.75	0.83	1.00	
4. MR Compatibility	4.33	.669	0.71	0.73	0.65	1.00

Note: Correlations are significant at the p<.05 Pearson Correlations

TABLE 2
MODELING RESULTS: HYPOTHESES H1 – H5 (n=115)

From \ To	MR Performance	MR Compatibility	Principal Trust
Information Quality	H2 .83(16.04)	H4 .73(11.23)	H1 .41(3.67)
MR Performance	-	-	H3 .24(2.55)
MR Compatibility	-	-	H5 .26(3.32)
R^2	69%	53%	68%

Model Fit χ^2=1.37; p=.24, 1 df, RMSEA=.057, NNFI=.99 CFI=1.00, GFI=.99 AGFI=.94, SRMR = .014

Note: Loadings are standardized. t-values are in parentheses

FIGURE 1
THE INFLUENCE OF INFORMATION QUALITY ON PRINCIPAL TRUST

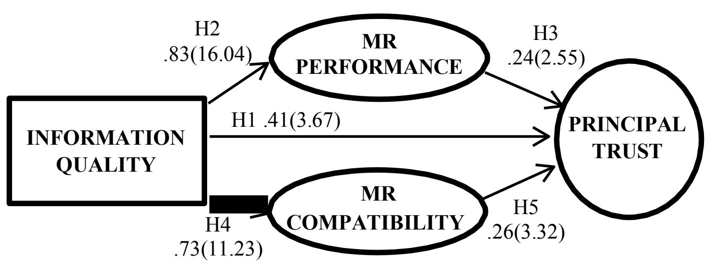


TABLE 3
CONSTRUCTS, SCALE ITEMS, SOURCES AND RELIABILITIES
Responses were to "This Salesperson…. (statement)" - Strongly Disagree (1) to Strongly Agree (5)

Principal Trust (Cronbach's alpha =.97) ** 1. genuinely wants our business to succeed. 2. is honest when dealing with us. 3. will tell us the truth about any situation. 4. is someone that we can depend on. 5. is trusted by people at my firm. 6. has high integrity. 7. is someone that we have confidence in. 8. is competent.	**Information Quality** (Cronbach's alpha =.96)*** 1. gives us good advice. 2. updates us regularly on customers' needs & preferences 3. shares information in order to help us. 4. gives us accurate information. 5. proactively tells us about things that may impact us. 6. frequently gives us information we may need. 7. responds quickly when we request information.
MR Compatibility (Cronbach's alpha =.96) ** 1. is friendly. 2. is someone we like to hear from. 3. is someone we would say good things about. 4. is likable. 5. is agreeable when we request something.	**MR Performance** (Cronbach's alpha =.93) **** 1. generates a high level of sales for our products. 2. regularly exceeds our expectation for sales of our products. 3. is capable of quickly generating sales for a new product. 4. is good at identifying customers for our products. 5. regularly meets our expectations for product sales. 6. does not meet our expectations for product sales.(R)

** Scale based on Doney and Cannon,1997 *** Scale based on Bailey and Pearson, 1983; Wang and Strong, 1996
**** Scale based on Sujan, Weitz and Kumar, 1994

CONCLUSION

Study findings provide a practical direction for MRs wanting to build trust with principals. Taking steps to be sure that information content and the process of sharing the content satisfies the principal needs would influence the principal's trust in the MR as well as perceptions of compatibility and MR performance, thus ensuring a long-term relationship. If a low level of trust exists, the principal may find a different MR to sell products or may establish a direct sales force by hiring employees to handle the sales function. The R^2 value indicates that 68% of the variation in a principal's trust perceptions is related to the Information Quality, MR Performance, and MR Compatibility. The principal's perceptions of the antecedents are intertwined with trust formation so the influence of Information Quality on them further supports the need to consider how to improve the quality of information. The R^2 values showing variations of MR Performance and MR Compatibility associated with Information Quality are 69% and 53%, respectively. To be perceived as providing high quality information, the MR would want to focus on taking steps to improve the principal's evaluations of characteristics related to information content (relevance, bias, and completeness) and ones associated with the process of sharing information (proactiveness, timeliness, frequency, and responsiveness).

REFERENCES

Anderson, Erin & Barton Weitz (1989). Determinants of Continuity in Conventional Industrial Channel Dyads. *Marketing Science*, 8(4), 310-323.

Deshpande, Rohit, John U. Farley & Frederick E. Webster, Jr. (1993). Corporate Culture, Customer Orientation, and Innovativeness in Japanese Firms: A Quadrad Analysis. *Journal of Marketing*, 57(1), 23-27.

Doney, P. M. & J. P. Cannon (1997). An Examination of the Nature of Trust in Buyer–Seller Relationships. *Journal of Marketing*, (61) 2, 35–51.

Ganesan, Shankar (1994). Determinants of Long-Term Orientation in Buyer-Seller Relationships. *Journal of Marketing*, 58(2), 1-19.

Hair, Jr., Joseph F., Rolph E. Anderson, Ronald L. Tatham & William C. Black (1998). *Multivariate Data Analysis (Fifth Edition)*. New Jersey: Prentice-Hall, Inc.

Hu, L.T. & P. M. Bentler (1999). Cutoff Criteria for Fit Indices in Covariance Structure Analysis: Conventional Criteria Versus New Alternatives. *Structural Equation Modeling,* 6(1), 1–55.

Ingram, Thomas N., Raymond W. LaForge, Ramon A. Avila, Charles H. Schwepker, Jr. & Michael R. Williams (2015). *SELL4.*Stamford, CT: Cengage Learning.

Jöreskog, K.G. & D. Sörbom (2001). *LISREL 8.51 Structural Equation Modeling with the SIMPLIS Command Language*. Chicago: Scientific Software International.

Kohli, A. (1985). Some Unexplored Supervisory Behaviors and Their Influence on Salespeople's Role Clarity, Specific Self-Esteem, Job Satisfaction, and Motivation. *Journal of Marketing Research*, 22(4), 424-433.

Mayer, R. C., J. H. Davis & D. F. Schoorman (1995). An Integrative Model of Organizational Trust. *Academy of Management Review*, 20(3), 709–734.

McQuiston, Daniel H. (2001). A Conceptual Model for Building and Maintaining Relationships between Manufacturers' Representatives and Their Principals. *Industrial Marketing Management*, 30(2), 165-181.

Mohr, Jakki & John R. Nevin (1990). Communication Strategies in Marketing Channels: A Theoretical Perspective. *Journal of Marketing*, 54(4), 36-51.

Neu, Wayne, Gabriel Gonzales & Michael W. Pass (2011). The Trusted Advisor in Inter-Firm Interpersonal Relationships. *Journal of Relationship Marketing*, 10(4), 238-263.

Nunnally, J. (1978). *Psychometric Theory* (Second Edition), New York: McGraw-Hill.

Pass, Michael W., Kenneth R., Evans, John Lastovicka & John L. Schlacter (2012). Manufacturers' Representative-Principal Relationship Management: A Principal Leadership Style and Support Perspective. *Journal of Relationship Marketing*, 11(3), 125-148.

Teas, K. (1982). Performance-Reward Instrumentalities and the Motivation of Retail Salespeople. *Journal of Retailing*, 58(3), 4-26.

Tyagi, P. K. (1985). Relative Importance of Key Job Dimensions and Leadership Behavior in Motivating Salesperson Work Performance. *Journal of Marketing*, 49(3), 76-86.

GENDER AND PUBLICATION ACTIVITY IN TOP MARKETING JOURNALS

Vivek H. Patil, Gonzaga University

ABSTRACT

This article studies the relationship between the gender of marketing scholars and their publication activity in Marketing Science, Journal of Consumer Research, Journal of Marketing Research, and Journal of Marketing within a 5 year time-frame (2009-2013). Percentages of female authors publishing either a single or multiple articles or as first-authors on multiple-authored articles or as authors in any position in multiple-authored articles were mostly less than 35%. These numbers were generally the highest, but mostly under 50%, in the Journal of Consumer Research and were the lowest in Marketing Science. Text mining of abstracts suggested that female authors were more likely to work on topics that fit better with the scope of the Journal of Consumer Research.

INTRODUCTION

Recent work by marketing scholars has shed light on different aspects of publishing research in marketing journals and suggested directions for the future. Chintagunta et al. (2013)'s strategic review for the journal Marketing Science (*MKS*) suggested that the journal broaden its foci by including discussions on emerging markets, take advantage of the electronic age, and strive to remain a premier international journal. Mela et al. (2013) used key words in *MKS* to study the history and evolution of the journal and the topics it addressed across three decades. In a similar vein, Huber et al. (2014) conducted an analysis of the topics studied in the Journal of Marketing Research (*JMR*) since its inception, 50 years earlier. They found that the consumer-behavior related topics were re-emerging in that journal after their earlier popularity faded in favor of econometrics related topics. We contribute to this discussion by focusing on the gender of scholars publishing in the top marketing journals.

Current research on gender-related diversity in the marketing scholarship process has been relatively limited. Table 1 presents data on number of male and female doctorate recipients in marketing from the National Science Foundation's Science and Engineering Doctorate Award Series (National Science Foundation 2015). In the past 10 years, the percentage of female (of the total of female and male) recipients of a doctorate was consistently above 40%, except for in 2004 and in 2009. According to the 2014-2015 AACSB survey of 579 AACSB member schools and 35,000 full-time faculty, 36.1% of full-time marketing faculty was female (Brown 2015). Seiler, Reisenwitz & Schibrowsky (2011), who studied reviewers at marketing journals, found that 25.9 % of reviewers at top tier journals were females. (They considered Journal of Marketing [*JM*], Journal of Consumer Research [*JCR*], and *JMR* as the only top-tier journals. *MKS* was not included in their sample of 11 journals.) Pan & Zhang (2014) studied the gender composition of editorial boards and editorships of marketing journals. They found that 24% of editorial board members and 22% of editors, which included positions such as editors, associate editors, and regional editors, were female. They also found that women on editorial boards tended to concentrate in the areas of consumer behavior, advertising, and marketing education.

Table 1
Recipients of Doctorate in Marketing

Year	Male	Female	Female Percentage
2013	98	92	48.42
2012	87	88	50.29
2011	85	71	45.51
2010	86	71	45.22
2009	112	70	38.46
2008	114	77	40.31
2007	92	104	53.06
2006	93	69	42.59
2005	79	63	44.37
2004	83	50	37.59

In our literature search, we did not come across any study that investigated the gender of authors publishing in the top marketing journals and whether there were gender-related differences in publication activity in these journals. We believe this to be an important omission for multiple reasons. West et al. (2013) found that gender inequities were present in scholarly authorship in different fields, such as the natural sciences, social sciences, and humanities. They found that on average, men published more articles than women. A global bibliometric analysis conducted by Larivière et al. (2013) found that in the most productive countries, articles with women in dominant author positions received fewer citations than those with men in the same positions. A similar study by Maliniak et al. (2013) found that women were systematically cited less than men, perhaps because they cited themselves less than men and men tended to cite men more than women. The issue of gender inequity in scholarship was so vital that a top journal in science, *Nature*, dedicated a special issue on this topic and is attempting to address this issue head-on (Nature 2013, 2012).

In light of the earlier discussion, the objective of our study is to study the relationship between gender of authors (or scholars) and their publication activity in the top 4 marketing journals, *JM*, *JMR*, *JCR*, and *MKS*. We chose these four journals because they were considered to be the most influential journals in marketing (Baumgartner & Pieters 2003, Mittal et al. 2008). We do this by examining gender composition across the distribution of number of articles published by authors, the first-authorship of multiple-authored articles and the authorship on an article at any position on multiple-authored articles. We also conduct a text mining of the abstracts of all articles to study differences between preferred topics for female versus male authors.

Our study should be helpful to marketing scholars, journal editors, and other stake holders in this field as they shape the direction of the field. In the next section of the paper, we discuss our data and analysis tools. After presenting our results and discussing our findings, we conclude by identifying directions for further research.

DATA AND ANALYSIS TOOLS

Data on authors, their affiliations, and abstracts of articles were collected from all articles published in *JM*, *JMR*, *MKS*, and *JCR* during a 5 year period (2009-2013). Since this was a cross-sectional study and we were not attempting to study a trend over a period of time, this five-year window was deemed sufficient. Data on gender of all authors, measured at two levels – males and females, were collected by visiting websites of all authors. Pictures and profiles of authors were used to determine their gender. Classification was done by identifying pronouns, such as *she* and *he*, to describe authors. In two instances, we did not find information regarding authors. We contacted their coauthors to obtain this information. We received this in one case, but did not receive a reply in the second. In the latter case, we identified the country of origin of the author and consulted two colleagues from that country to classify the gender based on the first name. This process was more exhaustive than prior approaches used to determine gender of authors. For example, West et al. (2013) and Larivière et al. (2013) used US Social Security Administration records to determine gender from first names. We deemed this approach unsuitable, given the presence of authors from outside the US. Few articles were excluded from our analyses. These included editorials, introductions to special issues, commentaries and rejoinders.

We analyzed data on 770 different articles across the four journals. 232 of these were published in *JCR*, 153 in *JM*, 212 in *JMR*, and 173 in *MKS*. These 770 articles had 1276 different authors. Analyses were conducted using R 3.1.0 (R Core Team 2014) and few other packages that permitted data manipulation and visualization (Wickham & Francois 2014, Wickham 2007, 2009, 2012, 2014). Text mining was done using the text mining framework by Ingo et al. (2008) and their visualizations were created using the wordcloud package (Fellows 2014).

RESULTS

Of the 1276 different authors who published in the four journals, 415 (32.52%) were females and 861 were males (67.48%). The median number of total publications these authors had in the four journals was 1. The mean was 1.574 and the highest number of publications was 9 by any author.

Figure 1 provides information on the gender composition of authors who published in a journal at least once. Information includes the percentage and raw number of females and the total number of unique authors in each journal. For example, *JMR* had the highest number of unique authors publishing in it (464). Of them, 31.9% (148) were females. *JCR* had the highest percentage of female authors (45.63%) and *MKS* the least (19.46%). Numbers for *JM* and *JMR* were close, with *JMR* having a slightly higher percentage at 31.9%. Please note that the sum of different authors in each journal would be greater than the 1276 unique authors mentioned earlier, because many of these authors published across multiple journals.

The number of publications by individual authors ranged from 1 (68.03%, 868 of 1276) through 9 (2 authors). Figure 2 provides information on the gender composition and number of publications by an author. Besides the 1:1 male to female ratio among the 2 authors with 9 publications, the highest percentage of females was among authors who had 2 publications. It was 34.71%. There were no females with 8 publications.

Figure 1: Gender Composition of Unique Authors by Journal

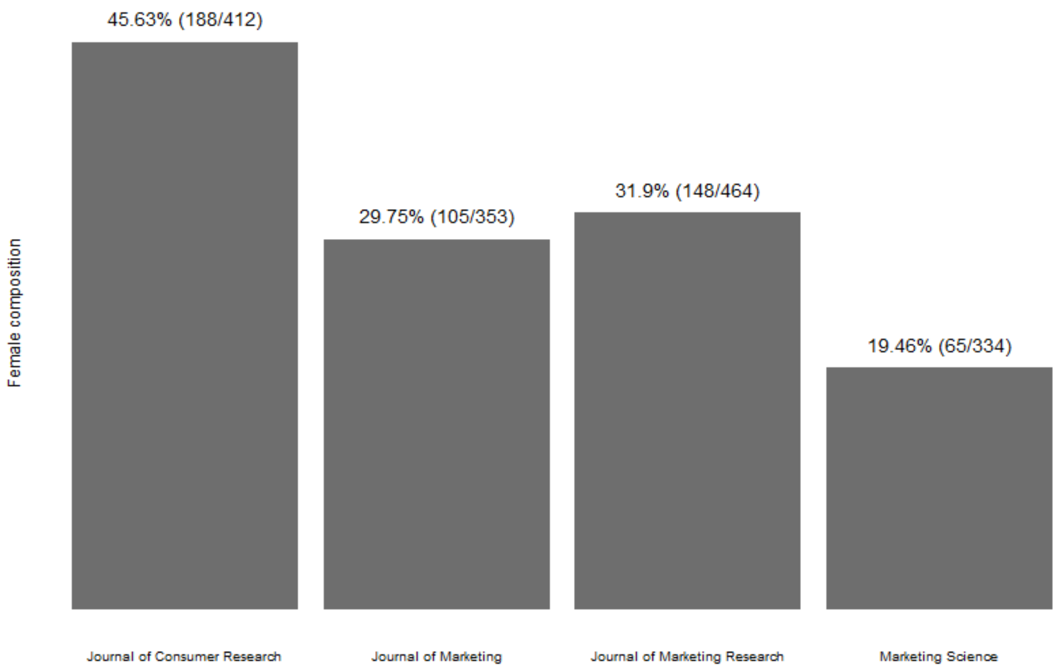


Figure 2: Gender Composition of Authors by Number of Publications

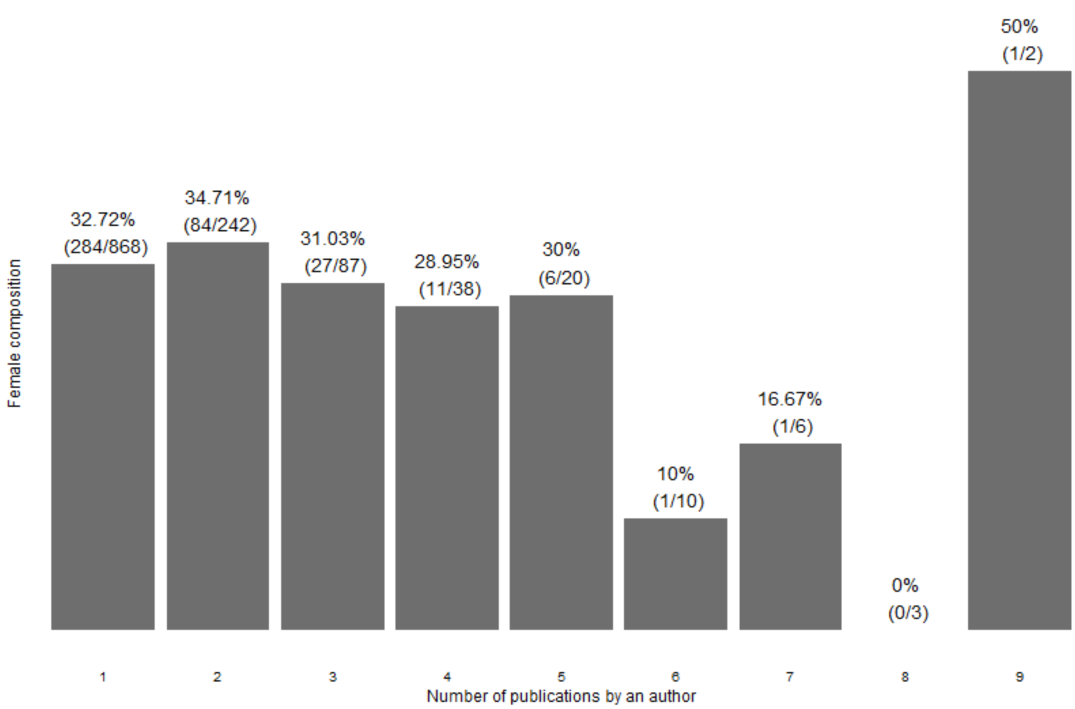
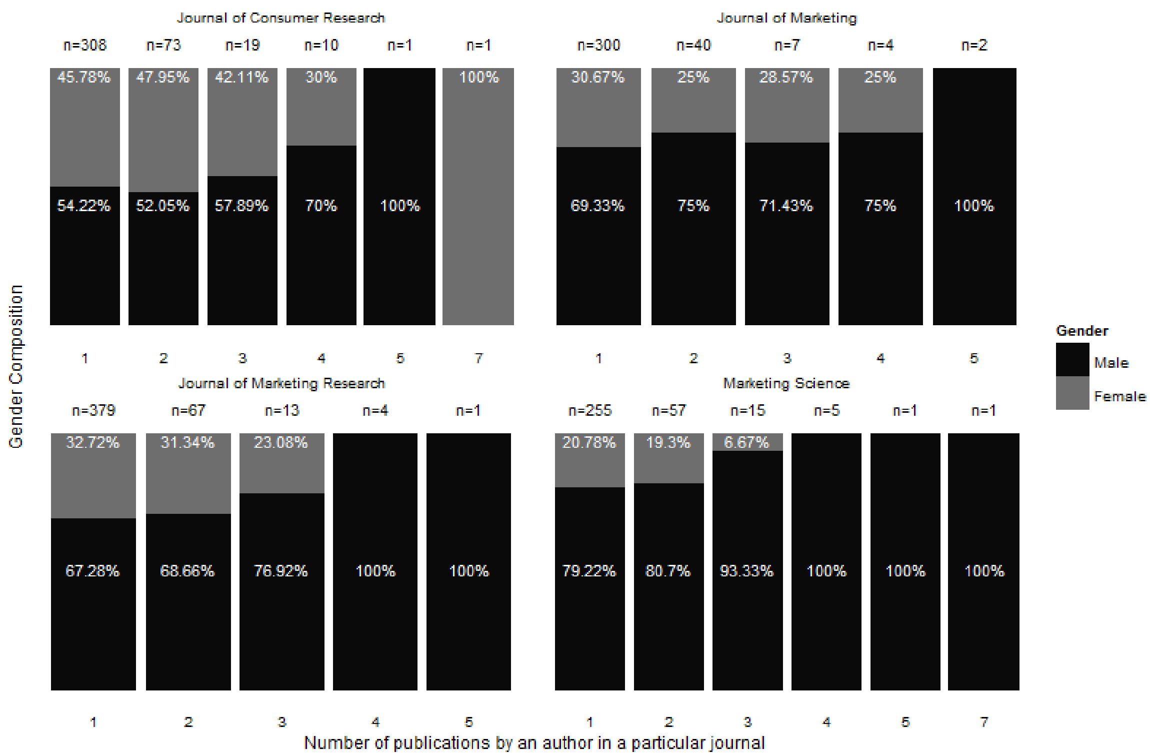


Figure 3 provides a breakdown of the distribution of number of publications of authors in each journal and the gender composition. In each journal, most authors had one publication. At the other extreme, there was one female author with 7 publications in *JCR*, and one male author with 7 publications in *MKS*. 45.78% of the 308 one-time publishers in *JCR* were females. Comparable numbers for *JM*, *JMR*, and *MKS* were 30.67%, 32.72%, and 20.78%. Yet again, we find a higher percentage of females in *JCR* than in other journals. The percentage in *MKS* is less than half of the percentage in *JCR*. *JMR* is slightly better than *JM* in terms of the percentage of females having one through three publications in them.

Figure 3: **Gender Composition of Authors by Number of Publications and Journal**



Next, we looked at gender composition of first authors for single and multiple-authored articles in figure 4. Studying this position in the authorship was important because authorship conventions could dictate a listing that was either alphabetical or non-alphabetical, depending on the discipline and contribution to an article (Engers et al. 1999, Laband & Tollison 2000). We found that the percentage of first authors who were females was highest when there were 5 authors (47.62%), although the maximum number of articles had 2 authors (329). 44.07% of all dual-authored articles had a female first author. Of the 294 3-authored articles, 30.95% had a female first-author.

Figure 4 : First Author Gender and Number of Authors on an Article

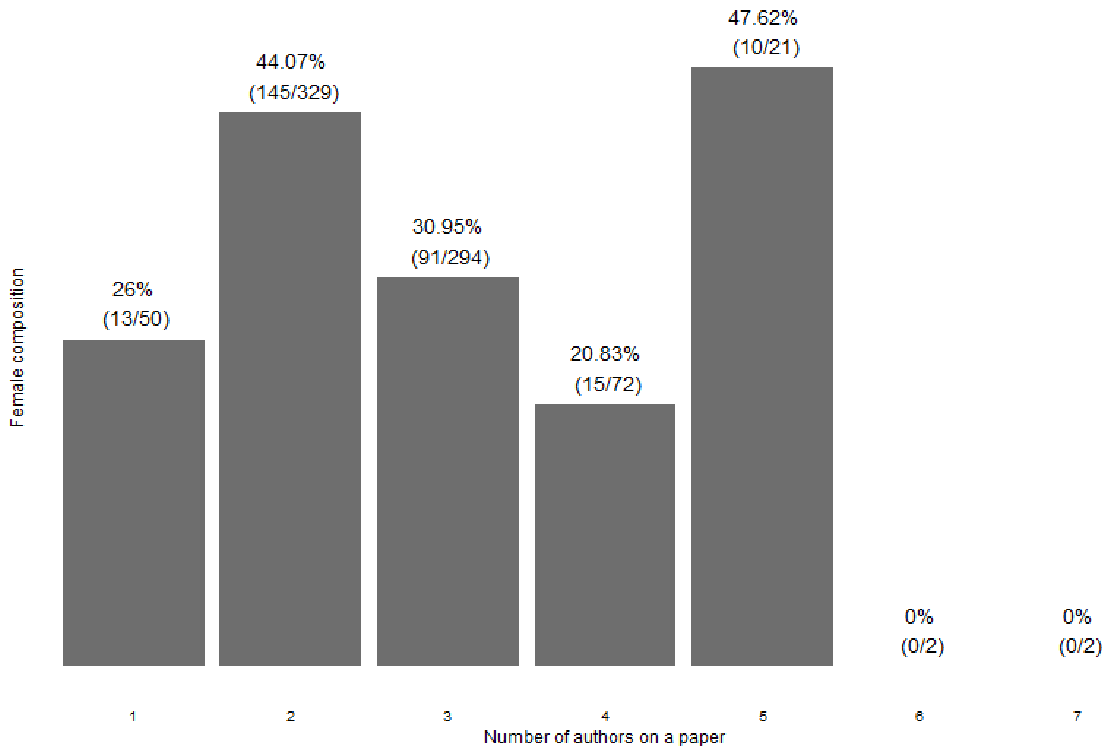
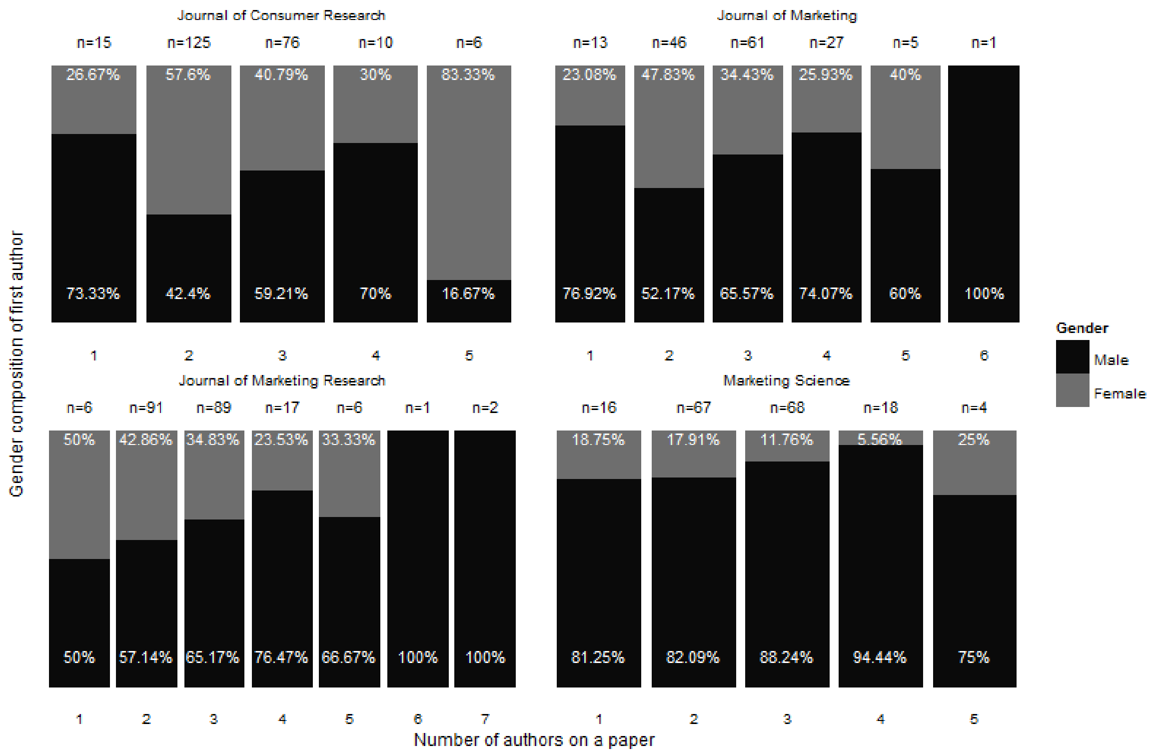


Figure 5 provides information on the distribution of number of authors on an article in each journal and the gender composition of the first author. Most articles in *JCR* were 2-authored and in *JM* were 3-authored. There were 91 and 89 two and three authored articles in the *JMR* and 67 and 68 two and three authored articles in *MKS*. There was a 7-authored article in *JMR*, the highest number in the last five years in any of these journals. Gender compositions of first-authors in two and three authored articles revealed the following.

1. For dual-authored articles, *JCR* had the highest percentage of female first-authors (57.6%) followed by *JM* (47.83%) and *JMR* (42.86%). The lowest was in *MKS* (17.91%).
2. For triple-authored articles, the pattern of percentages was similar, with *JM* and *JMR* swapping places because of a slight difference in favor of *JMR*. *JCR* had 40.79% female first-authors, *JMR* had 34.83%, and *JM* had 34.43%. *MKS* had the least percentage of female first authors for triple-authored articles (11.76%).

First Author Gender and Number of Authors on an Article by Journal



Next, we looked at the gender composition of all authors, regardless of their position in the listing of authorship on an article using a fractional authorship approach. We did the following for each journal.

1. Classified articles based on the number of authors on it.
2. Determined the gender of each author on an article.
3. Aggregated the number of males and females for all single and multi-authored articles and then determined percentages. (For example, 329 dual authored articles resulted in gender information for 658 individuals and the percentage of females was computed using that.)

Figure 6 provides this information for all journals together. The percentage of females ranged from 21.43% for the two 7-authored articles to 37.39% for dual-authored articles. It was over 30% only one other time, for 5-authored articles. Figure 7 provides a breakdown of these by journal. Information on aggregate number of males and females, *n*, is also provided.

1. The percentage of single-authored articles written by females was highest (50%) in *JMR*. It must be noted that there were only 6 single authored articles in *JMR*. This percentage was 26.67% in *JCR* and 23.08% in *JM*. It was the lowest in *MKS* (18.75%).
2. Proportion of females among all dual-authored articles was highest in *JCR* (50.4%). This number was 40.22% in *JM*, 34.07% in *JMR*, and 15.67% in *MKS*.
3. Proportion of females in *JCR* for triple-authored articles was 39.9% and it improved as the number of coauthors increase beyond that. It was at 50% when there were 5 coauthors

Gender Composition and Number of Coauthors

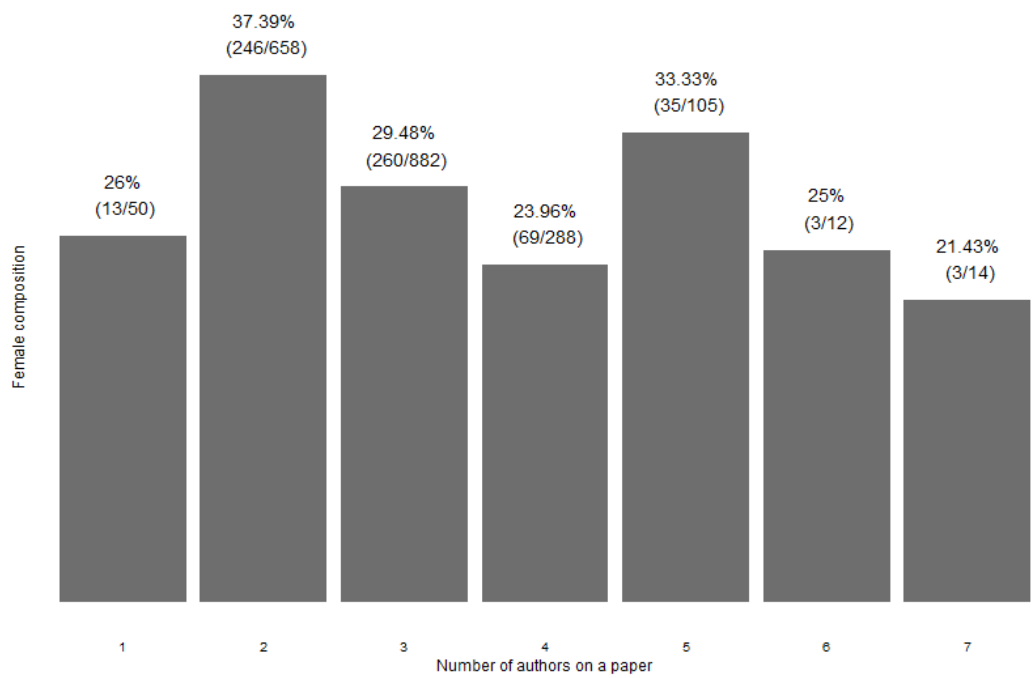
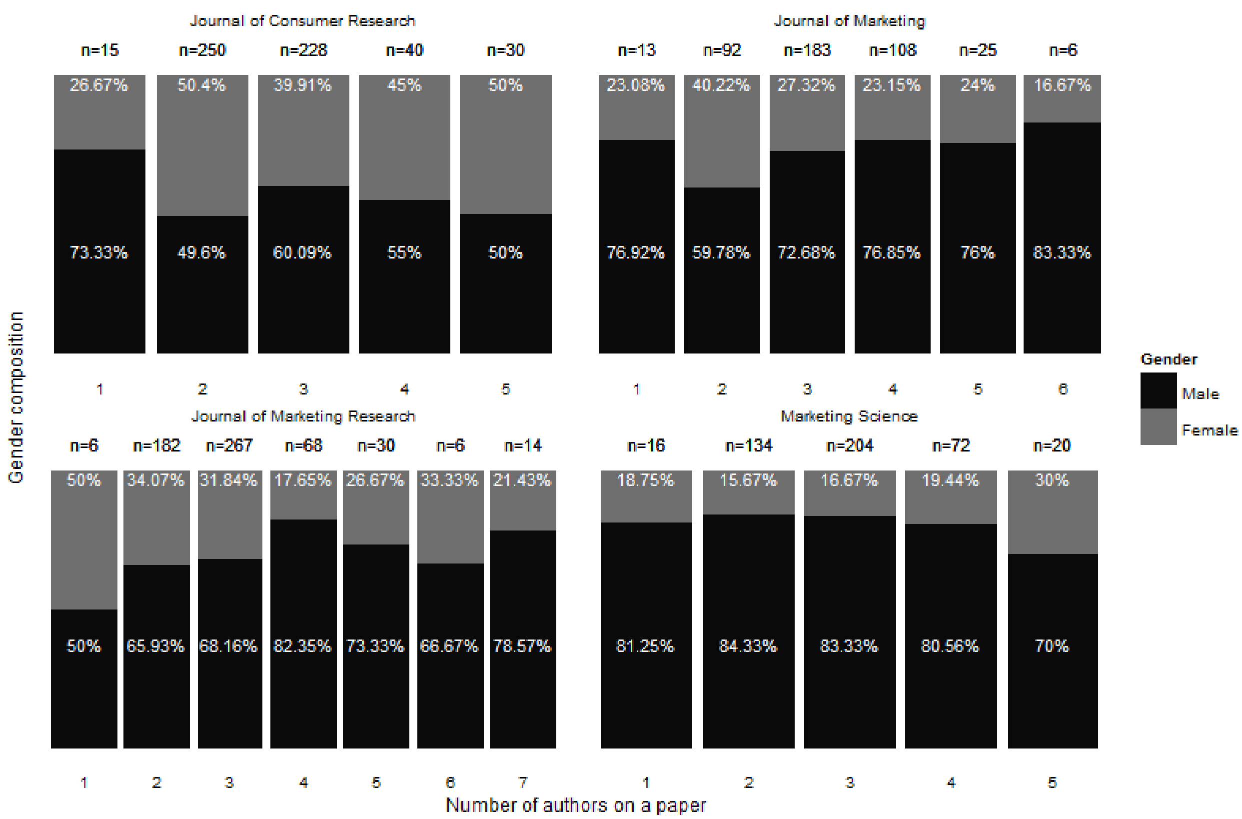


Figure 7: Gender Composition and Number of Coauthors



4. Proportion of females in *JM* for triple authored articles was 27.32%, dropped down to 23.15% for 4-authored articles, 24% for 5-authored articles, and lastly, there was 1 female in the lone 6-authored article.
5. In *JMR*, the percentage of females began at a high of 50% and then dropped to a low of 17.65% for four-authored articles. It improved slightly beyond that.
6. Proportion of females in *MKS* was 18.75% (single-authored articles), 15.67% (dual authored articles), 16.67% (3-authored articles), 19.44% (4-authored articles) and 30% (for 5-authored articles).

JCR had the highest percentage of female authors and *MKS* the least. *JMR* had a slightly better percentage of female authors than *JM*.

Next, we looked at the topics women worked on, in comparison to men. In order to do this, we classified articles based on the proportion of female authorship. Articles where the proportion of female authors was over .5 were labeled as being those having a female slant and articles where the proportion of female authors was under .5 were labeled having a male slant. There were 160 articles where females had a proportion greater than .5 and 470 articles where the proportions were less than .5. Panel A of table 2 provides information on the percentage of articles in a journal that had a particular slant (male majority versus female majority, versus equal). For example, of all articles published in *MKS*, 80.35% had a male slant, 11.56% had an equal slant, and 8.09% had a female slant. In contrast, of all articles published in *JCR*, 43.97% had a male slant, 23.71% had an equal slant, and 32.33% had a female slant. Panel B provides information on the composition of journal articles with a particular slant. This suggests that *JCR* and *JM*, each, published 21.7% of all articles with a male slant and the highest percentage of these articles, 29.57%, was published in *MKS*. It also suggests that 46.88% of all articles with a female slant were published in *JCR*. Note that there were 232 articles published in *JCR*, 153 in *JM*, 212 in *JMR*, and 173 in *MKS*.

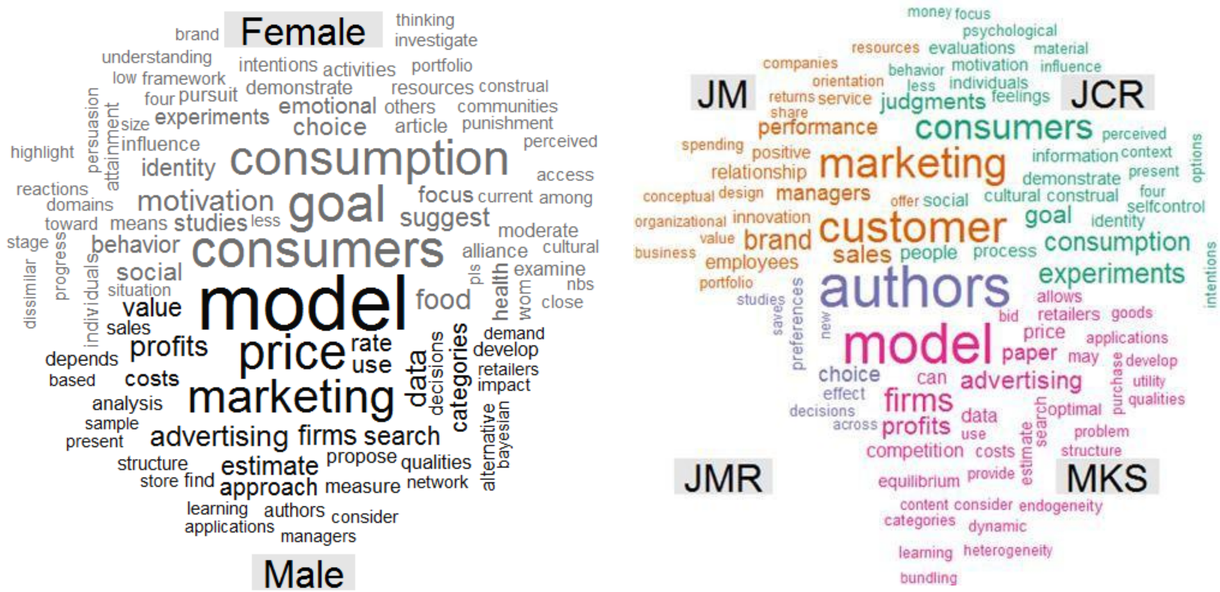
Table 2: Gender Slant

Journal	Panel A: Gender Slant Across Journals			Panel B: Journals Across Gender Slant		
	Equal	Female	Male	Equal	Female	Male
JCR	23.71%	32.33%	43.97%	39.29%	46.88%	21.70%
JM	16.34%	16.99%	66.67%	17.86%	16.25%	21.70%
JMR	18.87%	21.23%	59.91%	28.57%	28.13%	27.02%
MKS	11.56%	8.09%	80.35%	14.29%	8.75%	29.57%

To compare articles with a male slant with articles with a female slant, we dropped articles with an equal slant. We then collected textual material from the abstracts of the remaining articles and visualized them. This was similar to the efforts of Huber et al. (2014), in which they used text mining of abstracts of *JMR*. In contrast to Mela et al. (2013), who used word clouds to study keywords in *MKS*, we used comparison word clouds (Fellows 2014). These permitted a more effective visual discernment of contrasts between different types of textual material. We did this twice, once to contrast between gender preferences for topics, and the second, to contrast abstracts between different journals. In our second comparative word cloud, we compared abstracts of all articles by journal (including those with an "equal" slant). We display the top 100 terms in these comparison word clouds in figure 8. Please note that terms belonging to a particular group have the same color. Within a cloud, the size of a word was a function of the frequency with which that word was used in that source (in contrast to the others).

Figure 8: Comparison Word clouds between Gender and between Journals

(a) Panel A: Gender Comparison (b) Panel B: Journals Comparison



Based on panel A of figure 8, we conclude that articles with a higher female proportion generally dealt with topics related to consumer behavior, whereas, articles with a lower female proportion generally used modeling tools to answer questions. Panel B of figure 8 suggests that *JCR* and *MKS* offered the sharpest contrast between the topics of preference of females and males. These classifications are consistent with the descriptions of these journals advanced by Huber (2007). The terms displayed were limited for *JMR* because they did not have any terms that were unique to that journal, possibly reflecting its ability to integrate well with many themes.

DISCUSSION AND DIRECTIONS FOR FURTHER RESEARCH

Using data of publication activity between 2009 and 2013 (5 years) in *JM*, *JMR*, *JCR*, and *MKS*, we studied the relationship between gender of an author and their publication activity in these journals. We found that 32.52% of all authors who published in the four journals were females. This ranged from 19.46% in *MKS* to 45.63% in *JCR*, while *JM* and *JMR* had 29.75% and 31.9%, respectively. In contrast, as table 1 indicated, the percentage of female doctorate recipients in marketing between 2004 and 2013 ranged from a low of 37.59% to a high of 53.06% (National Science Foundation 2015). Thus, the percentage of female authors in 3 of the 4 journals was below the range of percentage of female doctorate recipients.

The distribution of number of publications by authors indicated that the percentage of female authors was generally lower than 35% for authors with any number of articles published in these journals. When distributions were examined by journal, *JCR* had the highest percentage of females publishing multiple articles in contrast to *MKS*, which had the lowest percentage of females publishing multiple articles. *JM* and *JMR* had intermediate levels of females publishing multiple articles. 26% of single-authored articles had a female author. For the more popular 2- and 3-authored articles, the percentages of female first-authors were 44.07% and 30.95%, respectively. In multiple authored articles, *JCR* had a higher percentage of female first-authors than *MKS*, which has the lowest percentage of female first-authors of any other journal. The percentage of females on the authorship listing of multiple-authored articles in any position ranges from a low of 21.43% (3 females among 14 authors in two 7-authored articles) to 37.39% in dual-authored articles. Yet again, the percentages were the highest in *JCR* (but lower than 50% in most instances) and lowest in *MKS* (generally under 20%).

A comparison of abstracts using text mining done in this paper revealed that when the proportion of females on an article was greater than .5, the themes of the article generally fit in better with the foci of *JCR*. When the proportion of females on an article was less than .5, the themes fit in better with the foci of *MKS*. To the extent Huber (2007)'s prescience that these four journals were likely moving towards the center by breaking down the silos of topics published in them was true, we expect a gravitation of these percentages across different journals towards the center, perhaps to the percentages we currently observe with *JM* and *JMR*. The percentages for female authors, for almost all variables we studied were unsatisfactory. The differences between journals were also stark, with *JCR* clearly emerging as a favorite venue for female authors. *MKS* had the least. Why these occur has not been explored in this paper. Our text-mining of abstracts indicated that there may be a self-selection occurring where female authors focused on topics more germane to being published in *JCR*. Thus, it is possible that if a different mix of journals was taken, perhaps one that included consumer-behavior related journals such as the *Journal of Consumer Psychology*, we might find a higher percentage of females represented in the authorship in them.

Multiple additional explanations, which can be derived from research in other disciplines, could account for the gender disparity we observe. However, these need further exploration in the context of marketing scholarship. A meta-analysis on gender and science research published by the European Commission suggests that focus of studies on gender differences in academics has typically been on the choice of study made by males and females, the family and career demands of early academic life, and career-advancement issues (Caprile et al. 2012). Nature (2013) suggests that issues of child-care, which may be a factor that blocks careers of many women may be more easily fixed in contrast to other issues that may be affecting this issue. Milkman et al. (2014), for example, finds that there may biases against women (and minorities) at the recruitment stages of doctoral programs, especially in higher paying fields, such as Business. Sheltzer & Smith (2014) found that in the field of biomedicine, male faculty, on average, trained fewer female scientists and that this discrepancy was higher for "elite" male faculty with a distinguished funding and/or research record. Moss-Racusin et al. (2012) suggest that this gender bias may not be specific to male faculty. In their study involving the hiring of laboratory manager's position, they found that female and male faculty were equally likely to offer a higher starting salary and more career mentoring to a male applicant. Shen (2013) reports that female scientists and engineers in academia faced discrimination, unequal pay and funding disparities. That a potentially hostile environment exists for female faculty in business schools has also been discussed in the *Wall Street Journal* (Korn 2014) and *Bloomberg Businessweek* (Damast 2011).

Our study is the first to document the presence of gender disparity in publication activity at the top 4 marketing journals. More research, however, is needed in order to determine whether this disparity is present in other journals and across different time periods. We are also hopeful that subsequent research will shed more light on the potential explanations for the disparity we observe.

REFERENCES

Baumgartner H. & R. Pieters (2003). The Structural Influence of Marketing Journals: A Citation Analysis of the Discipline and its Subareas Over Time. *Journal of Marketing*, 67(2), 123–39.

Brown, J. (2015, March). *Business School Faculty: Focusing on Gender Reported for Full-Time Faculty*. Retrieved April 7, 2015, from http://enewsline.aacsb.edu/business-school-faculty-focusing-on-gender-reported-for-full-time-faculty.asp.

Caprile, M., E. Addis, C. Castano, F. Sagebiel, L. Schiebinger, N. Valles, S. Vazquez-Cupeiro, I. Klinge, M. Larios, D. Meulders, J. Muller, S. O'Dorchai, M. Palasik, R. Plasman & S. Roivas (2012). *Meta-analysis of Gender and Science Research*: *Synthesis Report,* Publications Office of the European Union.

Chintagunta, P., D. Hanssens, J.R. Hauser, J.S. Raju, K. Srinivasan & R. Staelin (2013). Editorial-Marketing Science: A Strategic Review. *Marketing Science*, 32(1) 4–7.

Damast, A. (2011, August 8). *For Female Faculty, a B-School Glass Ceiling.* Retrieved April 7, 2015, from http://www.businessweek.com/business-schools/for-female-faculty-a-bschool-glass-ceiling-08082011.html.

Engers, M., J.S. Gans, S. Grant & S.P. King (1999). First-author Conditions. *Journal of Political Economy,* 107(4), 859–83.

Fellows, I. (2014). *wordcloud: Word Clouds*, URL: http://CRAN.Rproject.org/package=wordcloud. R package version 2.5.

Huber, J. (2007). Journal of Marketing Research in the New Competitive Journalistic Environment. *Journal of Marketing Research,* 44(1), 1–3.

Huber, J., W. Kamakura & C.F. Mela (2014). A Topical History of *JMR*. *Journal of Marketing Research,* 51(1), 84–91.

Ingo, F., H. Kurt & M. David (2008). Text Mining Infrastructure in R. *Journal of Statistical Software,* 25(5).

Korn, M. (2014, June 4). *Gender Bias Alleged at UCLA's Anderson Business School.* Retrieved April 7, 2015, from http://www.wsj.com/articles/gender-bias-alleged-at-uclas-anderson-business-school-1401924672.

Laband, D.N & R.D Tollison (2000). Intellectual Collaboration. *Journal of Political Economy*, 108(3), 632–62.

Larivière, V, C. Ni, Y. Gingras, B. Cronin & C.R. Sugimoto (2013). Bibliometrics: Global gender disparities in science. *Nature,* 504(7479), 211–13.

Maliniak, D., R. Powers & B.F. Walter (2013). The Gender Citation Gap in International Relations. *International Organization*, 67(04), 889–922.

Mela, C.F., J. Roos & Y. Deng (2013) "A Keyword History of Marketing Science. *Marketing Science,* 32(1), 8–18.

Milkman, K.L., M. Akinola & D. Chugh (2014). What Happens Before? A Field Experiment Exploring How Pay and Representation Differentially Shape Bias on the Pathway into Organizations. Available at *SSRN URL*: http://ssrn.com/abstract=2063742.

Mittal, V., L. Feick & F. Murshed F (2008). Publish and Prosper: The Financial Impact of Publishing by Marketing Faculty. *Marketing Science,* 27(3), 430–42.

Moss-Racusin, C.A., J.F. Dovidio, V.L. Brescoll, M.J. Graham & J. Handelsman (2012). Science Faculty's Subtle Gender Biases Favor Male Students" *Proceedings of the National Academy of Sciences,* 109(41), 16474–79.

National Science Foundation. (2015). *S&E Doctorate Awards.* Retrieved April 7, 2015, from http://www.nsf.gov/statistics/doctorates/.

Nature (2012), Nature's sexism [Editorial]. *Nature,* 491(7425), 495.

Nature (2013), Science for all [Editorial]. *Nature,* 495(7439), 5.

Pan, Y. & J.Q. Zhang (2014). The Composition of the Editorial Boards of General Marketing Journals. *Journal of Marketing Education,* 36(1), 33-44.

R Core Team (2014). *R: A Language and Environment for Statistical Computing. R Foundation for Statistical Computing*, Vienna, Austria. URL http://www.R-project.org/.

Seiler, V.L, T.H. Reisenwitz & J.A. Schibrowsky (2011). Examining Marketing Journals' Publication Process and Reviewer Practices. *Marketing Education Review,* 21(3), 251-74.

Sheltzer, J.M. & J.C. Smith (2014). Elite Male Faculty in the Life Sciences Employ Fewer Women. *Proceedings of the National Academy of Sciences,* 111(28), 10107–12.

Shen, H. (2013). Mind the Gender Gap. *Nature,* 495(7439), 22–24.

West, J.D., J. Jacquet, M.M. King, S.J. Correll & C.T. Bergstrom (2013). The Role of Gender in Scholarly Authorship. *PloS One,* 8(7), e66212.

Wickham, H. (2007). Reshaping data with the reshape package. *Journal of Statistical Software,* 21(12) 1–20.

Wickham, H. (2009). *ggplot2: Elegant Graphics for Data Analysis*. Springer:New York.

Wickham, H. (2012). stringr: Make It Easier to Work With Strings. *URL http://CRAN.R-project.org/package=stringr*. R package version 0.6.2.

Wickham, H. (2014) "scales: Scale Functions for Graphics. *URL http://CRAN.R-project.org/package=scales*. R package version 0.2.4.

Wickham, H. & R. Francois (2014). dplyr: A Grammar of Data Manipulation. *URL http://CRAN.R-project.org/package=dplyr.* R package version 0.2.

APPLICATION OF SOCIAL MEDIA TYPES IN THE SALES PROCESS

Barbara A. Schuldt, Southeastern Louisiana University
Jeff W. Totten, McNeese State University

ABSTRACT

The purpose of this exploratory study was to measure to what extent salespeople have integrated social media types (LinkedIn™, Twitter™, etc.) in the various steps or stages of the personal selling/sales process. Using a table developed by Andzulis, et al. (2012), a questionnaire was developed based on the table, pretested and revised. It was loaded on Google Forms™ and the URL was included in an e-mail message sent to former students, who were asked to send it on to other salespeople they knew, thus creating a snowball sample.

This study looked at the social media activity in a small geographic region to ascertain the utilization of various social media applications throughout the sales process. While this study has limitations based on the length of the questionnaire, the sample size and the geographic region of the participant pool, the results tend to support what other researchers in this area have reported.

It appears that there is greater use of social media networks in the earlier stages of the selling process than in the latter stages. The focus seemed to be on monitoring customer comments, both positive and negative, and sharing company news (successes and community involvement). Several significant results at α ≤ .10 were identified for the basic demographic variables. More significant results were identified by social media network used and by type of customer/market served. However, given the nonprobability method and low response rate, the above findings cannot be relied upon. Further research is thus warranted.

INTRODUCTION

Today companies "are using social approaches not only to communicate better with their customers, but also to share knowledge with their suppliers, business partners and, perhaps most important, their employees" (Cortada, Lesser & Korsten, 2012, p. 1). According to Schultz, Schwepker, Jr. & Good (2012, p. 179), "Gaining technology acceptance by salespeople is critical in modern organizations. Sales technology is an integral tool for enhancing customer-related information management." Metz and Hemmann (2011) argued that social media would be a critical tool for salespeople to use in building relationships with clients. Saxena and Saxena (2013) "propose a strategic approach to social media use in sales call" (p. 145). Andzulis, et al. (2012) discussed the use of social media in marketing and sales. They argued that "social media, when properly adopted, makes the concept of transactional marketing obsolete. By definition, there is now a relationship" (Andzulis, et al., 2012, p. 310). The authors also assert that "every step of the sales process (. . .) now has a role to play in social media" and looked at "how social media could influence every step" (Andzulis, et al., 2012, p. 311). Andzulis, et al. (2012) then discussed potential roles that social media might play in the steps as listed in their Table 1 (p.

312). Based on this table, the purpose of this exploratory study was to measure to what extent salespeople have integrated social media types (LinkedIn™, Twitter™, etc.) in the various steps or stages of the personal selling/sales process.

LITERATURE REVIEW

Moore, Hopkins and Raymond (2013, p. 51) noted that "Relatively little research has appeared in the selling and sales management literature that focuses specifically on social media while these technologies are becoming more omnipresent." They also provided a very good summary of social media history and current usage (see pp. 53-59). In their extensive study of social media usage by both B2B and B2C salespeople, with regard to use in stages of the selling process, they concluded that "Salespeople appear to use these technologies most for prospecting and making the initial contact and then for post-sale follow-up" (Moore, Hopkins & Raymond, 2013, p. 67). They also found that "A greater proportion of B2B salespeople utilize professional networking sites (i.e., LinkedIn) as opposed to B2C salespeople who tended to use social networking sites (i.e., Facebook and Myspace)" and "B2B salespeople utilized relationship-oriented social media significantly more often for prospecting, handling objections, and follow-up and after sales service" (p. 69).

Schultz, Schwepker, Jr. and Good (2012, p. 176) assessed "a model of important B2B sales relationships regarding the impact of social media usage on sales outcome performance." The authors looked at the impact of age, social media norms and customer-oriented selling on B2B salespeople's use of social media, and the impact of that usage on performance. They found a negative relationship between age and social media usage, and greater salesperson use of social media when there's usage by supervisors, customers, competitors and colleagues. A positive relationship was also found between social media usage and higher sales outcomes (p. 185).

Rapp, et al. (2013) studied the interaction of supplier salespeople's use of social media and retailers' usage and, consequently, retail customers' usage. They found that the more social media is utilized by supplier salesperson, the more social media usage by the retailer occurs, and this relationship effect is passed on to consumers' usage of social media. These relationships are affected by brand and/or retailer reputation and customer-orientation of the supplier as well as the retailer (Rapp, et al., 2013, p. 558).

In an IBM study of over 1,100 businesses, IBM found that "the number of companies expecting to use social approaches to generate sales leads and revenue will increase dramatically" (Cortada, Lesser & Korsten, 2012, p. 4). Based on 599 responses, lead generation social business use will grow from 51% to 74% by 2014 or 2015, and post-sales support usage will grow from 46% to 69% over the same time frame. Actual use of social business to sell directly to customers will grow from 35% to 61% (Cortada, Lesser & Korsten, 2012, Figure 3, p. 4).

Ferrell and Ferrell (2012) studied the use of social media in the direct selling industry. They found that the top three most used social networks were Facebook, YouTube and Twitter. Giamanco and Gregoire (2012, p. 4) reported that "most sales managers are proving slow to recognize social media's potential. In a recent survey of B2B marketers by *BtoB* magazine, only 5% said that social media marketing was a "fairly mature and well optimized" part of their mix.

A clear majority (58%) admitted to being "in early stages," and 17% said they didn't use social media at all. In a study from Drake University's Fuqua School of Business and the American Marketing Association (Liyakasa, 2013, p. 23) the percent of the marketing budget spent on social media is expected to "more than double by 2018."

In an article by Aphrodite Brinsmead in Customer Relationship Management (Brinsmead 2013, p. 11) a five-step approach to getting a successful social customer service strategy was presented. This included: 1) understand your customer, 2) define internal ownership, 3) select the most relevant tools, 4) categorize, route, and respond to queries, and 5) link social media with traditional channels." In selecting appropriate tools she stated that "Facebook and Twitter are the most obvious social sites for B2C communications" (p. 11).

A social media application, Pinterest, was not specifically addressed in this study. However, in an article by Brian Honigman (2013), "this year Pinterest drove 41 percent of social media traffic to e-commerce sites, while the average shopper referred from the network spent between $140 to $180 as compared to $60 to $80 spent by users from Facebook." The community style site Polyvore and Instagram are generating higher average sales when compared to Facebook, Pinterest, and Twitter (Macdonald, 2014).

According to PewResearch "as of September 2013, 73% of online adults use social networking sites" (Pew, 2013). From the current data and the trend to have the "Internet of Things (IoT)" will be changing the quantity and quality of data available online. IoT will have imbedded technology in all items from the pavement on our highways to the toaster in your kitchen. We are already seeing a trend of fitness bands that capture and transmit health data. Access to this data could be used by marketers to target specific groups that need or would be interested in specific fitness apps/tools/drinks/etc. (Ferber, 2013).

The social media apps discussed above along with the growth potential in online communities demonstrates the challenge marketers, including salespeople, and researchers have in keeping up with what is trending in social media. It is relatively easy for tech savvy individuals to find a niche that meets the social needs of the going online communities.

METHODOLOGY

A questionnaire was developed based on Andzulis, et al. (2012)'s Table 1 (p. 312). The first question asked participants about which social media types/networks they were professional involved with on a weekly basis. Respondents were then asked to indicate how many years they have been employed in the sales field. Andzulis, et al. (2012) had six stages in the selling process described with various social media applications. Using standard Likert five-point scale terms (strongly agree to strongly disagree), the authors developed eight examples/statements for stage 1, six statements for stage 2, four each for stages 3, 4 & 6, and five for stage 5 (see Table 1 for examples). Demographic questions involving number of full-time salespeople employed, industry types served (Manufacturing, Service, etc.), region served (local, state, etc.), and firm's annual sales range.

TABLE 1: EXAMPLES/STATEMENTS FROM THE QUESTIONNAIRE	
STAGE IN THE SELLING	**EXAMPLE/STATEMENT**
Understanding the Customer	Our company has established a Twitter presence.
Approaching the Customer	Our company runs promotional giveaways or contests on Facebook.
Needs Discovery	Our company asked our social media fans to vote on product or logo changes.
Presentation	YouTube is used to provide information or training to our customers.
Closing the Sale	Our company uses blogs or LinkedIn to resolve complaints from unhappy clients.
Service and Follow-up	Our company asks for referrals from Facebook and LinkedIn customers.

The questionnaire was pretested using 10 former students of one of the co-authors who were now employed in the sales arena of the business world. The ten former students were contacted through LinkedIn™ "connections" and asked to complete the survey, which was sent to them via e-mail as an attached Word™ file on July 20, 2013. Six out of ten students responded with answers to the questionnaire and suggested changes. Changes included making the stage identification consistent (step 1, step 2, etc.) and adding a question at the end, asking the respondent to identify whether his/her answer applied to the entire company or just to current location and/or local branch. The revised questionnaire was loaded as an online survey onto Google Forms™ and an URL was created. The IRB proposal was approved before the pretest was conducted. The ten students were asked to pass along the revised survey to people in sales they knew. In addition, other former students who were in sales were contacted through LinkedIn™ "connections" and asked to complete the survey. These additional former students were also asked to pass along the survey to other salespeople they knew. The sampling method is a non-probability method known as a snowball sample. We had hoped to reach at least 300 salespeople in this manner. However, it quickly became evident that the snowball sample procedure was not working. One author then combed through his LinkedIn™ "connections" for business people to send the survey to, asking them to pass the questionnaire link on to salespeople they knew. By September 30th, only 46 questionnaires had been received. One author began randomly connecting with salespeople around the U.S.A. via LinkedIn™ and then following up the connection with a request to complete the survey. He also posted the URL link on his LinkedIn™ page. Data collection remained open for the rest of the fall semester.

RESULTS

Respondent Profile

A total of 57 questionnaires were completed by the end of December, 2013. The top three social media types/networks used by the respondents were LinkedIn™ with 46, Facebook™ with 42, and Twitter™ with 21 responses (check all that apply question). The mean number of years in sales that was reported equaled 11.56 years with a standard deviation of 10.313 years. The median was nine years and a bi-modal situation resulted (two years or 10 years). Eighteen respondents (18/55, 32.7%) reported that less than five full-time salespeople were employed by their firm whereas 15 (27.3%) reported five to 15 employed and 14 (25.5%) said that over 100 salespeople were employed. Salespeople responded that their firms served services (43 checked this one), retail/wholesale (20), and manufacturing (14). Over a third (20/55, 36.4%) checked that their firm served a local area/region. Sixteen (29.1%) indicated that their firms served the global marketplace. Over forty-four percent (23/52) indicated that annual sales were $10 million or more. Finally, three in five (35/55) checked that they were answering for their entire company.

For analysis purposes, three variables (years in sales, number of full-time salespeople, and annual sales) were recoded into fewer categories. Some significant differences were observed among the demographic variables. Those with four to 12 years in sales tended to check that they use Twitter™ versus those with more sales experience ($\chi^2 = 6.341$, df = 2, p = .042). Companies earning $1 million to $9.99 million tended to check Twitter™ versus those earning $10 million or more ($\chi^2 = 5.079$, df = 2, p = .079, cell size problem <20%). There were some significant differences between annual sales and number of full-time salespeople employed and region served (local vs. national/global) as one would expect; these relationships did have large cell size problems. There were also some marginally significant differences with regard to use of social media networks and different types of markets (services, government, etc.); however, these also suffered from large cell size problems and were not reported.

Overview of Results

Descriptive statistics for the 31 examples in the six stages of the selling process are provided in Table 2A-E below [note: example statements are used in more than one table and denoted by an asterisk]. A response of "5" means the person "strongly agreed" with the example. It appears that there is greater use of social media networks in the earlier stages of the selling process than in the latter stages. The focus seemed to be on monitoring customer comments, both positive and negative, and sharing company news (successes and community involvement).

TABLE 2A:DESCRIPTIVE STATISTICS FOR THE 31 SALES STAGES EXAMPLES USING LINKEDIN

EXAMPLE/STATEMENT	MEAN	S.D.	MD.	MO.	N
Salespeople in my company have joined LinkedIn or other SM groups.*	4.53	0.684	5.0	5.0	57
LinkedIn surveys are used to prompt industry discussion of topics.	2.59	1.037	3.0	3.0	54
Our company uses blogs or LinkedIn to resolve complaints from unhappy clients.*	2.49	1.102	2.0	3.0	51
Our company shares success stories on LinkedIn or Facebook in an effort to overcome objections.*	3.55	1.331	4.0	4.0	51
Our company asks for referrals from Facebook & LinkedIn customers.*	3.00	1.386	3.0	4.0	52

TABLE 2B: DESCRIPTIVE STATISTICS FOR THE 31 SALES STAGES EXAMPLES USING FACEBOOK					
EXAMPLE/STATEMENT	**MEAN**	**S.D.**	**MD.**	**MO.**	**N**
Our company regularly posts news stories on Facebook.	3.93	1.291	4.0	5.0	56
Our company recruits participants for new-product testing through Facebook promotions.	3.00	1.252	3.0	3.0	52
Our company runs promotional giveaways or contests on Facebook.	3.10	1.345	3.0	4.0	51
Our company shares success stories via Facebook and/or other SM.	4.04	1.201	4.0	5.0	55
Our company uses Twitter or Facebook to drive clients to sales channels.*	3.39	1.379	4.0	4.0	54
Our company shares success stories on LinkedIn or Facebook in an effort to overcome objections.*	3.55	1.331	4.0	4.0	51
On Facebook our company offers promotions/rewards to customers for their referrals.	2.55	1.286	3.0	3.0	51
Our company asks for referrals from Facebook & LinkedIn customers.*	3.00	1.386	3.0	4.0	52

TABLE 2C: DESCRIPTIVE STATISTICS FOR THE 31 SALES STAGES EXAMPLES USING TWITTER					
EXAMPLE/STATEMENT	**MEAN**	**S.D.**	**MD.**	**MO.**	**N**
Our company has established a Twitter presence.	3.36	1.331	4.0	4.0	53
Our company tweets about results and innovations.	3.31	1.257	4.0	4.0	51
Our company uses Twitter to solicit customer feedback about its products.	2.68	1.220	3.0	3.0	50
Our company uses Twitter to offer price deals, coupons and other sales promotions.	2.46	1.148	2.0	3.0	48
Our company uses Twitter or Facebook to drive clients to sales channels.*	3.39	1.379	4.0	4.0	54
Our company offers special incentives (e.g., sports tickets) to VIP clients via Tweets.	2.31	1.068	2.0	2.0	51
Our company follows our customers on Twitter and mines their fans for prospects.	2.84	1.347	3.0	3.0	51
Our company announces sales goals, product successes, etc. via Tweets.	2.88	1.395	3.0	4.0	52

TABLE 2D DESCRIPTIVE STATISTICS FOR THE 31 SALES STAGES EXAMPLES USING BLOGS#					
EXAMPLE/STATEMENT	**MEAN**	**S.D.**	**MD.**	**MO.**	**N**
Our company maintains a blog for each of our products.	3.04	1.311	3.0	4.0	51
Our company monitors those blogs and provides feedback.	3.10	1.325	3.0	4.0	48
Our company creates blog posts that are intended to prompt discussion/debate.	2.66	1.189	3.0	3.0	50
Our company uses blogs or LinkedIn to resolve complaints from unhappy clients.*	2.49	1.102	2.0	3.0	51
Our company is using blogs to address specific issues raised during the negotiation process.	2.43	1.193	2.0	3.0	47

#Blogs would also include Tumblr™ a microblogging app

TABLE 2E: DESCRIPTIVE STATISTICS FOR THE 31 SALES STAGES EXAMPLES USING SOCIAL MEDIA IN GENERAL (INCLUDING YOUTUBE)					
EXAMPLE/STATEMENT	MEAN	S.D.	MD.	MO.	N
Salespeople in my company have joined LinkedIn or other SM groups.*	4.53	0.684	5.0	5.0	57
Salespeople in my company have participated in such SM groups.	4.32	0.956	5.0	5.0	56
Our company actively monitors customer comments in various SM forums.	4.11	1.149	5.0	5.0	55
Our company monitors social media to counter bad publicity.	3.93	1.226	4.0	5.0	54
Our company uses customer comments to understand their buying behavior.	3.82	1.188	4.0	4.0	55
Our company shares stories of its community involvement via SM.	4.17	1.145	5.0	5.0	54
Our company created an app to request product/service ideas from customers.	2.67	1.449	2.0	1,2	49
Our company asked our SM fans to vote on product or logo changes.	2.43	1.300	2.0	1.0	51
Our company uses SM to collaborate with our customers on campaigns.	3.28	1.231	4.0	4.0	53
Our company shares success stories via Facebook and/or other SM.*	4.04	1.201	4.0	5.0	55
You Tube is used to provide information or training to our customers.	3.02	1.334	3.0	4.0	51

Significant Statistical Results

The dependent variables (statements/examples) were analyzed using independent t tests and analysis of variance. Turning first to consider whether answering for the entire company or just for the local office/branch made a difference; two significant findings ($\alpha \leq .10$) were discovered. Salespeople responding for the entire company tended to agree with “Our company tweets about results and innovations” compared to those answering for the local office/branch (Means 3.66 vs. 2.81, t = 2.448, df = 48, p = .018). On the other hand, salespeople answering for the entire company tended to disagree with “Our company created an app to request product/service ideas from customers” while those at branches were neutral (2.40 vs. 3.11, t = -1.692, df = 47, p = .097).

With regard to number of years in sales, respondents with less than four years of experience tended to disagree with “Our company uses Twitter to offer price deals, coupons and other sales promotions,” while those with four to twelve years of experience neither agreed nor disagreed with this social media sales use (1.93 vs. 2.93, F = 2.971, p = .062). No other significant differences were found for sales experience.

Only one significant difference was identified for the annual sales demographic variable. Companies earning less than one million dollars tended to agree with “Our company shares success stories on LinkedIn or Facebook in an effort to overcome objections,” whereas those earning $10 million or more in sales tended to neither agree nor disagree with this social media sales use (4.08 vs. 3.10, F = 2.436, p = .099).

One significant difference was found for region of the country targeted. Firms who see themselves as serving a global region/market were neutral with regard to “LinkedIn surveys are used to prompt industry discussion of topics,” whereas those firms with a national market focus tended to disagree (3.2 vs. 2.1, F = 2.205, p = .082).

Three significant differences were identified for the firm size in terms of number of full-time employees. Firms with over 100 employees tended to agree with “Our company maintains a blog for each of our products” while those with 16 to 100 employees tended to disagree (3.77 vs. 2.0, F = 3.569, p = .021). Larger firms (over 100 employees) and smaller firms (five to fifteen) leaned towards agreement with "Our company monitors those blogs and provides feedback versus mid-size firms (16 to 100) who tended to disagree (3.54 & 3.54 vs. 2.0, F = 2.862, p = .048). Mid-size firms (16 to 100) tended to disagree with "LinkedIn surveys are used to prompt industry discussion of topics," while larger firms (over 100) were neutral (2.14 vs. 3.23, F = 2.651, p = .059).

Turning to which social media networks were used most often by respondents, numerous significant statistical differences were found regarding the sales process applications.

Facebook

Facebook users tended to agree with the five applications/statements shown in Table 3 versus non-users. Users tended to neither agree nor disagree with eight statements while non-users tended to disagree (Table 3).

TABLE 3:SIGNIFICANT RESULTS RE FACEBOOK

APPICATION	MEAN(User)	MEAN(NU)	t	df	p
Salespeople in my company have participated in such SM groups	4.46	3.93	-1.880	54	.065
Our company regularly posts news stories on Facebook	4.22	3.13	-2.981	54	.004
Our company shares stories of its community involvement via SM (unequal variances)	4.40	3.50	-2.166	16.9	.045
Our company shares success stories via Facebook and/or other SM	4.22	3.53	-1.952	53	.056
Our company uses Twitter or Facebook to drive clients to sales channels	3.59	2.87	-1.759	52	.084
Our company recruits participants for new-product testing through Facebook promotions	3.24	2.36	-2.343	50	.023
Our company runs promotional giveaways or contests on Facebook	3.32	2.46	-2.037	49	.047
Our company uses Twitter to solicit customer feedback about its products	2.92	2.00	-2.454	48	.018
Our company uses Twitter to offer price deals, coupons and other sales promotions	2.67	1.83	-2.273	46	.028
Our company is using blogs to address specific issues raised during the negotiation process	2.63	1.83	-2.062	45	.045
Our company offers special incentives (e.g., sports tickets) to VIP clients via Tweets	2.46	1.83	-1.824	49	.074
Our company follows our customers on Twitter and mines their fans for prospects	3.05	2.23	-1.951	49	.057
Our company asks for referrals from Facebook & LinkedIn customers	3.26	2.23	-2.418	50	.019

Twitter

Ten applications were found to be statistically significant for users of Twitter. Compared to those who didn't use Twitter, salespeople who used Twitter tended to agree with the six applications shown in Table 4. Users of Twitter tended to neither agree nor disagree with four applications while non-users tended to disagree (see Table 4).

TABLE 4: SIGNIFICANT RESULTS RE TWITTER					
APPLICATION	**M(User)**	**M(NU)**	**t**	**df**	**p**
Our company has established a Twitter presence	3.95	2.97	-2.798	51	.007
Our company tweets about results and innovations	3.79	3.03	-2.158	49	.036
Our company runs promotional giveaways or contests on Facebook	3.56	2.85	-1.836	49	.073
Our company shares success stories on LinkedIn or Facebook in an effort to overcome objections (unequal variances)	4.00	3.32	-1.962	43.4	.056
Our company follows our customers on Twitter and mines their fans for prospects	3.56	2.45	-3.005	49	.004
Our company announces sales goals, product successes, etc. via Tweets	3.72	2.44	-3.475	50	.001
Our company uses Twitter to offer price deals, coupons and other sales promotions	3.12	2.10	-3.229	46	.002
Our company uses blogs or LinkedIn to resolve complaints from unhappy clients	2.88	2.29	-1.839	49	.072
Our company offers special incentives (e.g., sports tickets) to VIP clients via Tweets	2.78	2.06	-2.399	49	.020
Our company is using blogs to address specific issues raised during the negotiation process	3.06	2.07	-2.961	45	.005

LinkedIn

Salespeople who did not use LinkedIn strongly agreed with two applications compared with users who tended to agree (see Table 5). Non-users also tended to agree with three other statements whereas users were neutral, as indicated in Table 5.

TABLE 5:SIGNIFICANT RESULTS RE LINKEDIN					
APPLICATION	**M(NON-USER)**	**M(U)**	**t**	**df**	**p**
Our company regularly posts news stories on Facebook (unequal variances)	4.45	3.80	2.245	32.1	.032
Our company monitors social media to counter bad publicity (unequal variances)	4.73	3.72	4.184	45.4	.000
Our company maintains a blog for each of our products	3.80	2.85	2.117	49	.039
Our company uses Twitter or Facebook to drive clients to sales channels	4.00	3.23	1.674	52	.100
Our company uses SM to collaborate with our customers on campaigns (unequal variances)	3.91	3.12	2.481	23.9	.021

Type of Customer/Market

Finally, with respect to type of customer targeted by companies, several significant differences were found for manufacturing, service and retail/wholesale. One significant difference each was identified for government and institutions. Those salespeople whose firms targeted either government or institutional/nonprofit markets agreed with this statement: "Our company has established a Twitter presence" (3.89 vs. 3.21 for government, t = -1.785, df

= 17.01, p = .092, equal variances not assumed; and 4.09 vs.3.13 for institutional, t = -2.176, df = 49, p = .034).

Salespeople in companies who did not serve or target manufacturing customers tended to agree with four applications while those who did serve manufacturers tended to be neutral (Table 6). However, salespeople in firms that did target manufacturers tended to disagree with four other statements, as indicated in Table 6.

TABLE 6: SIGNIFICANT RESULTS RE MANUFACTURING

APPLICATION	M(MANUF)	M(NON-MANUF)	t	df	p
Our company uses customer comments to understand their buying behavior (unequal variances)	2.86	4.23	3.340	15.96	.004
Our company regularly posts news stories on Facebook	3.29	4.20	2.402	53	.020
Our company shares stories of its community involvement via SM	3.62	4.35	2.051	51	.045
Our company shares success stories via Facebook and/or other SM	3.43	4.24	2.276	53	.027
Our company maintains a blog for each of our products	2.50	3.23	1.770	47	.083
Our company monitors those blogs and provides feedback	2.38	3.36	2.326	44	.025
Our company recruits participants for new-product testing through Facebook promotions	2.50	3.18	1.784	50	.080
On Facebook our company offers promotions/rewards to customers for their referrals	2.00	2.74	1.825	49	.074

Salespeople in firms that targeted services-based customers tended to strongly agree with the first two statements shown in Table 7, and tended to agree with the next three applications, also in Table 7. Finally, they tended to neither agree nor disagree with three final statements, whereas those who did not target services-based customers tended to disagree.

TABLE 7: SIGNIFICANT RESULTS RE SERVICES

APPLICATIONS	M(SVC)	M(NON-SVC)	t	df	p
Salespeople in my company have joined LinkedIn or other SM groups	4.65	4.085	-2.659	53	.010
Salespeople in my company have participated in such SM groups	4.50	3.83	-2.317	52	.024
Our company actively monitors customer comments in various SM forums (unequal variances)	4.41	3.25	-2.353	12.6	.036
Our company uses customer comments to understand their buying behavior	4.17	2.83	-3.907	51	.000
Our company uses Twitter or Facebook to drive clients to sales channels	3.58	2.64	-2.091	52	.041
Our company monitors those blogs and provides feedback	3.35	2.33	-2.367	44	.002
Our company creates blog posts that are intended to prompt discussion/debate	2.83	2.00	-2.024	48	.049
Our company asked our SM fans to vote on product or logo changes	2.61	1.70	-2.046	49	.046

Respondents whose firms target retailers and wholesalers tended to strongly agree with two applications: “Our company monitors social media to counter bad publicity (4.53 vs. 3.67, t = -3.042, df = 49.7, p = .004, equal variances not assumed) and “Our company uses SM to collaborate with our customers on campaigns” (3.65 vs. 3.06, t = -1.722, df = 51, p = .091). They agreed with “Our company runs promotional giveaways or contests on Facebook” (3.5 vs. 2.8, t = -1.835, df = 48, p = .073) while neither agreeing nor disagreeing with “On Facebook our company offers promotions/rewards to customers for their referrals” (2.95 vs. 2.31, t = -1.739, df = 49, p = .088).

CONCLUSIONS

This exploratory study looked at the social media activity in a small geographic region to ascertain the utilization of various social media applications throughout the sales process. While this study has limitations based on the length of the questionnaire, the sample size and the geographic region of the participant pool, the results appear to support what other researchers in this area have reported; however, this conclusion is very general and cannot be extrapolated to the population of all salespeople in the USA due to the lack of a random sample. It tentatively appears that most firms have moved into social media in the earlier stages of the selling process, namely, joining social media networks, monitoring activities and customer comments, and sharing positive corporate news (success stories and community social responsibility activities). Most of the significant differences identified seem to relate to type of social network used by the salespeople and/or by type of market their companies served/targeted.

The next step would be to conduct a larger, probability-based sample of salespeople in the USA and perhaps in Canada and Europe. This would enable factor analysis to be used to test the scale items. Based on those findings, a next logical step would be to ask questions about the impact of the organizations’ social media campaigns. It is felt that companies need to have a presence on the internet, as well as, monitoring what is said about the company and its services or products, but little if any research has been done to assess the return on investment for social media activities. The challenge will be to define the return value in terms of increased sales, new customer contacts, minimized bad publicity, etc., as sales managers and their sales force are more and more being held accountable for achieving revenue goals at reasonable costs, including the appropriate use of sales technology (Ingram, et al., 2012, p. 35).

REFERENCES

Andzulis, J.M., N.G. Panagopoulus, & A. Rapp (2012). A review of social media and implications for the sales process. *Journal of Personal Selling & Sales Management*, 32(3), 305-16.

Brinsmead, A. (2013). Create a Successful Social Customer Service Strategy. *Customer Relationship Management*, 17(5), 11.

Cortada, J.W., E. Lesser, & P.J. Korsten (2012). The business of social business. IBM Institute for Business Value, Somers, NY: IMB Global Business Services, November. Retrieved July 29, 2013 from http://ibmsocialbusiness.pdf.

Ferber, S. (2013). How the Internet of Things changes everything. *Harvard Business Review*, May 7, 2013. Retrieved June 4, 2014 from http://blogs.hbr.org/2013/05/how-the-internet-of-things-cha/.

Ferrell, L., & O.C. Ferrell (2012). Redirecting direct selling: High-touch embraces high-tech. *Business Horizons*, 55(3), 273-81.

Giamanco, B.& K. Gregoire (2012). Tweet me, friend me, make me buy. *Harvard Business Review*, 90 (July-August), pp. 1-7. Retrieved June 8, 2014 from Tweet_Me_Friend_Me_Make_Me_Buy.pdf.

Honigman, B. (2013). Social media year in review: 13 must-know statistics from 2013 (Infographic). *Entrepreneur*. Retrieved June 4, 2014 from http://www.entrepreneur.com/article/230488.

Ingram, T.N., R.W. LaForge, R.A. Avila, C.H. Schwepker, Jr., & M.R. Williams (2012). *Sales Management: Analysis and Decision Making (8th edition)*. Armonk, NY: M.E. Sharpe.

Liyakasa, K. (2013). Marketing and sales need social alignment. *Customer Relationship Management*, 17(5), 23.

Macdonald, M. (2014). Most sales? [Infographic]. *Ecommerce Marketing Blog,* Retrieved June 11, 2014 from http://www.shopify.com/blog/12731545-which-social-media-platforms-drive-the-most-sales-infographic.

Moore, J.N., C.D. Hopkins, & M.A. Raymond (2013). Utilization of relationship-oriented social media in the selling process: A comparison of consumer (B2C) and industrial (B2B) salespeople. *Journal of Internet Commerce*, 12(1), 48-75. DOI:10.1080/15332861.2013.763694

Metz, K. & S. Hemmann (2011). Making it work: 5 steps to social media success. *Public Relations Tactics*, 18(10), 14.

Pew Research (2013). Social networking fact sheet. Retrieved June 4, 2014 from http://pewinternet.org/fact-sheets/social-networking-fact-sheet/.

Rapp, A., L.S. Beitelspacher, D. Grewal, & D.E. Hughes (2013). Understanding social media effects across seller, retailer, and consumer interactions. *Journal of the Academy of Marketing Science*, 41, 547-66.

Saxena, N.K. & R. Saxena (2013). Leveraging social media in the world of sales: An untapped potential. *International Journal of Advanced Computer Research*, 3(September), 145-52.

Schultz, R.J., C.H. Schwepker, Jr. & D.J. Good (2012). Social media usage: An investigation of B2B salespeople. *American Journal of Business*, 27(2), 174-94.

THE ROLE OF MUSIC IN MOTION PICTURE ADVERTISING AND THEATRICAL TRAILERS: ALTERING MUSIC TO MODIFY EMOTIONAL RESPONSE AND GENRE EXPECTATIONS

Alexis A. Strobin, University of North Carolina Wilmington
James B. Hunt, University of North Carolina Wilmington
Fredrika J. Spencer, University of North Carolina Wilmington
Tammy G. Hunt, University of North Carolina Wilmington

ABSTRACT

The abundance of theatrical trailers released today is undeniable, and combined with the ability to access and view these creative advertisements on a multitude of platforms, one may wonder about the effectiveness of various elements in trailers. Theatrical trailers are, essentially, advertisements for movies, and they create expectations of what viewers will see in the film product. Music selection plays a vital part in the strategic creation of the trailer, and movie marketers must consider the role and impact music will have on consumers' evaluations and considerations to see the film.

The impact of music in advertising has been widely investigated, with studies ranging from musical congruency and likeability to levels of involvement. Similarly, studies have been conducted examining the functions and importance of music in films. However, none have investigated how these emotions relate to the viewers' perceptions of movie genre. The purpose of this study is to explore emotions evoked by elements of music in a theatrical trailer and investigate potential relationships between the emotions elicited and the movie genre expectations of viewers.

Viewers were exposed to one of four theatrical trailers for the movie, "The Secret Life of Walter Mitty," each with a different musical selection. After viewing, subjects were asked to select relevant feelings/descriptors and which one of nine movie genres best represented the film. Results show a relationship between the emotions elicited from a musical selection and the movie genre expectations of viewers.

This study sheds light on the emotional interpretation of music, an important variable widely employed in advertising and theatrical trailers. Music affected the feelings/descriptors selected and did, in turn, have a significant effect on movie genre perceptions. As the majority of respondents rated music as unimportant, music appears to be a subconscious factor because it did have a significant effect on selection of feelings/descriptors. Music was the only variable manipulated across the four trailer versions, and thus, it is the only explanation for differences in the selection of feelings/descriptors across the trailers. Prior studies have identified how music helps establish the tone of a film and shape ambiguous situations. Such findings go hand-in-hand with the notion that music is a subliminal factor, as music persuades viewers to feel a certain way in various situations yet does so without viewers explicitly realizing it.

INTRODUCTION

The abundance of theatrical trailers released today is undeniable, and combined with the ability to access and view these creative advertisements on a multitude of platforms, one may wonder about the effectiveness of various elements in theatrical trailers, including music. Theatrical trailers are, essentially, advertisement for movies. Yet beyond inducing filmgoers to patronize a particular movie, they also create expectations of what viewers will see in the film product. In this regard, theatrical trailers are not only an advertisement, but also a product sample. Music selection plays a vital part in the strategic creation of the trailer, and movie marketers must consider the role and impact music will have on consumers' evaluations and considerations to ultimately see the film.

The impact of music in advertising has been widely investigated, with studies ranging from musical congruency and likeability to levels of involvement (e.g., Gorn, 1982; Heckler & Childers, 1992; Galan, 2009). Similarly, research has been conducted examining the functions and importance of music in films (e.g., Boltz 2001; Cohen, 2000; Tan, Spackman, & Bezdek, 2007). While studies have analyzed emotions generated by music, none have investigated how those emotions, after viewing a theatrical trailer, relate to the viewer's perception of movie genre. The purpose of this study is, therefore, to explore emotions evoked by elements of music in a theatrical trailer and investigate potential relationships between the emotions elicited from a musical selection and the movie genre expectations of viewers.

LITERATURE REVIEW

Music is used as a stimulus in countless advertisements and retail stores to affect and influence consumers' emotions and purchasing behaviors (Alpert, Alpert & Maltz, 2005). The following review examines emotional impacts of musical elements and, in turn, the significant role music featured in theatrical trailers plays in consumers perceptions of the genre of the film.

Musical Elements and Corresponding Emotions

Based principally on research provided by Cooke (1962) and Zetti (1973), Bruner (1990) has presented a taxonomy that provides a useful layout for the basic components of music and their correlating emotions. Time-related expressions are composed of rhythms and tempos, pitch- related expressions are composed of pitches and modes, and texture-related expressions are composed of various volumes and instruments. Examining theses musical elements is useful in setting an adequate basis for assessing the emotional impact of various musical elements. Exhibit 1 summarizes the research in this area. Overall, tempo, pitch, rhythm, instruments, and mode are elements of music that have varying degrees of emotional interpretations. Each element can be manipulated in order for viewers to relate a particular feeling or emotion.

	Exhibit 1 Musical Elements and Corresponding Emotions	
Musical element	**Emotional influence**	**Study**
Tempo	Fast musical selections are more pleasant and triumphant. Fast tempos create delighted feelings. Slow tempos evoke sentimental, tranquil, and/or solemn feelings.	Gundlach, 1935; Hevner, 1937
Pitch and Rhythm	Music with high pitch is found to be more happy or exciting, while low pitched music is perceived as sad. Smooth rhythm is characterized as animated or brilliant, whereas uneven rhythm is considered to express exaltation	Gundlach, 1935; Hevner, 1937; Rigg, 1940; Watson, 1942; Bruner, 1990; Schellenberg, Krysciak & Campbell, 2000
Instruments / Volume	Brass instruments are characterized as grotesque or triumphant, woodwinds evoke mournful or awkward feelings, piano melodies are interpreted as tranquil or brilliant, and string sounds are characterized as glad.	Gundlach, 1935; Kinnear, 1959; Gerra et al., 1998; Cochrane, Fantini, & Scherer, 2013
Major vs. Minor Mode	The major mode is considered to be a dynamic, upward driving force. It expresses varying degrees of excitement and joy, and sounds clear, bright, strong, happy, and hopeful. In contrast, the minor mode is mournful, dark,	Hevner, 1935; Bruner,1990

Music in Advertising

The role of music in advertising is of interest to marketers and researchers for its ability to influence consumer emotions and purchasing behaviors. Given that emotional influences often override rational ones in low involvement consumer decision making situations, music is a useful persuasion tool. However, it is a complex and poorly understood phenomenon and its effects are debated (Galan, 2009). To effectively use music to an advertisement's advantage, the following concepts should be considered.

Musical Elements and Genre

Musical elements (e.g., tempo, rhythm, pitch) can give rise to various emotions without cognitive processing. The structure of musical elements is directly linked to memorization, and Galan (2009) has concluded that music in a minor mode or played at a fast tempo will contain more information than music in a major mode or played at a slow tempo. The listener's processing resources will then be mobilized by the music to the detriment of the advertisement's central message which will ultimately be less well remembered.

Smith and Curnow (1966) found that shoppers spend significantly less time in stores with loud music compared to soft music. In a study conducted by Milliman (1982), slow tempo instrumental background music was found to greatly slow the in-store traffic flow of supermarket customers. Milliman (1982) also found that when slow tempo instrumental music was played in a diner, customers stayed longer and consumed more alcoholic beverages than when fast tempo instrumental music was played. According to Alpert & Alpert (1990), music produces emotional responses that are predictable from analyzing the selection's musical elements.

Musical Likeability

According to Gorn (1982), positive attitudes toward an advertised product emerge through association with a musical piece from which a positive response is elicited. Gorn (1982) also found that pleasurable music has an impact on the reaction to an advertisement. Alpert &Alpert (1989) have noted that music produces affective responses that can have repercussions on the evaluation of the brand, product, and/or advertisement. They go on to state that music can impact the intention to buy, without cognitive reactions necessarily being involved. These changes are most probable when subjects are in a state of low involvement or in the case of non-informational advertisements.

Studies have shown the more a piece of music is liked and the more positive the attitude toward the advertisement, the more favorable the attitude toward the brand and the greater the intention to buy (Galan, 2009). Furthermore, Stewart & Furse (1986) have found that likeability may improve memorization.

Musical Congruency and Fit

Musical congruency, as defined by Heckler & Childers (1992), is a concept with two dimensions: relevancy and expectancy. Relevancy explains the extent to which the stimulus directly involves the meaning of the advertisement's message and contributes to the message being clearly understood (Galan, 2009). Expectancy explains the extent to which a piece of information is within the predetermined structures elicited by the message's content (Galan, 2009). The greater the fit between the ad's message and the music, the greater is the chance of consumers memorizing the advertisement information (Tom, 1990).

Kellaris, Cox, & Cox (1993) studied the congruency between an advertisement's message and a piece of instrumental music. Their findings show that congruency is directly related to the level of memorization. When congruency is high, memorization is high, and vice versa. Lavack, Thakor, & Bottausci (2008) studied congruency on attitudinal responses to advertising and found when music is congruent with a brand, attitudes tend to be more positive. This is especially true if the message calls for a high level of cognition. Oakes (2007) determined that congruity can be capable of unifying findings obtained by the affective approach. According to Alpert & Alpert (1991), although music does help shape overall meaning, if a musical selection is placed in an inappropriate context, it can distract from message processing. As a result, the music and the ad's intended meaning would not be a good fit.

Types of Involvement

Various studies have found the influence of music to be more positive in cases of low involvement than those of high involvement (Galan, 2009). When involvement is high, music distracts consumers from the core message, leading to dissatisfactory responses to the advertisement. Under high cognitive involvement, Park & Young (1986) found music to be a distraction; under low cognitive involvement they found music was associated with more positive attitudes towards the brand. However, some studies have shown that music in high involvement cases may yield positive responses. Park & Young (1986) concluded it is possible to be involved by an advertisement because it emphasizes the functional performance of the product/brand while also enabling the expression of an ideal or actual self-image. Galan (2009) states that subjects in a state of cognitive involvement are more focused on the functional elements of the message. In this case, unless it is congruent, music will interfere with processing the information because it represents more information to process. In the case of affective involvement, people focus more on the production of the advertisement in order to evaluate it.

MacInnis & Park (1990) conducted studies relating to affective involvement. They found that music that aroused memories which were congruent with the ad's central message created positive ad attitudes. On the other hand, they found that music that aroused memories not congruent with the primary ad message distracted from processing the message and lowered advertising attitudes.

Hierarchy of Musical Presence Model

Alpert & Alpert (1991) created a "hierarchy of musical presence model" designed as a way of summarizing the role music plays in varying presences, from dominant presence to no presence. The more salient the role of music in an advertisement, the more affective-based the advertisement will be, while on the other hand, the less salient role of music in an advertisement, the more cognitive-based it will be.

Overall, the role of music in advertising has been studied by many, as concepts including musical likeability, musical congruency and different types of involvement have been researched extensively. This research may serve as a basis for understanding the role of music in theatrical trailers as trailers are a form of advertising.

Film Music

Film music once relied on "musical clichés" that captured actions and emotions on the screen. The purpose of the film score has now extended beyond such practical functions, evolving into an art form that contributes in multifaceted ways to the cinematic experience (Tan, Spackman, & Bezdek, 2007). Music in films has formed a complex relationship with the visuals, mainly through the use of film music that does not duplicate the content of the film (Kalinak, 1992). Numerous studies have shown that film music can have a strong influence on viewer attitudes toward characters, especially when the images on the screen are open-ended or ambiguous (Tan et al., 2007).

Functions of Film Music

Cohen (2000) identified three functions of film music: first is that music adds meaning, the second is that music aids memory and the third is that music helps suspend belief. Music helps create the meaning of a scene and, as Cohen (2000) discovered using her congruence-association hypothesis, the effect of music is most noticeable when the situation on the screen is ambiguous.

Marshall & Cohen (1988) conducted a study in which they paired geometric shapes from an animated film with music representing either “strong” or “weak” affect. The “weak” music was in a major key with a constant tempo and a high register, while the “strong” music was in a minor key with a slow but increasing tempo and a lower register. The study found that viewers tend to pair stereotypical qualities to the shapes in terms of their appearance (specifically size). However, when the shapes were viewed with either “strong” or “weak” music playing, viewer judgment changed due to the music. For example, Marshall & Cohen (1988) proposed that temporal congruence between the strong music and the movement of the small triangle may have drawn viewers’ attention to the small triangle, whereas under normal viewing conditions attention was drawn to the large triangle.

Emotional Interpretations of Film Music

The notion of how music affects the interpretation of visuals is related to the activation of schema that aids viewers in their perception (Boltz, 2001). Furthermore, the interpretation can be due to temporal congruence (Marshall & Cohen, 1988), mood congruence (Boltz, 2001), and/or semantic congruence (Tan et al., 2007). Tan et al., (2007) discuss schema theory and congruence, and note that a schema serves as an interpretive framework that guides attention to aspects of the visual scene that are consistent with the schema. These aspects are subsequently better remembered than other information. Film music may therefore invoke schema that lead to interpretations of visual content in ways that are consistent, or congruent, with the music. In other words, the viewer’s attention is drawn to aspects of the visual scene that match the soundtrack.

Overall, film music plays multiple functions that help navigate viewer interpretations of scenes, most notably when the situation is ambiguous and open to multiple perceptions. Theories such as schema theory and congruency help explain how music has an effect on the meaning of the content of a film.

Theatrical Trailers

A theatrical trailer is a unique film exhibition in which promotional discourse and narrative pleasure are combined (Kernan, 2004). It provides a glimpse into the world of the film by displaying a series of clips emphasizing a combination of factors that might resonate with viewers, including the plot, actors, and director. According to Finsterwalder, Kuppelwieser & de Villiers (2012), trailers have three specific sections: the first introduces the characters and environment in which the film occurs; the second section suggests some mode of tension or change in storyline; and the third increases the pace of the trailer and generally hints to a potential resolution of the storyline.

Music in Theatrical Trailers

Weber (2013) argues that trailers are a “separate art form and the people who create them are normally choosing the highest caliber of music. Since trailer music needs to be so exciting in order to sell the film, there is a growing fan base of people who appreciate great music and are taking notice of the amazing songs and scores in a trailer.” Emotions such as fear, happiness and sadness can all be conveyed through the use of music, and as such, music is ultimately the driving force of a trailer. Many different considerations exist when deciding what music to use in a theatrical trailer. The following sections detail the processes and components of choosing the right music for a particular trailer.

Selecting Music for Theatrical Trailers

Trailers are typically completed before the film itself is finished. Michael Camp, Managing Partner for Acme Trailer Company, says that normally the “company producing the trailer will discuss internally what kind of music is right for the tone of the trailer, whether it should be instrumental or a song and what the budget is” (Camp, 2013). All trailer production teams nonetheless choose music that is “exciting, driving, sometimes tense and in general attention- grabbing,” says Emily Weber, VP of Music at Position Music (Weber, 2013). Music is an exceptionally important factor of trailers because it can set the tone very quickly.

According to Nicholas Weiss (2013), Creative Director at Vibe Creative, some key considerations when choosing the specific music include: “In what ways does the music build? Does it start at a slower pace with a lower volume and proceed to a faster pace with a louder volume? Is it a well-known song or artist? Will a big name artist help elevate the material? Will the trailer help break a new artist or premiere a new song?”

The number of musical selections in a particular trailer can vary greatly, as “some trailers might have one or two pieces of music, others can have ten or more cuts, and some have only five to ten seconds of music in length,” (Camp, 2013).

Patterns in Pairing Music Genre with Movie Genre

In general, patterns exist between music genre and movie genre when it comes to what music is used in theatrical trailers. “It is typical for romantic comedies to use quirky, orchestral, fun- loving songs or singer/songwriter styles. Over-the-top comedies sometimes use rock or hip hop to convey the type of movie it is” (Weber, 2013). Action movies tend to have a lot of “loud, bombastic classical or rock, bordering on operatic” (Camp, 2013). Weber (2013) adds that superhero movies use a “combo of electronic, rock and/or orchestral. Dramas tend to lean towards more orchestral or ‘serious’ electronic music, and horror movies use suspense tracks.” Weiss (2013) points out that often his company will break these patterns in an effort to “break the mold” and make the trailer stand out.

Creative Importance of Music

Music is the key to dictating the tone of the trailer. As Camp says, “we only have 2 ½ minutes to tell a story, and we have to quickly establish time, place, style and tone— the right music can do all of that, and do it quickly” (Camp, 2013). “ Audio/music is by far the most important component of a trailer. In an ideal world, we see footage to determine the mood of the music, but oftentimes we just focus on themes or possibly other movies that fit the genre" (Weiss, 2013). Camp (2013) says that "in general, dialogue-based material will tend to be cut first and then music worked against it; however, for action, horror or "moody" pieces, you might select the music and cut against it." The music also has to work with any applicable dialogue, sound effects, and voiceover.

Many trailer houses work with artists and composers to create customized music for a trailer, as music adds depth and meaning that cannot be conveyed merely through the trailer visuals. Customizing the music for a trailer "allows your agency to get an exclusive piece that A) you know has never been used in anything else, and B) you know your competition won't have," (Weiss, 2013). The trailer to *Safe House* used the song "No Church in the Wild" before it was a single. Weiss (2013) notes that he had to get permission directly from Jay-Z in order to use the song, and, in the end, the film got a lot of buzz and generated big box office receipts. In addition, Weiss states that his company's trailer for *Django Unchained* used the song "Pay Back" by James Brown and an "Ain't No Grave" remix by Johnny Cash, both of which got people excited for the movie while at the same time fitting well with the "Tarantino pedigree."

Overall, industry professionals are in complete agreement that music is an important element of theatrical trailers. In essence, music attracts the attention of moviegoers, sets the stage, and creates the overall tone for the visual sequences of theatrical trailers.

HYPOTHESES

Given the above discussion on the importance of musical elements in theatrical trailers, and the academic literature on music, emotions, involvement, and congruency as related to perception and interpretation of marketing messages, the following hypotheses are tested in this study:

H1 *Subjects will expect different feelings/descriptors to be evoked / expressed by a movie, depending on the music present in the version of the theatrical trailer to which they are exposed.*

H2 *Subjects will exhibit differences in perceived movie genre, depending on the music present in the version of the theatrical trailer to which they are exposed.*

METHOD

The following sections discuss how the experiment was conducted. The term "movie" was used instead of "film" in the experiment to ensure that all respondents clearly understood the questions. This study utilized college-age students who make up one of the largest frequent movie-going age groups. According to the report, *Theatrical Market Statistics* (Motion Picture Association of America, 2013) the two largest frequent movie-going age groups in the U.S. and Canada are 18-24 year olds (20%) and 25- 39 year olds (23%). "Frequent" is defined as going to a movie theater once a month or more.

Theatrical Trailer Selection and Versions

The theatrical trailer for *The Secret Life of Walter Mitty* was chosen for the experiment due to two important considerations. First, it did not have any dialogue or sound effects. As it only had music, it was fairly easy to manipulate and substitute new music to test the hypotheses. Second, the researchers expected that the college-aged sample would have a low likelihood of having already read the book or seen the movie, *The Secret Life of Walter Mitty*.

The trailer was cut down from 2:06 to 1:07 in order to encourage respondents to watch it in full and not skip by it as they moved on to the questionnaire items. In order to maintain the integrity of the original trailer, the arrangement of the visuals was kept exactly the same. However, the title card at the end of the original trailer reading, "The Secret Life of Walter Mitty," was moved forward as the last visual for the edited trailer for the purpose of ending the trailer in a realistic manner.

Four versions of the trailer were created. The first version features an untitled musical piece by Mike Zarin. This piece is slow in tempo, low in pitch, and in minor mode. It features percussion, strings, and bass. As such, it was expected to evoke the sense of a thriller or drama film. The second version uses the song, "Hate to Say I Told You So," by the band, The Hives. This piece is medium-fast in tempo, both low and high in pitch, and in major mode. It features percussion and strings, and was expected to elicit feelings associated with an animated comedy. Version three features the song, "Roar," by Axwell & Sebastian Ingrosso. This piece is medium-fast in tempo, both low and high in pitch, and in major mode. It features synthesizers as instrumentation, and was expected to evoke the sense of a comedy. To serve as a control, the fourth version was silent, with no music.

Survey Instrument

An online survey was utilized due to low cost, convenience for respondents, ease of distribution, ease of data collection, and likelihood of a high response rate. Subjects were first asked to watch one of four versions of the theatrical trailer for *The Secret Life of Walter Mitty*. As noted previously, the four versions of the theatrical trailer were exactly the same except for the music (three had different musical selections and one was silent). The survey was designed to measure expectations, purchase intention (in-theater and rental), actual consumer purchase behaviors, and demographic information. A variety of questions were included to mask the true nature of the study and reduce response bias. A combination of closed-ended items (multiple choice and scale) and open-ended questions were used.

Data Collection

Respondents were recruited from a variety of undergraduate classes at a mid-sized public university in the U.S. A conscious effort was made to invite students from a wide breath of majors to participate in the survey. As an incentive to participate, students who completed the survey were included in a raffle for a $25 Regal Entertainment Group eGift Card. Respondents were randomly assigned to one of the four versions of the survey. The surveys of respondents who said that they had seen *The Secret Life of Walter Mitty* (question one on the survey) were not used in the statistical analyses. In addition, surveys from respondents who did not complete the survey in full were removed. A total of 283 surveys were use in the final analysis. Table 1 presents an overview of the sampling results.

Table 1 OVERVIEW OF SAMPLING					
	Version 1	Version 2	Version 3	Version 4	Total
Have seen the film	8	16	14	19	57
Have not seen the film	72	61	66	94	293
Did not finish survey	2	4	2	2	10
Surveys used in analysis	70	57	64	92	283

RESULTS AND DISCUSSION

Descriptive Statistics and Frequencies

The mean age of respondents was 21.04 years. 57.6% were female and 39.6% were male (2.8% chose not to answer). The data show that 72.1% of respondents prefer to see Action/Adventure movies, 16.3% selected Animation/Cartoon, 45.9% selected Drama, 85.9% selected Comedy, 24.4% selected Horror, 39.9% selected Romance, 40.3% selected Thriller and 4.9% selected Westerns (note: respondents were allowed to select more than one movie genre).

When respondents were asked what most determines whether or not they see a particular movie, the top three selections were movie trailer (35.7%), family/friend recommendations (22.6%), and critic reviews/publicity (15.9%). As such, trailers are a vital factor in convincing people to see a movie. Furthermore, when respondents were asked how important movie trailers are to their decision on whether or not to see a movie, 96.8% of respondents selected "very important" or "somewhat important." Thus, a great amount of consideration needs to be taken when crafting a theatrical trailer.

Respondents were asked to select the level of importance that various aspects of the trailer have on their likelihood of seeing *The Secret Life of Walter Mitty*. One such aspect was music, and 56.9% of respondents (across the four trailer versions) rated the music as "very unimportant," "somewhat unimportant" or "neither important nor unimportant." Compared to other rated aspects such as the actors and plot, music was one of the lowest rated. So interestingly, most respondents did not perceive music as an important factor, at least not consciously.

Analysis of Feelings / Descriptors

Pearson Chi-Square tests were conducted to analyze if there was a relationship between the following variables: 1) feelings/descriptors and theatrical trailer version, and 2) perceived movie genre and theatrical trailer version. For both Chi-Square tables, counts at least five more than expected are designated with a bold "+" symbol. Counts that were at least five less than expected are in bold.

After viewing the trailer, respondents were asked to select any of 25 feeling/descriptors that described what they would expect the movie to exhibit. As shown in Table 2, Hypothesis # 1 is largely supported, as subjects did expect different feelings/descriptors to be expressed by the movie, depending on the version of the theatrical trailer to which they were exposed. In all, 11 of the 25 feelings/descriptors have significant results ($p \leq .05$), with the top five being noted below the table.

Table 2
FREQUENCIES AND CHI-SQUARES FOR FEELINGS/DESCRIPTORS

	Version 1	Version 2	Version 3	Version 4	Chi-Square
	n = 70	n = 57	n = 64	n = 92	
Angry	2.9% (n = 2)	1.8% (n = 1)	1.6% (n = 1)	3.3% (n = 3)	x^2.622, p=.891
Bitter	4.3% (n = 3)	8.8% (n = 5)	1.6% (n = 1)	3.3% (n = 3)	x^2 4.23, p =.238
Brave	41.4% (n = 29)	40.4% (n = 23)	43.8% (n = 28)	50% (n = 46)+	x^2 1.81, p =.614
Calm	1.4% (n = 1)	7% (n = 4)	7.8% (n = 5)	6.5% (n = 6)	x^2 3.23, p =.357
Cheerful	11.4% (n = 8)	31.6% (n = 18)	31.3% (n = 20)	31.5% (n = 29)	$x^2$10.85, p=.013
Clever	30% (n = 21)	29.8% (n = 17)	42.2% (n = 27)	40.2% (n = 37)	x^2 3.81,p =.283
Depressed	8.6% (n = 6)	3.5% (n = 2)	6.3% (n = 4)	16.3% (n =15)+	x^2 8.16,p =.043
Dreary	5.7% (n = 4)	3.5% (n = 2)	4.7% (n = 3)	10.9% (n = 10)	x^2 4.00,p = .261
Dull	2.9% (n = 2)	8.8% (n = 5)	14.4% (n = 9)	10.9% (n = 10)	x^2 5.51,p= .138
Energetic	35.7% (n = 25)	33.3% (n = 19)	29.7% (n = 19)	40.2% (n = 37)	$x^2$1.96,p = .581
Excited	37.1% (n = 26)	49.1% (n = 28)	42.2% (n = 27)	40.2% (n = 37)	$x^2$1.98, p = .577
Funny	54.3% (n = 38)	78.9% (n = 45)	79.7% (n = 51)	76.1% (n = 70)	$x^2$14.925p=.002
Happy	27.1% (n = 19)	59.6% (n =34)+	51.6% (n = 33)	58.7% (n =54)+	x^2 19.57,p=.000
Hating	2.9% (n = 2)	0% (n = 0)	0% (n = 0)	1.1% (n = 1)	x^2 3.45,p= .327
Heavy	27.1% (n = 19)+	14% (n = 8)	7.8% (n = 5)	13% (n = 12)	x^2 10.62,p=.014
Inspired	41.4% (n = 29)	59.6% (n = 34)	57.8% (n = 37)	57.6% (n = 53)	x^2 6.04,p= .110
Intense	61.4% (n = 43)+	29.8% (n = 17)	28.1% (n = 18)	38% (n = 35)	$x^2$19.77,p= .000
Lazy	0% (n = 0)	1.8% (n = 1)	3.1% (n = 2)	1.1% (n = 1)	$x^2$2.467,p= .481
Light	8.6% (n = 6)	24.6% (n = 14)	21.4% (n = 14)	15.2% (n = 14)	x^2 7.13,p= .068
Loving	18.6% (n = 13)	42.1% (n =24)+	31.3% (n = 20)	35.9% (n = 33)	x^2 9.15,p = .027
Motivated	24.3% (n = 17)	35.1% (n = 20)	48.4% (n = 31)	54.3% (n =50)+	$x^2$17.006p=.001
Mysterious	74.3% (n = 52)+	42.1% (n = 24)	35.9% (n = 23)	41.3% (n = 38)	x^2 25.52,p=.000
Proud	10% (n = 7)	12.3% (n = 7)	12.5% (n = 8)	14.1% (n = 13)	x^2 .63, p = .890
Sad	14.3% (n = 10)+	15.8% (n = 9)	20.3% (n = 13)	34.8% (n =32)+	x^2 12.2,p= .007
Scary	15.7% (n = 11)	5.3% (n = 3)	0% (n = 0)	5.4% (n = 5)	$x^2$14.09,p= .003

Intense: x^2 (3) = 19.770, p < .001

Happy: x^2 (3) = 19.567, p < .001

Motivated: x^2 (3) = 17.006, p < .005

Funny: x^2 (3) = 14.925, p < .005

Scary: x^2 (3) = 14.092, p < .005

The emotional translation of the tempo, pitch, mode, and instruments directly translates to the feelings/descriptors that respondents felt most would be expressed by *The Secret Life of Walter Mitty*. For example, the descriptor "intense" was mainly chosen by respondents who viewed trailer version 1, as the musical selection in that version was in minor mode with low pitches and a slow tempo. On the other hand, a high number of respondents who viewed versions 2 and 3 selected the descriptor "funny," as the musical selections in those versions were in major mode and had a combination of low and high pitches and tempo that expressed lighter feelings.

For the 11 significant feelings/descriptors, the breakdown of percentages across the four versions varied widely and could only be due to the sole variable that was manipulated: music. Below is an overview showing which significant feelings/descriptors the highest number of respondents would expect *The Secret Life of Walter Mitty* to exhibit across the four theatrical trailer versions.

V1 Heavy (27.1%), Intense (61.4%), Mysterious (74.3%) and Scary (15.7%)

V2 Cheerful (31.6%), Happy (59.6%) and Loving (42.1%)

V3 Funny (79.7%)

V4 Depressed (16.3%), Motivated (54.3%) and Sad (34.8%)

In instances in which there were variations in the emotions evoked by musical elements, the overwhelming presence of positive emotions from other musical elements appeared to overtake negative emotion. Likewise, if most of the emotions elicited by a musical selection in a version were negative except for one, the significant descriptors for that version would most likely lean more negative. Since theatrical trailer version 4 did not have any music, respondents had to choose feelings/descriptors purely based on the visuals. As a result, it makes sense that the most significant descriptors for version 4 were "depressed" and "sad" because the visuals exude those feelings. In addition, since version 4 had no music, it is possible that respondents tried to find unifying themes among the sequence of visuals, leading them to select the descriptor "motivated."

A number of the 11 significant feelings/descriptors can be considered primary emotions, which are innate. According to Becker-Asano & Wachsmuth (2008), primary emotions are developed to support fast and reactive response behavior in case of immediate danger, e.g., "flight-or- fight" behaviors." Significant descriptors including "sad", "scary" and "happy" fall into the category of primary emotions. In contrast, secondary emotions are based on an ability to evaluate preferences, and they develop from higher cognitive processes (Becker-Asano & Wachsmuth, 2008). Secondary emotions include many of the descriptors that were not considered to be significant, including "bitter," "dull" and "proud." Respondents tended to select descriptors that were easy to interpret and readily apparent in their theatrical trailer version. This could be due to the fact that respondents viewed their particular trailer version only once and only initial instinct reactions were produced. If respondents viewed the trailer again, possibly more complex emotions may arise as a result of the repetition and extended time to cognitively process the theatrical trailer.

Analysis of Movie Genre Expectations

Respondents were given a list of nine movie genres, and asked which one genre best represents *The Secret Life of Walter Mitty*. Table 3 shows the frequencies for the nine movie genres from which respondents could select across the four trailer versions. The Pearson Chi Square analysis is significant, x2 (18, N= 283) = 36.345, p < .01. Hypothesis #2 is supported. It was found that different musical selections do alter perceptions of movie genre. In general, there were patterns among the different versions. For instance, not as many respondents thought that version 1 was comedy, while virtually no respondents perceived versions 3 or 4 to be thrillers. However, other factors discussed below may have played a role in which movie genre respondents selected.

The top four movie genres that respondents felt best represented the movie (for the trailer version they viewed) are as follows:

V1 Action/Adventure (38.6%), Fantasy/Science Fiction (18.6%) and Drama (12.9%)

V2 Action/Adventure (45.6%), Comedy (19.3%) and Fantasy/Science Fiction (10.5%)

V3 Action/Adventure (35.9%), Comedy (28.1%) and Drama (23.4%)

V4 Action/Adventure (37.0%), Drama (21.7%) and Comedy (17.4%)

It is interesting to see that most respondents, regardless of which version they viewed, thought that the movie fell under the "action/adventure" genre. A possible explanation for this occurrence could be that music can only affect viewers perceptions of a genre to a certain extent, and at some point, visuals overrule the music. One movie genre that respondents did not select as much as others yet clearly had a pattern was "thriller": it obtained 11.4% of the votes for version 1, 1.8% for version 2 and 0% for versions 3 and 4.

As expected, respondents who viewed theatrical trailer versions 2 and 3 selected "comedy" more often that those who had viewed trailer 1 or 4. However, it was curious to see that even 15.7% of respondents who viewed version 1 and 17.4% who viewed version 4 categorized *The Secret Life of Walter Mitty* as a comedy. This realization was further surprising considering that the most significant feelings/descriptors for version 1 were "heavy," "intense," "mysterious" and "scary" and for version 4 were "depressed," "sad" and "motivated."

While feelings/descriptors may influence perceptions of movie genre, consumer expectations of various aspects of the movie including the actor(s), director(s) and producer(s) could override initial descriptor reactions. For instance, consumer expectations about the actors could very likely have come into play, as Ben Stiller, Kristen Wiig and Adam Scott are chiefly known for their comedic performances in movies and television. Furthermore, if respondents had previous knowledge that Ben Stiller was also director of *The Secret Life of Walter Mitty*, they might have further assumed that the movie was a comedy. As a result, although respondents viewing theatrical trailer versions 1 and 4 may have originally felt the movie would express a more negative/gloomy tone, some may have come to the conclusion that due to the reputation of the actors and/or the director, the movie had to be a comedy. For respondents who viewed versions 2 and 3, having previous knowledge of the actors and/or the director may have further solidified their choice in the descriptors and perceived movie genre.

Table 3
PERCEIVED MOVIE GENRE

	Version 1	**Version 2**	**Version 3**	**Version 4**
Sample Size	n = 70	n = 57	n = 64	n = 92
Action/Adventure	38.6% (n = 27)	45.6% (n = 26)	35.9% (n = 23)	37% (n = 34)
Animation/Cartoon	0% (n = 0)	1.8% (n = 1)	0% (n = 0)	1.1% (n = 1)
Comedy	15.7% (n = 11)	19.3% (n = 11)	28.1% **(n =18)+**	17.4% (n = 16)
Drama	12.9% (n = 9)	10.5% (n = 6)	23.4% (n = 15)	21.7% (n = 20)
Fantasy/Science Fiction	18.6% (n = 13)	14% (n = 8)	9.4% (n = 6)	14.1% (n = 13)
Horror	0% (n = 0)	0% (n = 0)	0% (n = 0)	0% (n = 0)
Romance	2.9% (n = 2)	7% (n = 4)	3.1% (n = 2)	8.7% (n = 8)
Thriller	11.4% **(n = 8)+**	1.8% (n = 1)	0% (n = 0)	0% (n = 0)
Western	0% (n = 0)	0% (n = 0)	0% (n = 0)	0% (n = 0)

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	36.345[a]	18	.006
Likelihood Ratio	36.131	18	.007
N of Valid Cases	283		

a. 11 cells (39.3%) have expected count less than 5. The minimum expected count is .40.

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

This study sheds light on the emotional interpretation of music, which is an important variable widely employed in both traditional advertising and theatrical trailers. Music affected the feelings/descriptors selected and did, in turn, have a significant effect on movie genre perceptions. As the majority of respondents rated the importance of music as "very unimportant," "somewhat unimportant," or "neither important nor unimportant," music appears to be a subconscious factor because it did have an effect on selection of feelings/descriptors. Music was the only variable manipulated across the four trailer versions, and thus, it is the only explanation for differences in the selection of feelings/descriptors across the four trailer versions. However, respondents were not necessarily consciously aware that it impacted their decisions. Prior studies have identified how music helps establish the tone of a film and shape ambiguous situations. Such findings go hand-in-hand with the notion that music is a subliminal factor, as music persuades viewers to feel a certain way in various situations yet does so without viewers explicitly realizing it. Music is thus an important factor in the design of theatrical trailers and should not be neglected or underestimated.

Managerial Implications

Should the movie studio want to create a theatrical trailer trying to convey certain feelings/descriptors to potential moviegoers, it would be beneficial to use music as a contributing factor. The emotional translation of musical elements (e.g., tempo, pitch, mode, instruments) has been widely studied. In this study, it was found that the emotional translation of elements goes hand-in-hand with the feelings/descriptors of viewers. As such, it would be beneficial for studios to research and seek out music that conveys feelings they hope viewers experience while watching a theatrical trailer. In essence, selecting the music of film trailers should not be a passive decision.

This study found that primary emotions resonated more with viewers than secondary emotions after watching a theatrical trailer. Movie studios and creative advertising agencies craft numerous theatrical trailers for any given movie, and as a result viewers tend to see a variety of trailers with potentially competing and/or conflicting emotional messages. If a studio seeks to convey a deeper, more complex emotion through its theatrical trailer, it is recommended the studio stagger the release of its theatrical trailers so that viewers see the first one at least twice before seeing a new version. Of course, the studio could choose to release only one theatrical trailer in total and lower the cost; however, moviegoers tend to like variation in promotional materials so it is unlikely a studio would consider this course of action. For the former option, the repetition will help potential moviegoers process aspects of the movie in a more profound, cognitive fashion, resulting in more dynamic emotions. Primary emotions arise as merely the viewer's first reaction to a given theatrical trailer, and thus by giving time for the content of a trailer to sink in, a viewer may adopt a more layered, intellectual set of emotions about the theatrical trailer (and consequently the movie).

In addition, adopting this type of theatrical trailer release may help combat initial reactions based on the actors and associated movie genre. For instance, if respondents had viewed the experiment's respective theatrical trailer version multiple times, fewer respondents who viewed version 1 may have selected "comedy" as the trailer's movie genre. With only one view, Ben Stiller's mere presence likely caused some respondents to choose "comedy." By seeing the trailer multiple times and actively processing it as a whole, this initial assumption of movie genre due to the actors could be avoided.

Limitations and Recommendations for Further Research

As the college-age demographic represents one of the largest frequent movie-going groups in the United States and Canada, it is vital for movie studio executives and creative advertising firms to understand what factors of a theatrical trailer impact this group's perception of movie genre. Nonetheless, it is important to note that this study was conducted only among college student respondents. Results may have differed for other movie-going age groups. The generalizability question will always be a problem, and it is possible the video component of the test trailer might have created a specific set of responses that might not be generalizable to other movie trailers.

This study did not ask respondents any questions regarding previous knowledge of *The Secret Life of Walter Mitty* outside of either viewing the film or theatrical trailers for the film. Respondents could have already been well aware of the film's true genre by having read about the film on entertainment websites or elsewhere. Furthermore, no questions were asked with respect to how familiar respondents were with the actors, most notably Ben Stiller and Kristen Wiig. If respondents were well aware of these actors and their careers, that knowledge may have influenced their answers.

It is recommended that future studies be conducted to examine respondents' preconceived expectations of an actor's roles. It goes without saying that many actors have branded themselves as performing in a certain set of genres, i.e., Tom Cruise in action/adventure movies, or Jennifer Aniston in romance/comedies. Consumer perceptions of Ben Stiller may have played a role in determining which movie genre best represented *The Secret Life of Walter Mitty*. It is also recommended to examine if actors taking on roles not generally associated with their movie genre niche confuses moviegoers. Ben Stiller is primarily known for his comedic performances, and while *The Secret Life of Walter Mitty* does have its funny moments, overall, it is an adventure/drama film. By watching the visuals of the trailer, respondents may have been first and foremost confused as to seeing Ben Stiller not in an obvious comedy movie, regardless of the musical selection.

REFERENCES

Alpert, J. I. & M. I. Alpert (1989). Background music as an influence in consumer mood and advertising responses. *Advances in Consumer Research*, 16, 485-491.

Alpert, J. I. & M. I. Alpert (1990). Music influences on mood and purchase intentions. *Psychology & Marketing*, 7(2), 109-133.

Alpert, J. I. & M. I. Alpert (1991). Contributions from a musical perspective on advertising and consumer behavior. *Advances in Consumer Research*, 18, 232-238.

Alpert, M. I., J. I. Alpert & E. N. Maltz (2005). Purchase occasion influence on the role of music in advertising. *Journal of Business Research*, 58(3), 369-376.

Becker-Asano, C. & I. Wachsmuth (2008). Affect simulation with primary and secondary emotions. *Proceedings of the 8th International Conference on Intelligent Virtual Agents*, 15-28.

Boltz, M. (2001). Musical soundtracks as a schematic influence on the cognitive processing of filmed events. *Music Perception*, 18(4), 427-454.

Bruner II, G. C. (1990). Music, mood, and marketing. *Journal of Marketing*, 54(4), 94-104.

Camp, M. (2013). personal interview, July 7, 2013.

Cochrane, T., B. Fantini & K. R. Scherer (2013). *The emotional power of music: Multidisciplinary perspectives on musical arousal, expression, and social control*. Oxford: Oxford UP.

Cohen, A. J. (2000) Film music: Perspectives from cognitive psychology. In J. Buhler, C. Flinn & D. Neumeyer (Eds.), *Music and Cinema* (pp. 360-377). Hanover: Wesleyan University Press.

Cooke, D. (1990). *The language of music*. Oxford: Oxford UP.

Finsterwalder, J., V. G. Kuppelwieser & M. de Villiers (2012). The effects of film trailers on shaping consumer expectations in the entertainment industry: A qualitative analysis. *Journal of Retailing and Consumer Services*, 19(6), 589-595.

Galan, J. P. (2009). Music and responses to advertising: The effects of musical characteristics, likeability, and congruency. *Recherche et Applications en Marketing*, 24(4), 3-22.

Gerra, G., A. Zaimovic, D. Franchini, M. Palladino, G. Giucastro, N. Reali, R. Caccavari, D. Maestri, R. Delsignore, & F. Brambilla (1998). Neuroendocrine responses of healthy volunteers to `techno-music': Relationships with personality traits and emotional state. *International Journal of Psychophysiology*, 28(1), 99-111.

Gorn, G.J. (1982). The effects of music in advertising on choice behavior: A classical conditioning approach. *Journal of Marketing*, 46(1), 94-101.

Gundlach, R. H. (1935). Factors determining the characterization of musical phrases. *The American Journal of Psychology*, 47(4), 624-643.

Heckler, S. & T. Childers (1992). The role of expectancy and relevancy in memory for verbal and visual information: What is incongruency? *Journal of Consumer Research*, 18(4), 475-492.

Hevner, K. (1937). The affective value of pitch and tempo in music. *The American Journal of Psychology*, 49(4), 621-630.

Kalinak, K. M. (1992). *Settling the score: Music and the classical Hollywood film*. Madison: University of Wisconsin Press.

Kellaris, J. J., A. D. Cox & D. Cox (1993). The effect of background music on ad processing: A contingency explanation. *Journal of Marketing*, 57(4), 114-125.

Kernan, L. (2004). *Coming attractions: Reading American movie trailers*. Austin: University of Texas.

Kinnear, J. K. (1959). *The effects of instrumental tone quality upon mood response to music*. Unpublished master's thesis, Florida State University.

Lavack, A. M., M. V. Thakor & I. Bottausci (2008). Music-brand congruency in high and low cognition radio advertising. *International Journal of Advertising*, 27(4), 549-568.

MacInnis, D. J. & C. Park (1991). The differential role of characteristics of music on high and low involvement consumers' processing of ads. *Journal of Consumer Research*, 18(2), 161-173.

Marshall, S. K. & A. J. Cohen (1988). Effects of musical soundtracks on attitudes toward animated geometric figures. *Music Perception*, 6(1), 95-122.

Milliman, R. E. (1982). Using background music to affect the behavior of supermarket shoppers. *Journal of Marketing*, 46(3), 86-91.

Oakes, S. (2007). Evaluating empirical research into music and advertising: A congruity perspective. *Journal of Advertising Research*, 47(1), 38-50.

Park, C. & S. Young (1986). Consumer response to television commercials: The impact of involvement and background music on brand attitude formation. *Journal of Marketing Research*, 23(1), 11-24.

Rigg, M. G. (1940). The effect of register and tonality upon musical mood. *Journal of Musicology*, 27, 49-61.

Schellenberg, E., A. Krysciak & J. Campbell (2000). Perceiving emotion in melody: Interactive effects of pitch andrhythm. *Music Perception*, 18(2), 155-171.

Smith, P. C. & R. Curnow (1966). Arousal hypothesis and the effects of music on purchase behavior. *Journal of Applied Psychology*, 50(3), 255-256.

Stewart, D. W. & D. H. Furse (1986). *Effective television advertising: A study of 1000 commercials*. Lexington, MA: Lexington Publishing.

Tan, S. L., M. Spackman &M. Bezdek (2007). Viewers' interpretations of film characters' emotions: Effects of presenting film music before or after a character is shown. *Music Perception*, 25(2), 135-152.

Theatrical Market Statistics (2013). Report of the Motion Picture Association of America,

Inc. Tom, G. (1990). Marketing with music. *Journal of Consumer Marketing*, 7(2), 49-53.

Watson, K. B. (1942). The nature and measurement of musical meanings. *Psychological Monographs*, 54(2), 1-

43. Weber, E. (2013). personal interview, July 8, 2013.

Weiss, N. (2013). personal interview, July 22, 2013.

Zettl, H. (2013). *Sight, sound, motion: Applied media aesthetics*. Stamford: Cengage Learning.

THE IMPACT OF GENDER ON ELECTRONIC WORD-OF-MOUTH COMMUNICATION

Kristen M. Maceli, Pittsburg State University
Daniel W. Baack, University of Denver
Mary Kay Wachter, Pittsburg State University

ABSTRACT

Technology has changed how we live and communicate. Consumer behavior, in particular, has been greatly influenced by the increasing use of digital media. Word-of-mouth (WOM) communication is often seen as a credible form of communication because it is somewhat consumer-driven. Technology has now created more opportunities for electronic word-of-mouth (eWOM) communication among consumers and companies, as it is an effective and influential method of communication. Consumers like to utilize eWOM, and, perhaps more importantly, trust it as a means of communication. However, not all consumers have the same expectations for this type of communication, nor do they have the same motivations for utilizing it. Generations that have grown up with the Internet have different behaviors with and uses of technology. Moreover, men and women often view communication differently. This study focuses on the impact of gender differences in how and why people use eWOM. In particular, it explores the motivation of college students to write product reviews. Implications are drawn from the results and applied to managerial issues.

INTRODUCTION

Technology has greatly changed how we live. Our daily behaviors are largely driven by the technology we have available, and consumer behavior is no exception. Consumers have more information available to them now than ever before, and expect information to be available to them when and where they want it. Moreover, they access and utilize this information in increasingly different mediums and with different motivations. Digital communication is used more frequently than face-to-face, and with this has also come a decrease in the formality of communication.

Studies have shown that women and men communicate differently; there are differences even in how and why they communicate. Men often believe that communication should have a clear purpose, while women want to discuss their feelings. Women often use communication to explore and organize their thoughts, while men may avoid communication during times of stress (Drobnick, 2012).

Women often talk with other women to problem solve. They are relationship-oriented, and look for ways to connect with other women. This is not as common for men. Men tend to keep their problems to themselves and don’t see the need to share personal issues. Men also deal with conflict differently, in that they tend to move forward after conflict much quicker than women, and not let it affect their relationship with whoever the conflict was with (Lieberman, 2014).

TRADITIONAL WORD OF MOUTH

Traditional word-of-mouth (WOM), defined as an oral form of interpersonal, non-commercial communication among acquaintances (Arndt, 1967), plays an important role in forming consumers' buying decisions (ChannelAdvisor, 2010). WOM is most often disseminated through consumer promotions, either in person or over the telephone (Ahrens, 2013). Studies reveal that WOM is the most influential means of communication to consumers (Bickart, 2001; Trusov, 2009; Smith, 2005), because of the reliable information (Gruen, 2006) and the great persuasiveness of another consumer's opinion (Godes, 2004; Chatterjee, 2001).

Several studies have focused on the motives behind WOM behavior. One of the earliest and most prominent studies presented Dichter's framework of motivation. Dichter (1966) proposed that four basic categories of WOM communication motivation exist: product-involvement, self-involvement, message-involvement and other involvement. Engel, Blackwell, and Miniard (1993) built on Ditcher's four motivational categories through the introduction of "dissonance reduction" into the existing framework. Sundaram et al. (1998) then subdivided the categories presented by Ditcher based on the identification of eight total motives for WOM communication. Four of these eight motives of WOM (altruism, product involvement, self-enhancement, and helping the company) are identified as positive WOM communication, while the other four (altruism, anxiety reduction, vengeance and advice seeking) are negative WOM communication (Henning-Thurau, 2004). (Alturism can be positive or negative depending on how it impacts the individual.) Some research indicates that negative reviews can have stronger effects than positive reviews. The basic framework for the future study of WOM motives is founded on these important findings.

ELECTRONIC WORD-OF-MOUTH (eWOM)

The role of e-commerce in retail is changing. In 2014, Amazon added nearly $10 billion in Internet retail sales. The company became the first pure-play e-retailer to crash the top 10 list of STORES magazine's Top 100 Retailers. During that same time period, Wal-Mart's e-commerce sales growth (percentagewise) exceeded Amazon's growth (Schulz, 2014). This increasing use of the Internet to make purchases indicates that consumers are embracing technology at increasing rates, which creates opportunities for companies.

Various stages of Internet development have utlized social media, marketing metrics, and increased customer engagement. In the 1990's, companies provided static content to their users. With further advancements and the development of Web 2.0, content became more socially based and audience-oriented; then, Web 3.0 brought integrations, online metrics, and instant communication abilities. As 4.0 emerged, customer engagement, cloud operations and web participation became vital to companies. "Engagement constitutes the primary business model for Web 4.0," (Clow & Baack, 2016, p. 225).

Companies are increasingly recognizing the need for interactive websites. A recent study indicated that many companies are reducing their traditional media marketing budgets and increasing their funding for online communications (Clow & Baack, 2016). Much of this shift is due to the fact that the Internet provides multiple ways for people to communicate throughout the world, which has changed the dynamics of communication.

Branding has become increasingly important for companies. Reaching customers digitally can be very cost-effective, flexible, and tailored to the needs of the customers and companies. For some retailers, social media is utilized even before a brick-and-mortar location is available, which creates a virtual presence in consumer's minds. "Social media may have been viewed as a luxury item in the past, but now it's a must investment," said Jim Martinez, director of communications at the Detroit Regional Chamber (Hackney, 2014, p. 15). A presence on social media sites gives businesses, both big and small, credibility, and it is a low-cost and effective advertising tool (Hackney, 2014).

This newfound ability to convey opinions across large networks has had a great affect on consumer behavior. A conversation about products and services no longer includes only the customer and company marketers, it now includes other parties, such as experts and friends, from all over the world (Kirkpatrick, 2012). Consumers have the option of accessing websites, such as *amazon.com* to research, buy, and review products. They can also access brands' websites directly to do the same. Many Internet users trust online reviews more than traditional sales tactics such as television and radio advertisements, direct marketing, personal selling, etc. This represents an opportunity for eWOM to begin reaching consumers globally in a way not previous possible with traditional WOM (Cheung & Lee, 2012).

LITERATURE REVIEW

Research has examined how consumers process information provided in product reviews. Variables, such as level of involvement and product category, can alter how the information is processed (Harris et al., 2008; Park et al., 2008). Lung-Yu Chang et al. summarized the four factors (message trustworthiness, sender expertise, receiver search extent, and senders own experience) and demonstrated a causal relationship between eWOM and its impact on consumer's behavior.

Firms seek to understand how online reputations are formed and what motivates consumers to leave comments, both positive and negative, on Internet forums (Heyes, 2012). Perhaps, most imporant to understanding consumer behavior is discovering whether or not customers tend to have more trust in negative or positive comments. Some previous studies indicate that negative information is weighed more heavily than positive information by consumers when making a purchasing decision. Heyes and Kapur (2012) explained that a consumer may choose to post negative eWOM when that consumer and the providing company have a disagreement that escalates to the point where the consumer wants others to know of the negative experience. When this type of argument occurs, consumers will likely share the experience through online platforms. Other customers and the company itself can see the comments and choose to become or not become engaged.

Motivation Framework of eWOM

Researchers have explained eWOM from various disciplines, including psychology, sociology, economics, and political science (Cheung & Lee, 2012).

Balasubramanian and Mahajan (2001) developed a novel conceptual framework about the economic leverage of virtual communities through a combination of economic and social activity. In this study, the authors introduced three types of utilities that motivate people to leave their opinions online: the focus-related utility (e.g., comes from adding value to the community), consumption utility (e.g., comes from individual's consumption of contributions from others), and approval utility (e.g., comes from the approval from others) (T. Henning-Thurau et al., 2004).

Henning Thurau et al. (2004) updated Balasubramanian and Mahajan's theory, by adding two new utilities to the framework: the moderator-related utility (e.g., when a third party makes the complaint act easier for the community member) and the homeostasis utility (e.g., when people pursue a balanced life). The authors categorized the motivations of eWOM communication providers into four segments: desire for social interaction, desire for economic incentives, their concern for other consumers, and the potential to enhance their own self-worth (Cheung & Lee, 2012).

Sung Mi Han (2008) introduced four motivations for eWOM: social interaction benefits/self enhancement, helping the company (or brand), vengeance upon the company, concern for others, and economic incentive. Cheung and Lee (2012) enriched the research by introducing the concept of the public good (i.e., collectivism, egoism, altruism, and principalism), knowledge, and self-efficacy. These authors administered a questionnaire to users of one of the most popular customer review sites in Hong Kong. The results of the survey indicated that consumers were motivated to spend time on this eWOM platform for three reasons: reputation-orientation, sense of belonging, and the enjoyment of helping (Cheung & Lee, 2012).

Most literature emphasizes the impact of eWOM communication, explores the process and motives of eWOM communication, and tries to identify how the communication influences the customer purchase decision (Cheung & Lee, 2012). Very few examine the motives of eWOM through consumers' demographic characteristics, such as gender and age. Building on previous studies' framework, this study will research eWOM motivations of college students based on the relationship of gender differences to six factors: *self-expression*, *vengeance*, *concerns for others, overall trust, venting negative feelings and distrust.*

Six Motivations for eWOM communication

Self-expression is defined as a means that enables a speaker to express his or her certain emotional needs. It combines self-involvement with product involvement, wherein an individual can fulfill an emotional need to express opinions about a product that generates intense feelings (Dichter, 1966). Consumers can achieve several goals through eWOM communication, such as seeking post-purchase advice, expressing successful purchase experience and gaining approval from other consumers (Henning-Thurau et al., 2004).

Vengeance upon the company is characterized as a desire to retaliate against a company that provided the consumer with a negative experience (Sundaram, 1998). A similar term, *venting negative feelings,* is defined as a way to ease frustration. *Vengeance* *upon the company* and *venting negative feelings* are both generated through an unsatisfactory experience but they differ in that the former describes a revenge behavior targeting a particular company or product, while the latter is merely a consumer expressing frustration toward a company or product (Henning-Thurau et al., 2004). In other words, a desire for catharsis is taken as a primary motivation for this online negative emotion relief (Alicke et al., 1992; T. Henning-Thurau et al., 2004).

Concern for others comes from the desire to perform the altruistic act of helping another consumer make an informed purchase decision, which can cause both positive and negative WOM (Sundaram, 1998; Engel, 1993). Consumers motivated by a *concern for others* provide eWOM communication as a way to use their experience, either positive or negative, to help friends and strangers alike achieve maximum benefit.

Overall trust and *distrust* are related eWOM motivations, in that they are both built on the relationship between an information provider and an information seeker. Trust refers to the "willingness of a trustor to be vulnerable to the actions of a trustee, according to the expectation that the trustee will perform a particular action important to the trustor" (Mayer et al., 1995). Most current research discusses the issue of trust since it has a significant impact on consumer buying behavior (Bickart et al., 2001). However, in this paper, *trust* and *distrust* are characterized by new motivations that explain why consumers share information online

The IBM Institute for Knowledge-Based Organizations collected data from 138 workers in three companies to analyze how trust affects knowledge-sharing, finding that people have various ways to increase the awareness of their expertise, such as participating in informal communities of practice, and answering questions (Levin, Cross, Abrams & Lesser, 2013). Overall, people obtain trust with coworkers by demonstrating their experience, which can impact their credibility. Similarly, in online communities, information sharers actively express their opinions and ideas, thereby demonstrating expertise, in order to gain trust from information seekers. If a consumer reads the review of another consumer and agrees with his or her opinion after trying a product, he or she may look for and more readily believe that reviewer's comments in the future. In this way, trust is built.

Surprisingly, the IBM research about the foundational elements of trust amongst coworkers found that trust can occur between individuals who have seldom interaction (e.g., weak ties). Individuals with weak ties to one another tend to have been exposed to differing opinions and knowledge bases. Because of this, people with weak ties may play an integral role in the problem solving process because they can draw from different experiences, which is often vital to solving a problem (Levin, et al., 2013).

Gender

Men and women often face conflict and communication differently. Some of this can be attributed to the different values that are important to different genders. Walter Ong asserted that men are inclined to live comfortably with conflicts and disputes; he wrote, "Conspicuous or expressed adversativeness is a larger element in the lives of males than of females," (1990, p. 150). Additionally, men's lives often naturally involve combat, struggle, contention, and competition because status and placement within a hierarchy can be altered through conflicts and debate (Ong, 1990). Women, on the other hand, often prefer to solve problems in more private ways, but will occasionally employ an intermediary to resolve oral disputes. Given this, men may be motivated to discuss conflicts with a company through eWOM communication to boost their status.

Men view the world as a hierarchy and therefore, in order to achieve desired status, men seek out autonomy and respect. Women tend to view the world differently; they see it as a network, which explains the high value women place on intimacy and relationships (Tannen, 1990). Tannen's findings help explain the female tendency to form a group, where all members are treated equally without competition, and the male preference for forming a group with complex rules to determine status. Therefore, women, who often strive to form alliances and equal status with peers, may care about others more than men.

WOM has a strong impact on women because women are inclined to embrace the opinions of someone similar and often rely on other people's impressions about products and services (Soonyong Bae et al., 2011). They often seek advice from product review platforms when making a purchase decision. Additionally, many women like to act in a way that creates a benefit for the community, and seek to receive trust from that community. On the Internet, much like in real-life, women seek to obtain social support through cooperation and network-oriented collaboration (Miao et al., 2012). Men however, often use the Internet to improve and build social status by challenging, debating or arguing the opinions others express online. Accordingly, we assume that women tend to provide eWOM communication because they trust the reviews and feel that they can receive trust back by sharing information. Similarly, men may be less inclined to trust the reviewer and more inclined to provide eWOM communication in order to challenge the information provider.

Research has found that the relationship between group affiliation and WOM behavior is stronger for women than for men. Women are often more impacted by the relationships they have in group settings. However, men are likely to engage in WOM behavior based on self-esteem enhancement more than women. Men tend to dominate public discussions, even when they possess less knowledge than a female counterpart, because they use conversation to establish status (Tannen, 1990). Further, men tend to frequently express themselves online in order to establish a social image that portrays them as an expert in some field. As such, *self-expression* could be a greater motivator of eWOM for men than for women.

Age

"Consumers of different age groups have different needs and wants. Members of a generation tend to share the same outlook and priorities. We call such a focus generational marketing" (Solomon, Marshall, Stuart, 2012, p. 186).

Generation Y, or the Millennial Generation, is the first generation to grown up with the Internet. Though there is some disagreement as to who is included in this generation, it is generally thought to include those born between 1981 and 1999. According to Bolton, Parasuraman, Hoefnagels, Migchels, Kabadayl, et al., (2013), "A key formative characteristic for Gen Y is early and frequent exposure to technology, which has advantages and disadvantages in terms of cognitive, emotional, and social outcomes. For example, they rely heavily on technology for entertainment, to interact with others-and even for emotion regulation" (p. 250).

Habits of consumers, students, and members of the society are continually compared to that of previous generations. Younger generations tend to embrace new media more comprehensively than the older generations (Kilian, T., Hennings, N., & Langner, S, 2012). As such, it would be expected that younger generations would also embrace eWOM more readily than older generations. However, the possible benefits of social media extend across different generations. "The potential benefits of Gen Y's social media usage extends to their physical well-being because social media are efficient and effective in communicating health information to people, especially in developing countries with younger populations (dominated by Gen Y) who have limited access to healthcare" (Bolton, et al., 2013, p. 252).

However, consumers of the Baby Boomer era (people born between 1946 and 1964) have been actively using social media to communicate about health care as well. This is perhaps partially attributed to the fact that these consumers have valued being part of that generation and identify readily with their peers. According to a 2013 Pew study, the number of adults 65 and older who use the Internet has increased from 14 percent to 59 percent since 2000 (Gormly, 2014). While older adults continue to increasingly use the Internet, their use is still not as high as that of younger age groups.

According to From and Garton (2013), "… Millennials are leading indicators (if not the drivers) of media consumption, advocacy, and social media users among all generations." And, these consumers are 2.5 times more likely to try new technologies.

THE STUDY

This study tries to determine if gender affects eWOM communication among college students. The motivations considered are *self-expression, venting negative feelings, vengeance, concern for others, overall trust*, and *distrust*. The following hypotheses were utilized:

H1 *Women are more likely motivated by self-expression to provide eWOM communication than men.*

H2 *Men are more likely motivated by vengeance upon a company to provide eWOM communication than are women.*

H3 *Women are more likely motivated by venting negative feelings to provide eWOM than are men.*

H4 *Women are more likely motivated by a concern for others to provide eWOM communication than are men.*

H5 *Women are more likely motivated by trust to provide eWOM than are men.*

H6 *Men are more likely motivated by distrust to provide eWOM than are women.*

Methodology

The sample included 243 students from a mid-western university with an annual enrollment of approximately 7,900. All students were enrolled in at least one class in the College of Business at the university. All students were either juniors, seniors, or graduate students. Sixteen of the 243 respondents were not Millennials, but were left in the sample because they were connected digitally through the university system. As such, they were technology users, engaged, and aware of social media.

Scaling questions asked the respondents to rate items from one to five, with five being that they strongly agree to one being that they strongly disagree. The questionnaire was divided into three parts. The first part asked respondents to provide the content and platform of recent eWOM communications. The second part contained questions evaluating participants' motivations on six factors. The last part contained demographic questions pertaining to the participants. No time limitation was applied to the survey. After removing the missing values, a sample was compiled with 233 students, including 144 males and 88 females. This sample was 90.5% US citizens and 8.5% non-US citizens.

Line items were pulled from the survey to test the six hypotheses (Table 2). Gender was selected as an independent variable to test its relationship to the six motivational factors: *self-expression, vengeance, concerns for others, overall trust, venting negative feelings* and *distrust*. An independent analysis of variance (t-test) statistical analysis was conducted to test the influence of gender on each eWOM motivation. Results indicated that two hypotheses should be accepted. The first was *H1 Women are more likely motivated by self-expression to provide eWOM communication than men.* The second was *H2 Men are more likely motivated by vengeance upon a company to provide eWOM communication than are women.*

Results

Significant relationships existed (Table 1) between *gender* and the motivations of *vengeance upon the company* (F=5.454, p= .006) and *self-expression* (F=.427, p= .007). This indicates that more male participants than female participant are likely to seek revenge toward the company for not being satisfied with a product or service. It also indicates that more females want to express themselves through online reviews. However, there was no significant relationship between *gender* and *overall trust* (p= .781)*, venting negative feeling* (p= .905) *and distrust* (p= .593).

Table 1 Independent t-test results

Variable	Sig.	F
It feels good when I can tell others about my buying success	.007 *	.427
This way I can express my joy about a good buy	.000*	9.840
I want to take vengeance on a company	.006*	5.454
The company harmed me, and now I will harm the company	.001 *	10.923
It is therapeutic to have people listen to me when complaining	.905	.767
I want to save others from having the same negative experiences as me	.961	.010
I can count on online reviews to be trustworthy	.781	1.247
Online reviews cannot be trusted because of too many uncertainties	.593	3.075

One additional line item was tested for each significant variable to determine if the result would void the null hypotheses. In both cases, the second line item tested confirmed the result. The first additional variable was “This way I can express joy about a good buy” (F=9.840, p=.000). The second additional variable was “The company harmed me, and now I will harm the company!” (F10.923, p=.001).

LIMITATIONS

Some limitations are associated with this paper. First, it utilized a convenience sample. The results could be more applicable to larger populations if the sample was expanded. Second, the study focused on students enrolled in a business course. Future studies could include students of different fields of study to determine if differences exist in their motivation and use of eWOM platforms according to academic interests or backgrounds. Third, the sample consisted primarily of Millennials. Though appropriate for this study, it is too narrow of a sample to assume this behavior for other ages. Future studies could include consumers of all ages to determine if the age of men and women is a determining factor to understand the reasons why people use eWOM.

Lastly, this study analyzed aggregate platforms of predominantly United States citizens. Though it provides insights for aggregate platforms, future studies could explore each specific platform, such as public forums and blogs. Future studies would be necessary to understand if motivational factors changed for members of different cultures. Social media usage in the United States is different than that in other countries (Bolton, et al., 2013). As such, the findings of this study could not necessarily be applied to other cultures.

IMPLICATIONS AND CONCLUSIONS

The purpose of this study was to examine if different genders affect young consumers’ communication on eWOM, and if these consumers have different motivations and expectations for this communication vehicle. Specifically, male and female university students were compared. Using a sample of 233 students, this study explores the question: What drives eWOM among traditional college-age consumers?

This study was built on the framework of previous studies, but *overall trust* and *distrust* were added as two new motivations. The results suggest that gender differences will have impact on *self-expression* and *vengeance upon company*. No significant relationship was found between *gender* and *overall trust, venting negative feelings, trust,* and *distrust* separately.

For eWOM platform managers or marketers, the results of this study provide a new framework of consumers’ eWOM intents and a new perspective on gender. Marketers who target both men and women can develop more applicable plans to attract consumers of both genders, though perhaps in different ways. Focus could be given on how to solve problems, rather than simply being a forum for complaints. Positive feedback could be utilized from all consumers, not just females, to make future marketing decisions. In addition, the marketer could design its eWOM platform to include a posted response from the company directly after a complaint that helps to remedy the consumers' situation. This feature could help to lessen the desire to seek revenge on a company on the part of its male consumers while providing a way to improve and nurture its relationships with its female consumers. This feature could also depict the marketer as more consumer-oriented and responsive to consumers' needs which would appeal to consumers of both genders.

Conversely, marketers whose target market is gender-specific can make adjustments to the design of its eWOM platform depending on if their target market is men only or women only. Platforms might be further developed to deal with negative feelings from male customers, since they are more likely to seek revenge on the company due to a dissatisfied experience. These platforms could be structured to receive constructive criticism, rather than just vengeance. Platforms could be designed to help female customers develop a relationship with the company. Helping females develop a sense of belongingness, friendship, and concern could increase the use of the platform, and, subsequently, could positively influence their relationship with the brand. The platform should be designed so that the customers can express themselves, create their own identities, and develop a relationship with the brand and others. Positive interactions on these platforms could help develop brand loyalty among customers, which, ultimately, benefits the brand and other consumers seeking guidance in their purchases.

The age of consumers must be considered when designing a platform. Because Millennials seek engagement (From and Garton, 2013), companies should create opportunities for consumers to experience the brand. Platforms must be stimulating and satisfying to gain attention. Listening is key in gaining acceptance among younger users. These users aren't just seeking to "like" a brand on Facebook, they need to be interacting and communicating with other users. Two-way communication between the brand and the consumers is a must to develop relationships.

(Hackney, 2014). Consistency is critical to success.

Even if consumers channels surf between brick-and-mortar stores and websites, they are increasingly seeking digital content. Companies can create credibility through product reviews on websites. Amazon, in particular, has been a leader in creating an interactive environment for consumers to provide feedack about products. It has provided a forum for consumers to communicate with other consumers, and for consumers to communiate with companies. For information seekers, the source of information is no longer limited to a small set of people who traditionally have similar experiences and backgrounds, but instead the information pool consists of opinions and reviews from a wide variety of people, with both direct and indirect as well as positive and negative experiences with a given product or service (Cheung & Lee, 2012). Most importantly, the communication's multi-way exchanges create an environment where consumers can express themselves, be engaged, and develop relationships.

Overall, this paper provides a framework for future study in the field of eWOM. As consumers are constantly being offered new technology, platforms will have to be developed and/or modified to meet their needs. Facebook, Twitter, blogs, etc., are forums that have been viewed positively and negatively at times. It is up to the company to research their consumer and develop a platform that meets their needs. When trying to reach Millennials, engagement and flexibility are the keys for brands attempting to develop relationships.

APPENDIX

Table 2 Line items

H1 Women are more likely motivated by self-expression to provide eWOM communication than men.

- This way I can express my job about a good buy
- It feels good when I can tell others about my buying success

H2 Men are more likely motivated by vengeance upon company to provide eWOM communication than are women.

- I want to take vengeance on a company
- The company harmed me, and now I will harm the company

H3 Women are likely motivated by venting negative feelings to provide eWOM.

- It is therapeutic to have people listen to me when complaining

H4 Women are more likely motivated by a concern for others to provide eWOM communication than are men.

- I want to save others from having the same negative experiences as me

H5 Women are more likely motivated by trust to utilize eWOM than are men.

- I can count on online reviews to be trustworthy

H6 Men are more likely motivated to distrust eWOM than are women.

- Online reviews cannot be trusted because there are just too many uncertainties

Table 3
Age frequencies

	Respondents	Valid Percentage
Less than 20 years old	8	3.3
20-24 years old	204	84.6
25-29 years old	13	5.4
30-39 years old	9	3.7
40-49 years old	6	2.5
50-59 years old	1	.4
Over 60	0	0
Missing	2	.4
Total	243	100

REFERENCES

Akar, E., & Mardikyan, S. (2014). Analyzing factors affecting users' behavior intention to use social media: Twitter case.*International Journal of Business and Social Science, 5*(11) Retrieved from http://search.proquest.com/docview/1649081479?accountid=13211

Aaker, J. A. (1997). The effect of cultural orientation on persuasion. *Journal of Consumer Research , 24* (3), 315-328.

Ahrens, J., Jr.. (2013). E word of Mouth, the effects of incentives on e-referrals by senders and receivers. *European Journal of Marketing , 47* (7), 1034-1051.

Alicke, M. B. (1992). Complaining Behavior in Social Interactions. Personality and Social Psychology Interactions. *Personsality and Social Psychology Bulletin , 18* (3), 286-295.

Anderson, E. (1998). Customer satisfaction and Word- of- Mouth. *Journal of Service , 1* (1), 1-14.

Arndt, J. (1967). Role of product-related conversations in the diffusion of a new product. *Journal of Maketing Research* , 291-295.

Balasubramanian, S., Mahajan, V. (2001). The economic leverage of the virtual community. *International Journal of Marketing Research , 5* (3), 103-138.

Baumeister, R. F., Bratslavsky, E., Finkenauer, C., Vohs, K. D. (2001). Bad is stronger than good. *Review of General Psychology , 5*, 323-370.

Bickart, B. S. (2001). Internet forums as influential sources of consumer information. *Journal of Interactive Marketing* , 31-40.

Bolton, R. N., Parasuraman, A., Hoefnagels, A., Migchels, N., Kabadayi, S., Gruber, T.; Solnet, D. (2013). Understanding generation Y and their use of social media: A review and research agenda. *Journal of Service Management, 24*(3), 245-267. doi:http://dx.doi.org/10.1108/09564231311326987

C.Park, T. L. (2009). Information direction, website reputation and eWOM effect: a moderating role of product type. *Journal of Business Research , 62* (1), 61-67.

ChannelAdvisor. (2010). *Through the Eyes of the Consumer: 2010 Consumer ShoppingHabit Survey.* Retrieved from channel advisor: http://go.channeladvisor.com/rs/channeladvisor/images/us-wp-consumer-survey-2010.pdf

Chatterjee, P. (2001). Online reviews: do consumers use them? *Advances in Consumer Research* , 129-133.

Cheung, C. M. K., Lee, M. K. O. (2012). What drives consumers to spread electronic word of mouth in online consumer opinion platforms. *Decision Support Sytems , 53*, 218-225.

Cheung, C. M. K., Thandani, D. R. (2012). The impact of electronic word-of mouth communication: A literature analysis and integrative model. *Decision Support Systems , 54*, 461-470.

Clow, K. E., Baack, D. (2016). *Integrated Advertising, Promotion and Marketing Communications.* USA: Pearson.

Cyveillance launches new service to help organizations beyond fortune 500 to monitor social media and other online sources for security and compliance risks. (2014, Apr 28). PR Newswire Retrieved from http://search.proquest.com/docview/1519275241?accountid=13211

Dichter, E. (1966). How word-of-Mouth Advertising Works. *Harvard Business Review , 44*, 147-166.

Doney, P. M., Cannon, J. P., Mullen, M. R. (1998). Understanding the influence of national culture on the development of trust. *Academy of Management Review , 23* (3), 601-620.

Drobnick, R. (2012). 5 Ways Men & Women Communicate Differently. Psych Central. Retrieved on March 2, 2015, from http://psychcentral.com/blog/

Engel, J. B. (1993). *Consumer Behavior* (8th ed.). Fort Worth: Dryden Press. archives/2012/04/01/6-ways-men-and-women-communicate-differently/

Enterprise social software (ESS) market worth $8.14 billion by 2019. (2014, May 13). *PR Newswire* Retrieved from http://search.proquest.com/docview/1523853985?accountid=13211

Fan, Y. W., Miao, Y. F. (2012). Effect of Electronic word of mouth on consumer purchase intention: The perspective of gender differences. *International Journal of Electronic Business Management , 10* (3), 175-181.

From, J., & Garton, C. (2013). *Marketing to Millennials: Reach the Largest and Most Influential Generation of Consumers Ever*. USA: Barkley.

Godes, D. M. (2004). Using online conversations to study word-of-mouth communication. *Marketing Science*, 545-560.

Gormly, K. B. (2014, Nov 11). Older adults finding a home on facebook, other networking sites. *McClatchy - Tribune Business News* Retrieved from http://search.proquest.com/docview/1622212545?accountid=13211

Gruen, T. O., Osmonbekov, T., Czaplewski, A. J. (2006). EWOM: the impact of customer-to-customer online know-how exchange on customer value and loyalty. *Journal of Business Research, 59*, 4, 449-456.

Gupta, P., Harris, J. (2005). How e-WOM recommendations influence product consideration and quality of choice: a motivation to process information perspective. *Journal of Business Research , 63* (9-10), 1041-1049.

Hackney, S. (2014). Step 1: Use social media; step 2: Use it well; repeat. *Crain's Detroit Business, 30*(2), 15. Retrieved from http://search.proquest.com/docview/1491125982?accountid=13211

Half of social media activity while watching TV relates to TV, per council for research excellence study. (2014, Mar 24). PR Newswire Retrieved from http://search.proquest.com/docview/1509436235?accountid=13211

Han, S. M. (2008). *Motivations for providing and seeking ewom: a cross cultural comparison of U.S. and Korean college students.* UMI Dissertations Publishing.

Harris, J. A. (2008). You should buy this one! The influence of online recommendations on product attitudes and choice confidence. *International Journal of Electronic Marketing and Retailing, 2* (2), 176-189.

Henning-Thurau, T., Gwinner, K. P., Walsh, G., Gremler, D. D. (2004). Electronic word of mouth via consumer-opinion platforms: what motivates consumers to articulate themselves on the Internet. *Journal of Interactive Marketing* , 38-52.

Herr, P. M., Kardes, F. R., Kim, J. (1991). The effects of word-of-mouth and product-attribute information on persuasion: an accessibility-diagnosticity perspective. *Journal of Consumer Research , 17* (4), 454-462.

Heyes, A.G., Kapur, S. (2012). Angry customers, e-word-of-mouth and incentives for quality provision. *Journal of Economic behavior and Organization, 84*, 813-828.

Hofstede, G. (2001). *Culture's consequences* (2nd ed.). California: Sage Pulications.

Hook, J. N., Worthington, E. L. Jr., Utsey, S. O. (2009). Collectivism, Forgiveness, and Social Harmony. *The Conseling Psychologist, 37* (9), 821-847.

Internet use among the elderly 'good for health'. (2014). *Irish Medical Times, 48*(43), 27. Retrieved from http://search.proquest.com/docview/1649753265?accountid=13211

Kilian, T., Hennigs, N., & Langner, S. (2012). Do millennials read books or blogs? Introducing a media usage typology of the internet generation. *The Journal of ConsumerMarketing, 29*(2), 114-124. doi:http://dx.doi.org/10.1108/07363761211206366

Kirkpatrick, D. (2012). *Marketing sherpablog*. Retrieved from http://sherpablog.marketingsherpa.com/online-marketing/zero-moment-of-truth/

Lai, J., He, P., Chou, H. M., Zhou, L. (2013). Impact of national culture on online consumer review behavior. *Global Journal of business Research , 7* (1), 109-115.

Laroche, M., Kalamas, M. Cleveland, M. (2005). "I" Versus "We": How individualists and collectivists use information sources to formulate their service expectations. *International Marketing Review , 22* (3), 279-308.

Levin, D. Z., Cross, R., Abrams, L. C., Lesser, E. L. (2013). Trust and Knowledge Sharing: A Critical Combination. *IBM Institute for Knowledge-Based Organizations*. Retrieved from: http://www-935.ibm.com/services/hk/igs/pdf/g510-1693-00-cpov-trust-and-knowledge-sharing.pdf.

Lecinski, J. (2012). *Winning the zero moment of truth.* Retrieved from http://www.candyusa.com/files/2012SOTICPresentations/SOTIC2012_TuesdayAM_JimLecinski1.pdf.

Lee, K. T., Koo, D. M. (2012). Effects of attribute and valence of eWOM on message adoption: Moderating roles of subjective knowledge and regulatory focus. *Computers in Human Behavior, 28*, 1972-1984.

Lieberman, S. (2014) Differences in Male and Female Communication Styles http://www.simmalieberman.com/articles/maleandfemale.html

Lorenzo-Romero, C., Alarcón-del-Amo, M., & Constantinides, E. (2014). Determinants of use of social media tools in retailing sector. *Journal of Theoretical and Applied Electronic Commerce Research, 9*(1), 44-55. Retrieved from http://search.proquest.com/docview/1509437200?accountid=13211

Markus, H. R. (1991). Culture and self: Implications for cognition, emotion, and motivation. *Psychological Review , 20*, 224-253.

Mayer, R. C. (1995). An integrative model of organizational trust. *Academy of Management Review, 20* (3), 709-734.

Miao, Y.-W. F.-F. (2012). Effect of Electronic word of mouth on consymer purchase intention: The perspective of gender differences. *International Journal of Electronic Business Management , 10* (3), 175-181.

Multichannel analytics market worth $9.89 billion by 2019. (2014, Aug 25). *PR Newswire* Retrieved from http://search.proquest.com/docview/1555665406?accountid=13211

Nassar, M. A. (2012). An investigation of hoteliers' attitudes toward the use of social media as a branding tool. *International Journal of Marketing Studies, 4*(4), 93-105. Retrieved from http://search.proquest.com/docview/1037381747?accountid=13211

Ong, W. (1990). Community and contest. In D. Tannen, *You just don't understand: women and men conversation* (p. 150). New York: William Morrow and Company.

Park, D. H., Kim, S. (2008). The effects of consumer knowledge on message processing of electronic word-of-mouth via online consumer reviews. *Electronic Commerce Research and Applications, 7* (4), 399-410.

Pletz, J. (2014, Dec 15). They're mining your tweets. *Crain's Chicago Business, 37*, 4. Retrieved from http://search.proquest.com/docview/1637646472?accountid=13211

Schulz, D. P. (2014) Amazon becomes first pure-play e-retailer to crash the top 10, National Retail Federation. Retrieved from https://nrf.com/news/top-100-retailers

SchwRatliff, J. M., & Kunz, M. B. (2014). A PROFILE OF SOCIAL MEDIA USE BY FORTUNE 500 AND INC. 500 CORPORATIONS. *Academy of Strategic Management Journal, 13*(2), 61-73. Retrieved from http://search.proquest.com/docview/1645903404?accountid=13211artz,

S. H. (2007). Value orientations: Measurement, antecedents and consequences across nations. In C. R. R. Jowell, *Measuring attitudes cross-nationally* (pp. 161-193). London: Sage.

73% of global CCOs increasingly hiring digital experts, according to annual spencer stuart and weber shandwick study. (2014, Jun 24). *PR Newswire* Retrieved from http://search.proquest.com/docview/1539451335?accountid=13211

Sherman, H. S. (2007). "Express Yourself": Culture and the Effect of Self-Expression on Choice . *Journal of Personality and Social Psychology , 92* (1), 1-11.

Smith, D. M. (2005). Online peer and editorial recommendations, trust, and choice in virtual markets. *Journal of Interactive Marketing*, 15-37.

Solomon, M.R., Marshall, G.W., Stuart, E.W. (2012). *Marketing 7e: Real People, Real Choices.* Upper Saddle River, New Jersey: Pearson Education.

Newborn, A. (2013). Social media, a tool to use in healthcare. *Industrial Engineer, 45*(5), 24. Retrieved from http://search.proquest.com/docview/1352822415?accountid=13211

Social media analytics market worth $2.73 billion by 2019. (2014, Aug 15). *PR Newswire.* Retrieved from http://search.proquest.com/docview/1553414447?accountid=13211

Soonyong Bae, T. L. (2011). Gender differences in consumer's perception of online consumer reviews. *Electronic Commer Res* , 201-214.

Sundaram, D. M. (1998). Word-of-Mouth Communications: A Motivational Analysis. *Advances in Consumer Research , 25*, 527-531.

Tannen, D. (1990) *You just don't understand: women and men in conversation*. New York: William Morrow and Company.

Time inc. launches MIMI, a social-first site for the beauty obsessed. (2015, Mar 16). *Business Wire* Retrieved from http://search.proquest.com/docview/1663676757?accountid=13211

Triandis, H. C. (1988). Individualism and Collectivism: Cross-cultural Perspectives on Self-in Group Relationships. *Journal of Personality and Social Psychology , 54* (2), 323-338.

Trusov, M. B. (2009). Effects of word-of-mouth versus traditional marketing: findings from an Internet social networking site. *Journal of Marketing*, 90-102.

What do you share on social media sites? Samp datapoint study and infographic reveal gender gap over social media privacy. (2012, Jan 30). *Business Wire* Retrieved from http://search.proquest.com/docview/918784673?accountid=13211

Wilson HCG releases inaugural employment branding report evaluating fortune(TM) 500 companies. (2014, Oct 01). *PR Newswire.* Retrieved from http://search.proquest.com/docview/1566608331?accountid=13211