

# MARKETING MANAGEMENT JOURNAL

VOLUME 23  
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## FROM THE EDITORS

*Marketing Management Journal*, first published in Fall 1991, is dedicated as a forum for the exchange of ideas and insights into the marketing management discipline. Its purpose was and continues to be the establishment of a platform through which academicians and practitioners in marketing management can reach those publics that exhibit interests in theoretical growth and innovative thinking concerning issues relevant to marketing management.

Submissions to *Marketing Management Journal* are encouraged from those authors who possess interests in the many categories that are included in marketing management. Articles dealing with issues including, but not limited to marketing strategy, ethics, product management, communications, pricing, distribution, sales management, buyer behavior, marketing information, and international marketing will be considered for review and possible inclusion in the journal. In addition, MMJ features a special section in the fall issue each year that focuses on specific topics of interest within the marketing discipline. Empirical and theoretical submissions of high quality are encouraged. The general approach of MMJ will continue to be the publication of articles appealing to a broad range of readership interests.

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## MARKETING MANAGEMENT JOURNAL

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# THE ROLE OF SELF-EFFICACY, RESPONSE EFFICACY AND NUTRITION KNOWLEDGE IN CONSUMERS' UTILIZATION OF NUTRITION LABELS

*KHALED ABOULNASR, Florida Gulf Coast University*

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*Careful inspection of nutrition labels on food products has been shown to improve consumers' dietary choices and food consumption decisions. The present study examines the effect of three individual level variables, namely self-efficacy, response efficacy and nutrition knowledge on consumers' intentions to use nutrition labels prior to making food purchase decisions and the effect of these intentions on actual dietary behaviors. These factors have been shown to be important predictors of behavior in multiple health-related domains. Results of a structural equation model suggest that efficacy variables as well as nutrition knowledge have a significant effect on shaping intentions to use the nutrition label and that intentions translate into improved dietary behavior. Results and implications to practitioners and policy makers are discussed.*

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## INTRODUCTION

The rise in obesity rates continues to be a major national health concern. The Center for Disease Control and Prevention (CDC) estimates that 35.7% of American adults are obese (CDC, 2012). Obesity is known to increase the risk factor for multiple diet-related health problems such as heart disease, type 2 diabetes and various types of cancer (Wang, McPherson, Marsh, Gortmaker & Brown, 2011). Given the link between dietary habits and obesity, the Food and Drug Administration (FDA) has attempted to introduce changes to the nutrition labels on food products to make them easier to comprehend by consumers (Burton, Garretson & Velliquette, 1999). Multiple studies have reported that reading nutrient information influences consumers' choice of food products and brands (Hawkes, 2004; Baltas, 2001) and encourages better food consumption (Drichoutis, Lazaridis & Nayga Jr., 2006). Hence, promoting greater utilization of the nutrition label to regulate food and calorie intake represents an important stride towards improving dietary choices.

Despite FDA regulations that standardized the nutrition label, a number of recent studies indicate that many consumers may still not use the nutrition label prior to purchasing food products (Aboulnasr & Sivaraman, 2010). According to the FDA's 2008 Health and Diet Survey, 24% of those asked about how often they use the nutrition information on a food product prior to purchase replied by rarely (13%) or never (11%). Out of those who said they rarely use the nutrition label information, 49% reported that they do not intend to use it in the six months following the study (FDA, 2008). Given the significance of nutrition labeling in enhancing consumers' food choices, these results emphasize the importance of a better understanding of why and when consumers use nutrition information prior to food purchase and consumption.

The purpose of the present paper is to extend prior research findings on consumers' utilization of nutrition labels in making food consumption decisions. Specifically, the roles of self-efficacy, response efficacy and consumers' nutrition knowledge as precursors to the intention to utilize nutrition labels and to make healthier food choices are explored. While a number of studies have researched the antecedents and consequences of using the nutrition label in the food purchasing process, to the best of our knowledge, none have

specifically investigated the effects of self-efficacy, perceived response efficacy and none have combined these two variables with nutrition knowledge in a single model predicting nutrition label use and dietary behavior.

Self-efficacy, response efficacy and prior knowledge have been shown to be important determinants of consumers' information search and behavior. Self-efficacy refers to an individual's belief in his or her ability to successfully perform a task (Hu, Huhmann & Hyman, 2007) and is one of the most widely studied variables in the field of health promotion research (Song, Peng & Lee, 2011). Response efficacy refers to the degree to which a certain action or response to a given problem is perceived as being effective (Bandura, 1977). Similar to self-efficacy, response efficacy has been a key element in multiple health behavior models (Casey, Timmermann, Allen, Krahn & Turkiewicz, 2009). Akin to the roles of self-efficacy and response efficacy, prior knowledge has been known to influence subsequent information processing (Brucks, 1985) and nutrition knowledge was found to be related to food consumption choices (Johnson & Johnson, 1985). Hence, in the current paper it is hypothesized that the belief in one's skills to comprehend nutrition information; the perception of the effectiveness of the nutrition label and one's nutrition knowledge will shape intentions to use the nutrition label which in turn will shape nutrition behavior.

The balance of this paper is organized as follows. In the next section, a review of the literature on nutrition labeling is presented followed by a presentation of the theoretical foundation and hypotheses development. The research methods used are then described, which include data collection procedures and analysis. This is followed by a discussion of the theoretical and policy implications. The paper concludes by identifying the study's potential limitations.

## LITERATURE REVIEW

### Nutrition Labeling

Providing nutrition labeling information on packaged food products has emerged as an important dimension of improving dietary practices and regulating food and calorie intake. Prior research indicates that utilizing nutrition labels may influence the way consumers value and perceive food products (Drichoutis et al., 2006). Multiple research studies have investigated the determinants of consumers' use of nutrition labels. These studies can be categorized into ones that researched the effects of individual characteristics and others that examined the likelihood of using nutrition labels in the presence of other information on the food package such as health and promotional claims.

In the category of individual characteristics, a number of traits were examined. While there were mixed findings in the literature regarding the effect of age, income, work status and size of household on label use (Drichoutis et al., 2006), higher levels of education and awareness of the diet-health relationship were found to associate with a greater likelihood to use nutrition labels (Drichoutis, Lazaridis & Nayga Jr., 2005; 2006; Derby & Fein, 1994). Gender was also found to relate to nutrition label use. In general, most prior studies found female consumers to be more likely to use the nutrition label compared to their male counterparts (Guthrie, Fox, Cleveland & Welsh, 1995; for an exception see Aboulnasr, 2010). Similarly, consumers with higher levels of enduring motivation, nutrition knowledge and interest in specific elements of the nutrition label such as cholesterol and fat were all found to increase the chances of nutrition label use (Drichoutis et al., 2005; 2006; Rose, 1994; Guthrie et al., 1995; Moorman, 1990).

Another stream of research examined consumers' likelihood and ability to utilize and elaborate on the nutrition label given the presence of other information on the food package. Ford, Hastak, Mitra & Ringold (1996)

argued for an independent effects model in which the presence of health claims on a food package does not influence consumers' ability to accurately use the nutrition panel. Similarly, Keller et al. (1997) found that consumers are able to utilize the nutrition facts panel to make overall product judgments in the presence of nutrition claims on the package. In support of these findings, Mitra, Hastak, Ford and Ringold (1999) suggested that the existence of health claims on a food package does not impact consumers' ability to comprehend the nutrition label and that this finding was unaffected by consumers' level of education. Despite the agreement of the three prior studies, Roe, Levy & Derby (1999) found that the presence of health claims on food packages curtails the search for nutrition information, hence leading to a greater dependence on those claims compared to the nutrition label. The difference in findings between the Roe et al. study and the prior studies may be attributed to differences in the contexts in which the studies were conducted (Drichoutis et al., 2006).

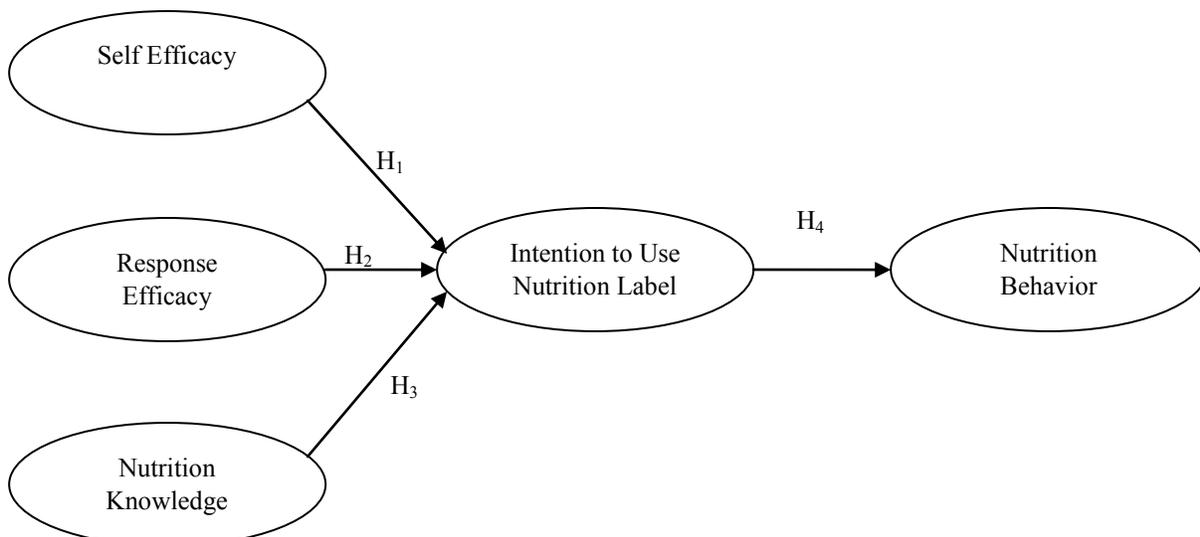
**CONCEPTUAL FRAMEWORK AND HYPOTHESES**

**Self-efficacy**

Self-efficacy refers to the “beliefs in one’s capabilities to organize and execute the courses of action required to produce given attainments” (Bandura, 1997, p.3). The concept of self-efficacy finds its roots in social cognitive theory, which suggests that “what people think, believe, and feel affects how they behave” (Bandura, 1986, p.26). According to social cognitive theory, people form beliefs regarding their abilities and skills and use these beliefs to shape their subsequent behavior (Mills, Pajares & Herron, 2007). Individuals who rank high on self-efficacy believe they have the required skills to successfully perform a given task. As a result of their perceived confidence, they tend to show greater motivation and a more positive attitude towards completing a prescribed behavior (Bandura, 1997; 1986).

Self-efficacy has been shown to be an important predictor of changes in health and diet-related behaviors (Schwarzer, 1992; Schwarzer & Renner, 2000). Beck and Lund (1981) found self-efficacy to be a reliable

**FIGURE 1:  
Hypothesized Model**



forecaster of adopting preventative practices in response to health-related communications. Greater perceived self-efficacy was also found to be linked to a greater likelihood to engage in healthier dietary behaviors, a reduction in fat in -take, more weight regulation (Mai & Hoffman, 2012), cancer-prevention behavior including cancer screening (Moriarty, 2009), smoking cessation and adherence to medical programs (Maibach, Flora & Nass, 1991).

In the context of the use of nutrition labels on food products, self-efficacy refers to the belief of the consumer that he/she has the knowledge or resources allowing him/her to successfully utilize the information in the nutrition facts panel. Perceived self-efficacy is expected to generate a positive attitude towards nutrition labels and strengthen the behavioral intentions that relate to the use of these labels. Given the behavioral and processing outcomes of self-efficacy, we predict that consumers who believe in their ability to use and comprehend nutrient information will exhibit a greater intention to utilize the nutrition label when making food purchase decisions. Hence, the following hypothesis is made:

*H<sub>1</sub>: Consumers' perceived self-efficacy will lead to a greater intention to use the nutrition label when making food consumption decisions.*

### **Response Efficacy**

Response efficacy refers to the belief that a certain behavior (response) is effective in yielding a required outcome (Bandura, 1977) or preventing a negative one (Moriarty, 2009). It represents an individual's belief in the extent to which a prescribed behavior works (Moriarty, 2009). In the context of health related behaviors, Bandura (1997) describes response efficacy as a "belief in the effectiveness of the prescribed means to prevent illness or promote health" (p.283). Response efficacy has been presented as a principal component in multiple models such as the Health Belief Model, the AIDS Risk Reduction Model and Bandura's Model (Casey et al., 2009). The assumption in

these models is that people are less likely to engage in a certain behavior if they do not believe in its effectiveness in solving a problem or achieving a desired outcome.

A number of studies have provided strong support for the role of response efficacy in the context of health-related behaviors (Moriarty, 2009). In a meta-analysis of 65 studies that examined the role of response efficacy, Floyd, Prentice-Dunn and Rogers (2000) found that it was linked to behavioral outcomes and intentions in multiple fields such as the prevention of AIDS and cancer, reduction of the consumption of alcohol and smoking cessation. Yun, Silk, Bowman, Neuberger and Atkin (2009) found that mothers' belief in the efficacy of maintaining healthy diets, exercising and avoiding chemical exposure in preventing cancer was a good predictor of their intentions to train their daughters on adopting these behaviors.

Based on the prior discussion on the role of response efficacy in shaping behavioral intentions, we expect this relationship to be present in the context of consumers' utilization of nutrition labels. If consumers do not perceive that nutrition labels are useful, they will be less likely to use them. Hence, it is expected that consumers' belief that reading nutrition information on food products prior to purchase is effective in maintaining a healthy diet and/or preventing diet-related disease to strengthen their intentions to utilize the nutrition label. We thus make the following hypothesis:

*H<sub>2</sub>: Consumers' perceived response efficacy will lead to a greater intention to use the nutrition label when making food consumption decisions.*

### **Nutrition Knowledge**

Consumers' prior knowledge has been shown to influence subsequent acquisition and processing of information (Brucks, 1985). A number of studies report that possessing greater levels of knowledge leads to a greater likelihood of information retention and acquisition

(Moorman & Matulich, 1993). More knowledgeable consumers were found to engage in more systematic processing of information compared to consumers who lacked prior knowledge who were shown to engage in greater heuristic processing (Averbeck, Jones & Robertson, 2011). Moorman and Matulich (1993, p.210) suggest that “knowledge may ease the encoding of information, which may make acquisition more likely”. The relationship between prior knowledge and subsequent utilization of information is based on the premise that more knowledge structures and networks allow for more efficient use of subsequently encountered information (Andrews, Burton & Netemeyer, 2000). Similarly, the resource matching perspective offers a theoretical explanation to the relationship between knowledge and information processing and utilization. This perspective suggests that ideal processing of information takes place when the resources required to perform a cognitive task are available (Hu, Huhmann & Hyman, 2007). Hence, knowledge availability may facilitate subsequent information processing.

In the context of consumers’ dietary choices, prior nutrition knowledge was found to lead to better food selection (Bell, Stewart, Radford & Cairney, 1981), more nutritious food choices (Johnson & Johnson, 1985), improved dietary behaviors (Boechner, Kohn & Rockwell, 1990), more utilization of nutrition information and better performance on tasks related to food label use (Levy & Fein, 1998). Szykman, Bloom and Levy (1997) demonstrated that consumers’ diet-disease relationship knowledge had a positive impact on subsequent utilization of nutrition labels. Likewise, Andrews et al. (2000) proposed that consumers’ processing of nutrition claims may be affected by the level of nutrition knowledge they possess. Drichoutis et al. (2006) suggested that consumers’ prior nutrition knowledge may increase the likelihood of consumers’ nutrition label utilization through enhancing the observed benefits and reducing the cost of such use.

In light of the previous discussion featuring the role of knowledge in facilitating the processing and use of subsequently encountered information, it is proposed that consumers who have nutrition knowledge should be more likely to use this knowledge when purchasing packaged food products. We expect consumers with higher levels of nutrition knowledge to perceive themselves as more prepared to utilize such knowledge for the purpose of food product evaluation and hence exhibit a greater likelihood to inspect the nutrition label prior to purchase. Hence, the following hypothesis is made:

*H<sub>3</sub>: Consumers’ prior nutrition knowledge will lead to a greater intention to use the nutrition label when making food consumption decisions.*

It is also expected that consumers’ intention to utilize the nutrition label will translate into actual behavior that reflects healthier eating habits. Most work that links intentions to behavior finds its origins in the Theory of Reasoned Action. This theory depicts behavioral intentions as a direct predictor of behavior (Park & Levine, 1999). Fishbein and Ajzen (1975) described intention as a decision to act in a certain way. A number of other research studies have linked behavioral intentions to action. Eagley and Chaiken (1993) identified intention as a representation of an individual’s effortful motivation to engage in behavior while Sheppard, Hartwick and Warshaw (1988) described it as the prospect that an individual will carry out a behavior. Given evidence from prior studies on the relationship between behavioral intentions and actual behavior, in addition to research that links label use to improved nutrition choices and dietary behavior (Coulson, 2000), it is expected that consumers’ intentions to use the nutrition label will represent a greater motivation for consumers to engage in more healthful nutrition behaviors and choices. Hence, we make the following hypothesis:

*H<sub>4</sub>: Consumers’ intention to use the nutrition label when making food consumption decisions will lead to more healthy nutrition behavior.*

**METHOD**

**Study Participants**

A survey instrument was developed to measure the constructs of interest. Ninety-six undergraduate business students at a southeastern public university participated in the study and completed the survey. The participants ranged in age from 20 to 35 years old. The average age was 23 years old. Forty-four males (46%) and fifty-two females (54%) received the self administered questionnaire that contained the instructions and the measures. As an incentive to participate in the study, participants were given extra course credit. Upon completion, students were debriefed and thanked for their participation.

**Measures**

The survey instrument used measures and scales that were modified and adapted to the context of this study based on previously developed scales used in prior marketing and nutrition research measuring efficacy, knowledge, intentions and behavior. (Yun et al., 2009; Moriarty, 2009; Burton et al., 1999; Moorman & Matulich, 1993). Mean ratings of multi-item scales were used to measure self-efficacy, response efficacy, nutrition knowledge, intentions and behavior. A higher score indicates a higher level of each of these constructs. All measures were assessed on seven-point Likert-type scales anchored by *strongly disagree* and *strongly agree*.

Study participants rated their self-efficacy (Cronbach's  $\alpha = 0.93$ ) on a four-item scale (e.g. I am confident in my ability to process

**TABLE 1:**  
**Exploratory Factor Analysis Results (Varimax Rotation)**

|                         | Mean / SD | Self Efficacy | Response Efficacy | Nutrition Knowledge | Intention to use label | Nutrition Behavior |
|-------------------------|-----------|---------------|-------------------|---------------------|------------------------|--------------------|
| Item 1                  | 5.41 1.56 | 0.86          |                   |                     |                        |                    |
| Item 2                  | 5.64 1.30 | 0.92          |                   |                     |                        |                    |
| Item 3                  | 5.67 1.40 | 0.89          |                   |                     |                        |                    |
| Item 4                  | 5.96 1.33 | 0.86          |                   |                     |                        |                    |
| Item 5                  | 5.66 1.30 |               | 0.64              |                     |                        |                    |
| Item 6                  | 5.76 1.34 |               | 0.71              |                     |                        |                    |
| Item 7                  | 5.20 1.86 |               | 0.83              |                     |                        |                    |
| Item 8                  | 5.25 1.46 |               | 0.86              |                     |                        |                    |
| Item 9                  | 5.53 1.40 |               | 0.78              |                     |                        |                    |
| Item 10                 | 5.60 1.41 |               | 0.81              |                     |                        |                    |
| Item 11                 | 5.02 1.35 |               |                   | 0.75                |                        |                    |
| Item 12                 | 5.04 1.40 |               |                   | 0.87                |                        |                    |
| Item 13                 | 5.11 1.61 |               |                   |                     | 0.83                   |                    |
| Item 14                 | 4.61 1.74 |               |                   |                     | 0.84                   |                    |
| Item 15                 | 4.76 1.78 |               |                   |                     | 0.86                   |                    |
| Item 16                 | 4.38 1.41 |               |                   |                     |                        | 0.89               |
| Item 17                 | 4.20 1.60 |               |                   |                     |                        | 0.86               |
| Item 18                 | 4.11 1.61 |               |                   |                     |                        | 0.89               |
| <b>Eigenvalues</b>      |           | 3.49          | 3.86              | 1.61                | 2.88                   | 2.53               |
| <b>Variance percent</b> |           | 19.40         | 21.43             | 8.92                | 16.01                  | 14.07              |
| <b>Cronbach's alpha</b> |           | 0.93          | 0.89              | 0.75                | 0.95                   | 0.88               |
| <b>Number of items</b>  |           | 4             | 6                 | 2                   | 3                      | 3                  |

information in the nutrition facts panel on a food product). Response efficacy (Cronbach's  $\alpha = 0.89$ ) was measured using six items (e.g. Inspecting the nutrition facts panel is important to maintain a healthy diet). The two Items used to measure nutrition knowledge (Chronbach's  $\alpha = 0.75$ ) were adapted from the scale used by Burton et al. (1999, p.474) e.g. "compared to most people, I am quite knowledgeable about nutrition information". Intention to use the nutrition label (Cronbach's  $\alpha = 0.95$ ) was measured using three items e.g. "I intend to carefully inspect the nutrition label when buying food products". Nutrition behavior (Cronbach's  $\alpha = 0.88$ ) was measured using a three-item scale e.g. "Generally, I consume foods that are high in sodium content". All three items used to measure nutrition behavior were reverse coded prior to the analysis.

### Measurement Model

A series of tests were conducted to evaluate the characteristics and properties of the measurement scales and to test for the constructs' unidimensionality, reliability and discriminant validity. An exploratory factor analysis (EFA) using the maximum likelihood method with varimax rotation was conducted on all the items used to measure the constructs of interest in the study. As predicted, the analysis generated five factors (self-efficacy, response efficacy, nutrition knowledge, intention to use label and nutrition behavior) using an Eigenvalue of 1.0 as a cut-off value for factors extracted. These results supported the assertion that each one of the multi-item scales shared a single underlying factor. None of the factor loadings were lower than 0.5. Furthermore, none of the correlations of factors was close to 1.0 (factor correlations ranged from 0.23 to 0.53) offering support for discriminant validity. Internal validity for each of the constructs was measured using Cronbach's alpha. All constructs had a Cronbach's alpha greater than the recommended 0.70 level (Nunally, 1978) indicating convergent validity and internal consistency.

To further validate and purify the scales used in the measurement of the latent constructs, a confirmatory factor analysis (CFA) using SPSS AMOS 19 Structural Equation Modeling Program was performed. In support of unidimensionality, all items loaded as theorized (Gerbing & Anderson, 1988). The overall measurement model was significant ( $\chi^2=199$ ;  $df=125$ ;  $p=0.0$ ). However,  $\chi^2$  is known to be sensitive to sample size and an unreliable measure of structural equation model fit (Srivastava & Owens, 2010). An analysis of a variety of goodness of fit statistics indicates a good model fit to the data (comparative fit index (CFI) = 0.94, incremental fit index (IFI) = 0.94 and the Tucker Lewis index (TLI) = 0.92), all higher than the recommended 0.90 level for model fit (Hair, Black, Babin, Anderson & Tatham, 2006; Srivastava & Owens, 2010). The root mean square error of approximation (RMSEA) = 0.08, which is within the suggested range of adequacy for model fit (Byrne, 2001, p.85).

The model was then examined for construct reliability and convergent and discriminant validity. Given the limitations associated with Cronbach's  $\alpha$  such as underestimating the reliability of scales (Garver & Mentzer, 1999), a CFA measurement model was used to test for construct reliability (CR). Construct reliability was calculated using the equation suggested by Fornell & Larcker (1981). In this equation, the numerator represents the sum of the standardized regression weights squared, while the denominator is equal to the sum of the standardized regression weights squared plus the summation of the error variance for each construct calculated as 1 – the squared standard regression weights (Garver & Mentzer, 1999).

Construct Reliability =

$$\frac{\sum_{i=1}^n \lambda_i^2}{\sum_{i=1}^n \lambda_i^2 + \sum_{i=1}^n \delta_i}$$

As presented in Table 2, construct reliability results ranged from 0.80 to 0.95. These values exceed the recommended acceptable level of 0.70 (Garver & Mentzer, 1999) providing

**TABLE 2:**  
**Confirmatory Factor Analysis Results (Measurement Properties)**

| Construct                        | Scale Items | Factor Loadings<br>(Standardized Regression Weights) | Construct Reliability | Average Variance Extracted |
|----------------------------------|-------------|--|-----------------------|----------------------------|
| Self-Efficacy                    | Sfec1       | 0.879  | 0.93                  | 0.78                       |
|                                  | Sfec2       | 0.982  |                       |                            |
|                                  | Sfec3       | 0.855  |                       |                            |
|                                  | Sfec4       | 0.804  |                       |                            |
| Response Efficacy                | Rpec2       | 0.769  | 0.90                  | 0.59                       |
|                                  | Rpec3       | 0.745  |                       |                            |
|                                  | Rpec4       | 0.805  |                       |                            |
|                                  | Rpec5       | 0.736  |                       |                            |
|                                  | Rpec6       | 0.8  |                       |                            |
| Nutrition Knowledge              | Nukn1       | 0.995  | 0.80                  | 0.68                       |
|                                  | Nukn2       | 0.608  |                       |                            |
| Intention to Use Nutrition Label | Int1        | 0.914  | 0.95                  | 0.86                       |
|                                  | Int2        | 0.927  |                       |                            |
|                                  | Int3        | 0.942  |                       |                            |
| Nutrition Behavior               | Bhv1        | 0.937  | 0.88                  | 0.71                       |
|                                  | Bhv2        | 0.781  |                       |                            |
|                                  | Bhv3        | 0.808  |                       |                            |

**TABLE 3:**  
**Correlation Matrix of Latent Constructs**

|                   | Self Efficacy | Response Efficacy | Nutrition Knowledge | Intention | Behavior |
|-------------------|---------------|-------------------|---------------------|-----------|----------|
| Self-Efficacy     | 1             |                   |                     |           |          |
| Response Efficacy | 0.19          | 1                 |                     |           |          |
| Knowledge         | 0.48          | 0.25              | 1                   |           |          |
| Intention         | 0.45*         | 0.55*             | 0.55                | 1         |          |
| Behavior          | 0.32          | 0.07              | 0.26                | 0.39      | 1        |

\*Correlation significant at  $p < 0.001$

support for the reliability and internal consistency of the scales used. As evidence for convergent validity, all items in the model had factor loadings (standardized regression weights) on their respective constructs that were higher than 0.60, exceeding the acceptable value of 0.50 (Gallagher, Ting & Palmer, 2008), were all statistically significant and in

the theorized direction (Garver & Mentzer, 1999). Average variance extracted for all the constructs was then calculated. Average variance extracted measures the variance explained by the latent variable in comparison to the measurement error variance (Fornell & Larcker, 1981) and is calculated by dividing the sum of the squared standardized factor loadings

by the number of items for each construct (Gallagher et al., 2008). Average variance extracted values ranged between 0.59 and 0.86, exceeding the recommended 0.5 level for a construct to exhibit convergent validity (Hair et al., 2006). Taken, together the evidence provides support for the convergent validity of all the constructs.

Discriminant validity measures whether a construct is different from other constructs in the model. There is evidence for discriminant validity when the average variance extracted for a construct is greater than the squared correlations between that construct and all the other constructs in the model (Fornell & Larcker, 1981). Each construct in the model had an average variance extracted that was greater than its' squared correlation with all the other constructs indicating divergent validity. Average variance extracted estimates are presented in Table 2. In a second test of discriminant validity, we followed the method recommended by Dunn, Seaker and Waller (1994). An alternative constrained theoretical model was created, in which all the inter-construct correlations were set to 1 and then a chi-square difference test was conducted between the original non-constrained model and the constrained one. A statistically significant chi-squared test denotes discriminant validity of the constructs. The chi-squared difference between the two models was 37.7 with 10 degrees of freedom, which was statistically significant at  $p < .001$ . The results of

the two tests provide evidence of divergent validity in the model.

**Structural Model**

A structural equation model using SPSS AMOS 19 was utilized to test our hypotheses. Results of the structural model indicated a good model fit. ( $\chi^2=203.50$ ;  $df=128$ ;  $p=0.00$ , comparative fit index (CFI) = 0.94, incremental fit index (IFI) = 0.94 and the Tucker Lewis index (NFI) = 0.92). The relationship between the constructs in the model were all found to be statistically significant and in the hypothesized direction. Results for standardized individual path coefficients are presented in Table 4. Hypothesis 1 suggested that self-efficacy should lead to a greater intention to use nutrition labels on food products. Results show that the path from self-efficacy to intention was statistically significant ( $\beta=0.21$ ,  $p<0.05$ ). In support of hypothesis 2, response efficacy was found to positively influence intention to use the nutrition label ( $\beta=0.42$ ,  $p<0.01$ ). The results also support hypothesis 3, which suggested that consumers' nutrition knowledge increases their intention to use the nutrition label ( $\beta=0.35$ ,  $p<0.01$ ). Similarly, hypothesis 4 was supported suggesting a positive relationship between intention to use nutrition label and actual dietary behavior ( $\beta=0.39$ ,  $p<0.01$ ). Overall, the structural equation modeling results supported all of our hypotheses.

**TABLE 4:  
Hypotheses Testing Results  
Structural Equation Model**

| Relationship                        | Hypothesis     | Standardized Path Coefficient | Significance Level |
|-------------------------------------|----------------|-------------------------------|--------------------|
| Self-efficacy -----> Intention      | H <sub>1</sub> | 0.21                          | $p < 0.05$         |
| Response efficacy -----> Intention  | H <sub>2</sub> | 0.42                          | $p < 0.001$        |
| Nutrition Knowledge ----> Intention | H <sub>3</sub> | 0.35                          | $p < 0.001$        |
| Intention -----> Behavior           | H <sub>4</sub> | 0.39                          | $p < 0.001$        |

$\chi^2=203.50$ ;  $df=128$ ;  $p=0.00$ , CFI = 0.94, IFI = 0.94, NFI = 0.92

### Discussion and Implications

In the present research, we empirically tested the effect of three individual level variables on the intention to use nutrition labels, two of which have generally not been studied in past nutritional label literature. In support of social cognitive theory, the theory of reasoned action and the resource matching perspective, the results of this study highlight the importance of self-efficacy, response efficacy and consumers' nutrition knowledge in utilizing the information on food labels. Consistent with our hypotheses, study participants who were more confident in their skills and ability to interpret and process nutrition information (high self-efficacy), those who had a stronger belief in the effectiveness of using nutrition labels in maintaining a healthy diet and preventing disease (high response efficacy) and those who had prior nutrition knowledge (greater nutrition knowledge) displayed a greater intention to utilize the nutrition label. Our results also indicate that intentions to use the nutrition label are related to more healthful eating behavior and choices.

Efficacy perceptions develop as a result of the appraisal of one's abilities and the assessment of the effectiveness of given behaviors (Bandura, 1977). Building on this premise, the results of this study suggest that practitioners and public policy initiatives designed to encourage healthier eating habits need to focus on enhancing and strengthening both self-efficacy and response efficacy dimensions as well as consumers' nutrition knowledge. Given the important role played by the efficacy variables in shaping intentions to use the nutrition label, consumer nutrition education campaigns may find it more effective to focus on communicating and explaining specific nutrient information as opposed to presenting more general information that simply encourage label use. Educating consumers about diet-disease relationships and the specifics of the nutrition composition of food products empowers consumers with the knowledge that may be required to enhance the

likelihood of label use. Knowledge and education may also provide consumers with the confidence in their ability to use nutrition labels in the form of self-efficacy. This process is expected to increase behavioral intentions for label utilization.

Similarly, based on our results, the perceived efficacy of using the nutrition label is directly linked to consumers' intentions to use the label. Accordingly, public policy initiatives should be geared towards focusing on the value and effectiveness of nutrition labels in the maintenance of a healthy diet and the prevention of diet-related diseases. The health benefits of nutrition label utilization should be emphasized in campaign messages and educational programs designed to foster greater label usage. Furthermore, given the strong link between nutrition knowledge and label use, these campaigns would also be advised to focus greater resources on targeting consumers with lower levels of nutrition knowledge.

There are some limitations that may affect the generalizability of the findings of this study. Results should be interpreted within the context of these constraints. First, a sample of young adults was used. It is not clear whether the same effects would apply to other age groups given that dietary habits may change with age and experience. Second, study participants were all recruited from a single state; hence a more geographic representation of the population may be desirable in future research. Third, subjective nutrition knowledge rather than objective knowledge was measured. Future research testing the effect of knowledge may want to add an objective measure of nutrition knowledge such as a nutrition quiz to get a more complete picture of respondents' nutrition knowledge.

While more than twenty years have passed since the Nutrition Labeling and Education Act (NLEA) of 1990, requiring packaged food products to display a standardized nutrition facts panel, there continues to be an ongoing

interest among practitioners, researchers and public policy makers in consumers' dietary behavior and selections. This study extended prior research by incorporating into one model, the effects of self-efficacy, response efficacy and nutrition knowledge on consumers' intentions to utilize nutrition labels. It has shed light on efficacy variables that have been widely studied in the literature on health promotion and disease prevention, hoping that it would extend marketers' and policy makers' understanding of when and how consumers use nutrition labels.

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# THE IMPACT OF AN ENVIRONMENTALLY FRIENDLY ADVERTISING CLAIM ON PURCHASE INTENTIONS

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*This study documents a statistically significant impact exerted by an Environmentally Friendly advertising claim on consumer purchase intentions for a high involvement product. The Environmentally Friendly claim in an otherwise identical treatment significantly improved purchase intentions compared to a Great Performance claim. In addition, two covariates that significantly improved the statistical power for the multivariate tests used in this analysis are identified and discussed. These are (1) product involvement and (2) concern about air pollution. Details of the mall intercept survey designed and implemented for this analysis are provided.*

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## INTRODUCTION

Interest among public and private entities in developing environmentally friendly marketing mixes has grown exponentially since the first Earth Day on April 22, 1971, both domestically and abroad. In the United States, the Federal Trade Commission has long recognized this trend, setting forth guidelines for the use of environmental marketing claims in 1992 (Werner & Brown, 1993). Modern human beings across the planet have become increasingly concerned that nonrenewable ecological resources such as fossil fuels will too rapidly be consumed, leaving nothing but harmful side effects such as air pollution. The consumption of petroleum by industrial societies like the United States that have heavily adopted internal combustion engine technology is often at the core of this global debate. One result of this growing awareness is that “research into sustainable consumption has become a burgeoning field across many perspectives, including in economics, anthropology, psychology, sociology, human geography, and marketing (Pepper, Jackson & Uzzell, 2009, p.126).” Kinear and Taylor (1973) and Kinneer, Taylor, and Ahmed (1974) are among the earliest examples found in the marketing literature. Their focus was on describing environmentally conscious consumers and how those tendencies

subsequently impacted brand beliefs and attitudes.

## Focus of This Study

Many if not most empirical studies identified for this project in the marketing literature have tested the impact of environmentalism on purchase decisions under low involvement conditions, which has been identified as a potential problem in the involvement literature (Patterson, 1993). In addition, many of those studies used generalized measures that are not product category specific. According to Korgaonkar and Moschis (1982), “The concept of product involvement is product class specific... (p.34).” As a result, we believe that reported results in this area of the literature are generally weak. For example, Laroche, Bergeron and Barbaro-Forleo (2001) found that “the behaviors ‘recycling’ and ‘buying environmentally friendly products’ were not good predictors of consumers' willingness to pay more for green products (p. 515)” such as household cleaning supplies, which are typically low involvement purchases. Schuhwerk and Lefkoff-Hagius (1995) reported that the green claim they tested was only significant for their low involvement group, but they used a very non-specific, generalized measure of involvement with the environment. On the other hand, when a high involvement product was considered, a significant relationship between green information seeking and hybrid automobile purchase intentions in the United States is reported (Oliver & Lee,

2010; Oliver & Rosen, 2010). High involvement brands can be seen by others and linked to an individual's social status, so those purchase decisions are potentially significant in a social context (Janssen & Jager, 2002). Several early studies clearly demonstrate that involvement levels vary across product categories and that automobiles are normally in the high range (e.g., Korgaonkar & Moschis, 1982; Vaughn, 1986; Zaichkowsky, 1987).

According to Montoro-Rios, Luque-Martinez, and Rodriguez-Molina (2008), "the relationship between environmental associations and attitudes toward a brand are conditioned in part on the product category and the brand. As such, the usefulness of environmental associations to improve attitudes toward a brand should not be generalized (p.547)." Based on this discussion, our study is primarily designed to test whether or not the advertising claim Environmentally Friendly can significantly influence consumer decisions for a high involvement product versus a Great Performance claim in an identical advertisement. The automobile product category was selected for this research not only because it is typically a high involvement purchase, but also because its consumption has a well-known impact on the environment through air pollution. As recommended by Montoro-Rios, Luque-Martinez, and Rodriguez-Molina (2008), we adopted very specific measures of product category involvement (Zaichkowsky, 1985) and concern about air pollution (Antil, 1985) for our current study.

### MARKETING AND ENVIRONMENTAL CONCERNS

The term *environmentalism* has typically been loosely defined in existing literature, and mostly measured in the form of a broad attitude or opinion expressing concern for the environment. Its multidimensional nature could incorporate a wide range of environmental concerns from air and water pollution to conservation of land, wildlife or other natural resources. Most existing research has focused on "symptoms of environmental decline such as

pollution, resource depletion, and waste. When specific topics were studied they included such factors as energy conservation, recycling, 'green' product usage, and specific legislative initiatives (Kilbourne & Beckmann, 1998, p.519)." As previously mentioned, many existing studies do not focus the respondent on a specific product or product class. Contrary to that tendency, Kassarian (1971) did design a study that specifically tested consumer concern for air pollution, brand awareness, and willingness to pay more for one particular product that would reduce air pollution. That early study focused on a gasoline additive that claimed to reduce air pollution, and identified a significant relationship between concern for air pollution and brand awareness. Kassarian's (1971) analysis also found a significant correlation between concern for air pollution and a consumer's willingness to pay more for a product that would reduce air pollution.

### Green Marketing

The preference by practitioners to use certain types of advertising claims over others tends to be cyclical (Fay, 2006). According to Hartmann and Apaolaza-Ibanez (2009, p.715): "After a surge in green advertising in the 1990s, the use of green advertising claims decreased for nearly a decade. At present, however, a revival of green advertising can be observed." As noted in the popular business press, advertising agencies and other media and marketing companies have specifically concentrated on green marketing initiatives in recent years (Hanas, 2007; McIlroy, Bush, Parekh, Frazier, and Mullman, 2008; Schwartz, 2007). According to Orange (2010), "Around the world, growing numbers of consumers are purchasing supposedly eco-friendly products such as organic clothing, energy-saving light bulbs, and reusable shopping bags (p.29)." Responding to this trend, a cover story in *Marketing News* (2008) notes:

Marketers have jumped onto the environmentally friendly bandwagon as real world events and scientific evidence - Hurricane Katrina, major oil spills, global

warming - have grown from a non-issue for most consumers to an undeniable reality... For product marketers, 'green' is the new 'low-fat' (p.15).

Despite the fact that much has been written about green marketing (particularly in the trade press) few empirical studies exist. According to Montoro-Rios, Luque-Martinez, and Rodriguez-Molina (2008, p.547): "There is little scientific literature dealing with the experimental study of the impact of environmental information and associations on the formation of new attitudes towards products or brands." We seek to address that deficiency by adding the empirical analysis reported here to the literature. Based on our previous discussion, we designed a product-specific research domain with focused variables such as the impact concern about air pollution has on automobile purchase intentions.

### Hypotheses

To determine our hypotheses, we depend on the Elaboration Likelihood Model from the consumer involvement literature. Petty, Cacioppo and Schumann's (1983) Elaboration Likelihood Model (ELM) is widely adopted in the involvement literature and is predicated on the hierarchy of effects model traditionally used in advertising effectiveness studies (Lavidge & Steiner, 1961; Ray, 1973; Vaughn, 1986). The ELM holds that consumers under high involvement situations will favor brand-related information such as product performance that is *central* to the purchase decision (i.e., functional claims), but when low involvement conditions prevail and consumers do not care that much about the product itself, a catchy tune in a TV commercial or an attractive model demonstrating the product will have a more significant impact on purchase intentions (i.e., *peripheral cues*). We believe that an Environmentally Friendly claim is peripheral and thus falls into the latter category.

There have been several manifestations of hierarchal models in the marketing literature, notably in consumer decision making where

brand awareness and knowledge or beliefs (cognition) result in brand evaluation or attitude (affection) that subsequently leads to a purchase (conation). Using hierarchy of effects parlance, the ELM would predict brand beliefs to form brand attitudes for high involvement products, but attitude toward the advertisement would more significantly impact the formation of brand attitudes for low involvement products. Brand attitude would in turn immediately predict purchase intentions in most ELM models (Costley 1988; Homer 1990; MacKenzie, Lutz & Belch 1986; Zinkhan & Martin 1982; Zinkhan & Fornell 1989). The ELM has long been known to have both face validity and relatively strong empirical support (Miniard, Dickson & Lord, 1988; Miniard, Bhatla & Rose, 1990). However, this brief discussion is provided as background information only. The focus of our study does not include the sequential or hierarchal effects of post-processing consumer decision making. We are instead interested in the impact an Environmentally Friendly claim might simultaneously exert across the decision process versus a Great Performance claim, which is the alternative direction to the hypotheses we state below based on involvement literature.

Under high involvement conditions such as those related to purchasing an automobile, consumers are more likely to be persuaded by functional claims that contain product performance information central to product utility and value. Petty, Cacioppo, and Schumann (1983) reported that "argument quality was a more important determinant of purchase intentions under high rather than low involvement (p.141)." They operationalized the strong or "cogent" argument included in their test advertisements for a disposable razor with product performance claims such as "In direct comparison tests, the Edge blade gave twice as many close shaves as its nearest competitor (p.139)." Korgaonkar and Moschis (1982) found that high expectations of product performance produced higher mean product evaluation scores for the high involvement

product they tested. According to Korgaonkar and Moschis (1982, p.38): “To the marketers of involving products, the study suggests the use of a promotional mix designed to create high expectations [of product performance].” Satisfaction with product performance was a key dependent measure in their analysis. Finally, Patterson (1993, p.449) reported that “perceived product performance [was] the most powerful determinant... of customer satisfaction for a high-involvement product.”

We believe the literature cited here suggests that the more product-centric Great Performance claim featured in our test ads (versus the more peripheral Environmentally Friendly claim) will significantly impact hierarchy of effects measures typically used in advertising effectiveness studies due to the high involvement nature of the product being analyzed. We therefore hypothesize the following:

*H<sub>1</sub>: A Great Performance claim will produce more positive attitudes toward the advertisement (Aad) compared to an Environmentally Friendly claim.*

*H<sub>2</sub>: A Great Performance claim will produce more positive attitudes toward the brand (Ab) compared to an Environmentally Friendly claim.*

*H<sub>3</sub>: A Great Performance claim will produce more positive brand beliefs (Bblf) compared to an Environmentally Friendly claim.*

*H<sub>4</sub>: A Great Performance claim will produce more positive purchase intentions (PI) compared to an Environmentally Friendly claim.*

The interesting question alternating these hypotheses is whether the environmental issue has risen in importance to the level of product performance for contemporary consumer decision making when concern about pollution has become a much more salient topic.

## METHODOLOGY

An existing automobile dealership granted permission to execute the current study, and our

test advertisements were almost entirely based on an actual newspaper advertisement run by this dealership to preserve as much realism as feasible given the nature of the research design (see Exhibit A). The dealership did not otherwise participate in this research project. The goal of the initial factorial design was to include consumer comparisons of actual automobiles (Honda Accord and Honda Civic) featuring conventional engines versus hybrids for the identical models to avoid introducing a confound effect in the analysis (e.g., Honda Accord hybrid mixed in with Ford Fusion hybrid). The *Accord* (Treatments 1,2,5,6) versus *Civic* (Treatments 3,4,7,8) models, *Hybrid* (Treatments 1,3,5,7) versus *Standard* (i.e., EX) engines (Treatments 2,4,6,8), and *Great Performance* (Treatments 1,2,3,4) versus *Environmentally Friendly* (Treatments 5,6,7,8) advertising claims define the 2x2x2 factorial design initially analyzed. The reader should note that our primary intent for this manuscript is to test only those hypotheses previously detailed that relate to the controllable advertising claim main effect, however.

As we previously highlighted, consistent with a majority of advertising effectiveness studies, the *attitude toward the advertisement* (Aad) - *brand belief* (Bblf) - *attitude toward the brand* (Ab) - *purchase intention* (PI) hierarchy of effects is used in this study to model post-exposure consumer decision making. Construct formation was developed in and adapted from the following literature stream (Neese, 2004; Neese & Hult, 2002, 1996; Neese & Capella, 1997; Neese, Taylor, & Capella, 1997; Neese & Taylor, 1994), plus a principal component factor analysis applied specifically to this study. The need to include two uncontrollable influences on consumer decision making (i.e., product involvement and concern about air pollution) was also identified through our literature review. Equivocal results in the marketing literature demonstrating a direct impact of environmental concern on purchase intentions are likely not only due to the low involvement nature of most products analyzed and broadly-stated measures, but according to Ray (1979) also because involvement and other

**EXHIBIT A:  
Test Advertisements**

1

**HONDA ACCORD HYBRID**

- 255-hp, 3.0-liter, i-VTEC® V-6 Engine with Integrated Motor Assist (IMA™)
- Tilt
- 5-speed Automatic Transmission
- Cruise
- Automatic Climate Control
- Heated Leather Seats
- AM/FM/XM Satellite Radio with 6-disc CD Changer
- Power Moonroof w/ Tilt
- Power Windows
- Power Locks w/ Remote Entry



**Great Performance!**

Starting At **\$ 30,140**

\*Tax, tags additional.

**INDEPENDENCE HONDA**

**1-800-536-1476**

On Rte. 11, Between Bloomsburg & Berwick

Hours: Mon. to Fri. 8:00am- 8:00 pm - Sat. 9:00am- 3:00pm



2

**HONDA ACCORD EX V-6**

- 244-hp, 3.0-liter 24-valve SOHC VTEC® V-6 Engine
- Tilt
- 5-speed Automatic Transmission
- Cruise
- Automatic Climate Control
- Heated Leather Seats
- AM/FM/XM Satellite Radio with 6-disc CD Changer
- Power Moonroof w/ Tilt
- Power Windows
- Power Locks w/ Remote Entry



**Great Performance!**

Starting At **\$ 27,300**

\*Tax, tags additional.

**INDEPENDENCE HONDA**

**1-800-536-1476**

On Rte. 11, Between Bloomsburg & Berwick

Hours: Mon. to Fri. 8:00am- 8:00 pm - Sat. 9:00am- 3:00pm



3

**HONDA CIVIC HYBRID**

- 110-hp, 1.3-liter, 8-valve, i-VTEC® 4-cylinder Gasoline Engine
- Tilt
- 5-Speed Automatic Transmission
- Cruise
- Automatic Climate Control
- Heated Leather Seats
- AM/FM/XM Satellite Radio with 6-disc CD Changer
- Power Moonroof w/ Tilt
- Power Windows
- Power Locks w/ Remote Entry



**Great Performance!**

Starting At **\$ 21,850**

\*Tax, tags additional.

**INDEPENDENCE HONDA**

**1-800-536-1476**

On Rte. 11, Between Bloomsburg & Berwick

Hours: Mon. to Fri. 8:00am- 8:00 pm - Sat. 9:00am- 3:00pm



4

**HONDA CIVIC EX V-4**

- 140-hp, 1.8-liter, SOHC i-VTEC® 4-cylinder Engine
- Tilt
- 5-Speed Automatic Transmission
- Cruise
- Automatic Climate Control
- Heated Leather Seats
- AM/FM/XM Satellite Radio with 6-disc CD Changer
- Power Moonroof w/ Tilt
- Power Windows
- Power Locks w/ Remote Entry



**Great Performance!**

Starting At **\$ 19,060**

\*Tax, tags additional.

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5

**HONDA ACCORD HYBRID**

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- Cruise
- Automatic Climate Control
- Heated Leather Seats
- AM/FM/XM Satellite Radio with 6-disc CD Changer
- Power Moonroof w/ Tilt
- Power Windows
- Power Locks w/ Remote Entry



**Environmentally Friendly!**

Starting At **\$ 30,140**

\*Tax, tags additional.

**INDEPENDENCE HONDA**

**1-800-536-1476**

On Rte. 11, Between Bloomsburg & Berwick

Hours: Mon. to Fri. 8:00am- 8:00 pm - Sat. 9:00am- 3:00pm



6

**HONDA ACCORD EX V-6**

- 244-hp, 3.0-liter 24-valve SOHC VTEC® V-6 Engine
- Tilt
- 5-speed Automatic Transmission
- Cruise
- Automatic Climate Control
- Heated Leather Seats
- AM/FM/XM Satellite Radio with 6-disc CD Changer
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Hours: Mon. to Fri. 8:00am- 8:00 pm - Sat. 9:00am- 3:00pm



7

**HONDA CIVIC HYBRID**

- 110-hp, 1.3-liter, 8-valve, i-VTEC® 4-cylinder Gasoline Engine
- Tilt
- 5-Speed Automatic Transmission
- Cruise
- Automatic Climate Control
- Heated Leather Seats
- AM/FM/XM Satellite Radio with 6-disc CD Changer
- Power Moonroof w/ Tilt
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On Rte. 11, Between Bloomsburg & Berwick

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8

**HONDA CIVIC EX V-4**

- 140-hp, 1.8-liter, SOHC i-VTEC® 4-cylinder Engine
- Tilt
- 5-Speed Automatic Transmission
- Cruise
- Automatic Climate Control
- Heated Leather Seats
- AM/FM/XM Satellite Radio with 6-disc CD Changer
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On Rte. 11, Between Bloomsburg & Berwick

Hours: Mon. to Fri. 8:00am- 8:00 pm - Sat. 9:00am- 3:00pm



**TABLE 1:**  
**Questionnaire Items and Factor Analysis Statistics**

| <b>Multi-Item Scale</b>                        | <b>Factor Loading</b> | <b>Item Number and Description</b>                                     |
|--|-----------------------|--|
| Involvement With Automobiles <sup>2</sup>      | .501                  | (1) Important - Not Important  |
|  | .637                  | (2) Not Relevant - Relevant  |
|  | .573                  | (3) Means A Lot - Means Nothing  |
|  | .601                  | (4) Not Exciting - Exciting  |
|  | .709                  | (5) Fascinating - Dull   |
|  | .597                  | (6) Does Not Matter - Matters A Lot                                    |
|  | .699                  | (7) Fun - Not Fun  |
|  | .727                  | (8) Not Appealing - Appealing  |
|  | .748                  | (9) Interesting - Boring   |
|  | .673                  | (10) Of No Concern - Of Concern  |
|  | .518                  | (11) Wanted - Not Wanted   |
|  | .659                  | (12) Not Beneficial - Beneficial                                       |
|  | .460                  | (13) Desirable - Not Desirable   |
|  | .462                  | (14) Says Nothing About the Owner - Says A Lot About Owner             |
|  | .541                  | (15) Helps the Owner's Image - Does Not Help Owner's Image             |
| Pollution Concern <sup>3</sup>                 | .829                  | (16) Air pollution from automobiles is a critical problem today.       |
|  | .789                  | (17) Not enough is being done to save scarce petroleum resources.      |
|  | .653                  | (18) I'd be willing to walk or ride a bicycle to reduce air pollution. |
|  | .786                  | (19) More fuss is made about air pollution than is really justified.   |
|  | .714                  | (20) I rarely ever worry about the effects of air pollution.           |
| Attitude Toward the Advertisement <sup>4</sup> | .462                  | (21) Offensive - Not Offensive   |
|  | .664                  | (22) Believable - Not Believable                                       |
|  | .544                  | (23) Not Clear - Clear   |
|  | .724                  | (24) Informative - Not Informative                                     |
|  | .690                  | (25) Not Likable - Likable   |
|  | .675                  | (26) Convincing - Not Convincing                                       |
|  | .650                  | (27) Irritating - Not Irritating                                       |
|  | .581                  | (28) Boring - Interesting  |
|  | .638                  | (29) Professional - Not Professional                                   |
|  | .731                  | (30) Low Quality - High Quality  |
| Attitude Toward the Brand <sup>5</sup>         | .619                  | (31) Desirable - Not Desirable   |
|  | .577                  | (32) Not Very Unique - Unique  |
|  | .823                  | (33) Worthless - Valuable  |
|  | .817                  | (34) Good - Bad  |
|  | .830                  | (35) Not Satisfactory - Satisfactory                                   |
|  | .690                  | (36) Useful - Not Useful   |
|  | .762                  | (37) Below Average - Above Average                                     |
|  | .685                  | (38) Convenient - Inconvenient   |
| Brand Beliefs <sup>6</sup>                     | .735                  | (39) The car in this advertisement is good quality.                    |
|  | .724                  | (40) The car in this advertisement is stylish and beautiful.           |
|  | .699                  | (41) The car in this advertisement has many desirable options.         |
|  | .808                  | (42) The car in this advertisement is worth learning more about.       |
| Purchase Intentions <sup>7</sup>               | .897                  | (43) I am interested in test driving the car in this advertisement.    |
|  | .881                  | (44) I am interested in purchasing the car in this advertisement.      |

**Notes.**

1. All Items Are 7-Point Likert Scales.
2. K-M-O Test of Sampling Adequacy = .865; Bartlett's Sphericity Test = <.001; Eigenvalue = 5.657; Cumulative % = 35.355.
3. K-M-O Test of Sampling Adequacy = .825; Bartlett's Sphericity Test = <.001; Eigenvalue = 2.863; Cumulative % = 57.257.
4. K-M-O Test of Sampling Adequacy = .847; Bartlett's Sphericity Test = <.001; Eigenvalue = 3.661; Cumulative % = 36.608.
5. K-M-O Test of Sampling Adequacy = .912; Bartlett's Sphericity Test = <.001; Eigenvalue = 4.841; Cumulative % = 48.407.
6. K-M-O Test of Sampling Adequacy = .700; Bartlett's Sphericity Test = <.001; Eigenvalue = 2.668; Cumulative % = 29.642.
7. K-M-O Test of Sampling Adequacy = .707; Bartlett's Sphericity Test = <.001; Eigenvalue = 2.358; Cumulative % = 58.962.

**TABLE 2:**  
Coefficient Alpha Reliability Statistics

| Multi-Item Scale                  | Cronbach's Alpha  | Item Number | Mean | Standard Deviation | Corrected Item-Total Correlation | Cronbach's Alpha if Item is Deleted |
|-----------------------------------|-------------------|-------------|------|--------------------|----------------------------------|-------------------------------------|
| Involvement With Automobiles      | .870 <sub>1</sub> | 1           | 6.55 | .891               | .452                             | .866                                |
|                                   |                   | 2           | 5.71 | 1.738              | .416                             | .870                                |
|                                   |                   | 3           | 6.11 | 1.091              | .545                             | .862                                |
|                                   |                   | 4           | 5.34 | 1.490              | .508                             | .863                                |
|                                   |                   | 5           | 5.24 | 1.370              | .514                             | .863                                |
|                                   |                   | 6           | 5.88 | 1.460              | .637                             | .856                                |
|                                   |                   | 7           | 5.74 | 1.312              | .523                             | .862                                |
|                                   |                   | 8           | 5.71 | 1.319              | .631                             | .857                                |
|                                   |                   | 9           | 5.60 | 1.220              | .652                             | .857                                |
|                                   |                   | 10          | 5.90 | 1.239              | .671                             | .856                                |
|                                   |                   | 11          | 6.35 | 1.179              | .585                             | .860                                |
|                                   |                   | 12          | 6.37 | 1.278              | .446                             | .866                                |
|                                   |                   | 13          | 6.15 | 1.318              | .576                             | .860                                |
|                                   |                   | 14          | 5.20 | 1.720              | .393                             | .871                                |
| Pollution Concern                 | .799 <sub>2</sub> | 15          | 5.16 | 1.505              | .397                             | .869                                |
|                                   |                   | 16          | 5.59 | 1.360              | .678                             | .738                                |
|                                   |                   | 17          | 5.55 | 1.362              | .624                             | .753                                |
|                                   |                   | 18          | 3.56 | 1.865              | .487                             | .799                                |
|                                   |                   | 19          | 4.74 | 1.693              | .629                             | .745                                |
|                                   |                   | 20          | 4.38 | 1.702              | .551                             | .772                                |
| Attitude Toward the Advertisement | .808 <sub>3</sub> | 21          | 6.21 | 1.299              | .359                             | .805                                |
|                                   |                   | 22          | 5.68 | 1.369              | .548                             | .784                                |
|                                   |                   | 23          | 5.60 | 1.553              | .431                             | .798                                |
|                                   |                   | 24          | 5.36 | 1.677              | .600                             | .775                                |
|                                   |                   | 25          | 5.32 | 1.329              | .573                             | .781                                |
|                                   |                   | 26          | 4.76 | 1.677              | .546                             | .783                                |
|                                   |                   | 27          | 5.43 | 1.501              | .534                             | .785                                |
|                                   |                   | 28          | 4.39 | 1.644              | .435                             | .798                                |
|                                   |                   | 29          | 5.28 | 1.514              | .506                             | .788                                |
| Attitude Toward the Brand         | .881 <sub>4</sub> | 30          | 5.42 | 1.259              | .642                             | .866                                |
|                                   |                   | 31          | 5.08 | 1.519              | .536                             | .877                                |
|                                   |                   | 32          | 4.45 | 1.697              | .492                             | .884                                |
|                                   |                   | 33          | 5.38 | 1.186              | .745                             | .859                                |
|                                   |                   | 34          | 5.50 | 1.295              | .733                             | .858                                |
|                                   |                   | 35          | 5.53 | 1.164              | .756                             | .858                                |
|                                   |                   | 36          | 5.58 | 1.281              | .595                             | .870                                |
|                                   |                   | 37          | 5.20 | 1.282              | .671                             | .864                                |
|                                   |                   | 38          | 5.37 | 1.234              | .580                             | .871                                |
| Brand Beliefs                     | .744 <sub>5</sub> | 39          | 5.30 | 1.119              | .562                             | .671                                |
|                                   |                   | 40          | 4.69 | 1.354              | .626                             | .596                                |
|                                   |                   | 41          | 5.41 | 1.135              | .537                             | .697                                |
| Purchase Intentions               | .842 <sub>6</sub> | 42          | 4.69 | 1.505              | .627                             | .854                                |
|                                   |                   | 43          | 3.90 | 1.759              | .776                             | .713                                |
|                                   |                   | 44          | 3.09 | 1.595              | .733                             | .756                                |

**Notes.**

1. Cronbach's Alpha Based on Standardized Items = .878.
2. Cronbach's Alpha Based on Standardized Items = .811.
3. Cronbach's Alpha Based on Standardized Items = .809.
4. Cronbach's Alpha Based on Standardized Items = .889.
5. Cronbach's Alpha Based on Standardized Items = .745.
6. Cronbach's Alpha Based on Standardized Items = .842.

constructs such as environmental tendencies may not directly influence brand purchase intentions but moderate them instead (i.e., act as covariates). Research on the persuasive power of advertising claims has long demonstrated the influence that a variety of moderating variables can exert on consumer decision making (e.g., Ha & Hoch, 1989). Specifically, we include these two covariates to improve the statistical power of our multivariate tests. A complete description of the items used to capture data in our study is presented in Table 1 along with principle component factor analysis results for each multi-item scale. A complete description of the corresponding coefficient alpha statistics for all multi-item scales is presented in Table 2.

The questionnaire used in our study was administered with written permission from mall management through two mall intercept surveys in two different counties, both in the geographical target market of the featured dealership as verified by dealership management. Respondents were randomly approached in each mall by a trained data gatherer, who was also an Honors student with a Marketing major working on this project for credit in an Honors independent study at a regional AACSB-International accredited university. Upon approach, each person was asked if he or she was willing to take five-to-ten minutes and fill out the paper-and-pencil questionnaire on a clipboard for a \$2.00 cash incentive paid immediately upon completion. Only adults appearing to be over the age of 18 were approached for recruitment, and this was the only pre-screening question used (i.e., "Are you at least 18 years old?"). However, the interviewer was instructed to attempt to maintain a balance between male and female participants. A chart the student had to submit for a grade was designed to ensure that data was gathered across the entire week from morning, midday, and evening hours in both malls. Ownership of the featured brands and prior experience with the dealership were measured on the survey instrument. A between-subjects design was employed, where each respondent was exposed to only one of the eight

total treatments that were embedded in the questionnaire packets at the appropriate point after the introduction page and prior to the dependent measures.

This effort took approximately four-to-five weeks and ultimately produced a useable sample of 280 adult consumers for analysis (35 per cell in the 2x2x2 treatment design). For the main effect tested, each category contains an independent sample of 140 consumers. A complete demographic profile is provided in Table 3. The sample profiled consistently with census data for the two counties involved. A lack of significant differences for brand ownership, dealership familiarity, and demographics across the eight treatments suggests that personal characteristics for the sample segments do not account for differences in hierarchy of effects responses. Nonparametric statistical tests of frequency distributions (Kruskal-Wallis) for demographic differences across our treatments resulted in the following significance levels: Marital Status = .812; Income = .607; Gender = .943; Age = .757; Education = .214; Race/Ethnicity = .630; and Occupation = .074. Two ownership questions were also included, "Do you drive a Honda?" and "Do you drive a hybrid car?" Neither were significantly different across the eight treatments, with significance levels at .745 and .325 respectively. Finally, a cross-treatment significance level produced by the Kruskal-Wallis test that was specifically related to whether each respondent had ever leased or purchased a car from the featured dealership was .064.

## RESULTS

An initial Multivariate Analysis of Variance (MANOVA) test was run which treats four hierarchy of effects multi-item measures as dependent variables and measures the impact of the three main effects in our treatment newspaper advertisements on that purchase hierarchy: (1) Attitude toward the Advertisement; (2) Attitude toward the Brand; (3) Brand Beliefs, and (4) Purchase Intentions. A Pearson Correlation matrix is included in

**TABLE 3:**  
**Sample Demographic Profile**

| Label                        | Category Description             | Frequency | %    |
|------------------------------|----------------------------------|-----------|------|
| Household Income             | (1) Under \$19,999               | 38        | 13.6 |
|                              | (2) \$20-29,999                  | 24        | 8.6  |
|                              | (3) \$30-39,999                  | 26        | 9.3  |
|                              | (4) \$40-49,999                  | 33        | 11.8 |
|                              | (5) \$50,59,999                  | 52        | 18.6 |
|                              | (6) \$60-69,999                  | 43        | 15.4 |
|                              | (7) Over \$70,000                | 64        | 22.9 |
| Gender                       | (1) Male                         | 136       | 48.6 |
|                              | (2) Female                       | 144       | 51.4 |
| Age                          | (1) Under 25 Years               | 99        | 35.4 |
|                              | (2) 25-34 Years                  | 52        | 18.6 |
|                              | (3) 35-44 Years                  | 44        | 15.7 |
|                              | (4) 45-54 Years                  | 48        | 17.1 |
|                              | (5) 55-64 Years                  | 28        | 10.0 |
|                              | (6) 65-74 Years                  | 5         | 1.8  |
|                              | (7) Over 74 Years                | 4         | 1.4  |
| Education                    | (1) Less Than High School        | 8         | 2.9  |
|                              | (2) High School                  | 97        | 34.6 |
|                              | (3) Some College                 | 100       | 35.7 |
|                              | (4) Undergraduate                | 60        | 21.4 |
|                              | (5) Graduate                     | 15        | 5.4  |
| Race                         | (1) African American             | 4         | 1.4  |
|                              | (2) Asian                        | 2         | .7   |
|                              | (3) Caucasian                    | 271       | 96.8 |
|                              | (4) Hispanic                     | 1         | .4   |
|                              | (5) Native American              | 2         | .7   |
| Head of Household Occupation | (1) Executive/Management         | 44        | 15.7 |
|                              | (2) Professional                 | 53        | 18.9 |
|                              | (3) Marketing/Sales              | 22        | 7.9  |
|                              | (4) Secretary/Clerical           | 14        | 5.0  |
|                              | (5) Agriculture/Forestry/Fishing | 13        | 4.6  |
|                              | (6) Construction                 | 19        | 6.8  |
|                              | (7) Manufacturing                | 12        | 4.3  |
|                              | (8) Transportation               | 4         | 1.4  |
|                              | (9) Laborer                      | 22        | 7.9  |
|                              | (10) Other                       | 33        | 11.8 |
|                              | (11) Retired                     | 16        | 5.7  |
|                              | (12) Student                     | 28        | 10.0 |

Table 4, which helps illustrate that the assumptions for effectively conducting a MANOVA are satisfied. Eighty percent of the fifteen possible correlations among the four dependent constructs and two moderating variables are significant, 67 percent at the .01 level and 13 percent at the .05 level. The pattern of correlations lends face validity to the

research design: product involvement and pollution concern are not correlated with each other, but each moderator is correlated with three of the four dependent measures. All four of the dependent constructs are correlated with one another at the .01 level of significance. In addition, Bartlett's Test of Sphericity is significant at the <.001 level, indicating that the

**TABLE 4:**  
**Pearson Correlations for Dependent and Covariate Measures**

|      | <b>Product Involvement (INV)</b> | <b>Pollution Concern (PC)</b> | <b>Attitude Toward the Advertisement (Aad)</b> | <b>Attitude Toward the Brand (Ab)</b> | <b>Brand Beliefs (Bblf)</b>    | <b>Purchase Intentions (PI)</b> |
|------|----------------------------------|-------------------------------|--|---------------------------------------|--------------------------------|---------------------------------|
| INV  | Coef. = 1.00<br>Sig. = NA        | Coef. = -.003<br>Sig. = .985  | Coef. = .291**<br>Sig. = <.001                 | Coef. = .296**<br>Sig. = <.001        | Coef. = .153*<br>Sig. = .011   | Coef. = .085<br>Sig. = .155     |
| PC   |                                  | Coef. = 1.00<br>Sig. = NA     | Coef. = .144*<br>Sig. = .016                   | Coef. = .170**<br>Sig. = .004         | Coef. = .097<br>Sig. = .106    | Coef. = .287**<br>Sig. = <.001  |
| Aad  |                                  |                               | Coef. = 1.00<br>Sig. = NA                      | Coef. = .646**<br>Sig. = <.001        | Coef. = .354**<br>Sig. = <.001 | Coef. = .208**<br>Sig. = <.001  |
| Ab   |                                  |                               |  | Coef. = 1.00<br>Sig. = NA             | Coef. = .575**<br>Sig. = <.001 | Coef. = .402**<br>Sig. = <.001  |
| Bblf |                                  |                               |  |                                       | Coef. = 1.00<br>Sig. = NA      | Coef. = .464**<br>Sig. = <.001  |
| PI   |                                  |                               |  |                                       |                                | Coef. = 1.00<br>Sig. = NA       |

**Notes.**

- \* Correlation is significant at the .05 level (2-tailed).
- \*\* Correlation is significant at the .01 level (2-tailed).

**TABLE 5:**  
**Multivariate Analysis of Variance (MANOVA) Multivariate Tests <sub>1</sub>**

| <b>Main Effect</b>                                   | <b>Test</b>        | <b>Value</b> | <b>F</b> | <b>Hypoth. df</b> | <b>Error df</b> | <b>Sig. of F</b> | <b>Observed Power</b> |
|--|--------------------|--------------|----------|-------------------|-----------------|------------------|-----------------------|
| Honda Accord vs. Honda Civic Model                   | Pillai's Trace     | .030         | 2.091    | 4.000             | 275.000         | .082             | .618                  |
|  | Wilks' Lambda      | .970         | 2.091    | 4.000             | 275.000         | .082             | .618                  |
|  | Hotelling's Trace  | .030         | 2.091    | 4.000             | 275.000         | .082             | .618                  |
|  | Roy's Largest Root | .030         | 2.091    | 4.000             | 275.000         | .082             | .618                  |
| Hybrid vs. Conventional (EX) Engine                  | Pillai's Trace     | .013         | .901     | 4.000             | 275.000         | .464             | .285                  |
|  | Wilks' Lambda      | .987         | .901     | 4.000             | 275.000         | .464             | .285                  |
|  | Hotelling's Trace  | .013         | .901     | 4.000             | 275.000         | .464             | .285                  |
|  | Roy's Largest Root | .013         | .901     | 4.000             | 275.000         | .464             | .285                  |
| Great Performance vs. Environmentally Friendly Claim | Pillai's Trace     | .043         | 3.091    | 4.000             | 275.000         | .016             | .808                  |
|  | Wilks' Lambda      | .957         | 3.091    | 4.000             | 275.000         | .016             | .808                  |
|  | Hotelling's Trace  | .045         | 3.091    | 4.000             | 275.000         | .016             | .808                  |
|  | Roy's Largest Root | .045         | 3.091    | 4.000             | 275.000         | .016             | .808                  |

Note.

1. Comparison of Three Main Effects by Treatment.

dependent measures are significantly correlated as required to proceed with the MANOVA.

Multivariate statistics for the tests we ran to detect any differences for each of the three main effects previously discussed are presented in Table 5, and the univariate statistics for the single significant main effect (i.e., the Environmentally Friendly versus Great Performance claim) are included in Table 6. To remind the reader (see Exhibit A), test ads 1-4

are recoded to construct the Great Performance sample (N = 140), and versions 5-8 are recoded to form the Environmentally Friendly group (N = 140). The reader should also note that this first quantitative test does not include the covariates. As Hair et al. (2010, p.374) explain:

The most important role of the covariate (s) is the overall impact in the statistical tests for the treatments. The most direct approach to evaluating these impacts is to run the analysis *with and without the*

**TABLE 6:**  
**Multivariate Analysis of Variance (MANOVA) Univariate Tests <sup>1</sup>**

| Source                             | Dependent Variable  | Type III Sum of Squares | df | Mean Square | F     | Sig. of F | Observed Power |
|------------------------------------|---------------------|-------------------------|----|-------------|-------|-----------|----------------|
| Corrected Model                    | Ad Attitude         | 4.409E-5                | 1  | 4.409E-5    | .000  | .994      | .050           |
|                                    | Brand Attitude      | .852                    | 1  | .852        | .936  | .334      | .161           |
|                                    | Brand Beliefs       | .486                    | 1  | .486        | .503  | .479      | .109           |
|                                    | Purchase Intentions | 10.673                  | 1  | 10.673      | 5.413 | .021      | .640           |
| Treatment Newspaper Advertisements | Ad Attitude         | 4.409E-5                | 1  | 4.409E-5    | .000  | .994      | .050           |
|                                    | Brand Attitude      | .852                    | 1  | .852        | .936  | .334      | .161           |
|                                    | Brand Beliefs       | .486                    | 1  | .486        | .503  | .479      | .109           |
|                                    | Purchase Intentions | 10.673                  | 1  | 10.673      | 5.413 | .021      | .640           |

Note.

1. Great Performance vs. Environmentally Friendly Main Effect.

*covariates* [emphasis added]. Effective covariates will improve the statistical power of the tests...

We employ that methodology in our subsequent analysis as detailed in a following section.

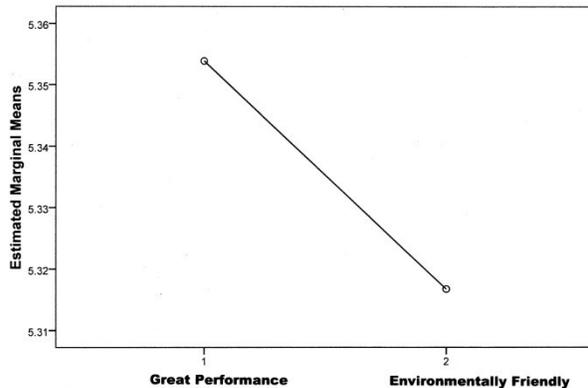
Two tests for the assumption of homoscedasticity across the two treatment categories of primary interest here were conducted: Box’s Test of Equality of Covariance Matrices (Box’s M) and Levene’s Test of Equality of Error Variances. Levene’s test assesses this assumption at the Univariate level whereas Box’s M tests the assumption at the Multivariate level (i.e., the vector score formed from all four dependent measures combined). For this assumption to be met, non-significant results are necessary in both tests. The Box’s M results are as follows: Box’s M = 12.636; F = 1.244; Sig. = .257. Therefore, no significant difference across the Great Performance versus Environmentally Friendly treatment groups for the variance-covariance matrices is indicated at the Multivariate level. At the Univariate level, Levene’s test produced the following significance levels: Aad = .247; Ab = .566; Bblf = .018, and PI = .567. Given the presence of homoscedasticity for three of the four dependent measures and the overall lack of heteroscedasticity detected at the Multivariate level, no corrective remedies are necessary for our Brand Beliefs variable (see

guidelines furnished by Hair et al. 2010 discussed on page 391).

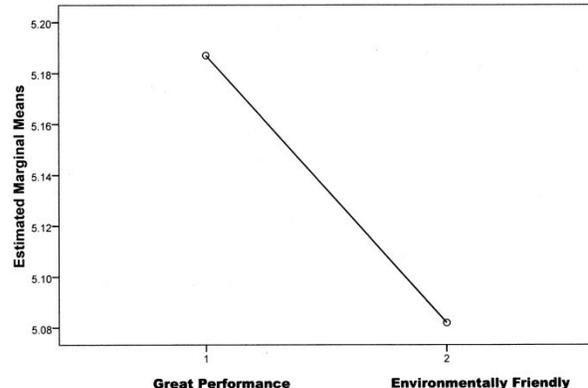
According to Hair et al. (2010, p.375), “One of the most important considerations in a successful MANOVA is the statistical power of the analysis.” The desired level of observed power is .80, which is achieved for the claim main effect at the Multivariate level (see Table 5) but is not achieved in this initial run for the corrected model at the Univariate level (see Table 6). As a result, we subsequently include the two covariates previously discussed to an otherwise identical second Multivariate Analysis of Covariance (MANCOVA) test to determine if the observed power improves prior to evaluating H<sub>1</sub>-H<sub>4</sub>. The Multivariate results for our MANCOVA are displayed in Table 7, with corresponding Univariate results in Table 8. The multivariate test demonstrates that both covariates produce significant impacts on the hierarchy of effects variables at the .05 significance level, as do the test advertisements. Observed power levels for the covariates (.999 and .997) are excellent, plus the observed power for the treatment effect improves from .808 to .833. At the Univariate level, three of four observed power levels for the dependent constructs improve to outstanding levels (Aad = .999; Ab = 1.000, and PI = .999) as reported in Table 8 for the corrected model. The marginal .762 value for Brand Beliefs is very close to the desired .80 and far improved over the .109 value presented with the original

**EXHIBIT B:  
Adjusted Mean Plots for the Great Performance vs. Environmentally Friendly Main Effect**

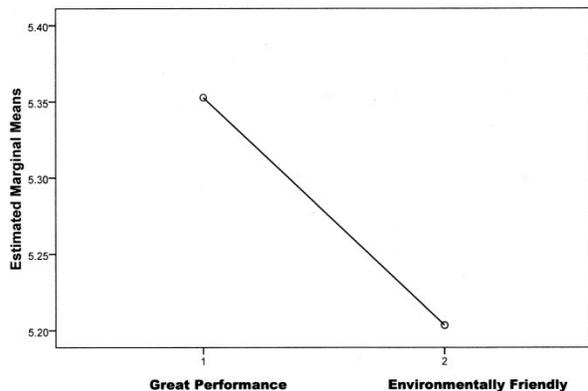
*Attitude Toward the Advertisement*



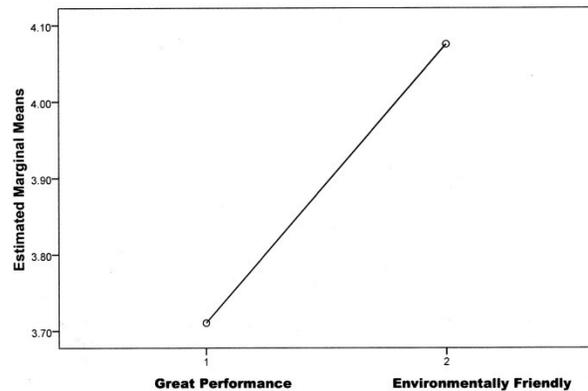
*Brand Beliefs*



*Attitude Toward the Brand*



*Purchase Intentions*



MANOVA results in Table 6. Considering the fact that all four dependent measures exhibited unacceptable observed power results in the initial MANOVA run, we determine that inclusion of this pair of covariates was not only statistically successful but also necessary to have reasonable confidence in our results.

**Evaluation of Hypotheses H<sub>1</sub>-H<sub>4</sub>**

The Significance of F = .012 levels for all four Multivariate tests of treatment effects exhibited in Table 7 allow us to proceed to the Univariate tests for each of the four dependent measures displayed in Table 8. The brace of mean scores related to these statistical tests are included in Table 9 and visually displayed in Exhibit B. These are the statistics needed to evaluate our

hypotheses. Although H<sub>1</sub>, H<sub>2</sub>, and H<sub>3</sub> visually appear to be supported by these means, no statistically significant differences were actually produced by the two advertising claims for our Aad (H<sub>1</sub>), Ab (H<sub>2</sub>), and Bblf (H<sub>3</sub>) dependent measures.

Contrary to what the involvement literature suggests, the single univariate source for a significant difference in consumer responses to the two claims is for purchase intentions, and that is in the opposite direction as hypothesized. The Environmentally Friendly claim resulted in enhanced purchase intentions compared to the Great Performance claim, so H<sub>4</sub> is not directly supported in the direction stated. However, in contrast to the lack of significant differences in either direction for H<sub>1</sub>, H<sub>2</sub>, and H<sub>3</sub>, the

**TABLE 7:**  
**Multivariate Analysis of Covariance (MANCOVA) Multivariate Tests <sub>1</sub>**

| Effect                 | Test               | Value | F     | Hypoth. df | Error df | Sig. of F | Observed Power |
|------------------------|--------------------|-------|-------|------------|----------|-----------|----------------|
| Automobile Involvement | Pillai's Trace     | .111  | 8.486 | 4.000      | 273.000  | <.001     | .999           |
|                        | Wilks' Lambda      | .889  | 8.486 | 4.000      | 273.000  | <.001     | .999           |
|                        | Hotelling's Trace  | .124  | 8.486 | 4.000      | 273.000  | <.001     | .999           |
|                        | Roy's Largest Root | .124  | 8.486 | 4.000      | 273.000  | <.001     | .999           |
| Pollution Concern      | Pillai's Trace     | .100  | 7.548 | 4.000      | 273.000  | <.001     | .997           |
|                        | Wilks' Lambda      | .900  | 7.548 | 4.000      | 273.000  | <.001     | .997           |
|                        | Hotelling's Trace  | .111  | 7.548 | 4.000      | 273.000  | <.001     | .997           |
|                        | Roy's Largest Root | .111  | 7.548 | 4.000      | 273.000  | <.001     | .997           |
| Treatments             | Pillai's Trace     | .046  | 3.278 | 4.000      | 273.000  | .012      | .833           |
|                        | Wilks' Lambda      | .954  | 3.278 | 4.000      | 273.000  | .012      | .833           |
|                        | Hotelling's Trace  | .048  | 3.278 | 4.000      | 273.000  | .012      | .833           |
|                        | Roy's Largest Root | .048  | 3.278 | 4.000      | 273.000  | .012      | .833           |

Note. 1. Great Performance vs. Environmentally Friendly Main Effect.

**TABLE 8:**  
**Multivariate Analysis of Covariance (MANCOVA) Univariate Tests <sub>1</sub>**

| Source                             | Dependent Variable  | Type III Sum of Squares | df | Mean Square | F      | Sig. of F | Observed Power |
|------------------------------------|---------------------|-------------------------|----|-------------|--------|-----------|----------------|
| Corrected Model                    | Ad Attitude         | 26.670                  | 3  | 8.890       | 10.893 | <.001     | .999           |
|                                    | Brand Attitude      | 31.094                  | 3  | 10.365      | 12.840 | <.001     | 1.000          |
|                                    | Brand Beliefs       | 9.558                   | 3  | 3.186       | 3.389  | .019      | .762           |
|                                    | Purchase Intentions | 59.499                  | 3  | 19.833      | 10.964 | <.001     | .999           |
| Automobile Involvement             | Ad Attitude         | 21.428                  | 1  | 21.428      | 26.256 | <.001     | .999           |
|                                    | Brand Attitude      | 22.829                  | 1  | 22.829      | 28.282 | <.001     | 1.000          |
|                                    | Brand Beliefs       | 6.511                   | 1  | 6.511       | 6.925  | .009      | .746           |
|                                    | Purchase Intentions | 3.448                   | 1  | 3.448       | 1.906  | .169      | .280           |
| Pollution Concern                  | Ad Attitude         | 5.320                   | 1  | 5.320       | 6.518  | .011      | .720           |
|                                    | Brand Attitude      | 7.508                   | 1  | 7.508       | 9.302  | .003      | .860           |
|                                    | Brand Beliefs       | 2.591                   | 1  | 2.591       | 2.756  | .098      | .380           |
|                                    | Purchase Intentions | 45.469                  | 1  | 45.469      | 25.135 | <.001     | .999           |
| Treatment Newspaper Advertisements | Ad Attitude         | .093                    | 1  | .093        | .114   | .736      | .063           |
|                                    | Brand Attitude      | 1.528                   | 1  | 1.528       | 1.893  | .170      | .278           |
|                                    | Brand Beliefs       | .751                    | 1  | .751        | .799   | .372      | .145           |
|                                    | Purchase Intentions | 9.247                   | 1  | 9.247       | 5.112  | .025      | .615           |

Note. 1. Great Performance vs. Environmentally Friendly Main Effect.

**TABLE 9:**  
**Adjusted Mean Scores <sub>1</sub>**

| Dependent Variable  | Category                     | Mean <sub>2</sub> | Standard Error | Lower 95% Confidence Interval | Upper 95% Confidence Interval |
|---------------------|------------------------------|-------------------|----------------|-------------------------------|-------------------------------|
| Ad Attitude         | 1 - Great Performance        | 5.354             | .076           | 5.203                         | 5.504                         |
|                     | 2 - Environmentally Friendly | 5.317             | .076           | 5.167                         | 5.467                         |
| Brand Attitude      | 1 - Great Performance        | 5.352             | .076           | 5.203                         | 5.502                         |
|                     | 2 - Environmentally Friendly | 5.204             | .076           | 5.055                         | 5.354                         |
| Brand Beliefs       | 1 - Great Performance        | 5.186             | .082           | 5.025                         | 5.348                         |
|                     | 2 - Environmentally Friendly | 5.083             | .082           | 4.921                         | 5.244                         |
| Purchase Intentions | 1 - Great Performance        | 3.711             | .114           | 3.487                         | 3.935                         |
|                     | 2 - Environmentally Friendly | 4.075             | .114           | 3.851                         | 4.299                         |

Notes. 1. Great Performance vs. Environmentally Friendly Main Effect. 2. Covariates in the model are evaluated at the following values: Automobile Involvement = 5.8024; Pollution Concern = 4.7650.

alternative to our research hypothesis H4 is confirmed. This fact is particularly interesting given the lack of impact on dependent measures the hybrid engine exerted on our survey participants. One might reasonably anticipate that consumers driven more by an environmental advertising claim would also prefer a hybrid automobile since they are frequently marketed as a better alternative for the ecological environment. However, the fact that hybrid technology can be used to enhance power and performance instead of significantly reducing energy consumption through better fuel economy (*AutoWeek*, 2005; *BusinessWeek*, 2005; Truett, 2006) could explain this lack of variance in the data. We believe that the direct impact pollution concern exerts on purchase intentions compared to involvement could also explain to a large degree why the Environmentally Friendly advertising claim produces the higher purchase intention mean among respondents.

### CONCLUSION

Contrary to the lack of significant results reported in many green marketing studies, we find that Environmentally Friendly claims in advertising can have a significant and positive impact on purchase decisions. Perhaps the importance of this issue has become salient enough in the contemporary consumer decision making process to rival the importance of product performance for high involvement products. Future research will need to be designed to specifically answer that question. Although not predicted by the involvement literature, given similar results reported in a limited number of studies that are also directly related to environmentally friendly claims in advertising (e.g., Montoro-Rios, Luque-Martinez, & Rodriguez-Molina, 2008; Schuhwerk & Lefkoff-Hagius, 1995), we believe our results are credible. The measures we take to ensure validity, reliability, and statistical power give us confidence that our results are more than just a sample-specific phenomenon. Our study clearly demonstrates the moderating effects exerted by consumer

involvement and a consumer's concern about air pollution for the product category studied. Prior to the inclusion of covariates, results of tests for treatment effects are essentially the same as for the MANCOVA. However, the observed power for preliminary univariate tests is uniformly unacceptable based on standard guidelines. When covariates are empirically considered, the power of our significance tests is significantly improved. As a result, the reader can be more confident that our study has added to the literature in a valid and reliable manner.

### Limitations and Direction for Future Research

We believe this analysis has face validity. The two moderators influenced consumer decision making as expected. For example, concern about pollution affected attitude toward the advertisement and the featured brand plus impacted purchase intentions, but did not have an impact on brand beliefs. Concern about pollution should influence how a consumer *feels* about advertising content, but really should not impact the facts known about a specific brand. However, the specific nature of the product category, featured brands, and geographical market limits generalizability. Future research should analyze more product categories for national and global markets. Finally, other moderators such as materialism (Richins & Dawson, 1992) and/or consumer orientation toward innovativeness (Leavitt & Walton 1975) could feasibly impact green marketing consumer decision-making and should be analyzed.

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## **THE CHANGING CUBAN PARADIGM: CREATING ALLIANCES IN GLOBAL SUPPLY CHAINS**

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*Although the United States and Cuba are close geographically, ideologically, the distance is great and the “dots” on that line have not been connected in five decades. Nonetheless, many have reason to hope that the changes occurring in Cuba today, under the leadership of Raul Castro, and the more open attitude of the current president of the U.S., President Obama, will result in the decades old embargo between the U.S. and Cuba being lifted. In the meantime, what can U.S. firms do to be ready for that day? This paper explores how creating strategic allegiances in the global supply chain with the hope of generating trust, could be a proactive strategy for firms wishing to enter the Cuban market. Specifically these inroads would be formed through U.S. firms forging relationships with U.S. universities and faculty, foreign firms already operating in Cuba and also with U.S. firms having experience in Cuba, such as agricultural firms*

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### **INTRODUCTION**

If one draws a line between the United States and Cuba, it becomes evident that the path between the two is characterized by geographic proximity. However, ideologically, the distance is great and the “dots” on that line have not been connected in five decades. Nonetheless, many have reason to hope that with the changes occurring in Cuba today, under the leadership of Raul Castro, that the decades old embargo between the United States and Cuba will be lifted. In the meantime, what can U.S. firms do to be ready for that day? This paper will explore how creating close relationships and strategic alliances in the global supply chain and academic communities could position U.S. based firms to take advantage of future business opportunities in Cuba.

### **THE CHANGING CUBAN PARADIGM**

The relationship between the United States and Cuba has not always been as tense and adversarial as it is today. After Cuba was handed over to the U.S., as a result of the Spanish American War, it became independent in 1903, but ties between Cuba and the U.S. remained strong, including a long-term lease

agreement of Guantanamo Bay to the U.S., which is still in effect today. The U.S. reduced tariffs on Cuban exports by 20 percent and U.S. investments in Cuba accounted for 20 percent of all U.S. foreign direct investment in Latin America at the time (Wylie, 2005). When Fidel Castro led an armed uprising against the Cuban dictator Batista, he had the initial support of the U.S. However, after he became prime minister of Cuba in 1959, he immediately began agrarian reform and nationalizing most foreign and local businesses. Russia installed nuclear weapons on the island and in 1963 the Cuban Assets Regulations (the boycott) were issued by the U.S. government, banning all travel to Cuba and making financial and commercial transactions by U.S. citizens illegal. This boycott has remained in effect for almost five decades. The only loosening of the boycott itself was done by President Bill Clinton, when in 2001 he partially lifted the boycott to allow U.S. exports of food and medicine to Cuba. Some firms in the U.S. agricultural sector have been able to take advantage of this opportunity. However, these opportunities have been difficult to exploit due to the Cuban government outlawing the use of the U.S. dollar on the island, in retaliation to President George W. Bush’s drastic cuts to travel and money sent to relatives in Cuba (Haney & Vanderbush, 2005).

In 2006 Fidel Castro ceded power to his brother, Raul, when Fidel became ill. Most thought the leadership change would result in maintaining the status quo. Fortunately, this has not been the case. Raul Castro immediately held town meetings and let the Cuban populous know that they could speak up and tell him what they would like to see changed. In response, Raul Castro allowed regular cell phones for the first time, internet access, although heavily monitored, and allowed ordinary citizens to frequent luxury hotels and restaurants, from which they were previously banned under Fidel in an effort to keep them isolated from outside influences. Cuba experienced additional changes in 2010 with Fidel Castro admitting in a rare news interview that the Cuban model was not working for their country. On August 1, 2010, Raul Castro announced that the government would begin granting more citizens the right to work for themselves and even employ other Cubans. In April of the same year, the Cuban government decided to privatize small-scale hair salons and barbershops and in July of 2010, unexpectedly announced it would free 52 of the country's political prisoners, marking the first large-scale prisoner release since 1968. In August of 2010, Raul Castro announced a five-year liberalization plan to update the Communist country's economic policy, drastically reducing state control over the economy and promoting privatization to boost efficiency and ease the burden on the government. Included in the new economic model is the fact that Cubans will now be able to get loans and rent and buy property (*Economist*, 2010).

When President Obama took office in January, 2009, he sent high ranking government officials to Cuba to engage in dialogue with Cuban leaders for the first time since the start of the embargo and immediately lifted the restrictive regulations on visitations and remittances. In January, 2011, President Obama announced that travel restrictions to Cuba are now being eased. The rationale is to facilitate "business interests to lay the groundwork for new trade opportunities. The changes bring some sanity to the U.S.-Cuban policy and mark a new

chapter in that relationship" (*St. Petersburg Times*, 2011). President Obama announced three steps to enhance the free flow of information and the cultural understanding between the two countries. First, travel restrictions for U.S. citizens wanting to visit Cuba will be relaxed. Religious organizations, students, and academics will be able to travel under a blanket license instead of needing specific federal approval. Universities will be able to arrange student exchanges and study abroad programs more easily, and faculty will be able to travel to professional conferences. New travel privileges will also be granted to journalists and technical groups who wish to foster one-on-one contacts with the Cuban people and direct flights to Cuba from numerous airports will be allowed (*St. Petersburg Times*, 2011). In Oct., 2012, Cuba announced some easing of travel restrictions for its own citizens, making it easier for them to leave the island, live abroad longer for two years and return to Cuba, representing the first reform of the stringent immigration regulations put in place in 1961. Additionally, Cubans will just have to have a passport and a visa from the country they plan to visit, rather than the expensive exit visa and letter of invitation that have been required in the past (*Wall Street Journal*, 2012).

### THEORETICAL UNDERPINNINGS

Forming collaborative relationships and strategic alliances will be essential for U.S. firms to develop ties to the Cuban market in preparation for conducting business. Thus, we look to relationship marketing as the framework for meta-theory and within that context resource advantage theory will provide the theoretical underpinnings for this study. Barney (1991) first set forth the resource-based view of the firm when he characterized organizations as being a unique bundle of accumulated resources. Although the resources relating to this theory have generally been viewed as internal activities that are linked to or controlled by the firm, the resource advantage theory also applies to inter-firm linkages that help firms use their relationships with suppliers

and customers as an essential resource, thus yielding a competitive advantage for the firm in the marketplace which in turn results in superior performance (Barney & Hansen, 1994; Hunt & Arnett, 2003). This is very important because in the context of the global supply chain, characterized by cultural differences and complexity of products, relationship learning is difficult to achieve and necessitates collaboration between partners (Jean, Sinkovics, & Kim, 2010).

Galaskiewicz (2011) points out that social networks often exist among individuals who are boundary spanners in an inter-organizational network. Trust is said to be critical in the effectiveness of these social networks, and supply chain networks can be viewed in a similar fashion. The challenges to managers then is to create a social network that encourages the parties to trust one another in their critical supply chains, and yet still consider the length and complexity of many supply networks. Trust becomes the glue that holds supply chain relationships together.

### TRUST AS A CONSTRUCT

“Trust tends to be somewhat like a combination of the weather and motherhood; it is widely talked about and it is widely assumed to be good for organizations” (Porter, Lawler & Hackman, 1975, 497). “Trust is an indispensable ingredient in effective business relationships” (Jiang et. al, 2011, 1150). This is especially true in global business to business transactions due to the distances between buyers and suppliers (Koh, Fichman & Kraut, 2012). Trust has been shown to promote greater cooperation and richer information exchange, which leads to greater resource acquisition and value creation (Dyer & Chu, 2000). Jean, Sinkovics and Kim (2010, 67) define trust as “the confidence that exchange partners have for each other’s reliability and integrity.” Generally, both parties must in some way be vulnerable with an element of uncertainty involved (Moorman, Deshpande & Zaltman, 1993). Therefore, an element of risk is required for trust to influence choice and behavior.

The construct of trust has rich conceptual connotations and social psychologists suggest there are different types of trust. Xie and Peng (2011) mention three: competence-based trust, benevolence-based trust and identity-based trust and find that relationships can be strengthened by all three types of trust. Choi, Souiden and Skandrani (2012) investigate two forms of trust, rational and relational, in the business context of Japanese firms and find that the generation paths of trust forms are different, and that relational trust has stronger explanatory power in cooperation and performance than rational trust. Min and Mentzer (2004) noted these two types of trust as partners’ mutual respect and unique knowledge and skills. Jambulingam, Kathuria and Nevin (2011) also argue that trust has two dimensions: credibility and benevolence.

Abosag and Lee (2013) stress that trust develops over time and that the accumulative development stems from various sources that drive the process. The two types of trust studied by Abosag and Lee (2013) are competence trust and affective trust. Competence trust refers to “the expectation that partners have the ability to fulfill their roles” (Lui & Ngo, 2004, 474). Affective trust is the confidence a party places in another party based on feelings and emotions generated by the caring, empathy and concern for the other party demonstrated in their interaction. Ha, Park and Chor (2011) also define the two types of trust as trust in competency and affective trust, which is what will be used in this study. Items which are included in affective trust include openness, honesty, respect and positive mutual understanding. Trust in competency is made up of business capability, satisfaction with know/how specialties. These are supported by McAllister’s (1995) differentiation of types of trust as cognition-based and affect-based.

### TRUST IN SUPPLY CHAINS

Companies in today’s world treat a company’s network of relationships as assets (Yang, 2009). Building collaborative relationships with business partners is essential for increasing

organizational performance in the supply chain (Sinkovics & Roath, 2004) and trust building is essential to developing competitive advantages (Jap, 2001). Supply chain management has been defined as “the integration of business processes from end user through original suppliers that provides products, services and information that add value for customers” (Cooper, Lambert & Pagh, 1997, 2). For a supply chain to be successful, trust must be present. Trust is an intangible attribute that is widely recognized as a prerequisite to supply chain success (Fawcett, Magnan & Williams, 2004). It has been shown to increase knowledge sharing in collaborative supply chains, enabling technical exchange and technology transfer (Cai et. al, 2013). Trust is also noted to be one of the most important antecedents of joint action in relationships, with trust increasing both the frequency and bidirectionality of communication (Johnston et. al, 2012). Successful supply chain relationships have been found to reduce costs, increase service and improve financial performance, but to truly leverage the power of collaborative supply chain initiatives, partners must trust each other (Thomas & Skinner, 2010). Trust has been shown to offset the harm traditionally done to relationships when supply chain control systems are put in place (Sanchez, Velez & Araujo, 2012). Laeequddin et al, (2012) suggest that trust is a sum of risk-worthy characteristics, risk-worthy rationale and risk-worthy institutional systems of supply chain members, and that supply chain members should strive to reduce the risk levels to build trust, rather than striving to build trust to reduce risk. Griffith, Harvey and Lusch (2006) suggest that trust is the ingredient in relationships which makes partners quit “keeping score.” The exchange partners are willing to accept short-term imbalances in outcomes, trusting that over the length of the relationship outcomes will accurately reflect inputs. Thus, trust gives supply chains more agility and flexibility to arrive at optimal solutions, maximizing profits in the long-term. In fact, research (Mohr & Puck, 2013) shows that the trust-performance link is a two-way relationship with trust

enhancing performance and successful performance increasing trust.

Trust also includes emotional aspects, such as beliefs and sentiment between persons (Ha, Park & Cho, 2011), and its importance may differ systematically across cultures, creating significant challenges for cross-border alliances. “Not only do the levels and degrees of trust differ across international borders, but also the very nature of trust can vary in different national contexts” (Zaheer & Zaheer, 2006, p. 21). National differences in value systems, culture, and institutions influence the initial trust between partners and also the importance the partners place on trust. For example, in a study done by Ueltschy, Ueltschy and Fachinelli (2007), distributors from Brazil, a high-context culture, indicated in a survey that trust was much more important in a supply chain relationship than the manufacturers from the U.S., a low- context culture, did. High-context cultures (Hall, 1976) believe that relationships and trust must come before business; whereas, low-context cultures believe that as one does business, and over time, relationships and trust will develop, which leads to our first proposition:

*Proposition 1: The high-context party will place more importance on trust than will the low-context party.*

In high-context cultures, communication is for interaction, and interaction is for building relationships; whereas, in low-context cultures, communication is for information exchange, which leads to the second proposition:

*Proposition 2: The high-context party will desire more frequent and personal types of contacts (phone calls and visits) to build relationships, while the low context party will favor less personal types of contact (emails and FAXES) which facilitate information exchange.*

### LEVERAGING BUSINESS EDUCATION

Trust needs time to develop. As each party makes trust-building gestures to the other, engendering a sense of equity and fairness, these repeated successful interactions, enable each party to start trusting and respecting the other. Buyer-supplier relationships can be viewed as an investment in each other, and in the course of building such relationships, useful resources for the future are acquired (Easton & Araujo, 1994), one of which is trust. Ha, Park and Cho (2011) contend that trust in competency is the most important type of trust in the earlier stages of the supply chain relationship. As the parties work together, they build trust in each other by appreciating the other's capabilities and contributions. At the same time, empathy and respect develop in order for the supply chain to gradually move to the next stage. This mutual understanding and respect are necessary to develop long-term relationships; thus, according to Ha, Park and Cho (2011), the trust of competency begins a relationship and affective trust develops over time. This affective trust is what Madhok (2006) labels as social trust, which he refers to as "the social glue" which keeps the parties together over time, allowing the value-creating potential of their collaboration or relationship to be realized. Because businessmen from the U.S. and Cuba have not been able to interact with each other for over 50 years due to the boycott, the two nations should utilize the opening created by President Obama in January, 2011 to foster culture understanding to forge relationships between universities, faculty and students in the U.S. with their counterparts in Cuba. In this way, the academic community can lay the building blocks to be used by the business community when the boycott is lifted, either partly or in totality. This leads to our next three propositions:

*Proposition 3: In the beginning, the U.S. business educators will be welcomed into Cuba due to trust of competency.*

Support for this proposition comes from the work of Swift and Hwang (2013) who found

that affective trust is more important than cognitive trust in sharing interpersonal knowledge, but cognitive trust is more important in creating a learning environment.

*Proposition 4: As the U.S. business educators offer valuable advice to the Cuban educators and the business community, creating trust of competency, affective trust will develop over time.*

Support for this proposition comes from Walther and Bunz (2005) who note that as a person or party proves to be both knowledgeable and dependable over time, it increases the partner's feelings that the person has integrity and is reliable, leading to an increasing liking in the relationship and the beginnings of affective-based trust. Webber (2008) also lends credence to this idea and states that affective trust emerges over time after early competency-based trust has been established for a while. Even though affective trust takes time to develop, researchers such as Webber believe that it has a stronger positive relationship with team performance than does cognitive trust.

*Proposition 5: Because Cuba is a high-context country, affective trust will be more important to Cuban businessmen than it will be to their U.S. counterparts (low-context country).*

The support for this proposition comes primarily from Hall's (1976) cultural paradigm. High-context cultures, such as Cuba's, value relationships and trust before business and believe that interaction is primarily for developing these relationships. Low-context cultures like the U.S. believe communication is for information exchange rather than for building relationships. Further support for this proposition comes from the research of Choi, Souiden and Skandrani (2012) whose survey of 68 Japanese eyeglass manufacturers found that in Japan, a high-context country, that affective trust is more important and that it has a stronger explanatory power in terms of cooperation and performance.

### CUBA AS A MARKET

The original goal of the U.S. embargo was to cripple the Cuban economy so that Fidel Castro would be forced to relinquish power and the government would turn to democracy. After almost five decades, that desired effect has not been realized. Although most would agree that the U.S. embargo has certainly hurt the Cuban economy and the Cuban people themselves, since 2004, the Cuban economy has shown a resurgence, with the GDP growing 5.8% in that year, 11.2% in 2005, 12.1% in 2006 and 7.3% in 2007. Growth in the GDP slowed in 2008 to 4.1% and 1.4% in 2009 due to the global recession, but started to rebound in 2010, achieving a 4.0% increase (World Bank, 2012). Inflation has remained relatively low, at 5.5 percent in 2012. Exports have grown from \$ U.S 2.33 billion in 2004 to \$U.S. 6.35 billion in 2012.

The Cuban people are well educated with a literacy rate of 99.8 percent, so as they are given more entrepreneurial opportunities, their personal financial circumstances have improved, increasing from an average income of \$3,378 in 2004 to \$9,900 in 2012 on a purchasing power basis. However, the average monthly salary in a state-owned manufacturing facility is only \$16, so the increasing disparity in income between those working for the government and those working in jobs giving them access to foreign currency, such as in tourism or jobs in the informal economy, is a growing problem facing the Cuban government.

For the United States and its firms, Cuba has a very strategic location only 90 miles off the coast of Florida, with a population of 11.1 million in 2011, continually declining due to residents leaving illegally. These consumers are easy to reach, since 75 percent live in urban areas, with the largest being the capital of Havana at 2.2 million, followed by Santiago de Cuba at 350,000 inhabitants. However, with a higher number of working women and an increased level of development in the country, birth rates in Cuba have declined by 0.3%. However, life expectancy in Cuba is 77.7 years,

which is comparable to that in the U.S., since Cuba's socialized healthcare system is one of the most sophisticated in the Caribbean, and Cuba has proportionally more qualified physicians than the U.S. Its maternal mortality rate is outstanding, with only 25 percent as many mothers dying in childbirth as in the U.S. Thus, living conditions and income are increasing under Raul Castro (*Cuba: CIA World Factbook*, 2013).

### SECTORS WITH PROMISE

With pristine beaches, beautiful blue waters, and a tropical climate, Cuba has become the second most popular tourist destination in the Caribbean, experiencing over the last decade one of the highest growth rates in tourism, which continues to be its largest source of employment and foreign exchange earnings. In an attempt to lure wealthier tourists to the island, in 2010, the Cuban government started permitting foreigners long-term leases to build more marinas and golf courses (*Emerging Markets Monitor*, 2010). Although Spain's Sol Melia has two dozen hotels in Cuba, plans are underway to build 40-50 four-and-five-star hotels in the next couple years.

Described as a "priceless ecological resource" (Dean, 2007), Cuba is the magnet for increasing amounts of ecotourism. In fact, one of the worries is that when the U.S. embargo finally does end, tourism is projected to double in one year, which could put at peril the ecosystem in Cuba. Another niche in the tourism sector where Cuba holds a competitive edge is the "hospital vacation." With twice as many qualified physicians per 100,000 people as the U.S., Cuba is quickly becoming a popular destination for cosmetic surgery and rehabilitation for drug addiction. Patients can get a tummy tuck at one-half the cost, stay at a five-star hotel and enjoy great weather and white sands (Smith, 2008). Thus, much potential exists in the Cuban tourism industry. However, if and when U.S. firms are permitted to enter, they will not enjoy a first-mover advantage and face political and cultural

differences; thus, strategic alliances will be extremely important.

The most promising sector for foreign investors is oil. Since oil reserves were discovered off Cuba's coast in 2004, Canadian, Spanish, Chinese, Indian and Norwegian companies have lined up to explore the new find. Spain's Repsol actually started deep-water drilling in the fall of 2010 with a platform built in China, but the platform had to be rebuilt because it had more than 10% American content. U.S. oil companies are salivating to become involved and are hoping the potential hazards of an oil spill in the Gulf might allow more U.S. technology transfers relating to the oil industry, which President Obama has repeatedly suggested to Congress (Pinõn & Muse, 2010).

Another sector which holds potential for foreign direct investment (FDI) is Cuba's aging infrastructure and transportation system. Internet has been made available to the citizens, but the connections are painfully slow. Antiquated power plants and inefficient electricity grids need updating, with power outages commonplace. However, U.S. opportunities might be limited even if the embargo were lifted, because Russia has extended \$355 million in credit for Cuba to buy Russian cars and trucks, and Venezuela installed a new fiber-optic undersea cable between the two countries in late 2011 (Tamayo, 2013).

Mining is another sector with FDI potential, particularly because Cuba is the third largest producer of nickel in the world. The nickel industry has been operating close to capacity and the Cuban government is making attempts to increase extraction capacity by partnering with foreign firms. However, firms from other countries are already involved, such as Sherritt International of Canada which has already reaped huge profits from its FDI in nickel in Cuba, and the Chinese firm Minmetals, which will have a 49 percent equity stake in a joint venture with the Cuban government in a new nickel operation in the eastern province of Holguin (Smith, 2008). Thus, huge potential

exists, but the Cuban government will, of course, determine the players.

The agriculture sector holds promise, but has been in decline in the last two decades. Sugar production has been down since the 1990s, and cattle production dropped to fewer than 2 million cattle in 2012 (*Cuba: World Factbook*, 2013), even though Cuba was once one of the richest cattle countries in the world. These massive declines have created opportunities for foreign exporters, and even U.S. firms can compete in this sector since 2000, when President Clinton spearheaded legislation which allows U.S. firms to sell food and medicine to Cuba.

U.S. agricultural exports to Cuba skyrocketed and peaked in 2008, but declined 31 percent in 2012 to \$366 million, as reported by the Trade and Economic Council of the United States. This drop was due to a lack of foreign currency by Cuba, and the importance of Cuba's relations with countries like Venezuela and China (*Cuba: World Factbook*, 2013). Additionally, Cuba's inability to generate more political support in the U.S. to increase bilateral trade has discouraged the purchase of U.S. agricultural products. Other countries such as Brazil, Mexico, Canada, Argentina and Vietnam are using credit to increase trade with Cuba. All sales by U.S. agriculture to Cuba must be for cash, which puts U.S. agriculture at a disadvantage. Already, states such as Alabama, Arkansas, California, Texas, Louisiana and Ohio have enjoyed exporting corn, poultry, rice, pork and soybeans. Certainly lifting the embargo could lead to a more symbiotic relationship between the two neighbors.

Lastly, the beverage industry in Cuba is a promising sector for FDI, but it will be hard for U.S. to make inroads when the time comes, because numerous foreign firms have negotiated joint ventures with the Cuban government. Labatt of Canada negotiated a joint venture with the Cuban government for a 50 percent equity stake in Cervercería Bucanero, a premium beer for hard-currency

customers and tourists. France's Pernod Ricard Group has formed a joint venture with Cuba's Ron & Licores, to distribute its famous rum worldwide.

### DISCUSSION AND MANAGERIAL IMPLICATIONS

With the Cuban paradigm shifting to more privatization and less government control, U.S. firms are more eager than ever to become involved in the Cuban economy. However, for most firms, all but those in agriculture and pharmaceuticals, direct participation is not allowed due to the boycott. So how then can U.S. firms position themselves as to be ready to jump into the Cuban market once it becomes available?

As mentioned earlier, Cuba, similar to most Latin American countries, is a high-context culture (Hall, 1976), which means that personal contact and frequent interactions are very important. In high-context cultures, relationships and trust come before business. U.S. firms have the challenges of cultural differences, since the U.S. is a low-context culture where communication is for information exchange rather than interaction and individual achievement is valued in society. In low-context cultures, business transactions often occur first, and then, over time, relationships and trust may develop. However, in high-context countries, relationships and trust are prerequisites to conducting business. U.S. firms are prohibited from dealing directly with Cuban firms or the Cuban government, so how can firms begin to develop these relationships and trust?

One approach would be to develop strategic alliances with foreign firms, such as Canadian or European firms, who are already operating in Cuba. For example, firms such as Bose Sound Systems may want to consider embedding their sound systems into luxury cars such as Mercedes and BMW so that consumers would associate the Bose brand with those cars globally. Then, if legislation changes that allow U.S. firms to directly enter Cuban

markets, their high-end consumers would already have familiarity with BMW and Mercedes. Therefore, through the established supply chain linkages with automotive manufacturers outside the U.S., Bose may benefit from first developing competency trust with Cuban consumers, and then over time and personal contact developing their own relationships with Cuban business and consumers to build affective trust (Ha, Park & Cho, 2011).

A similar example would be with U.S. firms in the tourist agency industry. The companies can work towards developing collaborative relationships with hotel chains already operating in Cuba, such as five-star Sol Melia Hotels from Spain. The U.S. tourist agency firms could promote Sol Melia as the hotel of choice for customers traveling to the many countries where Sol Melia operates. When U.S. firms are permitted to conduct business directly with Cuban firms, Sol Melia would serve as a facilitator for entry into Cuban markets.

Another approach for a U.S. firm to take in order to develop a bridge into Cuba, before they can actually cross it, is to develop close relationships with a university and its business faculty which has expertise and strong ties with Latin America, such as Florida International University, for example, or with a university in the firm's region willing to develop ties to Cuba. Under the new 2011 easing of travel regulations, students and faculty will be able to travel to Cuba without special permission. The U.S. firms could hire U.S. business faculty as consultants, who would then travel to Cuba, research Cuba as a market for that firm and start developing relationships with Cuban university faculty, particularly those universities with strong local business community contacts. The U.S. business faculty would be accepted by the Cuban faculty and business community due to the trust of competency. To further validate their expertise and capabilities, the U.S. faculty could train Cuban faculty and business practitioners in the use of technology, such as a new data analysis method, or could provide seminars on market

strategies for the global arena. Because Cuba has been almost completely shut off from the world for decades, such training would most likely be welcomed in Cuba and help the U.S. faculty to develop a relationship with the university and business community based on trust of competency, as well as affective trust over time. Because students will be allowed to visit and study in Cuba, U.S. firms could offer internships and have the students work in their firms at their respective locations. These firms could then pay for the students' travel and tuition to participate in study abroad programs in Cuba, returning to their firm to complete the internship. Both the firms and the students would learn from this relationship.

Lastly, U.S. firms hoping to enter Cuba one day might develop strong ties with U.S. firms who have already done business with Cuba. These would be U.S. firms who have supplied agricultural products, food and medicine to Cuba since 2001. There are many firms in numerous locations who have found a way to become suppliers to the Cuban government. For example, the poultry farmers of Alabama have been successful in exporting chicken legs to Cuba, after they learned the preferences of Cuba consumers. This complements the tastes of their domestic market, where the majority of Americans prefer white meat. So, a packaging firm, for example, could create a strategic alliance with those poultry farmers and be the one to package the poultry exports to Cuba. Similarly, a firm who makes noodles could create a strategic alliance to export chicken noodle soup there. However, any U.S. firm could work with the poultry farmers to learn the correct strategies to get into the Cuban market and how to deal with the Cuban government. In this example, the U.S. poultry producers would be the consultants to other U.S. firms, sharing their experiences and expertise with other U.S. firms, so they can be poised to take advantage of opportunities in the Cuban market when they are permitted.

## CONCLUSION

Supply chain relationships between firms have the potential to be an important driver of firm performance and sustainable competitive advantage (Thomas & Skinner, 2010). Nonetheless, in order to truly leverage the power of collaborative supply chain initiatives, trust is essential. This paper has provided insights, grounded in the Resource Base View of the firm, in how U.S.-based firms can take proactive steps for entering a potentially new marketplace in Cuba through their supply chains. Specifically, these inroads would be formed through the relationships that U.S. based firms can develop with non-U.S. companies currently conducting business in Cuba, with the limited U.S. firms currently selling agriculture products in Cuba, and the academic community. These relationships need to consider and align the cultural underpinnings and orientation of a high context country, Cuba, with a low context culture, the United States, to develop both competency based and affective trust among the firms in these two countries. It is through this trust, initially formed through U.S. firms' supply chain relationships, that companies may attain a rare and difficult to attain inter-organizational resource that can facilitate market entry to a potentially new market in Cuba.

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# THE SALESPERSON'S ABILITY TO BOUNCE BACK: EXAMINING THE MODERATING ROLE OF RESILIENCY ON FORMS OF INTRA-ROLE JOB CONFLICT AND JOB ATTITUDES, BEHAVIORS AND PERFORMANCE

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*The sales literature reflects mounting scholarly interest in the influence of self-regulation on salespeople's job-related behaviors and performance. One form of self-regulation lies in the salesperson's level of resiliency. Resiliency is particularly relevant in a sales setting because salespeople frequently confront conflict in their work and family roles due to the unique nature of their jobs. To enhance our understanding of resiliency, we develop a conceptual model that examines the importance of resiliency in the challenging context in which salespeople balance both career and family roles. We analyze resiliency's moderating impact on these areas of conflict, their downstream implications on stress, and the effect of stress on job-related variables. Our findings suggest that resiliency provides salespeople with a sense of personal buoyancy that not only reduces the effects of work-family conflict on stress but that it also attenuates the debilitating effects of stress on job satisfaction.*

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## INTRODUCTION

While finding the balance between one's work and life spheres is highly sought after, a salesperson's ability to manage the overlapping roles in each sphere is particularly challenging. Salespeople are required to fulfill different selling expectations ranging from collaborative to competitive in nature (Peterson & Shepherd, 2011). Moreover, they confront an array of work and family related issues that can drive conflict within each role (Boles, Wood, & Johnson, 2003). Marital problems, caregiving responsibilities, financial challenges, job redesigns, and furloughs can create spillover effects which blur the boundaries of personal and work life realms (Bakker et al., 2011; Netemeyer, Boles, & McMurrian, 1996; Verbeke & Bagozzi, 2000). The conflict of these roles can manifest itself in a variety of personal and job outcomes (Halpern, 2005).

The American workforce is increasingly seeking resources to help handle such conflict. The number of individuals utilizing employee assistance programs has increased 120 percent over a four year period (Human Resources International, 2012); and the market for self-regulation programs within the sales industry has been estimated at approximately \$1.7 billion annually (Leach, Liu, & Johnston, 2005).

Sales scholars have recently focused their attention on personal resources that can bolster one's self-regulation abilities (Leach, Liu, & Johnston, 2005), as the psychological well-being and emotional capacities of salespeople is being viewed as critical elements of their productivity (e.g., Agnihotri, Krush, & Singh, 2012; Hamwi, Rutherford, & Boles, 2011). However, examinations regarding the effects of self-regulation mechanisms on intra-role conflict are relatively limited within the sales literature as the majority of research has focused on coping mechanisms (Leach, Liu, & Johnston, 2005; Nonis & Sager, 2003).

One increasingly attractive self-regulation mechanism lies rooted in the foundations of positive psychology (Seligman & Csikszentmihalyi, 2000; Snyder & Lopez, 2002). Positive psychological resources have been found to assist employees with certain forms of self-regulation (Avey, Luthans, & Jensen, 2009; Luthans, Vogelgesang, & Lester, 2006). One such positive resource receiving greater attention is resiliency. Resiliency is defined as the capability to positively 'bounce back' from conflict (Luthans, 2002). Resiliency is considered relatively malleable, open to development, and a potential personal resource that can be drawn upon to mitigate intra-role conflict (Luthans et al., 2007).

The goal of our research is to understand the importance of resilience to the salesperson confronting intra-role conflict. To do so, we draw from theories that focus on personal resources and develop a framework that outlines the direct effects of work-family conflict on job stress, as well as the downstream effects of stress on job attitudes and performance. We also examine the moderating effects of resiliency on these relationships. Our research appears to be the first to examine a positive, self-regulation mechanism that may attenuate the effects of inter-role conflict. To the best of our knowledge, this study is the first attempt to investigate the importance and influence of resiliency within a salesperson performance framework. Given the dynamic and challenging job profile of salespeople, we believe this study offers significant contributions to academe. Similarly, for industry, resiliency appears to be a resource that can be enhanced through training, whether that training is focused on managers or their front-line personnel (Reivich, Seligman, & McBride, 2011).

### **Theoretical Background and Model Development**

Today's salesforce faces a barrage of expectations that competes for their personal resources. For instance, the conflict between career and family demands is especially salient

for salespeople, who are embedded in relational exchanges at work and at home, and must "balance the demands of several parties" (Netemeyer, Maxham, & Pullig, 2005, p. 130).

From a career perspective, the expectation of one's sales role continues to require greater investment of personal resources. The individual salesperson confronts heightened customer expectations, a need for greater depth and breadth of knowledge, an increased understanding of technology, and an urgency to interpret competitive motivations (Jones et al., 2005). Personal resources are further strained as technology creates continual communication flows that tether salespeople to their firms, their teams, and their customers (Jones et al., 2005). It is easy to understand how the consistent demands of one's sales career interferes with the other realms of life, including the roles and responsibilities associated with family. For instance, some salespeople may feel as though they are neglecting their families when they must be away from home due to travel; for others, they may feel as though their best efforts at work are hampered by home-office working arrangements (Kahn & Byosiere, 1992; Boles, Wood & Johnson, 2003).

At the same time, salespeople face greater expectations within their families. Family roles often mean confronting a host of challenges including marital and financial issues, or assisting a loved one, such as a parent (Netemeyer, Boles, & McMurrian, 1996). Today, thirty percent of U.S. adults help a loved one with personal needs or household chores, managing finances, arranging for outside services, or visiting regularly to see how they are doing (Fox & Brenner, 2012). For other individuals, they provide multigenerational support. Popularly known as the sandwich generation, this group cares for their parents and also provides financial assistance to their children (Young, 2009). The dual expectations of family and work roles result in confronting a host of incompatible role expectations, known as work-family conflict (Kumashiro, Rusbult, & Finkel, 2008). This

mismatch of conflicting expectations creates an intra-personal competition for scarce personal resources, such as temporal and mental resources (Greenhaus & Beutell, 1985), which may result in stress and further interfere with job attitudes and sales performance (Boles, Wood, & Johnson, 2003; Hamwi, Rutherford, & Boles, 2011).

Considering the challenges posed by the dual role expectations of work and family, the importance of understanding personal resources has never have been more important than it is for today's salespeople. Personal resources are viewed as a reserve that aids one's ability to navigate through the peaks and valleys of life, manage oneself during challenging situations (Taylor et al., 2000), and handle work situations (Judge, Locke, & Durham, 1997).

We focus on two theories that describe the value of maintaining personal resources and their commensurate effects on personal and workplace productivity and satisfaction. Job Demands-Control theory (Karasek, 1979) describes the value of control over certain job-based resources. This theory suggests that personal resources aid salespeople in confronting the challenges of their jobs and serve as a means to attenuate the demands of their careers (Zablah et al., 2012). We also integrate the Conservation of Resources Theory (COR) that suggests individuals are constantly attempting to balance and use their personal resources in a strategic manner to achieve productive outcomes (Hobfoll, 1989; Sliter, Sliter, & Jex, 2012). These resources can be critical since they can provide the cognitive and emotional fuel to propel oneself during situations that may deplete personal resources (Hobfoll, 2001). In sum, these theories suggest certain personal resources may temper the effect between intra-role conflict and stress.

Personal resources may take many forms, including personal qualities (Hobfoll, 1989). One personal resource garnering greater attention by scholars is resiliency (Luthans, Vogelgesang, & Lester, 2006). Resiliency is defined as the capability to positively 'bounce

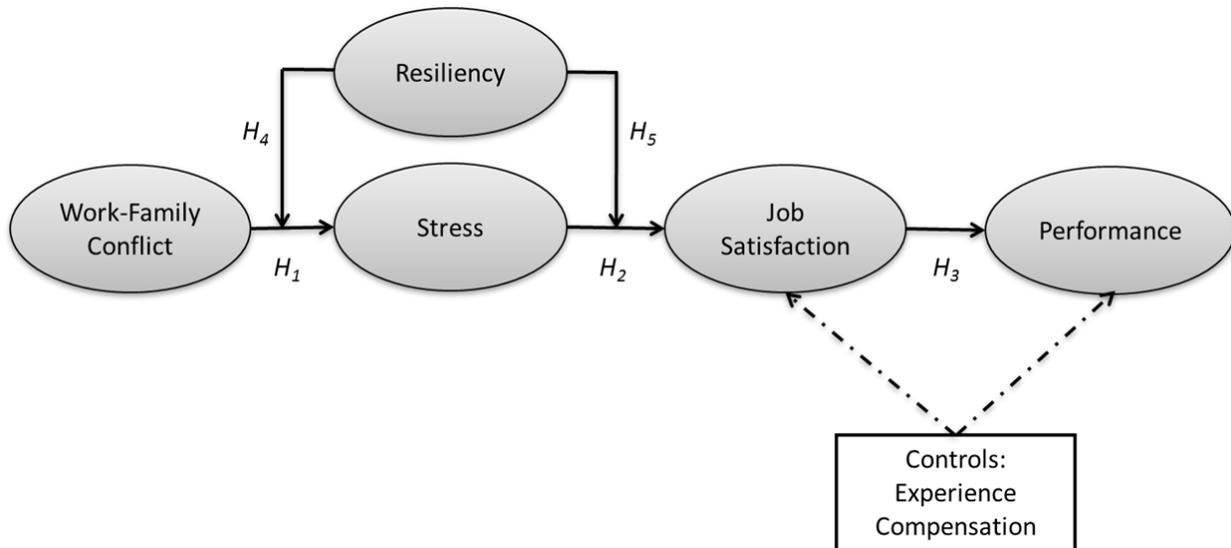
back' from conflict (Luthans, 2002). The literature on resiliency suggests it is an important personal resource that employees can draw from through multiple means (Luthans, Vogelgesang, & Lester, 2006). Resiliency can operate through the attenuation of negative affect (e.g., a damage control) and can bolster the ability to sustain a constructive response to one's circumstances (e.g., a positive influence) (Zautra, 2009). In the former, resiliency allows the salesperson to look realistically at situations. In doing so, resiliency provides a defense against negative affect and reduces the extent to which an individual's positive affect is attenuated. In the latter, resiliency enables the salesperson to focus on the positive side of the event. In effect, resiliency inhibits ineffective, negative responses, thereby allowing the salesperson to select from a set of effective behaviors (Genet & Siemer, 2011). As such, resiliency serves as a personal resource of cognitive and emotional flexibility that enables individuals to adapt and regulate their thoughts and emotions to match their context or situational demands (Genet & Siemer, 2011; Waugh, Thompson, & Gotlib, 2011; Yehuda et al., 2006).

In summary, our literature review lays the foundation for our conceptual model (Figure 1) that begins with work-family conflict and its impact on job stress. Further, we examine the impact of stress on a salesperson's adaptability and perceived job satisfaction. Finally, we integrate resiliency and evaluate its ability to attenuate the relationship between work-family conflict and stress, and its ability to attenuate the relationship between stress and job satisfaction.

### **Intra-Role Conflict and Stress**

In our first set of hypotheses we examine the direct effects of intra-role conflict, specifically work-family conflict on stress. The literature suggests that greater work-family conflict will be associated with greater levels of job stress (Netemeyer, Maxham, & Pullig, 2005). As individuals experience greater demands at work, their ability to meet the expectations

**FIGURE 1:  
Conceptual Model**



inherent within their family role may falter. This form of conflict creates “a discrepancy between an employee's perceived state and desired state” (Edwards, 1992, p. 245), which effectively results in job stress. As job demands require greater resources, the salesperson may perceive a reduced amount of control he/she has over the job. As individuals experience greater demands at work, their ability to meet the expectations inherent within their family role may falter. That is, work-family conflict increases job-related stress due to the challenge of deploying limited personal resources in an attempt to balance career and family roles (Van Der Doef & Maes, 1999).

*Hypothesis 1: Higher work-family conflict is positively related to a salesperson's job stress.*

### **Relationship between Stress and Job Satisfaction**

The next stage in our conceptual model focuses on the effects of stress on a salesperson's behaviors and attitudes. Our first relationship examines the impact of job stress on job satisfaction. We argue that stress reduces positive job attitudes and a higher level of stress leads to negative attitudes toward work. For salespeople to change their strategies they need cognitive resources to reason through not just

rational, but also the technical aspects of the sale. Stress puts a drain on the cognitive resources of individuals (Sliter, Sliter, & Jex, 2012); and in effect depletes cognitive and emotional resources. Hence, stress may reduce some forms of emotional regulation, and thereby influence one's attitude toward the job. Further, the literature has demonstrated that job stress leads to lower levels of job satisfaction (Podsakoff, LePine, & LePine, 2007).

*Hypothesis 2: Higher job stress is negatively related to a salesperson's job satisfaction.*

### **The Effects of Job Satisfaction on Performance**

We argue that there is a link between job satisfaction and performance. We suggest that satisfaction creates a motivational impetus toward performance. Job satisfaction serves as an attitude that can influence motivation. As salespeople feel content and fulfilled by their position, they may increase their determination and energy toward meeting their performance goals, thereby realizing greater performance (Jaramillo, Mulki, & Marshall, 2005). Similarly, two meta-analyses provide credence that job satisfaction leads to better job performance (Brown & Peterson, 1993; Iaffaldano & Muchinsky, 1985). Building upon

the logic that a salesperson's satisfaction toward the job should act as a motivational driver of performance, we argue a positive relationship between job satisfaction and sales performance.

*Hypothesis 3: Higher salesperson job satisfaction is positively related to sales performance.*

### **Resiliency's Moderating Effect on Work-Family Conflict and Stress**

The final stage of our conceptual model examines the potential for resiliency to moderate the previously proposed relationships. Overall, we argue that when the salesperson possesses a high degree of resiliency, the individual has a positive resource to draw upon. We purport that this resource is critical in reducing the impact of intra-role conflict on job stress.

Resiliency provides a means to enable greater self-regulation and buffer one's sense of control (Leach, Liu, & Johnston, 2005). This resource imbues the individual with a sense of realism about the inherent demands of their personal and job environment (Coutu, 2002). This perspective allows a straightforward, matter-of-fact focus, which is critical to enable a person to maintain and sustain personal motivation in performing sales and family duties. Additionally, resilient individuals are more likely to maintain and build more cognitive and affective resources that can act as a buffer. These resources can help salespeople focus on the customer and the specific sales situations they are in rather than on activities that may not help them achieve their objective.

Similarly, research suggests that resiliency can help individuals keep things in perspective, proactively assess risks, and develop a "pragmatic and strategic" response to a challenge (Luthans, Vogelgesang, & Lester, 2006). For example, highly resilient salespeople who encounter work-family conflicts may be better equipped to understand their situations and assess the associated risks (that may affect either their family or work spheres) better than their low resilience colleagues. This ability to

keep things in perspective would enable the salesperson to maintain focus on the work at hand which could inhibit the development of stress. In sum, resiliency could be viewed as a resource capable of attenuating the relationship between work-family conflict and stress.

*Hypothesis 4: A salesperson's resiliency will reduce the positive relationship between work-family conflict and job stress.*

### **Resiliency's Moderating Effect between Stress and Job Satisfaction**

We also suggest that resiliency may serve as a positive resource for salespeople in reducing the effects of stress on their job attitudes. Resiliency provides a valuable resource that can reduce the impact of stress on cognitive resources needed for job satisfaction. An individual's resiliency builds "a stable processing structure that promotes adaptive functioning in the face of challenge" (Freitas & Downey, 1998, p. 207). Additionally, scholars suggest that those with greater resilience tend to be more effective in a dynamic environment (Luthans, 2002), and higher levels of resilience help employees accommodate changes within their environment (Wanberg & Banas, 2000). This flexibility and ability to accommodate change would well serve the salesperson within the selling context. Finally, some researchers have asserted that a critical component of resilience is inner resourcefulness (Coutu, 2002).

Resiliency may also serve as a resource in reducing the impact of stress on job satisfaction. First, resiliency may provide a form of active emotional regulation, which produces positive affect (Fredrickson & Joiner, 2002). Research indicates that individuals who feel more positive affect are likely to broaden their perspectives (Fredrickson, 2004) and this broadening may enable the salespeople to adopt a perspective of viewing the environment realistically and with authenticity (Coutu, 2002). In effect, resiliency will help regulate and control a person's perspective about the inherent demands of the sales position and the

sales environment by interjecting a sense of realism into the situation (Coutu, 2002). This realism will effectively lower the potential for a salesperson to adopt a negative perception regarding the sales job and its requirements.

*Hypothesis 5: A salesperson's resiliency will reduce the negative relationship between job stress and job satisfaction.*

### Sample

Our sampling frame is a random sample of salespeople within the real estate industry. We chose one industry to control for external effects (Podsakoff et al., 2000). For our data collection, we purchased a commercial list that was comprised of randomly selected salespeople within the real estate industry. We followed a three stage approach that integrates best practices and procedures within the literature (Dillman, Smyth, & Christian, 2008). Stage one consisted of sending post cards informing our sample of our impending study e-mail. Stage two occurred approximately two weeks later, as we sent an e-mail with a link to our study's survey to the sample. In the third stage, each respondent received a second e-mail reminding them of our study. Of the initial 1700 potential respondents, 163 postcards were not delivered, effectively generating a total sample of 1537 who received the postcard. Of the 1537, we received 172 completed surveys for a response rate of 11.19%. Our respondent profile reflected an even split between the genders; and approximately 78% of our respondents were married. In terms of work experience in their present job: 23% of respondents possessed 6-10 years, 19% possessed 11-15 years and 29% possessed 10 or more years.

### Measures

We utilized existing and validated measures within the literature for the study. In some instances, the measures were adapted for a sales context. The *work-family conflict* construct measured the respondents' perception of work creating conflict with one's family-based

responsibilities (e.g. "I often have to miss important family activities because of my job"). To measure the construct, we used a three-item, seven-point Likert scale adapted from Netemeyer et al. (2004) that exhibited strong reliability ( $\alpha = .81$ ).

*Salesperson resiliency* was our key moderating variable. We wanted to know the respondents' ability to bounce back from hardships and challenges by asking them to evaluate statements, such as, "I tend to bounce back quickly after hard times." To measure the construct, we used a four-item, seven-point Likert scale adapted from Smith et al. (2008) that exhibited strong reliability ( $\alpha = .91$ ).

The *job stress* construct describes salespeople's difficulty in managing their sales job (e.g., "I feel a lot of stress due to my current job in sales"). The three-item scale ( $\alpha = .84$ ), was adopted from Flaherty, Dahlstrom, and Skinner (1999).

*Job satisfaction* describes salespeople's contentment in their present sales job. It is adapted from Price and Mueller (1986) and Netemeyer, Boles, and McMurrian (1996). It is a semantic differential scale with three items (e.g., "My job is satisfying/not satisfying"). This scale demonstrated high reliability ( $\alpha = .96$ ).

*Sales performance* is a five-item scale describing salespersons' ability to generate sales and meet sales objectives and goals. The scale, adapted from Behrman, Bigoness, and Perreault (1981), captures salespeople's self-reported assessment of their own performance (e.g., "I believe I generate a high level of dollar sales"). The scale exhibited strong reliability ( $\alpha = .85$ ). Salespeople's *experience* and *compensation* were included in the analyses to control for other potential influences on our dependent variables.

## Results

### *Preliminary Analyses*

We used a t-test to assess potential differences between early and late respondents on all of the constructs. The analysis suggested that nonresponse bias is not an issue for the data, as the results of the examination were not statistically significant (Armstrong & Overton, 1977). Then, we utilized the two-step approach (Anderson & Gerbing, 1988) to analyze construct validity and reliability.

The confirmatory factor analysis incorporated the reflective measures, work-family conflict, job stress, job satisfaction and job performance. We report commonly assessed fit indices. The comparative fit index (CFI=.98) meets the good fit threshold as it exceeds .95 (Hu & Bentler, 1999). The root mean square of approximation is below .06 (RMSEA=.043, ci: .018, .061) and therefore reflects relatively good fit (Hu & Bentler, 1999; Browne & Cudeck, 1989). The non-normed fit index (NNFI=.98) also exceeds the .95 threshold (Hu & Bentler, 1999).

Based on these fit indices, we suggest that model fit for the measurement model was good ( $\chi^2=160.098$  *df*: 125). Adequate psychometric properties are demonstrated by the scale reliabilities (see Appendix). Composite reliability measures range from .83 to .96. Average variance extracted (AVE) ranges from .63 to .89. The average variance extracted for each measure also meets the suggested .5 cutoff (Bagozzi & Yi, 1988). For discriminant validity, we ensured the average variance extracted was greater than the squared correlation between the construct and every iterative pair that contained the construct. Additionally, we compared a series of constrained nested models with the unconstrained measurement model. In each case, the unconstrained model reflected a statistically significant better fit than the constrained model. Overall, the results from our examinations suggest the scales possess reasonable convergent and discriminant validity.

To examine the potential for common method bias, we followed the literature (Olson, Slater, & Hult, 2005; Griffith & Lusch, 2007). First, we used varied construct formats, including Likert scales and a semantic differential scale within our study. Our approach is aligned with the literature as Rindfleisch et al. (2008, p. 275) suggest that "the use of heterogeneous formats and scales is useful for disrupting consistency biases and increasing validity". Second, theory suggests that we integrate resiliency as a moderating variable. As such, our concern regarding common method bias is substantially mitigated with these hypotheses. Research notes that moderating effects are not impacted by common method bias (Rapp, Schillewaert, & Hao, 2008). Third, we compared a CFA in which all items were loaded on a single factor and compared it with the original measurement model. The measurement model demonstrated a significant difference and fit the data better (Griffith & Lusch, 2007; Lindell & Whitney, 2001). We also conducted an analysis for multicollinearity using the variance inflation factor (VIF). All VIFs exhibited a value below the acceptable threshold of 10 (Hair et al., 2010).

### *Hypothesis Testing*

The zero order correlations are given in Table 1. Next, we used moderated regression to examine our hypotheses due to the sample size. As the independent and moderating variables in our study are continuous, following Irwin and McClelland (2001), we tested "the differential effects of one independent variable across values of the other" (p. 106). Because the literature shows that experience and compensation levels can potentially affect perceptions of both an individual's career and performance, we included the two items as control variables (Churchill et al., 1985). Overall, our approach was to enter first the control variables (where applicable; in the second step, we entered the main effects; and in the third effect, we entered the interaction terms. Table 2 reflects the results of our three regression models and the tests of our hypotheses.

**TABLE 1:**  
Correlations Among Constructs

| Constructs             | 1       | 2       | 3       | 4      | 5  |
|------------------------|---------|---------|---------|--------|----|
| 1 Resiliency           | --      |         |         |        |    |
| 2 Work-Family Conflict | -.182*  | --      |         |        |    |
| 3 Job Stress           | -.360** | .488**  | --      |        |    |
| 4 Job Satisfaction     | .335**  | -.229** | -.264** | --     |    |
| 5 Job Performance      | .277**  | .097    | .079    | .312** | -- |

\* $<.05$ ; \*\* $<.001$

**TABLE 2:**  
Results of Analysis

| Dependent Variable | Independent Variable              | Std. Beta | Sig. | R <sup>2</sup> | ΔR <sup>2</sup> | F Change | Sig F. Change |
|--------------------|-----------------------------------|-----------|------|----------------|-----------------|----------|---------------|
| Stress             | <i>Main Effects</i>               |           |      |                |                 |          |               |
|                    | Work-Family Conflict              | .411      | .000 | .              |                 |          |               |
|                    | Resiliency                        | -.265     | .000 | .277           | .277            | 29.139   | .000          |
|                    | <i>Moderator</i>                  |           |      |                |                 |          |               |
|                    | Work-Family Conflict X Resiliency | .139      | .048 | .296           | .019            | 3.982    | .048          |
| Job Satisfaction   | <i>Control Variables</i>          |           |      |                |                 |          |               |
|                    | Experience                        | .183      | .036 |                |                 |          |               |
|                    | Compensation                      | .066      | .045 | .045           | .045            | 3.33     | .039          |
|                    | <i>Main Effects</i>               |           |      |                |                 |          |               |
|                    | Stress                            | -.188     | .024 |                |                 |          |               |
|                    | Resiliency                        | .234      | .005 | .162           | .117            | 9.736    | .000          |
|                    | <i>Moderator</i>                  |           |      |                |                 |          |               |
|                    | Stress X Resiliency               | .254      | .000 | .218           | .055            | 9.721    | .002          |
| Performance        | <i>Control Variables</i>          |           |      |                |                 |          |               |
|                    | Experience                        | .175      | .025 |                |                 |          |               |
|                    | Compensation                      | .388      | .000 | .220           | .220            | 20.467   | .000          |
|                    | <i>Main Effects</i>               |           |      |                |                 |          |               |
|                    | Job Satisfaction                  | .247      | .001 | .278           | .058            | 11.608   | .001          |

Our results suggest work-family conflict has a significant, positive effect on job stress ( $H_1$ :  $\beta = .411, p < .05$ ; Table 2). We also found support for our hypothesis that job stress would have a negative effect on job satisfaction ( $H_2$ :  $\beta = -.188, p < .05$ ). The results reflect the impact of stress on job-based attitudes. The next hypothesis ( $H_3$ ) captured the influence of job satisfaction on sales performance. A significant positive relationship was found between job

satisfaction and salesperson performance ( $H_3$ :  $\beta = .247, p < .05$ ).

Next, we analyzed the moderating effect of resiliency on the relationship between work-family conflict and job stress. We mean centered all variables to reduce multicollinearity effects, prior to calculating the interaction product (Aiken & West, 1991). Interestingly, we found a significant effect: ( $H_4$ :

$\beta = .139$   $p < .05$ ). For those with a high level of resiliency, the relationship between work-family conflict and stress is attenuated.

Finally, the hypothesis ( $H_5$ ) examining resiliency's moderating effect on the relationship between job stress to job satisfaction was supported. This supports our argument that resiliency has a buffering effect on job stress and the relationship to job satisfaction ( $H_5$ :  $\beta = .254$ ,  $p < .05$ ). For those with a high level of resiliency, the relationship between stress and job satisfaction is attenuated, when compared to those who have a low level of resiliency.

## Discussion

### *Theoretical and Managerial Implications*

While extant organizational behavior and human resources literatures provide evidence that resiliency plays a key role while shaping job attitudes and influencing outcomes (e.g. Avey, Luthans, & Jensen, 2009; Luthans et al., 2007), sales research on this self-regulation mechanism is in its relative infancy. Our research contributes to this stream of study by offering critical insights into the value of resiliency for the salesperson who is balancing family and work roles and expectations.

As Jones et al. (2005) notes, salespeople confront increasing complexity in their environment. This is no truer than in the current times of economic uncertainty, both from the employer's side (e.g. performance pressure) and from the customers' side (e.g. high customer demands). Hence, it is critical that salespeople are equipped with personal traits that can not only allow them to balance their multiple roles but also be successful in their careers. For academia, our results highlight the value of understanding the construct of resilience within the sales context and further examining the application of personal resources within the marketing and sales literature.

Previous studies examined the direct effects of intra-role conflict (Boles, Johnston, & Hair,

1997; Boles & Babin, 1996; Netemeyr, Brashear-Alejandro, & Boles, 2004) and have evaluated the value of coping mechanisms (Nonis & Sager, 2003). However, we believe our research is the first to examine the application of personal self-regulation resources to intra-role conflict within the sales literature. Along with this, our study offers other theoretical implications. First, our research appears to be the first use of resiliency in the sales literature. This is notable, as understanding positive psychological resources is increasingly valued within the management domain (Luthans et al., 2007).

Second, our analysis suggests that resiliency possesses important effects on intra-role conflict. Our results demonstrate that resiliency moderates the relationship between work-family conflict and stress. This suggests that resiliency has importance, but plausibly requires other personal resources within the individual and/or provided by the organization

Apart from theoretical contributions of our study, we believe this study offers some important implications for managerial thought. The potential of resiliency to attenuate some effects of intra-role conflict on stress, and further reduce the consequences of stress on employee outcomes are important to today's salesforce. For instance, consider the environment in which the salesperson is embedded. New devices and technology make it easier to access work and provide greater flexibility and autonomy for employees. This access and flexibility, however, presents the possibility of creating even more pressure on the employees to balance the roles and expectations of both work and family. Our results demonstrate that resiliency serves as an important personal resource in today's competitive work environment.

Our results suggest resiliency may serve as a helpful asset in the employee's toolkit and suggests that managers should consider evaluating an employee's level of resilience during the selection process. Measuring job candidates' resiliency would not only provide

insight into their ability to manage adversity but it would also provide evidence of how they might adapt (or not adapt) when confronted with new relationship/customer situations. Sales managers could examine the opportunity to use best-practices from other industries to assess individual resilience (Griffith & West, 2013). As the potential for work-based stress within the sales community is well known (Singh, 1998), this tool may serve as a proactive step to ensure job fit and that the candidate has the disposition to succeed in an environment where developing long-term relationships with customers is the new norm.

Similarly, our study may provide food for thought regarding training initiatives. Many business analysts have underlined the importance of training programs that help employees control their emotions (e.g., Beck, 2010). Organizational behaviorists like Luthans et al. (2007) maintain that resilience may be fairly malleable and subject to development. For example, an *asset-focused development strategy* emphasizes developing the resources available to employees to help them face a traumatic event or adverse situations. Employers who “pay for continued education, promote developmental workshops and cross-training, and reward those seeing to better themselves” develop employee resilience and an increased sense of ownership (Luthans, Vogelgesang, & Lester, 2006, p.34). A *process-focused development strategy* can also be used to influence the manner in which an employee interprets events and experiences. This development approach aims to develop employee confidence in performing a job well and includes widely recognized techniques such as “mastery and success experiences, vicarious learning and/or modeling, persuasion and/or positive feedback, and psychological and/or physiological arousal” (Luthans, Vogelgesang, & Lester, 2006, p.35). Based on these studies, it is plausible to create a corporate training context to enhance employees’ resilience. As our study demonstrates, such reinforcement is good for both the employee (increased job

satisfaction) and for the firm (increased sales performance).

### ***Limitations and Future Research***

As with any study, our research is not without limitations. First, our study sample focused on a single industry, which limited the generalizability of our results. The idiosyncratic nature of real estate sales added further limits on our interpretation. In real estate, the entire sales process is longer and requires multiple contacts with, and more personalized service for, each client (Krishnan, Netemeyer, & Boles, 2002). Therefore, resilience may be more salient in such a selling context.

Because our research provides only a cross-sectional snapshot in a finite time period, it is difficult to completely realize the order of effects, and therefore we assume some level of causality based on theoretical and logical relationships established by prior research. A longitudinal study is warranted to fully understand the causal nature of the relationships in this study. All of our measures, including performance, were self-reported. Although research suggests that self-ratings do not bias performance estimates (Churchill et al., 1985), future studies using objective sales data would allow for a richer understanding of how performance is influenced by resiliency.

Despite these limitations, our approach allowed us to control for certain industry- and firm-level factors, and our findings provide sufficient evidence that examining salesperson resiliency and its influence on job attitudes and behavior is worthy of continued investigation. We plot a pathway for future research and personal resources that could be tested with resiliency. Opportunities remain to examine contingency variables, including those for the environment, firm culture, and control mechanisms in various industries and selling contexts.

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**APPENDIX:  
Measures**

**Item and Construct Reliability for Resiliency** (Smith et al., 2008)

|   |            |     |
|---|------------|-----|
| I tend to bounce back quickly after hard times                    | <i>α</i>   | .91 |
| It does not take me long to recover from a stressful event        | <i>C.R</i> | .92 |
| It is not hard for me to snap back when something bad happens (R) | <i>AV</i>  | .72 |
| I usually come through difficult times with little trouble        |            |     |

**Item and Construct Reliability for Job Stress** (Flaherty, Dahlstrom, & Skinner, 1999)

|   |            |     |
|---|------------|-----|
| I feel stress a lot of the time due to the nature of my job               | <i>α</i>   | .84 |
| I feel a lot of stress due to my current job in sales                     | <i>C.R</i> | .87 |
| It is difficult to cope with everything that is needed to be a sales rep. | <i>AV</i>  | .69 |

**Item and Construct Reliability for Work-Family Conflict** (Netemeyer et al., 2004)

|   |            |     |
|---|------------|-----|
| I often have to miss important family activities because of my job  | <i>α</i>   | .81 |
| Things I want to do at home do not get done because of the demands that my job puts on me   | <i>C.R</i> | .87 |
| Because of my job, I can't involve myself as much as I would like in maintaining close relations with my family (or spouse/partner) | <i>AV</i>  | .69 |

**Item and Construct Reliability for Job Satisfaction** (Price & Mueller, 1986; Netemeyer et al., 1997)

|  |            |     |
|--|------------|-----|
| give me a sense of accomplishment/does not give me a sense of accomplishment | <i>α</i>   | .96 |
| is satisfying/is not satisfying  | <i>C.R</i> | .96 |
| is worthwhile/is worthless   | <i>AV</i>  | .89 |

**Item and Construct Reliability for Sales Performance** (Behrman, Bigoness, & Perreault, 1981)

|  |            |     |
|--|------------|-----|
| Compared to my colleagues, I believe I generate a higher level of dollar sales | <i>α</i>   | .85 |
| I always exceed the sales objectives and targets set for me                    | <i>C.R</i> | .86 |
| Frankly, I perform as well as other sales agents in this job                   | <i>AV</i>  | .57 |
| I am very effective in generating sales quickly                                |            |     |
| Overall, my performance is superior to a typical sales agent in my firm        |            |     |

# THE IMPACT OF STATUS CONSUMPTION ON SHOPPING STYLES: AN EXPLORATORY LOOK AT THE MILLENNIAL GENERATION

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*This study examined millennial consumers' relationships between status consumption and Sproles and Kendall's (1986) Consumer Styles Inventory (CSI). It was found that status consumption was a positive antecedent to five of the eight CSI's shopping style characteristics: brand conscious, novelty and fashion conscious, recreational and shopping conscious, impulsive/careless, and habitual/brand loyal, but not to the characteristics of perfectionist, confused by overchoice, and price conscious. The results suggest that those millennial consumers who are motivated to consume for status will utilize the shopping styles of being brand conscious, novelty/fashion conscious, recreational shoppers, impulsive shoppers, and brand loyal.*

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## INTRODUCTION

It is estimated that global expenditures of luxury branded products will reach \$450 billion by 2012 (Verdict, 2007). Truong, Simmons, McColl, and Kitchen (2008, p. 191) and Gardyn (2002) note that luxury goods have become more affordable and accessible to new customers (the "democratization of luxury"), and more consumers are willing and able to pay a price premium for higher quality, higher status products. There is interest in luxury research and the luxury market (Truong, Simmons, McColl & Kitchen, 2008) with a need for additional empirical analysis of status consumption (Shukla, 2010) as the construct of status consumption specifically has been neglected in consumer research (Lertwannawit & Mandhachitara, 2012). "As significant levels of status consumption, therefore, are present in all communities," (Mason, 1992, p. 89); it is becoming more critical for managers to determine if there are differences in the propensity to consume for status and how does this impact shopping behavior.

Generational cohorts are an efficient and valid way to segment markets as different cohorts

have been impacted in a similar, consistent way by external events, and this influence of macro-environment changes impacts customer behavior patterns (Schewe & Noble, 2000; Schewe, Meredith, & Noble, 2000). Norum (2003) suggests generational differences in consumer purchase patterns do exist and need to be further addressed. Given the size of the millennial cohort, 93.4 million in the US alone (Census 2010) and the abundance of media, product, and lifestyle choices, the millennial generation requires a different marketing and retailing approach than previous generations (Neuborne & Kerwin, 1999; Phelps, 1999). Eastman & Liu (2012) found there are generational differences in the motivation to consume for status with higher levels of status consumption for the millennial generation than Generation X or Baby Boomer consumers. Thus, it makes sense for status marketers to specifically look at the millennial generation. Furthermore, Young and Hinesly (2012) stress that research is needed on the motives that underlie millennials' behaviors.

In terms of shopping styles, Bakewell and Mitchell (2004) stress that the consumer shopping styles measure originally developed by Sproles and Kendall (1986) is a meaningful means for segmenting distinct groups of buyers, for both men and women. "When consumers engage with the marketplace they display

relatively consistent decision-making styles by employing certain purchasing strategies and rules to guide their decision making” (Bakewell & Mitchell, 2004, p. 223). Shim (1996) offers that the utilitarian versus social/conspicuous shopping traits relate to different shopping styles. Per Cowart and Goldsmith (2007), different shopping styles can be significantly correlated with online apparel spending. Finally, Bakewell and Mitchell (2003) offer that millennial consumers have developed different shopping styles than previous generations and that more research is needed on millennial shopping styles to provide guidelines to marketers targeting this generation.

What has not been examined in the literature is how the motivation for status impacts differences in shopping styles for the millennial consumer. Given the size and importance of the luxury market (Verdict, 2007), along with a propensity for millennial consumers to be motivated by status (Eastman & Liu, 2012), a better understanding of the millennial status consumer and how their need for status impacts their shopping style is vital for marketers wanting to reach the millennial status consumer segment. There have been no studies that have looked specifically at if one’s motivation to consume for status impacts one’s shopping style. This paper addresses this by examining if the motivation to consume for status is an antecedent to consumer shopping styles as defined by Sproles and Kendall’s (1986) Consumer Styles Inventory. By determining if status consumption is impacting millennials’ shopping styles, marketers can better target and meet the needs of their millennial shoppers.

### STATUS CONSUMPTION

Status consumption is “the motivational process by which individuals strive to improve their social standing through the conspicuous consumption of consumer products that confer and symbolize status both for the individual and surrounding significant others” (Eastman, Goldsmith, & Flynn, 1999, p. 41). It is an individual difference variable that addresses a person’s motivation to consume for status

(Kilsheimer, 1993). This consumption-related need for status is the “tendency to purchase goods and services for the status or social prestige value that they confer on their owners” regardless of income or social class level (Eastman, Goldsmith, & Flynn, 1999, p. 41). This is similar to O’Cass and Frost’s (2002, p. 68) definition of status consumption as “the process of gaining status or social prestige from the acquisition and consumption of goods that the individual and significant others perceive to be high in status.” Chao and Schor (1998) define status consumption as purchases made by individuals who desire status products and brands with the consumption of these products being socially or publicly visible. Shukla (2008; 2010, p. 110) stresses that status consumption is “principally ‘irrational’ (psychological) in its expression and motivation” and significantly influenced by consumers’ ostentation behaviors.

Status is derived from the evidence of wealth provided by conspicuous consumption and the power that results from the associated respect, consideration and envy of others (Eastman, Goldsmith, & Flynn, 1999, p. 2; Veblen, 1899). The conspicuous consumption of luxury goods provides the consumer with satisfaction from others’ reactions to the wealth displayed rather than from the value of the product itself (Mason, 2001). This relates to Packard’s (1959, p. 5) view of status seekers as “people who are continually straining to surround themselves with visible evidence of the superior rank they are claiming.” Per Husic and Cicic (2009, p. 234), “by using status goods as symbols, individuals communicate meaning about themselves to their reference groups.” Finally, attitudes about luxury consumption are linked to the display of wealth and the symbolic meanings from one’s social position as status consumption fulfills hedonic consumption needs (Eng & Bogaert, 2010).

### SHOPPING STYLES

Research understanding the way consumers shop has been around for over half a century with early work developing typologies of

shopping styles (Stone, 1954). More typologies were developed as researchers used a variety of research approaches and different contexts (see Jarratt, 1996 for an overview). However, some consensus has been reached that some shoppers exhibit stable shopping styles and behaviors that may be in opposition to other shoppers (Bakewell & Mitchell, 2003). Consumer decision-making style has been defined as “a mental orientation characterizing a consumer’s approach to making choices... has cognitive and affective characteristics” (Sproles & Kendall, 1986, p. 268). Similar to the concept of personality in psychology, individuals are perceived to have a consumption personality that is stable and enduring (Sproles & Kendall, 1986).

Pulling from the literature, Sproles and Kendall (1986) were the first to develop a way to measure decision-making style differences. They conceptualized and empirically tested a Consumer Styles Inventory (CSI) of eight basic decision-making style characteristics with a sample of 482 US high school students (Generation X consumers). The eight shopping styles identified are: perfectionist, brand consciousness, novelty, recreational, price conscious, impulsive, confused by overchoice,

and habitual. See Table 1 for definitions of each style. The CSI has been used in a variety of studies both in its entirety and for studies to focus on specific decision-making characteristics. Numerous studies have evaluated consumer decision-making or shopping styles in a variety of contexts such as online (Brashear, Keshyap, Musante, & Donthu, 2009), age/generational (Coward & Goldsmith, 2007) and gender (Bakewell & Mitchell, 2003; Otnes & McGrath, 2000) with many looking through an international or cultural lens (see Hiu, Noel, Wang, & Chang, 2001 for a summary).

Sproles and Kendall (1986) explain each of the eight factors they identified as follows. The *perfectionist* consumer is focused on carefully searching for high-quality products and is not going to compromise with a product that they perceive as being “good enough.” The *brand conscious* consumer is partial to expensive, well-known national brands and believes that higher prices are an indication of higher quality. These shoppers prefer best-selling advertised brands and are likely to favor department and specialty stores. The *novelty* consumer is fashion conscious, trendy, and takes pleasure in discovering new things. Another important

**TABLE 1:**  
**Consumer Shopping Styles**

| <b>Consumer Characteristic*</b>         | <b>Description*</b>  |
|---|--|
| Perfectionistic, High-Quality Conscious | Consumer searches carefully and systematically for the very best quality in products                                   |
| Brand Conscious, “Price = Quality”      | Consumer is oriented towards buying the more expensive, well-known brands  |
| Novelty and Fashion Conscious           | Consumers who like new and innovative products and gain excitement from seeking out new things                         |
| Recreational and Shopping Conscious     | Consumer finds shopping a pleasant activity and enjoys shopping just for the fun of it                                 |
| Price Conscious/ Value for the Money    | Consumer with a particularly high consciousness of sale prices and lower prices in general                             |
| Impulsive/ Careless                     | Consumer who buys on the spur of the moment and appears unconcerned about how much he/she spends                       |
| Confused by Overchoice                  | Consumer perceiving too many brands and stores from which to choose and experiences information overload in the market |
| Habitual/ Brand Loyal                   | Consumer who repetitively chooses the same favorite brands and stores  |

\*Information from Sproles and Kendall (1986)

characteristic of the novelty consumer seems to be variety-seeking. This shopper likes innovative products (Sproles, 1985). The *recreational* consumer loves to shop just for the fun of it and shopping is a source of entertainment. This shopper enjoys the stimulation of looking for and choosing products (Sproles, 1985). The *impulsive* consumer exhibits little concern for the amount of money spent and have no specific plans for their shopping. However, impulsive shoppers may regret their shopping decisions later (Sproles, 1985). The *confused by overchoice* consumer struggles to make a purchasing decision given the amount of brands and stores. This shopper lacks confidence and experiences information overload. The *habitual* consumer seems to have favorite stores and/or brands that they purchase over and over. Finally, the *price conscious* consumer desires to get the most value for their money and is likely to be a comparison shopper. This shopper is concerned with getting lower prices and is conscious of sales prices (Sproles, 1985).

#### GENERATIONAL COHORTS AND THE MILLENNIAL GENERATION

A generational cohort is a group of individuals with shared similar cultural and historical experiences and unique common characteristics around these experiences (Beldona, Nusair & Demicco, 2009; Young & Hinesly, 2012). Wolburg & Pokrywczynski (2001) suggest three major influences found in generational marketing research: life stage, current conditions, and cohort experiences. Cohorts are significantly influenced by external events that occurred when they were “coming of age” (Schewe, Meredith, & Noble, 2000) and these can include “economic changes, wars, political ideologies, technological innovations, and social upheavals that have consequences on society act to redefine social values, attitudes, and preferences” (Schewe & Noble, 2000, p. 130). Per Young and Hinesly (2012), generational cohorts can also be impacted by the everyday commonplace experiences of culture in their early childhood. Thus, a particular cohort is associated with certain

unique values and priorities that may persist over their lifetimes (Jackson, Stoel, & Brantley, 2011, p. 1; Schewe & Noble, 2000), resulting in each cohort exhibiting distinct attitudes and behaviors (Moore & Carpenter, 2008).

Schewe et al. (2000) notes that a generation is usually 20-25 years in length, while a cohort can vary in length based on the external events that define it. The Baby Boomer generation is typically defined as consumers born between 1946 and 1964 (Norum, 2003; Schewe, Meredith, & Noble, 2000), while Generation X is defined as those born between 1965 and 1976 and Generation Y (millennials) as those born from 1977 to 1987 (Norum, 2003). The literature suggests that there are significant differences between the millennial generation and previous generations (Gurau, 2012). For this study, we are focusing on the millennial cohort (Generation Y).

The literature has found some differences by generational cohort in terms of status consumption. Eastman and Liu (2012) found significant differences in the level of status consumption by generational cohort with the average level of status consumption was highest for Generation Y (millennials), followed by Generation X and then Baby Boomers, with a significant difference between Generation Y and Baby Boomers. Furthermore, they found that holding generation constant, there is no significant relationship between gender, income, or education with status consumption. There is also no significant interaction between generational cohort and the demographic variables of gender, income, and education. This suggests that the relationship between generational cohort and status consumption is due only to generation and not being impacted by other demographic variables (Eastman & Liu, 2012).

Millennials are considered the first high-tech generation (Norum, 2003) and are perceived as consumption-oriented and sophisticated shoppers (Jackson, Stoel, & Brantley, 2011; Wohlburg & Pokrywczynski, 2001) who are confident in making purchasing decisions

(Barber, Taylor & Dodd, 2009). The millennial generation is very concerned about social responsibility and environmental issues (Barber, Taylor & Dodd, 2009; Smith, 2012) as they are seen as the most socially conscious generation in the past fifty years (Meister & Willyerd, 2010). Millennials are very driven and want employers who will provide them a constant stream of feedback with a road map for success (Meister & Willyerd, 2010). Millennials are also seen as the most protected and indulged generation, with an inability to delay gratification (Tucker, 2006). Bakewell and Mitchell (2003, p. 97) suggest that millennials have been more acculturated than previous generations into a materialistic and consumer culture due to technological innovations.

Marketers see millennials as having a high level of spending power (Martin & Turley, 2004; Wolburg & Pokrwczyński, 2001) whose social networks are vital to them (Hewlett, Sherbin & Sumberg, 2009). Millennials look to their peers to determine the merit of a product and considers their peers to be more credible than traditional media or company sources of information (Smith, 2012, p. 87). As a macro-environmental influence, the global recession has influenced the spending habits of millennials, but pre-recession surveys suggested they would be a thrifty generation (Miller & Washington, 2012). Many millennials were raised in working parent(s) households and as a result, they have learned to make shopping decisions earlier than previous generations (Bakewell & Mitchell, 2003). Shopping has also become an entertaining experience and a recreational hobby for many millennial consumers (Bakewell & Mitchell, 2003; Lehtonen & Maenpää, 1997).

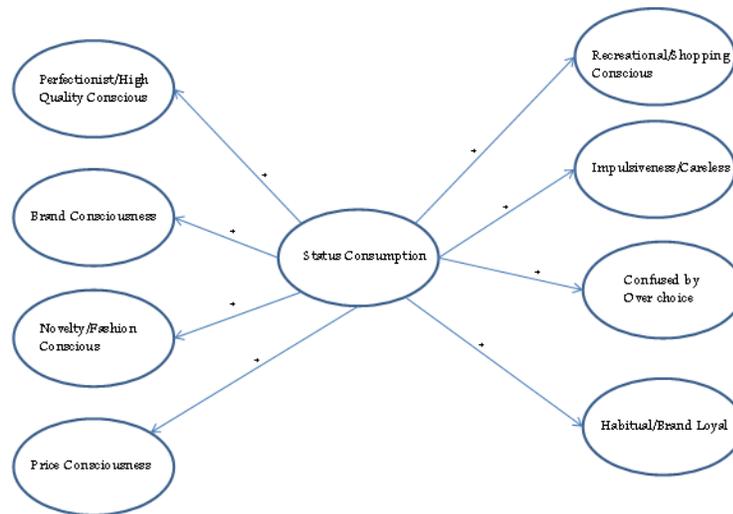
### HYPOTHESES

The literature does not propose specific relationships between the antecedent of status consumption, the motivation to consume for status, and the Sproles and Kendall's (1986) shopping styles, although there are a couple of articles that somewhat relate. Bakewell and

Mitchell (2003) found support for millennials exhibiting a materialistic/opulent shopping style. Shim (1996) related Sproles and Kendall's (1986) shopping styles to three shopping orientations for adolescent consumers. Shim (1996, p. 549) offers that a utilitarian shopper orientation is related more to perfectionism and price/value consciousness traits because quality and price are emphasized; while a social/conspicuous shopping orientation is associated more with brand consciousness, novelty/fashion consciousness, recreational shopping consciousness, and habitual/brand loyal shopping traits as these consumers seek well-known brands or expensive products, and are drawn to the recreational aspects of shopping. Shim (1996) then relates an undesirable shopping orientation to impulsive/careless and confused by overchoice traits as these may lead to poor shopping decisions. In developing our hypotheses, we had to look beyond the shopping styles literature to also consider the millennial and status literature in proposing our hypotheses between status consumption and each of the eight shopping styles.

Per Lachance, Beaudoin, and Robitaille (2003) prestigious brand name clothing is very important to adolescents. O'Cass and Frost (2002, p. 82), in a study of young status-conscious consumers, found they "are more likely to be affected by a status brand's symbolic characteristics, by feelings evoked by the brand and by the degree of congruency between the brand-user's self-image and the brand image." Chao and Schor (1998) suggest that younger consumers spend more on branded products including status products. Finally, Moore and Carpenter (2008) found that millennials are the cohort most likely to buy prestigious clothing, while Boomers are significantly less prestige sensitive. Thus, the literature suggests that branding is a key element of status products, particularly for younger consumers (Chao & Schor, 1998). Finally, millennials are very success-driven (Meister & Willyerd, 2010) and status products may be one way they can demonstrate their success. Based on the literature, we propose

**FIGURE 1:**  
**Conceptual Model of the Hypothesized Relationships**



that millennial consumers who are more motivated by status consumption, will be more likely to have both a perfectionist shopping style and a brand conscious shopping style as illustrated in Figure 1.

*H<sub>1</sub>: Millennials who are more motivated by status consumption will be more likely to perceive themselves as having a perfectionist shopping style.*

*H<sub>2</sub>: Millennials who are more motivated by status consumption will be more likely to perceive themselves as having a brand conscious shopping style.*

Fashion innovators are less price-sensitive and willing to pay more for new fashions (Goldsmith, Kim, Flynn, & Kim, 2005; Goldsmith, Flynn, & Kim, 2010). Status consumption is also positively related to clothing innovativeness (Goldsmith, Flynn, & Kim, 2010). The literature has also discussed the link between luxury consumption and fashion marketing (Ko & Megehee, 2012). McDonald (1993, p. 59) suggests that fashionable shoppers have an interest in the latest clothing styles and a variety of apparel along with being image-oriented and emotional. Recreational shoppers enjoy the fun aspects of

shopping and are less quality and value oriented (McDonald, 1993). In terms of mall shopping, the literature suggests that college aged millennial consumers are objectively motivated shoppers (Martin & Turley, 2004), but we also know that millennials are socially motivated (Hewlett, Sherbin, & Sumberg, 2009) and see their peers as more credible than traditional information sources (Smith, 2012). We offer that due to this social, hedonic motivation, those millennial consumers more motivated by status consumption will be more concerned about the social implications of their shopping as status consumption is a socially-oriented motivation due to the need for conspicuous consumption (Chao & Schor, 1998; Eastman, Goldsmith & Flynn, 1999; Eng & Bogaert, 2010; Husic & Cicic, 2009; O’Cass & Frost, 2002). These more status oriented millennial consumers will be more interested in fashion and the recreation of shopping. Thus, we propose the following hypotheses as illustrated in Figure 1.

*H<sub>3</sub>: Millennials who are more motivated by status consumption will be more likely to perceive themselves as having a novelty/fashion conscious shopping style.*

*H<sub>4</sub>: Millennials who are more motivated by status consumption will be more likely to perceive themselves as having a recreational/shopping conscious shopping style.*

Tucker (2006) suggests that millennials are an indulged generation, with an inability to delay gratification. In terms of status consumption, Shukla (2008; 2010) offers that status consumption is irrational and ostentatious. "Status-seeking consumers are concerned with what relevant consumers consider the best (and by extension, prestigious) choices to help gain group status" as it is important "for the status-seeking consumer to stay within the bounds of the prescribed social norms of the group" (Clark, Zboja & Goldsmith, 2007, p. 45). Eng and Bogaert (2010) offer that status consumption meets hedonic rather than utilitarian needs. Thus, we suggest that the indulged millennial more motivated by status will be impulsive and confused as they are not motivated by utilitarian needs, but rather to impress others. Thus, we propose the following hypotheses as illustrated in Figure 1.

*H<sub>5</sub>: Millennials who are more motivated by status consumption will be more likely to perceive themselves as having an impulsive/careless shopping style.*

*H<sub>6</sub>: Millennials who are more motivated by status consumption will be more likely to perceive themselves as having a confused by overchoice shopping style.*

McDonald (1993, p. 56) describes brand loyalty as "the repetitive purchase of a brand, resulting from consumers learning that one brand can best satisfy their needs." While brand loyalty implies a psychological commitment, repeat purchases can also simply involve habitual repurchasing (McDonald, 1993). In a study of young millennials dealing with search engine loyalty, Veloutsou and McAlonan (2012) found that search engine loyalty was predicted in part by emotional connection, reputation, and satisfaction. Gurau (2012) offers that the

literature is mixed concerning the brand loyalty of millennials and that additional research is needed. Finally, Goldsmith et al. (2010, p. 332) suggests from his sample of college students, that when status-seeking consumers discover which brands convey status that they will stay with those brands for as long as the status effect lasts.

The status literature suggests that with a Veblenian and Snob motivation, price is used as a cue to indicate prestige (Vigneron and Johnson, 1999). With the Veblenian motivation, price is an indicator of prestige as a higher price can impress others as a show of ostentation, while with the Snob motivation, price is an indicator of exclusivity and non-conformity as snob consumers avoid using popular brands (Mason, 1992; Vigneron and Johnson, 1999). We offer that a Veblenian or Snob motivation may not hold with millennials because the literature suggests that even pre-recession, millennials are thrifty (Miller & Washington, 2012) with significant shopping experience (Bakewell & Mitchell, 2003). Per Gauzente and Roy (2012, p. 85), price conscious millennials, "tend to spend more time on gathering and processing price-related information and this includes not only explicit price-information but also other product information" suggesting that price conscious millennials will look at non-price features. Thus, for millennials more motivated by status consumption, they will be loyal to what has met their status needs. Additionally, they will be able to indulge their status needs while being price conscious due to their willingness to spend time gathering information. Thus, we propose the following hypotheses as illustrated in Figure 1.

*H<sub>7</sub>: Millennials who are more motivated by status consumption will be more likely to perceive themselves as having a habitual/brand loyal shopping style.*

*H<sub>8</sub>: Millennials who are more motivated by status consumption will be more likely to perceive themselves as having a price conscious shopping style.*

**METHODOLOGY**

In this section we describe our data collection and sample along with the constructs measurement. Then we describe the purification of the measures including construct validity assessment and the structural model estimation.

**Data Collection and Sample**

The survey data was gathered with a pen and paper instrument by the authors utilizing a convenience sample of millennial respondents in a variety of business classes from freshman to graduate level. This convenience sample was considered appropriate, as the purpose of the study was not to provide point estimates of the variables, but to test the relationships among them (Calder et al., 1981). There were 260 surveys collected with 243 fully completed and usable. Of those 17 not utilized, 15 involved missing items and two involved an incorrect response to the item “If you have read this item, please circle 3”. Thus, all of the 243 surveys

analyzed were completely filled out with evidence of the respondents reading the survey items.

The sample was somewhat more male (67.9%) with the age of the sample primarily comprised of the millennial generation, being born after 1977 (Kennedy, 2001; Norum, 2003; Paul, 2001), with the average age being 21.77 years old (standard deviation of 3.34 years). Per AACSB (2013), males make up approximately 59% of business school enrollment. For our purposes of focusing on the millennial generation, we dropped from further analysis three respondents over the age of 35 (1.2%) that were not part of the millennial generation. The majority of the sample was Caucasian (77.8%) though there was a good representation of African Americans (15.6%) in the sample. Per the National Center for Educational Statistics (2013), African Americans make up approximately 14% of college enrollment. Thus, our sample did reflect fairly closely to key college enrollment demographics. Finally, the majority of the sample did not belong to a

**TABLE 2:  
Sample**

|                           |                    |                                 |
|---------------------------|--------------------|---------------------------------|
| <b>Gender</b>             |                    |                                 |
|                           | Male               | 67.9%                           |
|                           | Female             | 32.1%                           |
| <b>Age</b>                |                    | <b>Mean 21.77 years/SD 3.34</b> |
|                           | 18-25 years old    | 93.8%                           |
|                           | 26-35 years old    | 5.0%                            |
|                           | 36-46 years old    | 1.2%%                           |
| <b>Ethnic</b>             |                    |                                 |
|                           | White              | 77.8%                           |
|                           | African American   | 15.6%                           |
|                           | Hispanic           | 1.2%                            |
|                           | Asian              | 2.1%                            |
|                           | Other              | 3.3%                            |
| <b>Greek Membership</b>   |                    |                                 |
|                           | Yes                | 21.8%                           |
|                           | No                 | 78.2%                           |
| <b>Currently Employed</b> |                    |                                 |
|                           | No                 | 51.9%                           |
|                           | 1 -10 hours        | 15.2%                           |
|                           | 11-20 hours        | 16.9%                           |
|                           | 21-30 hours        | 7.0%                            |
|                           | More than 30 hours | 9.1%                            |

Greek social organization (78.2%) and were not employed (51.9%) while attending school.

**Construct Operationalization**

All items used in the analysis utilized established scales with a five point Likert scale as shown in Table 3. The Consumer Styles Inventory (CSI) was measured using the Sproles and Kendall (1986) scale. Status Consumption was measured using the Eastman et al. (1999) scale.

**Measures and Purification**

Following a process recommended by Anderson and Gerbing (1988), the measurement quality of the indicators was evaluated. Anderson and Gerbing (1988) recommend that researchers first refine the measurement model before testing the structural component of the model. The goal is a final set of items with acceptable discriminant and convergent validity, internal consistency, reliability and parsimony. Every factor in this

**TABLE 3:  
Measurement Items (Scale items)**

|   | <b>Standardized Loading/t-values</b> | <b>Source</b>            |
|---|--------------------------------------|--------------------------|
| <b>Perfectionist/High Quality Conscious (CR=0.90; VE=0.74)</b>                      |                                      | Sproles and Kendall 1986 |
| When it comes to purchasing products, I try to get the very best or perfect choice. | 0.82 (15.01)                         |                          |
| In general, I usually try to buy the best overall quality.                          | 0.86 (16.14)                         |                          |
| I make a special effort to choose the very best quality products.                   | 0.91 (17.60)                         |                          |
| <b>Brand Consciousness/Price Equals Quality (CR=0.85; VE=0.65)</b>                  |                                      |                          |
| The well-known national brands are for me.  | 0.82 (14.50)                         |                          |
| The more expensive brands are usually my choices.                                   | 0.85 (15.40)                         |                          |
| I prefer buying the best-selling brands.  | 0.75 (12.95)                         |                          |
| <b>Novelty and Fashion Consciousness (CR=0.92; VE=0.80)</b>                         |                                      |                          |
| I usually have one or more outfits of the very newest style.                        | 0.89 (17.34)                         |                          |
| I keep my wardrobe up-to-date with the changing fashions.                           | 0.95 (19.41)                         |                          |
| Fashionable, attractive styling is very important to me.                            | 0.84 (16.01)                         |                          |
| <b>Recreational and Shopping Conscious (CR=0.84; VE=0.64)</b>                       |                                      |                          |
| Shopping is not a pleasant activity for me (R)                                      | 0.91 (17.01)                         |                          |
| Shopping the stores wastes my time (R)  | 0.77 (13.44)                         |                          |
| I make shopping trips fast (R)  | 0.71 (12.04)                         |                          |
| <b>Impulsiveness/Careless (CR=0.80; VE=0.57)</b>                                    |                                      |                          |
| I should plan my shopping more carefully than I do.                                 | 0.66 (10.43)                         |                          |
| I am impulsive when purchasing.   | 0.80 (12.87)                         |                          |
| Often I make careless purchases I later wish I had not.                             | 0.79 (12.79)                         |                          |
| <b>Confused by Over choice (CR=0.79; VE=0.57)</b>                                   |                                      |                          |
| Sometimes it's hard to choose which stores to shop.                                 | 0.61 (9.43)                          |                          |
| The more I learn about products, the harder it seems to choose the best.            | 0.84 (13.24)                         |                          |
| All the information I get on different products confuses me.                        | 0.77 (11.97)                         |                          |
| <b>Habitual/Brand Loyal (CR=0.83; VE=0.71)</b>                                      |                                      |                          |
| I have favorite brands I buy over and over.   | 0.87 (12.22)                         |                          |
| Once I find a product or brand I like, I stick with it.                             | 0.82 (11.65)                         |                          |
| <b>Status Consumption (CR=0.88; VE=0.66)</b>  |                                      | Eastman et al. 1999      |
| I would buy a product just because it has status.                                   | 0.86 (16.43)                         |                          |
| I am interested in new products with status.  | 0.87 (16.57)                         |                          |
| I would pay more for a product if it had status.                                    | 0.90 (17.41)                         |                          |
| A product is more valuable to me if it has some snob appeal.                        | 0.57 (9.25)                          |                          |

**TABLE 4:**  
**Construct Correlations, Means, Standard Deviations and Coefficient Alpha**

| Construct                 | 1       | 2       | 3       | 4       | 5                  | 6     | 7      | 8    |
|---------------------------|---------|---------|---------|---------|--------------------|-------|--------|------|
| 1. Perfectionist          | 1       |         |         |         |                    |       |        |      |
| 2. Brand Conscious        | 0.267** | 1       |         |         |                    |       |        |      |
| 3. Novelty/Fashion        | 0.143** | 0.304** | 1       |         |                    |       |        |      |
| 4. Recreational           | -0.041  | 0.010   | 0.514** | 1       |                    |       |        |      |
| 5. Impulsiveness          | -0.071  | 0.219** | 0.153*  | 0.174** | 1                  |       |        |      |
| 6. Confused               | -0.147* | 0.041   | 0.045   | -0.012  | 0.124              | 1     |        |      |
| 7. Habitual/Brand Loyal   | 0.165** | 0.313** | 0.038   | -0.109  | 0.069 <sup>0</sup> | 0.104 | 1      |      |
| 8. Status Consumption     | 0.030   | 0.443** | 0.443** | 0.146*  | 0.177**            | 0.029 | 0.141* | 1    |
| <b>Mean</b>               | 4.08    | 3.00    | 3.08    | 3.02    | 3.03               | 2.63  | 4.11   | 2.65 |
| <b>Standard Deviation</b> | 0.66    | 0.75    | 1.00    | 0.99    | 0.82               | 0.74  | 0.56   | 0.82 |
| <b>Coefficient Alpha</b>  | 0.83    | 0.80    | 0.89    | 0.79    | 0.76               | 0.70  | 0.72   | 0.84 |

study was submitted to a confirmatory factor analysis and all factor loadings were significant at the 0.01 level and all individual reliabilities were above the required value of 0.4 (Bagozzi & Baumgartner 1994). Per Bagozzi and Yi (1988) and Bagozzi and Baumgartner (1994), a composite reliability of at least 0.7 is desirable. This requirement was met with the exception of Sproles and Kendall's (1986) Price Conscious scale. As the Price Conscious construct did not exhibit the required reliability or convergent/discriminant validity, it did not justify the model fit and was not included in the model and thus H8 dealing with Price Conscious was not tested.

After assessing the individual factors, the reduced set of items was subjected together to a confirmatory factor analysis using maximum likelihood estimation via LISREL 8.5. Tables 3 and 4 report construct inter-correlations as well as additional information on the reliability and validity of these measures. Although the chi-square value for the measurement model is significant (534.70 with 224 d.f.,  $p < 0.001$ ), other goodness-of-fit measures indicate a good overall fit of the model to the data: RMSEA = 0.07 (see Baumgartner & Homburg, 1996), NNFI = 0.91, IFI = 0.92 and CFI = 0.92.

### Construct Validity Assessment

Additional analyses were conducted to provide more confidence concerning the measurement

properties of the scale. The next step was assessing the validity of the model. Each of the items exhibited acceptable loadings (path estimate  $> 0.50$ ) and were significant ( $t$ -value  $> 2.0$ ), thus indicating acceptable convergent validity. As evidence of discriminant validity, none of the confidence intervals of the phi matrix included 1.00 (Anderson & Gerbing, 1988). In addition, the amount of variance extracted for each construct was compared with the squared phi estimates (Fornell & Larcker, 1981) and the estimates for all constructs was greater than the squared phi estimate, further supporting sufficient discrimination between the variables. All factor loadings were significantly different from zero, as evidenced by their consistently large  $t$ -values. Finally, the reliability of the scales was assessed via the calculation of composite reliability scores. These scores ranged from 0.79 to 0.96, all of which are above the cutoff of 0.6 suggested by Bagozzi, Yi, and Phillips (1991). Based on these results, the measures have sufficient validity and reliability and so allow testing the hypothesized model.

### Structural Model Estimation

The hypotheses were tested within the framework of structural equation modeling through LISREL 8.5 (Jöreskog & Sörbom, 1993) using the items shown in Table 3. Our study tested for common method variance using the marker variable approach (e.g., Fang et al.,

**TABLE 5:**  
**LISREL Results for the Hypothesized Model**

| Hypothesis     | Path   | Completely Standardized Estimate | t-value | Result        |
|----------------|--|----------------------------------|---------|---------------|
| H <sub>1</sub> | Status Consumption → Perfectionist/HQ Conscious          | 0.07                             | 1.00    | Not Supported |
| H <sub>2</sub> | Status Consumption → Brand Consciousness                 | 0.56                             | 7.72    | Supported     |
| H <sub>3</sub> | Status Consumption → Novelty and Fashion Consciousness   | 0.52                             | 7.89    | Supported     |
| H <sub>4</sub> | Status Consumption → Recreational/Shopping Consciousness | 0.22                             | 3.08    | Supported     |
| H <sub>5</sub> | Status Consumption → Impulsiveness/Careless              | 0.27                             | 3.59    | Supported     |
| H <sub>6</sub> | Status Consumption → Confused by Over choice             | 0.04                             | 0.53    | Not Supported |
| H <sub>7</sub> | Status Consumption → Habitual/brand Loyal                | 0.23                             | 3.89    | Supported     |

2008) and found no evidence that it was biasing the overall results. The results of the hypotheses test are shown in Table 5. The fit of the data to the proposed model is quite good: ( $\chi^2_{(245)} = 670.600$ ,  $p < 0.01$ ; RMSEA = 0.08; IFI = 0.91; CFI = 0.91; NNFI = 0.90), thus supporting the model's structure.

## RESULTS AND DISCUSSION

As illustrated in Table 5, we found significant positive relationships with status consumption and five of the seven shopping styles tested (H<sub>2</sub>) Brand Conscious; (H<sub>3</sub>) Novelty/Fashion Conscious; (H<sub>4</sub>) Recreational/Shopping Conscious; (H<sub>5</sub>) Impulsiveness/Careless; and (H<sub>7</sub>) Habitual/Brand Loyal) as illustrated in Table 5. We did not find support between the relationship of status consumption and the shopping styles of either Perfectionist (H<sub>1</sub>) or Confused by Overchoice (H<sub>6</sub>).

In examining the specific hypotheses results, how they relate to the past research and what they suggest for retailers, one needs to consider the status and shopping styles literature along with the qualities attributed to the millennial generation. The status literature suggests that status consumers are interested in a product or brands' level of status or prestige (Eastman, Goldsmith, & Flynn, 1999) and that the products consumed are socially or publically visible (Chao & Schor, 1998). Eng and Bogaert (2010) note that status consumption meets hedonic needs. Finally, Shukla (2008, 2010) stresses that status motivation is irrational.

First, in examining the non-significant finding of H<sub>1</sub> (Perfectionist/High Quality), Sproles and

Kendall (1986) suggest that these consumers are carefully searching for high quality products. Shim (1996) suggests that a utilitarian shopping style is associated with perfectionism and price/value consciousness; what Stone (1954) describes as the economic shopper. Mason (1992) suggests that status consumers explain their motivation for status products by focusing on the superior utility and value of a product. A reason for our non-significant finding could be that status consumers may not be necessarily shopping for the best quality product, but instead focusing on products that convey prestige (Eastman, Goldsmith & Flynn, 1999; Mason, 2001; Phau & Cheong, 2009). Perhaps status consumers are not utilizing perfectionist/high quality as a shopping style, but to instead explain or justify why they bought a status brand. Thus, the need for status may be motivated more by hedonic needs (Eng & Bogaert, 2010) than utilitarian needs. Furthermore, the motivation to consume for status may not be a rational motivation (Shukla, 2008, 2010). For marketers trying to reach the status millennial consumer, they need to highlight those features that are hedonically appealing to this cohort, such as the "affect" elements like color, size, appearance, and product presentation to make the product more appealing.

Second, for H<sub>2</sub> (Brand Conscious), the literature clearly shows a link between ones' motivation to consume for status and brand consciousness, particularly for millennials, as they are concerned with brand image, are prestige sensitive, and spend more on branded products (Chao & Schor, 1998; Moore & Carpenter, 2008; O'Cass & Frost, 2002). For millennial

consumers, this need for prestige may be even stronger than that of other generations (Eastman & Liu, 2012; Moore & Carpenter, 2008). Shim (1996) offers that the social/conspicuous trait is associated with brand consciousness. Smith (2012) stresses the credibility of peers as a source of information with millennials talking about and influencing each other online. Liao and Wang (2009, p. 991) offer that people shop for brand name products not just for material possession purposes, but also for social needs as an important way to keep, save, and gain face and consumers motivated by status will have a high level of brand consciousness as they believe that brands are symbols of status. This suggests that it could be the social impact of peers relating to brand consciousness for status-motivated millennials. For marketing managers targeting millennials, they could utilize social media, celebrity endorsers seen as having status that are identifiable to millennials, and/or utilizing product placement in status entertainment pieces to better communicate about their brand to status conscious millennials.

Third, for H<sub>3</sub> (Novelty/Fashion Conscious), the literature suggests that this consumer is trendy and interested in new things (McDonald, 1993; Sproles & Kendall, 1986). Lertwannawit and Mandhachitara (2012) found an interest in status consumption related to fashion consciousness. Bakewell and Mitchell (2003) recommend that retailers offer a selection of prestigious brands that emphasize quality and fashion to reach the recreational quality-seeking shopper. Shim (1996) offers that the social/conspicuous trait is associated with novelty/fashion conscious and that peers and TV commercials positively impact adolescents with this shopping style. Wolburg and Pokrywczynski (2001) suggest that television and direct mail have been found to be more informative for millennials. The literature offers that even men are interested in fashion (Bakewell & Mitchell, 1996; Lertwannawit & Mandhachitara, 2012). Thus, millennial status consumers may be concerned with the newest trends in their social circles. We suggest that

marketers have to continue to innovate in terms of their status product lines (particularly those that relate to fashion), communicate these innovations utilizing television, direct mail, and social media to both men and women, and cannot rely on past successes.

Fourth, for H<sub>4</sub> (Recreational/Shopping Conscious), the literature suggests that these consumers love to shop as a form of entertainment (McDonald, 1993; Sproles & Kendall, 1986). Status products can provide an affective, hedonistic benefit to consumers (O'Casey and Frost, 2002) and shopping has been related to the hedonic value of shopping to fun, playfulness, enjoyment, and shopping as entertainment (Babin, Darden & Griffin, 1994). In terms of millennials, the literature suggests that shopping has become an entertaining experience and a recreational hobby (Bakewell & Mitchell, 2003; Lehtonen & Maenpaa, 1997). This fits with Shim (1996) who notes that the social/conspicuous trait is associated with recreational/shopping conscious and is positively impacted by peers and TV commercials. Our results suggest that for retailers to reach the millennial status consumer, they have to make the shopping experience fun and entertaining, especially given the social needs of millennials (Hewlett et al., 2009) and social aspects of status consumption (Kilsheimer, 1993). We offer that shopping malls are the place to hang out for this generation of consumers. Shopping helps them enjoy time with their friends and peers. Per Bellenger and Korgaonkar (1980), atmospherics and in-store merchandising are the most effective strategies in reaching the recreational shopper. This suggests that retailers need to focus on better store atmospherics to meet the fun and social needs of the millennial status motivated recreational shopper.

Fifth, for H<sub>5</sub> (Impulsive/Careless), Sproles and Kendall (1986) suggest that these consumers are not concerned with the amount of money spent and do not plan their shopping carefully. While this conflicts with Miller and Washington's (2012) idea of millennial

consumers being thrifty, it does relate to Shukla's (2008, 2010) idea that the motivation to consume for status is irrational and Podeshen and Andrzejewski (2012) suggestion that prestige products can be purchased impulsively for social needs. Thus, the results do make sense that for those millennials more motivated to consume for status, they could be more impulsive and careless in terms of money and shopping plans. For retailers, this suggests that millennial status consumers may be less concerned with price, but further research specifically looking at reliable and valid measures of price consciousness or sensitivity is needed before this could be determined. This was not able to be done in this study utilizing Sproles and Kendall's (1986) price conscious shopping style measure. We offer that these consumers are not concerned about how much they spend as they are looking for instant gratification per Tucker (2006). They just want the product now. Thus, retailers need to make sure that they have quantities in stock to satisfy these consumers.

Sixth, for  $H_6$  (Confused by Overchoice), Sproles and Kendall (1986) suggest that this consumer struggles to make purchasing decisions. The literature suggests that millennial consumers are confident making purchasing decisions (Barber et al., 2009) and have learned to make shopping decisions at a younger age than previous generations (Bakewell & Mitchell, 2003). As status consumers have a specific motivation to consume, it makes sense that there is not a relationship between status consumption and confused by overchoice for millennial consumers. For status conscious millennial consumers, they know what they are seeking. Marketers need to be clear in their message and state the key attributes that would differentiate their status product from competitive offerings.

Finally, for  $H_7$  (Habitual/Brand Loyal), Sproles and Kendall (1986) suggest that this consumer has favorite brands that they consume repeatedly. Podeshen and Andrzejewski (2012) suggest that consumers of prestige products are more likely to be brand loyal. Per McDonald

(1993), loyalty shoppers are also concerned with quality and image. This relates with Shim (1996) that the social/conspicuous trait is associated with a habitual/brand loyal shopping style and is positively impacted by peers and TV commercials. For status consumers, it makes sense that they would be brand loyal to brands that provide them status benefits (Goldsmith, Flynn, & Kim, 2010) as the congruency between a brand's image and their self-image is important to them (O'Cass & Frost, 2002). We offer that marketers need to continually illustrate how their status brands continue to fit the social, hedonic needs of their millennial consumer.

#### LIMITATIONS AND FUTURE RESEARCH

Our study was the first to focus on relating status consumption to shopping styles and found that for millennial consumers who are motivated to consume for status, they are more likely to demonstrate the shopping styles of being brand conscious, novelty/fashion conscious, along with being recreational and impulsive shoppers and brand loyal. There were several limitations to this study though including the use of a convenience sample that focused on the southeast region of the United States. Future research suggests utilizing a national randomized study. Another limitation was that we were unable to look at price consciousness in this study due to problems with the measure. Future research is needed to more closely examine the construct of price consciousness/sensitivity. A related idea is looking at the idea value consciousness or value shoppers as McDonald (1993) suggests that these shoppers are the least image oriented. One means to look at this would be to utilize the consumer decision-making style measure of price-value consciousness as developed by Bauer, Sauer, and Becker (2006). A final limitation is that we only looked at one generational cohort, millennials. Research is needed to compare the relationship between status consumption and shopping styles for other cohorts. Research is also needed to

expand beyond cohorts to also consider other variables, such as life-stage segmentation (Gurau, 2012), and demographic differences, such as gender (Bakewell & Mitchell, 2004).

Future research could examine what other factors could be impacting the effect that status consumption has on shopping styles and what that means for retailers. For example, does hedonic consumption play a role? Status products can provide an affective, hedonistic benefit to consumers (O’Cass & Frost, 2002) and status consumption fulfils hedonic consumption needs (Eng & Bogaert, 2010). People can buy luxury brands for their subjective emotional benefits, intrinsically pleasing aspects, and sensory gratification and pleasure, rather than for functional features (Vickers & Renand, 2003; Vigneron & Johnson, 2004; Kapferer & Bastien, 2009; Eng & Bogaert, 2010). “Luxury-seekers are considered hedonic consumers when they are looking for personal rewards and fulfillment acquired through the purchase and consumption of products evaluated for their subjective emotional benefits and intrinsically pleasing properties, rather than functional benefits” (Vigneron & Johnson, 2004, 490). “Luxury should have a very strong personal and hedonistic component otherwise it is no longer luxury but simple snobbery” (Kapferer & Bastien, 2009, p. 314). Thus, future research is needed to determine what constructs moderate and mediate the impact status consumption has on shopping styles.

Jackson et al. (2011) found millennial shoppers to have some of the lowest mall attitude (in terms of hygiene factors, location convenience, and entertainment) means compared to other cohorts. Given the size of the millennial cohort (Census, 2010), it is critical that retailers develop a better understanding of how to attract the millennial shopper. For retailers trying to reach millennial status shoppers, they need to ensure that their stores have the latest status brands in a fun environment and treat their customers well so they will be loyal. More research is needed to further examine these relationships in terms of specific shopping behaviors and specific retailer actions. This

study makes a contribution to the literature by looking at status consumption as an antecedent to shopping styles and hopes to spur more research in this area.

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## HOLD THE PHONE! - CAN CUSTOMER ROLE CONFLICT COMPROMISE A SERVICE ENCOUNTER?

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*The authors of this exploratory study propose customer role conflict as a possible explanation for why customers may not fully perform the customer role during a routine service encounter. Two levels of customer role conflict (present and absent) are used to examine how customer role performance may be influenced by customer role conflict and in turn, how customer role performance influences both customer and service employee satisfaction with a routine service encounter. Findings suggest that customer role performance is a significant predictor of customer and service employee satisfaction with a routine service encounter. Results also suggest that an absence of customer role conflict is associated with higher evaluations of customer satisfaction, service employee satisfaction, and perceived customer role performance.*

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### INTRODUCTION

A recent article in the *Los Angeles Times* titled "Sorry, cellphones aren't on the menu" highlights a phenomenon with which marketers of services are increasingly trying to come to grips: their customers' use of (mobile) cell phones during service encounters. This particular story describes a deli owner who has refused to serve customers who are on their phones and refers to another restaurant that has a strict no-cell phone policy (Hoder, 2013). Cited concerns in the food service industry with respect to customers' cell phone use during service encounters include customers who talk so loudly they disturb those around them, customers who keep wait staff on hold at a table while finishing up a call and so disrupt service for everyone, and customers' returning of food that has cooled while they were busy talking on their phones (2013). The bottom line is that it can be problematic when customers do not do what they are *supposed* to do in a service situation.

Since the 1990s, marketing in general has focused increasingly on the relational and interactive features of exchange (Broderick,

1998). For services marketing in particular, the success of the exchange is contingent on those involved playing the roles expected of them well (1998). When individuals do not do what they are *supposed to do* in a service situation, the experience is potentially compromised for all involved. Given that customers can be productive resources for service organizations and contributors to quality and/or value (Bitner, Faranda, Hubbert, & Zeithaml, 1997), a cause for uncertainty (Ojasalo, 2003), and even a disruptive force in a service environment (e.g. Hsieh & Yen, 2005; Zeithaml, Bitner, & Gremler, 2013), we can appreciate that the customer role can be considerably larger and more complex than that of passive service recipient (e.g. Webb, 2000; Wieseke, Geigenmuller, & Kraus, 2012; Xie, Bagozzi, & Troye, 2008).

During service encounters customers may be cooperative, helpful, friendly, respectful (Lengnick-Hall, Inks, & Lawrence, 2000; Webb, 2000; Winsted, 2000), and even empathetic (Wieseke, Geigenmuller, & Kraus, 2012). However, little is actually known about how the performance of the customer role impacts the evaluation of the encounter. Instead, extant literature on behavior in a service context has focused on the service provider (Costa, 1995; Namasivayam & Hinkin, 2003). Our purpose is, therefore, to

demonstrate that when a customer is perceived to not fully and adequately play the customer role, both customer and service provider satisfaction with the service encounter is likely to be lower than when the customer participates in the usual or expected way (Gremler & Brown, 1999).

One factor found to impact service encounters is service employee conflict. Employee role conflict has been linked to such negative outcomes as their own job dissatisfaction, turnover, burnout, and poor performance (e.g. Chung & Schneider, 2002). Extending the line of research concerning role conflict in service situations (i.e. Lysonski, 1985; Zeithaml, Berry, & Parasuraman, 1988; O'Brien, Hill, & Autry, 2009), we explore customer role conflict as a potential compromising dynamic in service encounters. More specifically, we explore the possibility and implications of customer role conflict on customer role performance and customer and service provider satisfaction during and following a routine service encounter. Our scenario-based study compares the effects of customers' active participation in their expected customer role with the effects of customers' withdrawal from the expected customer role. The results of our exploratory examination are particularly relevant for service managers who wish to protect the customer experience in a service environment from customers who do not adequately perform the customer role, and to prepare service employees to deal with them.

## LITERATURE REVIEW

### The Service Encounter

The characteristics and dynamics of interpersonal interactions between customers and service employees in the delivery of services have been a considerable focus of extant research in services marketing (Mäki & Kokko, 2012). One of the ways customers and service employees interact is in face-to-face encounters. A face-to-face service encounter is an interaction between a buyer and seller in a service setting that allows strangers to interact

(Solomon, Surprenant, Czepiel, & Gutman, 1985). Service encounters are social encounters that often require some level of customer participation (Czepiel, 1990). Customer participation, which is often described in terms of level (i.e. high, medium, and low (see Bitner et al., 1997)), is important for services because it has been linked to organizational productivity (Fitzsimmons, 1985; Lovelock & Young, 1979), efficiency (Jones, 1990), quality (Claycomb, Lengnick-Hall, & Inks, 2001; Ennew & Binks, 1999), service performance (Mills, Chase, & Margulies, 1983), and customer satisfaction (Bateson, 1985; Cermak, File, & Prince, 1994). Importantly, any given level of customer participation can impact outcome variables such as these. However, the impact depends in part on how effectively customers participate. It therefore matters not only how much but also how well a customer participates in service encounters.

### Customer Participation in a Retail Setting

Given the "commonplace nature of retail" and the "high number of frequent customers", retail is an area with "a long tradition of customer participation" (Mäki & Kokko, 2012, p. 97). In a retail setting, both service providers and customers are very much "on stage". While Mäki and Kokko (2012) reinforce the notion of customer participation in services in general, they also highlight the importance of the customer role in the retail service process. Since customer participation in the service production process is strongly connected with service productivity (see Ojasalo, 2003) a customer's inadequate or lack of appropriate participation could, among other negative outcomes, disrupt organizational routines and constrain the service provider's potential efficiency (Hsieh & Yen, 2005). Moreover, Xie, Bagozzi, & Troye (2008) note that the traditional view of buyers as passive consumers does not hold within the dominant logic of the service paradigm (Vargo & Lusch, 2004; 2006). In playing an active role in the co-creation of value, customers' participation becomes an essential part of the service offering (Vargo & Lusch, 2008; Schneider & Bowen, 1995;

Greenwood & Lachman, 1996). This suggests that even in routine, low-participation service encounters, customers have roles to play and it matters how well these roles are played.

### Role Playing in Service Encounters

A person's behavior may be best understood as the expression of multiple social roles (Ward & Robertson, 1973). Social roles are a set of patterned, functionally interdependent relations between a social person and a social circle involving duties and personal rights (Lopata, 1991). Service encounters are no exception to this model, for they too contain learned and consistent behaviors that should be performed by participants for interactions to proceed smoothly (e.g. Broderick, 1998; Schneider & Bowen, 1985). Over time and through experience, service customers come to know what is expected of them and what to expect from service providers.

For services marketing, role management, which deals with how individuals play out the roles expected of them by others in certain situations, is important because the degree of congruence with learned and expected patterns of behaviors exhibited by customers and service providers is an important determinant of satisfaction with those encounters (Solomon et al., 1985). Since customers can contribute to their own satisfaction through participation in service encounters, the extent to which customers perform well the customer role should also lead to greater service provider satisfaction given the importance of mutuality and reciprocation in service encounters (Broderick, 1998). In other words, the better a customer's performance of the role of customer, the more satisfied all involved should be with the encounter. We therefore hypothesize the following:

*H<sub>1</sub>: Customer role performance is a positive predictor of customer satisfaction with a service encounter.*

*H<sub>2</sub>: Customer role performance is a positive predictor of service*

*provider satisfaction with a service encounter.*

### Role Conflict in Service Encounters

At times individuals may be required to simultaneously play out social roles governed by disparate norms (see Ward & Robertson, 1973; Lopata, 1991). In a service situation, for instance, service employees can be torn between the role of responding to and satisfying customer demands and the role of trying to satisfy the demands of management (e.g. Chung & Schneider, 2002; Hsieh & Yen, 2005). Employee role conflict has been linked to such negative outcomes as job dissatisfaction, turnover, burnout, and poor performance (see Chung & Schneider, 2002). In terms of customers, we can appreciate that there may be times when they may be torn between the role of satisfying the demands of the service customer role and the role(s) demanded of them by someone other than the service provider. In other words, while a customer may be expected to play the role of the service provider's temporary or partial employee by contributing effort, time, or other resources during service delivery (Bettencourt, 1997; Lengnick-Hall, 1996), that same customer may simultaneously be faced with playing another role expected of him or her by someone else.

When role conflict arises, people use coping strategies help to manage relationships. One strategy for dealing with role conflict is to downplay or abandon a lesser role in favor of a more important one. This may be particularly problematic for service encounters, which can easily be interrupted when the customer is required to also play the role of parent, child, significant other, friend, employee, or boss. The conflict resulting from the collision of these disparate roles in a service encounter may be resolved by the customer's downplaying of or withdrawal from the arguably lesser role of customer to focus on a greater role required of the individual by someone more significant. Such a coping strategy may compromise the customer's ability to adequately perform the customer role. Given that customers tend to

share the credit and the blame for service outcomes as they become more involved in the service process (e.g. Eisingerich & Bell, 2006), customers should be more satisfied with service encounters when their roles do not conflict because they would be free to perform the customer role more fully. Thus:

*H<sub>3</sub>: An absence of customer role conflict during a service encounter will be associated with higher levels of customer satisfaction with a service encounter.*

Since face-to-face service encounters are comprised of people, and service customer-employee interactions are important to service delivery in such interactions, it is important to understand not only the customer perspective but also that of the service employee (Harris & Fleming, 2005). Given the importance of mutuality and reciprocation in face-to-face service encounters (Broderick, 1998), customer role conflict should be inversely related to service provider satisfaction:

*H<sub>4</sub>: An absence of customer role conflict during a service encounter will be associated with higher levels of service provider satisfaction.*

Since a lower level of customer role conflict should allow customers to do what is expected of them by service providers, we hypothesize the following:

*H<sub>5</sub>: An absence of customer role conflict will be associated with more positive evaluations of customer role performance.*

## METHOD

### Sample

A convenience sample of 164 undergraduate students from a mid-south U.S. university was recruited to participate in this scenario-based study. Only three surveys were discarded since significant portions were not completed. Much like Dabholkara & Spaid (2012), who describe

the student sample for their recent study of technology-based self-service (TBSS) failure as ideal given the students' familiarity with TBSS, our respondents participate in and witness service encounters like the ones depicted in the scenarios presented in our study on a regular basis (see Mäki & Kokko, 2012). To confirm the meaningfulness of the scenarios, respondents were asked about their own cell phone usage while shopping. The responses reflect that 93% of respondents owned cell phones, that 65% sometimes use their cell phones while shopping, and that 32% sometimes use their cell phones during service encounters. This suggests that the scenarios were realistic and meaningful. Sample characteristics (n = 161) in terms of gender, age, and ethnicity were as follows: 70 males (43%) and 91 females (57%); 67% aged 18-24; 22% aged 25-34; 11% aged 35+; 65% White ; 16% African American; 7% Hispanic; 3% Asian; and 6% Other.

### Design

This study employed a between-subjects design in which subjects read one of two common and routine service scenarios. The scenario method was employed for its "considerable advantages in terms of feasibility, economy, control, and the ethics of research" (Bradley & Sparks, 2012, p. 48). The depiction of a realistic service situation gave the study a degree of experimental and mundane realism. Furthermore, asking respondents to evaluate the role performance and likely satisfaction of hypothetical others minimized respondents' potential of giving socially desirable responses.

### Stimulus Materials

Following Bradley and Sparks (e.g. 2000; 2012), participants were randomly assigned one of two scenarios to read whilst imagining they were witnessing the scenario unfold. The scenarios depicted a routine service encounter in a retail setting and the respondents responded to the multi-item instrument based on the scenario (see Appendix 1). The two scripts were reviewed by a panel of three experts.

The 208-word customer role conflict *present* scenario depicted a customer who was on a cell phone call for the duration of the service encounter and had minimal participation in it. The 200-word customer role conflict *absent* scenario depicted the same service encounter without a cell phone call and with a customer who actively participated in the encounter. Script content was held constant except for the behavior of the customer. Neither script provided any evidence of a service breakdown attributable to the service provider. Eighty-two (51%) respondents responded to the customer role conflict present scenario and 79 (49%) responded to the customer role conflict absent scenario.

### Measures

Customer role performance was measured using an adapted version of Podsakoff and MacKenzie's (1994) measure of sales agents' performance. The items were adapted to refer to customers rather than to sales agents. Respondents used the five-item, seven-point scale, where higher scores indicate more of the construct to evaluate the role performance of the hypothetical customer depicted in the scenario presented. Given the pervasiveness of the depicted retail scenario in contemporary culture (Mäki & Kokko, 2012), respondents were assumed to be reasonably able to evaluate the role performance of other customers in similar situations.

Respondents were also asked to infer the level of the hypothetical customer's satisfaction with the service encounter. Perceived customer satisfaction was measured using Eroglu and Machliet's (1990) six-item, seven-point semantic differential generalized satisfaction scale, where lower scores indicate greater satisfaction. Respondents were asked to indicate how they thought the hypothetical customer would rate their service experience. Since respondents are customers themselves and have experience with their own satisfaction with routine service encounters (Mäki & Kokko, 2012), they were assumed to be reasonably able to infer another shopper's

satisfaction through their observation of the service encounter.

Respondents were also asked to infer the level of service provider satisfaction with the encounter. Perceived service provider satisfaction was measured using Eroglu and Machliet's (1990) generalized satisfaction scale. Respondents were asked to rate how the hypothetical service provider would likely rate the experience of serving the hypothetical customer in the scenario presented. The stimulus used to respond to this scale was the same as that used to evaluate perceived customer satisfaction, with lower scores indicating greater satisfaction. Given that respondents have experience with and are aware of how a routine service encounter should unfold when dealing directly with service providers (Mäki & Kokko, 2012), it was assumed that respondents would be reasonably able to empathize with the hypothetical service provider (Wieseke et al., 2012) and to infer his/her satisfaction with the encounter given the hypothetical customer's behavior.

### Attributing Service Encounter Events to Customer Role Conflict

According to attribution theory (see e.g. Weiner, 2000), all events trigger searches for meaning. Attributions may be of locus (what caused this event), stability (more or less stable), and control (more or less controllable). Just as service failures "may be attributed to a variety of causes (e.g., management, service providers, customers, luck)" (Matt & Folkes, 2005, p.43), satisfaction with a service encounter may be attributed to a variety of causes. To determine to what extent if any our respondents attributed the hypothetical target's satisfaction to customer role conflict, we included a post-service scenario attribution open-ended question. Following, Matt and Folkes' (2005) use of open-ended responses to examine to what consumers' attributed a service provider's performance, we asked our respondents to indicate why they rated the hypothetical target's satisfaction with the service encounter the way they did. Rather than

provide pre-determined categories for independent raters to categorize the responses (e.g. Matt & Folkes (2005); Wang, Arndt, Singh, Biernat, & Liu, 2013), our judges independently grouped without guidance and later compared responses to determine to what satisfaction could be attributed.

### Measure Assessment

The multi-item measures were subjected to exploratory and confirmatory factor analyses to address issues of dimensionality and convergent and discriminant validity (Anderson & Gerbing, 1988; Joreskog & Sorbom, 1993). Exploratory factor analysis was performed using principal components analysis with varimax rotation to confirm the structure of the adapted measures. A clear three-factor structure emerged with all but one item loading on its expected component with factor loading values of at least .70 (Nunnally, 1978). One item from the customer role performance measure was removed from analysis due to a poor factor loading (Rummell, 1967). Factor loadings ranged from .78 to .89 collectively accounting for 88% of the variance explained. Appendix 2 includes the scale items and demonstrates that the internal consistency reliability (coefficient alpha) of each measure is above the commonly accepted threshold of .70 (Nunnally, 1978).

Results of the confirmatory factor analysis using the sample covariance matrix as input to LISREL 8.51 (Joreskog & Sorbom, 1993) indicated that each item loaded significantly on its respective underlying concept. With the exception of the  $c^2$ , the results indicate an acceptable fit of the measurement model ( $c^2 = 211.09$ ,  $df = 101$ ,  $p = .00$ , Root Mean Square Error of Approximation [RMSEA] = .08, Normed Fit Index [NFI] = .93, Non-Normed Fit Index [NNFI] = .96, Comparative Fit Index [CFI] = .96) (Bentler & Bonnett, 1980; Hu & Bentler, 1999; Joreskog & Sorbom, 1993).

As shown in Appendix 2, the magnitudes of the standardized loading estimates ranged from .70 to .98 and all loadings were significant (i.e. all  $t$ -values were larger than 2.00). In addition to

these loadings, and the various model fit statistics, average variance extracted (AVE) was used to demonstrate convergent validity (Fornell & Larcker, 1981). All AVE values were greater than .50, demonstrating convergent validity. Discriminant validity is present since the largest value for shared variance between all pairs of constructs was .32, which is less than the lowest value for AVE (.55).

The open-ended question "Why did you rate the customer/service provider satisfaction with the service encounter the way you did?", which gave respondents an opportunity to attribute perceived customer and service provider satisfaction to as many factors as they were inclined to indicate, resulted in 174 customer satisfaction attribution statements and 176 service provider satisfaction attribution statements. Two judges independently categorized the responses and resolved any differences through discussion (see Matt and Folkes, 2005). Four attribution categories were identified: Social Interaction; Customer Effort; Customer Role Conflict; and Routine/No Failure. A theme that emerged from the responses was that from the customer perspective, customer cell phone use during a service encounter evoked respondents' empathy for the hypothetical customer and was viewed as an effort to manage customer role conflict. From the service provider perspective, however, customer cell phone use during a service encounter evoked respondents' evoked disdain for the hypothetical customer whose behavior was described by some as neglectful and disrespectful.

For perceived customer satisfaction, 32% of statements attributed satisfaction to social interaction and 14% to the customer's effort. Thirty-two percent of perceived customer satisfaction attribution statements referred to the routine/no failure nature of the encounter. As for the category labeled customer role conflict, 22% of customer satisfaction attribution statements referred to the customer's attempts to multi-task and/or tend to a more

**TABLE 1:**  
**Composite Score Correlations of the Study Variables\***

|                       | Customer Satisfaction | Provider Satisfaction | Customer Performance |
|-----------------------|-----------------------|-----------------------|----------------------|
| Customer Satisfaction | 1.00                  |                       |                      |
| Provider Satisfaction | .59**                 | 1.00                  |                      |
| Customer Performance  | -.50**                | -.87**                | 1.00                 |

\* Customer Performance was measured using a 7-point scale where higher scores indicate more of the construct. Customer and Provider Satisfaction were each measured on 7-point scales where lower scores indicate more of the construct.

**TABLE 2:**  
**Means and Standard Deviations for each  
Dependent Variable for each Level Of Customer Role Conflict**

| Customer Role<br>Conflict Scenario |         | Mean | Std. Deviation | N  |
|------------------------------------|---------|------|----------------|----|
| Customer Satisfaction*             | Absent  | 1.79 | .91            | 79 |
| Customer Satisfaction*             | Present | 2.93 | 1.11           | 82 |
| Service Provider Satisfaction**    | Absent  | 1.82 | 1.00           | 79 |
| Service Provider Satisfaction**    | Present | 5.51 | 1.15           | 82 |
| Customer Role Performance***       | Absent  | 6.13 | 1.07           | 79 |
| Customer Role Performance***       | Present | 2.09 | 1.11           | 82 |

\*Customer Satisfaction was measured on a 6-item, 7-point semantic differential generalized satisfaction scale where lower scores indicate greater satisfaction.

\*\*Service Provider Satisfaction was measured on a 6-item, 7-point semantic differential generalized satisfaction scale where lower scores indicate greater satisfaction.

important issue, with 49% of respondents explicitly mentioning the cell phone call.

For perceived service provider satisfaction, 72% of statements attributed satisfaction to the customer-service provider interaction with 58% pointing to social interaction and 14% pointing to the customer’s effort. Twenty-five percent of the statements referred to the routine/no failure nature of the encounter. Though 70% of respondents made statements regarding the inappropriateness of the customer’s use of the phone in the customer role conflict present scenario, only 3% of respondents’ statements could be categorized as attributable to customer role conflict.

**RESULTS**

After establishing the structure of the measurement model, three composite scores were created using the mean of the means to

indicate each of the dependent variables. Table 1, which reports scale correlations, indicates that all variables were significantly correlated. Results suggest that customer performance is more highly correlated with the service provider’s satisfaction with the service encounter than with the customer’s satisfaction with the encounter.

The means and standard deviations are reported in Table 2. The means clearly indicate that respondents perceive customer role performance, customer satisfaction, and service provider satisfaction to be higher when customer role conflict is absent than when it is present.

**Tests of Hypotheses**

Linear regression models were created with customer role performance as the continuous independent variable and perceptions of

customer satisfaction and of service provider satisfaction as the two dependent variables to test hypotheses 1 and 2. Support for H<sub>1</sub> was revealed in a positive significant effect of customer role performance on evaluations of customer satisfaction ( $b = .50, p < .00$ ; adjusted  $R^2 = .24$ ). Support for H<sub>2</sub> was found in the positive significant effect of customer role performance on evaluations of service provider satisfaction ( $b = .88, p < .00$ ; adjusted  $R^2 = .76$ ).

To test for differences between the two scenarios, subjects' responses were analyzed using multivariate analysis of variance (MANOVA). The results of the MANOVA showed significant differences between the two scenarios for each of the three dependent variables at  $p < .05$  ( $F = 275.15$ ; Wilkes Lambda = .17). There were significant differences between the customer role conflict present and absent scenario responses for: evaluations of perceived customer satisfaction ( $F = 50.19, p = .00$ ); evaluations of perceived service provider satisfaction ( $F = 472.56, p = .00$ ); and evaluations of customer role performance ( $F = 703.25, p = .00$ ). These results, in combination with those in Table 2, provide support for H<sub>3</sub>, H<sub>4</sub> and H<sub>5</sub> respectively and suggest that a presence of customer role conflict significantly influences evaluations of customer satisfaction, evaluations of service provider satisfaction, and evaluations of customer role performance such that all are significantly lower than when it is absent. In an effort to confirm whether, based on the

scenarios presented, customer and service provider satisfaction could be attributed in part to customer role conflict, a post-hoc sample t-test between proportions based on the results of the qualitative analysis was performed. This analysis was performed to determine whether there was a significant difference between the attributions of customer and service provider satisfaction in the role conflict present scenario. The percentage of responses attributing customer and service provider satisfaction with the encounter to the customer's effort ( $t(81) = .00, p = 1.00$ ) and the routine/no failure nature of the encounter ( $t(81) = .84, p = .40$ ) did not significantly differ at the .05 alpha level. However, significant differences between attributions of customer and provider satisfaction were revealed in terms of social interaction ( $t(81) = 2.58, p = 0.01$ ) and customer role conflict ( $t(81) = 3.72, p = .00$ ) (see Table 3).

These particular findings point to the importance of the customer-provider interaction in general. They demonstrate that our respondents had a shared view of how the encounter "should" unfold from both the customer and service provider perspectives – that customers should actively participate in the encounter and that there should be no failure. They also suggest that a customer's withdrawal from the customer role to focus on a greater role is viewed significantly differentially depending on the perspective (customer versus service provider).

**TABLE 3:**  
**Attributions of Service Encounter Satisfaction for Role Conflict "Present" Scenario\***

| Attribution            | Customer | Service Provider | <i>t</i> | <i>p</i> |
|------------------------|----------|------------------|----------|----------|
| Social Interaction     | 32       | 58               | 2.58     | .01      |
| Customer Effort        | 14       | 14               | .00      | 1.00     |
| Customer Role Conflict | 22       | 3                | 3.72     | .00      |
| Routine, No Failure    | 32       | 25               | .84      | .40      |

\*N = 82

## DISCUSSION

This study explored customer role conflict as a possible explanation for why customers may not fully perform their customer roles in service encounters. Taken together, our qualitative and quantitative analyses offer some insight. First, our qualitative analysis suggests that our respondents shared an idea of how the depicted encounter “should” unfold from both the customer and service provider perspectives. Most importantly, our analysis of the open-ended responses suggests that customer role performance is important for both customer and service provider satisfaction, and that customer role conflict can impact customer performance. However, poor customer performance was forgivable when taking the perspective of the customer. When attributing the customer’s satisfaction, customer cell phone use during a service encounter evoked respondents’ empathy for the hypothetical customer and was viewed as the customer’s attempt to manage role conflict. However, when attributing the satisfaction of the service provider, the customer on cell phone example evoked disdain for the hypothetical customer whose behavior was described as anti-social at best.

In combination with our qualitative results, our quantitative results suggest that customer role conflict may compromise a service encounter’s evaluation. Our findings demonstrate that customer role performance is an important and significant predictor both service customer and employee service encounter satisfaction. In terms of the gaps model of service quality (Zeithaml et al., 1988), our results suggest that the service performance gap may, from the service provider’s perspective, be widened by the customer’s experience of and coping with role conflict during a routine service encounter. This is particularly important for service situations such as those mentioned in the *Los Angeles Times* story (Hoder, 2013) and depicted in our study. Withdrawal and reliance on another to “pick up the slack” is a plausible role conflict coping strategy in routine service encounters since service customers and service workers often do not know one another (Solomon et al., 1985), which may result in

customers feeling little obligation toward the service provider and in service providers feeling ignored and disrespected.

Our results also suggest that if customers are faced with role conflict during a routine service encounter and they resolve this conflict by tending to a role other than that of customer, customer performance may be compromised. Such a compromise appears to have negative implications for perceived customer and service employee satisfaction with a service encounter. However, when customers are not faced with role conflict and play their customer roles as expected, levels of perceived satisfaction are significantly more positive for both the service customer and employee. In fact, the results suggest that service employees may be even more satisfied than their customers when customers do their part and are even more dissatisfied with the encounter than their customers when customers do not. It may not, however, be surprising that customer role performance during service encounters contributes less to customer satisfaction than to employee satisfaction. One conclusion we can draw is that even if customers do not fully “do their part” they are likely to be satisfied if in the end they “get what they want” and service employees “do their jobs”. This echoes the position taken by one restaurant worker who explained “As a server, it’s your job to ensure the best experience for the customer ...so, if they want to be on their phone, we have to adjust accordingly” (Hoder, 2013).

### Theoretical Implications

Past studies have suggested that service employees and customers are psychologically close because of the interactive nature of service delivery (i.e. Rafaeli, 1989; Schneider & Bowen, 1985), thus rendering employee feelings, attitudes, and behaviors critical determinants of service quality and customer satisfaction (Chung & Schneider, 2002). Further, frontline service delivery behaviors such as courtesy, personal attentiveness, and responsiveness have been shown to influence customer satisfaction and perceptions of service

quality (Aldrich & Herker, 1977; Parasuraman, Zeithaml, & Berry, 1988). Our findings suggest that such service employee perceptions of customer behaviors may similarly influence service employee satisfaction. They also lend support to Evans, Simona, and Murray's (2008) assertion that the customer attribute of respect for the service provider – as evidenced in actively participating in service encounters and tending to the role of customer – has a reciprocal effect on the service provider.

The results of our study suggest that service employee perceptions of customer behaviors are critical determinants of service employee satisfaction with the encounter. This supports Van Dolen, Lemmink, and De Ruyter (2002), who found that enhanced customer role performance not only improves the encounter but also improves the ability of service providers to perform their roles. In instances requiring face-to-face interaction, it must be recognized that a substantial part of the service experience comes out of that interaction (Harris & Fleming, 2005). The findings of our study reinforce the importance of considering service customers' behaviors and how these behaviors are perceived over the course of an interaction.

In considering clarity, ability, and motivation as three key customer co-production factors (see e.g. Bettencourt, Ostrom, Brown, & Roundtree 2002; Lengnick-Hall, 1996; Lovelock & Young, 1979; Meuter, Bitner, Ostrom, & Brown, 2005), two of the three factors do not adequately explain our findings. First, since the scenarios employed were ones familiar to all study respondents it is unlikely that a perceived lack of clarity as to how the customer *should have behaved* existed. Second, neither scenario indicated customer incompetence or disability that was likely to interfere with the customer's effective performance during the encounter. Motivation as a key factor, however, may provide more insight. Unless customers are sufficiently motivated to play the customer role, the customer role may be downplayed in favor of playing a more significant one especially during a routine, low-level service encounter such as the one employed in this study. Auh,

Bell, McLeod, & Smith (2007) go so far as to suggest that in low-involvement service situations like grocery shopping, few opportunities exist for customers to participate in value-enhancing ways, which may cause customers to perceive the situation as a chore. In short, in addition to being aware of how to contribute, the customer must have the ability and willingness to do so (Lengnick-Hall et al., 2000).

### Implications for Managers

In general, the person-to person encounter between a buyer and seller is of utmost importance to the overall success of the marketing effort (Solomon et al., 1985). In fact, the strategic management of interactions between retail personnel and customers is an important source of competitive advantage (Lindsey-Milkin & Munger, 2011). It is therefore imperative that marketers understand how service encounters may be compromised by the customer's temptation or requirement to play roles other than that of customer. With the majority of service encounter satisfaction attributions in our study pointing to the interaction between the service customer and employee, the results suggest that customers and service providers are perceived as having certain expectations of themselves and of one another during service encounters. While our results suggest that a closer examination of the phenomenon of customer role conflict during service encounters is in order, such an examination appears to be especially important from the service provider's point of view.

Customer role performance in service encounters may impact not only the level of service employee satisfaction with an encounter but also employee productivity and morale over the long run. In fact, Hsieh and Yen's (2005) study points to customer participation as having the negative effect of increased job stress in customer high participation situations in which customers do not do their part and employees are forced to pick up the slack. The findings of our study suggest the same may be the case

even in low customer participation situations especially if employees are repeatedly subjected to what they perceive as anti-social and/or disruptive customer behavior.

### Limitations and Future Research Directions

A key limitation of this study, particularly in relation to ecological and external validity, was the use of written scenarios rather than actual service encounters (see, e.g., Smith et al., 1999). While subjects were presented a depiction of a realistic (Dabholkara and Spaida, 2012) and common (Mäki & Kokko 2012) routine service encounter, future studies could employ field-based data-collection methods. Additional limitations include confining the scenarios to a single low customer involvement service encounter, operationalizing customer role conflict only in terms of its presence or absence, and examining a single role conflict coping strategy (withdrawal). Customer role conflict should be explored across service contexts and at various points in time throughout the service consumption process. For example, healthcare consultation and educational instruction are two services that may be impacted by customer role conflict as customers play their particular roles not only during but also between these service encounters.

While the use of a student sample is considered appropriate during the initial testing of a theoretical framework (see e.g. Barnes, Beauchamp, & Webster, 2010) and though our research was exploratory in nature, the use of a student convenience sample was a limitation of our study. Future studies should be undertaken using nonstudent samples to enhance external validity.

This study did not attempt to deal with service failure but rather with “business as usual” from the service employee side while exploring the potential influence of customer role conflict during a routine service encounter. Additionally, this study was framed in terms of customer role conflict rather than distraction since the use of a cell phone is customer-

controlled and can be conceptualized as an opportunity for the customer to accept, if not invite, role conflict into a service encounter. The study could also have been framed in terms of customer anti-social behavior since customer roles are learned (Moschis & Churchill, 1978). Thanks to the proliferation of cell phones, “cell phone etiquette is a challenge for a society that's becoming more dependent on these electronic devices” (Herrschaft, 2013). That over 90% of the student sample reported owning a cell phone speaks to the pervasiveness of cell phone technology and illustrates the extent to which opportunity exists for the collision and conflict of social roles in any context. This highlights the need of marketers in general and service providers in particular to understand how mobile communication technology impacts not only consumers and their roles as customers but also service employees as they interact with customers in an economy increasing reliant on marketing services. While customer cell phone use during service encounters is only one potential example of role conflict, it is an example that may be increasingly pervasive given that wireless subscriber connections penetration in the U.S. has reached 105% (CITA, 2012). However, future research should examine the extent to which cell phone and other wireless device use by customers in service situations may be changing the face and script of service encounters so that service managers and employees are prepared to adjust and respond accordingly.

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#### APPENDIX 1: Stimulus Materials

##### Customer Role Conflict Present Scenario:

Imagine you are a customer standing in line to pay for your basket of items at a retail grocery store on a Saturday morning. There is one customer ahead of you who is about to be served. As you wait your turn, you can't help but see the customer and server. You are also close enough to hear their conversation.

Before the customer is served, the customer's cell phone rings and they answer the phone. As the customer places their basket onto the conveyer belt, the server smiles and says to the customer, "Good morning. Did you find everything you were looking for today?" The customer continues to talk on their cell phone.

customer answers, "Thanks, you have a nice day too."

As the server removes the items from the customer's basket, scans the items, and moves them to the bagging area, the customer remains in place and continues on the cell phone call. When all items are scanned and bagged, the server tells the customer the total and asks, "How would you like to pay?" The customer, still on the call, hands over cash. The server accepts the payment. As the customer leaves, the server smiles and says, "Thank you for shopping with us. Have a nice day." The customer walks away, still on the call.

Customer Role Conflict *Absent* Scenario:

Imagine you are a customer standing in line to pay for your basket of items at a retail grocery store on a Saturday morning. There is one customer ahead of you who is about to be served. As you wait your turn, you can't help but see the customer and server. You are also close enough to hear their conversation.

As the customer removes the items from their basket onto the conveyer belt for the server to scan, the server smiles and says to the customer, "Good morning. Did you find everything you were looking for today?" The customer smiles back and answers, "Good morning. Yes I did, thank you."

As the server scans the items and moves them to the bagging area, the customer moves to the bagging area to help load the items. When all items are scanned and bagged, the server tells the customer the total and asks, "How would you like to pay?" The customer answers, "Cash, please," and hands over cash. The server accepts the payment. As the customer leaves, the server smiles and says, "Thank you for shopping with us. Have a nice day." The

**APPENDIX 2:**  
**Confirmatory Factor Analysis of Items and Measurement Properties of the Scales**

| Scale Items*   | <i>Standardized<br/>Loadings</i> | <i>t-values</i> |
|--|----------------------------------|-----------------|
| <b>Customer Role Performance (PERF) (<math>\alpha = .97</math>)</b>  |                                  |                 |
| In my opinion, this customer is outstanding  | .70                              | 9.34            |
| This customer behaves just the way I like to see other customers behave.                                     | .70                              | 9.29            |
| In my opinion, the customer acted appropriately.   | .86                              | 12.2            |
| The customer did a good job of being a customer.   | .70                              | 9.37            |
| <b>Customer Satisfaction (CUST) (<math>\alpha = .94</math>)</b>  |                                  |                 |
| How do you think the customer in that situation would rate their experience?                                 |                                  |                 |
| Pleased/Displeased   | .90                              | 14.49           |
| Pleasant/Unpleasant  | .90                              | 14.60           |
| Liked it very much/Didn't like it at all   | .86                              | 13.43           |
| Contented/Frustrated   | .84                              | 13.04           |
| Delighted/Terrible   | .84                              | 13.01           |
| Satisfied/Dissatisfied   | .80                              | 12.02           |
| <b>Provider Satisfaction (PROV) (<math>\alpha = .98</math>)</b>  |                                  |                 |
| How do you think the service provider in that situation would rate their experience?                         |                                  |                 |
| Pleased/Displeased   | .97                              | 16.88           |
| Pleasant/Unpleasant  | .98                              | 16.98           |
| Liked it very much/Didn't like it at all   | .95                              | 16.23           |
| Contented/Frustrated   | .96                              | 16.32           |
| Delighted/Terrible   | .94                              | 15.83           |
| Satisfied/Dissatisfied   | .94                              | 15.78           |
| Model Fit Statistics:<br>$\chi^2_{101} = 211.09, (p = .00)$<br>RMSEA = .08, NFI = .93, NNFI = .96, CFI = .96 |                                  |                 |

Note: PERF was measured using a 7-point scale where higher scores indicate more of the construct. CUST and PROV were measured on 7-point scales where lower scores indicate more of the construct.

\*All items are significant at the .01 level.

## DO ADVERTISING EFFICIENCY AND BRAND REPUTATION MATTER: EVIDENCE FROM SUPER BOWL ADVERTISING

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*This study investigates the relationship between firm capabilities and the market valuation of Super Bowl advertisers. First, we track the stock market reactions to Super Bowl advertising. Event study results show that Super Bowl advertising from 2005 to 2010 is positively related to abnormal stock returns for advertisers. Then, we examine the impact of advertising efficiency and brand value on the financial rewards of this media-placement strategy using multivariate regression. Cross-sectional regression analyses indicate that advertising efficiency is positively associated with cumulative abnormal stock returns of Super Bowl advertisers. These findings suggest that efficient conversion of advertising inputs generates positive abnormal stock returns. Further, brand value has a positive impact on Super Bowl advertisers' financial performance, indicating that investors, as predicted, appear to be sensitive to brand value when they make investment decisions immediately following Super Bowl events.*

### INTRODUCTION

Over the past decade, the Super Bowl has garnered an average television rating of 41.66, and has been the top network primetime telecast each year (Nielsen, 2009). With live viewership dwindling and dispersed across an increasing number of available media options, and diminishing network television ratings, the Super Bowl stands out as a premier sports event that consistently delivers large audiences.

Super Bowl advertising yields many favorable outcomes. The Super Bowl is widely regarded as an effective vehicle for launching new products (Yelkur, Tomkovick & Traczyk, 2004), and for allowing lesser known companies to create brand awareness and break into national markets. The premise is that advertising during the Super Bowl places the brand in front of a huge audience and might enable a company to rapidly impact a market before competitors can combat the effect (Dotterweich & Collins, 2005). In 2013, advertisements appearing in the Super Bowl were seen in over 200 countries,

and watched by 108.4 million U.S. viewers (Jannarone & Smith, 2013).

Advertisings during the Super Bowl generate higher interest (Yelkur et al., 2004), recall (Bloom, 1998; Freeman, 1999), intent to purchase (Russell, Fortunato, Valencia & Burns, 2003), sales (Meenaghan, 1991), revenues (McCarthy, 2001), and market share (Bloom, 1998). Additionally, most researchers and practitioners agree that the Super Bowl is the most visible advertising event of the year (Jin, 2003), and by association, companies that advertise during the game might experience increased market prestige and enhance their perceived importance and status among consumers (Beasley, Shank, & Ball, 1998).

Motivated by the benefits of Super Bowl advertising, researchers have examined consumer responses to Super Bowl advertising at the individual level, and several event studies have also examined the impact of Super Bowl advertising on stock market activity in recent years. Kim and Morris (2003) report significant differences in the stock price performance of companies advertising during the Super Bowl relative to the prior evaluation periods. Similarly, Fehle, Tsyplakov and Zdorovtsov (2005) observe sig-

nificantly positive abnormal returns for firms that advertised during the Super Bowl and were readily identifiable in the ads they aired. Chang, Jiang and Kim (2009) maintain that firms airing well-liked Super Bowl ads commanded higher stock market prices in the days following the game. Each of these three studies uses *USA Today's* Ad Meter ratings as a proxy for consumer attitudes toward Super Bowl ads in an effort to determine if ad likeability influences investor trading activity. Eastman, Iyer and Wiggenhorn (2010) report that Super Bowl advertisers enjoy financial reward after Super Bowl event and recommend advertisers place advertising in the second quarter. Kim, Freling and Grisaffe (2013) explore the financial impact of specific product benefits, ad appeals, and ad characters featured in Super Bowl ads on subsequent trading activity.

Despite advances in knowledge about Super Bowl effectiveness, little attention has been paid to examine how Super Bowl advertising expense and efficiency relate to financial performance. The purpose of this study is to investigate the relationship between Super Bowl advertising efficiency and financial outcomes using event study. Prior research on Super Bowl advertising's financial performance has focused on firm capacity (Fehle et al. 2005), customers' evaluation ratings, and the impact of specific advertising characteristics' on stock market reactions (Kim et al., 2013), but the current study seeks to explain how Super Bowl advertising translates into financial rewards for the company sponsoring that advertising.

Toward that end, this study first discusses how investors view Super Bowl advertising and then develops two hypotheses relating advertising efficiency and brand value to advertisers' financial performance. An empirical investigation then uncovers the relationship between advertising efficiency and financial performance for Super Bowl advertisers. Following the presentation of key results, the manuscript concludes with a discussion of research findings and implications for advertisers considering Super Bowl advertising.

## CONCEPTUAL FRAMEWORK

Following a call for more financial accountability in marketing (Rust, Ambler, Carpenter, Kumar & Srivastava, 2004), research studies explore the financial impact of marketing activities including advertising, customer satisfaction, new product development, corporate social responsibility, and brand equity (Srinivasan & Hanssens, 2009; Srivastava, Shervani & Fahey, 1998). Prior research suggests that advertising is positively related to firms' financial performance (e.g., sales, firm value, systematic risk, and liquidity).

Mounting evidence shows that advertising influences investor decision-making (Karrh, 2004), and impacts the financial performance of firms (Luo & Donthu, 2001; Luo & Donthu, 2005; McAlister, Srinivasan & Kim, 2007; Grullon, Kanatas & Weston, 2004). Luo & Donthu (2004, 2006) empirically demonstrate that efficiency in marketing can improve a firm's financial rewards. Based on these research findings, authors systematically study two major factors that have been shown to impact how investors interpret and evaluate Super Bowl ads: *advertising efficiency*, and *brand value*.

### Advertising Efficiency

Just as companies have realized that investors like consumers are a target audience of such high-profile advertising (Kim & Morris, 2003; Kim et al., 2013), researchers also affirm that advertising can enhance a firm's sales, stock trading volume, and stock market valuation (Luo & Donthu, 2005; McAlister et al., 2007; Bobinski & Ramirez 1994). Luo & Donthu (2001) adopt advertising efficiency as a key variable in verifying advertising accountability. General definition of efficiency is the conversion ratio of organizational resource inputs to favorable outcomes (Luo & Donthu, 2006).

Luo and Donthu (2001) define advertising efficiency as the ratio of outputs (e.g. sales) to inputs (e.g. advertising budget) based on engineering productivity. They evaluate advertising

efficiency and propose ways to boost advertising efficiency by applying the DEA (Data Envelopment Analysis) method. They compute the relative efficiency of 100 leading national advertisers in Advertising Age by considering advertising expenses of print, broadcast, and outdoor advertising as advertising inputs and sales and operating income as advertising outputs.

Luo and Donthu (2005) compare DEA and Stochastic Frontier (SF) methods in assessing advertising media spending inefficiencies. Their results provide valuable information in assessing the adequacy of media spending, and show that 20% of advertising spending is inefficient in generating sales revenue. Luo and Donthu (2006) also empirically examine whether marketing expenditure has a positive impact on shareholder value. This study suggests that “more is better” adage cannot be applied to marketing expenditure practices.

*H<sub>1</sub>*: Advertising efficiency is positively associated with Super Bowl advertisers’ financial performance.

### Brand Value

Hoeffler and Keller (2003) list how strong brand influences consumer evaluations and behavior. Brand strength positively affects not only consumer behavior (e.g. attention and learning, interpretation and evaluation, and choice), but also specific marketing activities such as product extension and brand extension. Researchers agree that brand equity and reputation provides value to customers by enhancing information interpretation and processing, confidence in the purchase decision, and user satisfaction (Aaker, 1996; Mizik & Jacobson, 2008). Brand equity may also benefit the firms in terms of marketing efficiency and effectiveness, brand loyalty, price insensitivity, brand extendibility, and competitive advantage. Prior research shows that the valuation of consumer goods companies and high-technology firms is largely based on brand equity (Simon & Sullivan, 1993). Madden, Fehle and Fournier (2006) demonstrate that strong brands not only deliver greater stock returns compared to the bench-

mark portfolio, but do so with lower risks using well-known commercial brand equity metric, Interbrand. Lane and Jacobson (1995) show that brand attitude and brand name familiarity positively influence the stock market returns associated with brand extension announcements.

Sports marketing literature provides more detailed justification on how brand value may lead positive response in the stock market. Johar and Pham (1999) maintain that consumers adopt two major heuristics, brand-event relatedness and market prominence, when identifying sports related event sponsor. Brand-event relatedness heuristics approach facilitates consumers to identify the sponsor of an event based on association between the event and potential sponsors. Consumer’s identification of sponsor is reliant on larger similarity between an event and a sponsor.

Market prominence also influences consumer’s constructive identification of event sponsors. Pham and Johar (2001) suggest that the more prominent in the market place, the more likely to be identified. According to this heuristics, consumers tend to identified prominent companies and brands (e.g. Nike) as event sponsors rather than less prominent companies and brands. Indicators of perceived market prominence may include brand awareness, market share, and visibility. In this sense, brand value increases brand awareness and visibility, eventually, promoting consumers and investors to adopt this market prominence during their constructive identification process.

Based on these research findings, the authors expect that the brand value, accruing to Super Bowl advertisers, is associated with positive financial performance such as return and risks. Prominent brand names with greater brand equity should create high performance standards and unique images through Super Bowl advertising that cannot be imitated by competitors. In contrast, less prominent companies with lesser brand equity, especially like Internet ventures, have not experienced great success in parlaying Super Bowl advertising into greater brand

awareness (Hastings, 2000). Brand value, a market-based asset should influence consumers' reactions to Super Bowl advertising, eventually improving financial performance. The benefits should have a positive impact on a firm's financial performance, since the brand is one of a firm's intangible assets. A cornucopia of research has explored the impact of a strong favorable brand on firm performance.

$H_2$ : Brand value is positively related to the Super Bowl advertiser's financial performance.

## METHODOLOGY AND DATA

### Event Study

The study assesses the financial reward of Super Bowl advertising using an event study methodology. While event study has been used in finance and accounting for many years to determine the efficiency of information incorporation in the market and to examine the impact of specific events on the wealth of a firm's securing holders (Binder, 1998), marketing researchers have only recently adopted this method. In marketing, researchers have employed event study to assess the financial consequences of relationship structures (Houston & Johnson, 2000), celebrity endorsement contracts (Agrawal & Kamakura, 1995), brand extension announcements (Lane & Jacobson, 1995), product quality (Tellis & Johnson, 2007), appearance of stars in movies (Elberse, 2007), product placement (Wiles & Danielova 2009), marketing alliances (Swaminathan & Moorman, 2009), and deceptive marketing (Tipton, Bharadwaj, & Robertson, 2009).

The current event study follows widely accepted theory and guidelines used by the authors cited above as well as other event methodologists (e.g., Brown & Warner, 1985). This method is predicated upon the assumption that stock market changes reflect any new information made available to investors. That is, consistent with the efficient market hypothesis, as stock prices reflect all public information about the firm, stock prices should only change in response to unanticipated information (Fama,

Fisher, Jensen & Roll, 1969). If a Super Bowl ad is favorably received by consumers and investors, the advertiser's stock price should rise in response to this new information. The corresponding advertiser's abnormal stock returns (i.e., the difference between the expected returns based on general market movement and the actual returns) are measured to derive an unbiased estimate of the economic worth of such events (Brown & Warner, 1985).

This study uses the CRSP Equally Weighted Return as the return on market index in place of  $R_{mt}$  because it reflects the performance of a weighted average portfolio of all stocks. The unexpected shareholder return, abnormal returns (AR), in event study can be calculated as follows (MacKinlay 1997; Srinivasan & Hanssens 2009):

$$AR_{jt} = R_{jt} - (a_j + b_j R_{mt})$$

where  $(a_j + b_j R_{mt})$  is the predicted stock return on day  $t$  based on the company  $j$ 's regression equation and  $R_{jt}$  is the actual stock return of company  $j$  day  $t$ . Using this equation, the cumulative abnormal returns for the event period can be calculated by adding all the abnormal returns in the event period as follows:

$$CAR(T_1, T_i) = \sum_{t=T_1}^{T_i} AR_t$$

The analysis in this application consists of three steps. First, DEA estimates advertising productivity for all Super Bowl advertising sponsoring companies based on each advertiser's combination of inputs and outputs compared to those of others in the sample. To get the overall advertising efficiency of each company, six years of data are combined as one dataset. Thus, the same advertiser from 2005 to 2010 forms one Decision Making Unit (DMU). Next, an event study assesses Super Bowl advertisers' financial performance in terms of stock market return. Finally, regression tests the main effects of advertising efficiency and brand value on each firm's financial performance.

**TABLE 1:**  
**Variable Operationalization**

| Variable   | Operationalization  |
|--|---|
| Standardized Cumulative Abnormal Returns (SCARs) | Cumulative abnormal returns (CARs) divided by the standard deviation of the cumulative abnormal returns adjusted for forecast error (from Event study)                                |
| Advertising Efficiency                           | A single composite score under consideration of multiple advertising inputs and multiple outputs (from DEA)   |
| Brand value                                      | Binary variable (1 = Global 1000 brand, 0 = Non)<br><a href="http://www.interbrand.com/en/best-global-brands-2010.aspx">http://www.interbrand.com/en/best-global-brands-2010.aspx</a> |
| Firm Controls                                    |   |
| DotCom   | Binary variable (1 = Yes, 0 = No); e.g., Cars.com   |
| Service  | Binary variable (1 = Yes, 0 = No); e.g., FedEx  |
| US based   | Binary variable (1 = Yes, 0 = No); e.g., BudWeiser  |
| Ad Control                                       |   |
| Ad Meter   | USToday Ad meter  |

### Data and Operationalization

Table 1 displays variable operationalization and data source. The *advertising efficiency score* for each Super Bowl advertiser in the dataset serves as a primary predictor variable. DEA (Data Envelopment Analysis) estimates advertising productivity for all Super Bowl advertising sponsoring companies based on each advertiser's combination of inputs and outputs compared to those of others in the sample. Ad Meter ratings and Nielsen viewership scores are the two advertising outputs. Ad Meter scores are collected from *USA Today's* website and Nielsen viewership data is gathered from Nielsenmedia.com. Advertising cost, frequency, total ad length and number of brands promoted in a single year of Super Bowl advertising are the four advertising inputs under consideration for each firm.

Brand value is also a predictor variable in the form of two categorical values. Interbrand Global 100 Brand List is the data source for this variable. Ad Meter of Super Bowl commercials is a control variable in the current study. The nature of the goods marketed by firms advertis-

ing in the Super Bowl is either a service (e.g., CareerBuilder) or a product (e.g., Gatorade). In the same manner, each sponsoring firm is categorized as a dotcom or brick-and-mortar organization.

In this manner, each sponsoring firm is categorized as a dotcom or brick-and-mortar organization. "The consumer-based equity of a brand is significantly associated with the images of the country of origin of the brand (Pappu, Quester and Cooksey, 2007). Based on this finding, 'US-based' is considered as a control variable.

The current study investigates abnormal stock returns of Super Bowl advertisers by predicting expected shareholder returns using a market model. After obtaining the cumulative stock returns from the event study, multivariate regression estimates the CAARs (Cumulative Average Abnormal Returns) using independent and control variables. The daily stock price and market indices are obtained from the Wharton Research Data Service (WRDS) at the University of Pennsylvania. The data source is the Center for Research in Security Price (CRSP) at the University of Chicago. In particular, Stand-

ardized Cumulative Abnormal Returns (SCARs) is dependent variable, which is Cumulative Abnormal Returns (CARs) divided by the standard deviation of the cumulative abnormal returns adjusted for forecast error.

**EMPIRICAL RESULTS**

**Event Study Result**

This event study examines Super Bowl advertising from 2005 to 2010, calculating expected shareholder returns over an estimation window of 230 trading days that ends 46 days prior to the event. The advertisements aired during the Super Bowl can be viewed on Internet web sites such as YouTube one month before the event. Several Super Bowl advertisers intentionally reveal their ads prior to the event (Nail, 2007) (e.g., see Play-Action advertisers, Pregame

Warmup Brands, and The Kickoff Squad) in an effort to generate media buzz, facilitate audience discourse, and encourage positive word-of-mouth (McAllister, 1999). According to the official schedule of the National Football League (NFL), the regular football season begins in the first week of September and ends in the first week of January. After the regular season, post-game and division championships follow for four weeks, leading up to the Super Bowl on the first Sunday of February. Given that media coverage of Super Bowl advertising winners and losers lasts for several weeks after the game, each advertiser’s market valuation is observed 30 days prior to the Super Bowl and 30 days after the game.

Table 2 displays the cumulative average abnormal returns (CAARs) and test statistics in various event windows. Based on portfolio test sta-

**TABLE 2:  
CAARs for Super Bowl Advertisers**

| Benchmark Model Days         | Mean Cumulative Abnormal Return | Precision Weighted CAAR | Positive: Negative | Patell Z | Portfolio Time-Series (CDA) t | Generalized Sign Z |
|------------------------------|---------------------------------|-------------------------|--------------------|----------|-------------------------------|--------------------|
| Market Model                 |                                 |                         |                    |          |                               |                    |
| 1, 1                         | 0.30%                           | 0.40%                   | 56%:44%            | 3.414*** | 1.226                         | 1.788*             |
| 0, 1                         | 0.08%                           | 0.22%                   | 54%:46%            | 1.354    | 0.221                         | 1.444              |
| 1, 5                         | 0.56%                           | 0.63%                   | 54%:46%            | 2.420*   | 1.005                         | 1.273              |
| Market Adjusted Return Model |                                 |                         |                    |          |                               |                    |
| 1, 1                         | 0.33%                           | 0.51%                   | 55%:45%            | 3.222**  | 1.251                         | 1.785*             |
| 0, 1                         | 0.07%                           | 0.26%                   | 55%:45%            | 1.161    | 0.174                         | 1.785*             |
| 1, 5                         | 0.64%                           | 0.88%                   | 54%:46%            | 2.464*   | 1.079                         | 1.442              |
| 1, 3                         | 0.03%                           | 0.28%                   | 52%:48%            | 1.031    | 0.062                         | 1.098              |
| Comparison-Period Mean       |                                 |                         |                    |          |                               |                    |
| 1, 5                         | 1.52%                           | 1.13%                   | 63%:37%            | 2.693**  | 1.134                         | 3.298***           |
| 1, 3                         | 0.52%                           | 0.48%                   | 57%:43%            | 1.476    | 0.503                         | 1.745*             |
| Unadjusted Raw Returns       |                                 |                         |                    |          |                               |                    |
| 1, 5                         | 1.71%                           | 1.41%                   | 68%:32%            | 3.378*** | 1.28                          | 4.209***           |
| 1, 3                         | 0.64%                           | 0.65%                   | 64%:36%            | 2.006*   | 0.616                         | 3.351***           |

\* significant at the 10% level, \*\* significant at the 5% level, \*\*\* significant at the 1% level

**TABLE 3:**  
**Cross Sectional Regression Results**

|  | Model 1 |         |         | Model 2 |         |          |
|--|---------|---------|---------|---------|---------|----------|
|  | Beta    | t-value | sig.    | Beta    | t-value | sig.     |
| (Constant)                               | 0.404   | 2.577   | 0.011** | -1.469  | -1.676  | 0.096*   |
| Firm Controls                            |         |         |         |         |         |          |
| Service                                  | -0.083  | -0.536  | 0.593   | 0.017   | 0.109   | 0.913    |
| DotCom                                   | 0.053   | 0.272   | 0.786   | 0.042   | 0.217   | 0.829    |
| US based                                 | -0.352  | -1.976  | 0.051*  | -0.319  | -1.809  | 0.073    |
| Ad Controls                              |         |         |         |         |         |          |
| Ad meter                                 | 0.012   | 2.134   | 0.035** | 0.003   | 0.592   | 0.555    |
| Advertising Efficiency (H <sub>1</sub> ) |         |         |         | 1.917   | 1.959   | 0.053*   |
| Brand value (H <sub>2</sub> )            |         |         |         | 0.426   | 2.738   | 0.007*** |
| N  |         | 116     |         |         | 116     |          |
| R <sup>2</sup>                           |         | 0.081   |         |         | 0.170   |          |
| Adjusted R <sup>2</sup>                  |         | 0.048   |         |         | 0.125   |          |
| F-Value                                  |         | 2.455   |         |         | 3.758   |          |
| F-Probability                            |         | 0.050   |         |         | 0.002   |          |

\* significant at the 10% level, \*\* significant at the 5% level, \*\*\*significant at the 1% level

tistics, CAARs are presented for windows of [0,1], [0,0], [1,3], and [1,5], paying special attention to the [1,1] window. During this single day period, Super Bowl advertising results in an average 0.3% increase in advertisers' stock prices for one day right after the Super Bowl based on 'Market Model'. Other benchmark methods' results show that Super Bowl advertisers witnessed an increase of 0.33% returns from the stock market. The portfolio test statistics using Patell Z ( $Z = 3.414$ ,  $p < 0.001$ ) and generalized statistics ( $Z = 1.788$ ,  $p < 0.10$ ) further support the robustness of Super Bowl advertisers' positive returns. In the discussion of results, all tests are based on two-tailed statistics.

### Hypotheses Testing

Regression modeling tests the impact of the advertising efficiency score predictors and other control variables on abnormal returns of Super Bowl advertisers for the [0,1] (summarized in Table 3). In the regression models, standard-

ized abnormal returns are used as the dependent variable in order to mitigate heteroscedascity (Wiles & Danielova, 2009).

Model 1, not considering the two independent variables, is significant ( $F_{(3,115)} = 2.455$ ;  $R^2 = 0.081$ ,  $Adjusted R^2 = 0.048$ ). Among three firm control variables, only 'US based' is found to be significant. Ad control variables included to test the impacts of ad meter are positively related to advertisers' valuation. Result shows that Super Bowl advertisers' financial performance is positively associated with ad meter ( $b = 0.012$ ,  $p = 0.035$ ) and negatively related to US based ( $b = -0.352$ ,  $p = 0.051$ ).

The introduction of the advertising efficiency score and brand value results in a significant Model 2 ( $F_{(5,116)} = 3.758$ ,  $p = 0.002$ ;  $R^2 = 0.170$ ,  $Adjusted R^2 = 0.125$ ). Model 2 shows that advertising efficiency score and brand value have a significant positive impact on Super Bowl advertisers' financial performance ( $b = 1.917$ ,  $p = 0.053$ ). Hypothesis 1 predicts that

high Super Bowl advertising efficiency level is associated with higher financial performance. The result supports Hypothesis 1, suggesting that a Super Bowl advertiser should experience higher financial rewards in the stock market if he is able to efficiently transfer the firm's advertising inputs to favorable advertising outputs.

Consistent with Hypothesis 2, the main effect of brand value is positively associated with Super Bowl advertisers' abnormal return ( $b = .426, p < 0.007$ ). Investors, as predicted, appear to be sensitive to brand value when they make investment decisions immediately following Super Bowl events. As a mass communication tool, Super Bowl advertising is more effective and appropriate for advertisers who have a strong brand value and have accrued substantial customer-based brand equity.

## CONCLUSION

### Findings

The Super Bowl's audience reach and audience demographics, cultural visibility, social viewing context, viewer attentiveness, and potential impact on brand performance motivates many advertisers to consider it as an advertising vehicle. However, exposure frequency, and image risks are a deterrent to this ad placement strategy.

Prior research on Super Bowl advertising suggests that advertising contextual variables such as ad frequency and *USA Today's* Ad Meter ratings influence investor responses (Fehle et al., 2005). However, several recent studies advocate using an efficiency-based approach (Luo and Donthu, 2001; Luo & Donthu 2006), and warn against expending large amounts into Super Bowl advertising indiscriminately (Kim et al., 2013). Results coalesce with this study, and suggest focusing "doing things in the right manner" rather than "doing the right things."

The current study examines how the stock market reacts to advertising efficiency in the context of Super Bowl advertising. The study estimates the abnormal stock returns of Super

Bowl advertisers using an event study method. Results demonstrate that Super Bowl advertising from 2005 to 2010 is positively related to sponsoring firms' abnormal stock returns, suggesting that advertising in the world's most expensive vehicle is worth the expense. Next, DEA application helps to determine the capability of Super Bowl advertisers to convert advertising inputs into desirable outputs.

Cross-sectional regression analysis tests the impact of advertising efficiency and brand value on Super Bowl advertisers' abnormal returns. Results show that advertising efficiency is positively associated with abnormal return, indicating that efficient conversion of advertising inputs to outputs positively influences investors. Along with advertising efficiency, brand value also has a positive impact on stock return for Super Bowl advertisers.

### Contributions and Implications

Theoretically, this study extends the advertising-finance interface by explaining the relationship between Super Bowl advertisers' performance and advertising efficiency. While prior research has explored annual sales, profits, Tobin's Q, and analyst recommendation as indicators of firms' financial performance of advertising (Luo & Donthu, 2006; Wang 2010), the current study is the first to link advertising efficiency to short term abnormal stock returns. Specifically, this study shows that the stock market reacts positively to high advertising efficiency of Super Bowl advertisers.

From a practitioner's perspective, advertisers should also think twice about allocating so much money for a single advertising exposure. Research suggests that a minimum of three ad exposures are required to exert a significant impact on purchase intentions (Tellis, 1997). In support of this assertion, recent survey results suggest that only 7.1% of consumers believe that a Super Bowl ad has influenced them to buy products from the advertisers (National Retail Federation, 2010). Simply making a large advertising expenditure cannot guarantee

a big financial reward. Therefore, advertisers must consider how to efficiently convert advertising effort and resources to desirable advertising outcome. Inefficiency in generating positive advertising outcomes may discourage most advertisers from being rewarded by the stock market

From an investor's perspective, an individual's attempt to obtain accurate and appropriate information when making investment decisions, eventually results in a sound investment. However, stock market movement does not always explain the dynamics of shareholder valuations. Hence, considering marketing and financial information simultaneously, investors can assort when they make investment decisions. Investors' decision making should be based not only on prior stock market performance but also on a company's advertising efficiency and brand equity. In this sense, information about the marketing-finance interface offers new investment criteria, leading to more deliberate investment.

### Future Research

Today, people communicate with each other through social media website such as Facebook and Twitter. Mobile devices are main communication tools to share their opinion with others. Ironically, power outage during the Super Bowl 2013 facilitated social conversation about commercial and the event (Shaughnessy, 2013). Therefore, an additional variable to consider in future studies is the extent of social media tie-in and type. Social media response can be used to build more dynamic model about Super Bowl advertising and its impacts. For example, if social media is used to have the public select a Super Bowl commercial to air does it have a different effect than not using such a tactic? Also, the number of days prior to the Super Bowl in which social media integration begins could be measured. The point is that Super Bowl advertising is moving further away from being a stand-alone media buy and is part of a more expansive marketing platform than ever.

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# THE IMPACT OF SALES MANAGER CHARACTERISTICS ON SALESPERSON'S TRUST AND COMMITMENT TO THE RELATIONSHIP

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*The role of the sales manager has become increasingly important to organization success due to rapidly changing business environments and greater salesperson autonomy. We know salesperson perceptions of their sales manager's behavior influence their acceptance of organizational objectives and their willingness to cooperate to achieve those objectives. The purpose of this study is to identify specific sales manager characteristics that impact the relationship with their salespeople. More specifically, we investigate how sales manager competence, dependability, and consideration impact the trust and commitment salespeople have toward their manager. Using a sample of B2B salespeople, the findings indicate that sales manager characteristics impact salesperson trust and commitment. Further, competence and dependability had a positive relationship with salesperson trust and commitment to the manager, while sales manager consideration failed to show an effect on trust.*

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## INTRODUCTION

Managerial behavior and leadership play critical roles in inspiring perceptions of quality relationships (MacKenzie, Podsakoff, & Rich, 2001). In a sales context, salesperson perceptions of their sales manager's personal characteristics influence their acceptance of organizational objectives (Jones & George, 1998; Lams & Pucetait, 2006; Rodriguez, Perez, & Gutierrez, 2008). Sales managers who understand the psychological factors that enhance their relationships with their salespeople and who examine the experiences that tend to generate trust and commitment are better able to understand the behavior outcomes (Lams & Pucetait, 2006).

Many personal characteristics of managers serve to create value in relationships and help the managers develop positive working relationships with their subordinate salespeople (Yilmaz & Hunt, 2001; Korsgaard, Brodt, & Whitener, 2002; Perryer & Jordan, 2005). When the personal characteristics of the managers are perceived positively, the

relationships between managers and subordinates tend to be improved (Yilmaz & Hunt, 2001). These characteristics include such things as being open and honest during interactions, following through on what has been promised or expected, being knowledgeable in a management position, and demonstrating genuine concern for the well-being of their subordinates (Morgan & Hunt, 1994; Lams & Pucetait, 2006). If sales effectiveness is influenced by social behaviors and interactions, researchers and practitioners must look beyond the salesperson to identify factors resulting in stronger relationships between sales managers and salespeople. The purpose of this study is to investigate how sales manager's personal characteristics such as competence, dependability, and consideration impact sales manager's trustworthiness and salesperson's commitment to the sales manager.

Although the importance of the manager's personal characteristic on the relationship between the manager and the subordinates is examined well in organizational behavior research not much research has been conducted in sales research domain (Brashear, Boles, Bellenger & Brooks, 2003; Deeter-Schmelz, Goebel & Kennedy, 2008; DelVecchio, 1998). This is especially relevant in the sales context

due to the fact that the relationship between the sales manager and salespeople have a significant influence on salesperson outcomes such as ethical conduct (Lagace, Dahlstromm, & Gassenheimer, 1991), job performance (Cunningham & MacGregor, 2000; Deery & Iverson, 2005; Rich, 1997), job satisfaction (Brashear et al., 2003; Cunningham & MacGregor, 2000; McNeilly & Lawson, 1999), motivation (Castleberry & Tanner, 1986; Dubinsky, Anderson, & Mehta, 2000; Morgan & Hunt, 1994), and cooperation (Deery & Iverson, 2005; Ferrin, Bligh, & Kohles, 2007; McNeilly & Lawson, 1999; Rodriguez et al., 2008; Yilmaz & Hunt, 2001). Although research has focused on the salesperson-sales manager relationship (Brashear et al., 2003; Castleberry & Tanner, 1986; Deeter-Schmelz, Goebel & Kennedy, 2008; DelVecchio, 1998, 2000), few have focused on identifying the impact of sales manager's characteristics on salesperson trust and commitment to the sales manager (Yilmaz & Hunt, 2001). This study contributes to current literature on salesperson-sales manager relationships by providing empirical evidence of how sales manager's personal characteristics influence salesperson's trust and commitment to the sales manager.

With rapidly changing business environments, greater salesperson autonomy, and geographic remoteness, the role of the sales manager has become increasingly important to organization success (Ingram, LaForge, Avila, Schwepker, & Williams, 2012). From a managerial standpoint it is imperative to understand the internal relationship salespeople have with their manager. Not only does this relationship impact various salesperson attitudes and behaviors, but sales managers are ultimately accountable for the performance of their salespeople.

## LITERATURE REVIEW

### Salespeople's Trust in their Managers

Generally interpersonal trust could be explained as the confidence one has of the other's integrity, ability, character and truth. Research suggests that interpersonal trust is built through

the interactions between salespeople and their managers as they understand each other's goal and intentions (Deutsch, 1949). Trust is intangible, which makes it difficult to define and often has not worked the way it has been predicted in studies (Han & Wilson, 1993; Ganesan, 1994). Deutsch (1960) viewed trust as a confidence in the perceptions of an individual's capabilities and intentions. Other researchers have examined the characteristics and behaviors leading to trust (Hosmer, 1995; Mayer, Davis & Schoorman, 1995; Korsgaard et al., 2002). Trust has been defined as the willingness to rely on an exchange partner in whom one has confidence (Branzei et al., 2007; Hulten, 2007; Morgan & Hunt, 1994; Moorman, Zaltman & Deshpande, 1992), the belief that one's needs will be fulfilled in the future by actions taken by the other partner (Lages et al., 2008; Perry & Mankin, 2004), the expectation that another party member desires coordination, will fulfill obligations and will pull their weight in the relationship (Dwyer, Schurr, & Oh, 1987), and the belief that people's words or promises are reliable so that they will fulfill their obligations (Schurr & Ozanne, 1985).

Trust is an important element for developing and maintaining working relationships (Korsgaard et al., 2002). It reflects the security salespeople feel about their relationships and is often developed as salespeople seek and receive help from their managers. This study defines trust as the salesperson's willingness to rely on the words and actions of the sales manager (Morgan & Hunt, 1994). From this definition, trust is viewed as a belief or confidence in the interactions that build trustworthiness, which results from the partner's expertise, reliability, or intent (Korsgaard et al., 2002; Perry & Mankin, 2004; Lages, Lancastre, & Lages, 2008). In the present context it refers to the sense that managers will not betray their salespeople and that their actions will reflect good judgment so as to protect the self-interest of others.

Salespeople's trust in their managers relies on the perceptions of their interactions with them.

It is created from their perceptions of trust-generating qualities of sales manager's dependability, competence, and consideration (Larzelere & Huston, 1980; Morgan & Hunt, 1994; Smith & Barclay, 1997; Yilmaz & Hunt, 2001; Korsgaard et al., 2002; Perry & Mankin, 2004; Branzei, Vertinsky, & Camp, 2007). Trust is generated when qualities of trust are perceived and when salespeople are confident that these qualities will be used in future interactions (Korsgaard et al., 2002; Yilmaz & Hunt, 2001).

### **Salespeople's Commitment to their Managers**

Relationship commitment could be explained as the belief that an ongoing relationship between each other is so important as to deserve maximum efforts at maintaining the relationship. It has been defined as an implicit and explicit pledge of relationships between exchange partners (Dwyer et al., 1987; Lages et al., 2008), and as an enduring desire to maintain a valued relationship (Moorman et al., 1992), which will bring future value/benefits to the partners (Lages et al., 2008). This study defines salesperson's commitment to the sales manager as the salesperson's desire to continue the relationship and to cooperate to ensure that the relationship with the sales manager continues (Morgan & Hunt, 1994). In an organizational context, commitment refers to the attachment to or identification of an individual with an organization, and the willingness of that individual to exert additional effort to maintain organizational goals and values (Porter, Steers, Mowday, & Boulian, 1974; Perryer & Jordan, 2005).

Extending this to the relationship between salespeople and their managers, commitment refers to the attachment salespeople have to their managers. When salespeople are committed, they feel value in the relationship and look forward to working with their managers. Individuals who feel more committed to each other are more likely to cooperate and enjoy interacting with one another (Deutsch, 1949; Tjosvold & Field,

1983; Korsgaard, Schweiger, & Sapienza, 1995). Salespeople who are committed to their managers should attach more importance to their relationship and highly value it (Heide & Miner, 1992; O'Reilly & Chatman, 1986). Therefore, commitment that salespeople feel to their managers is important in ensuring long-term relationships and cooperation (Schweiger, Sandberg, & Rechner, 1989).

### **Personal Characteristics of Sales Managers**

For the purpose of this study, sales manager's personal character consists of how salespeople perceive their manager to have personal attributes such as competence, dependability, and consideration ( Gabarro, 1978; Smith & Barclay, 1997). Managers reveal their personal characteristics on the job through their behaviors and interactions with others (Korsgaard et al., 2002). These characteristics provide salespeople with the information they need to develop an accurate perception of their managers ( Korsgaard et al., 2002; Weitz, 1978).

**Competence.** Sales manager's competence is defined as the manager's ability and willingness to apply their knowledge and skills while performing their job (Brashear et al., 2003). Sales managers who know how to do their job (knowledge) and have the ability to apply that knowledge (skill) are perceived to be competent. In a sales context, competence refers to the sales manager's knowledge and skill related to a specific task and the expectation that the manager is capable of, and willing to, perform as expected (Brashear et al., 2003; Cook & Wall, 1980; Cunningham & MacGregor, 2000; Perry & Mankin, 2004). Typically, managers earn their positions based upon their practical knowledge, experience, and successful performance record. Salespeople expect their managers to demonstrate practical knowledge that is relevant to the sales objective. Competent managers have a wealth of experience, good business sense, and sound judgment. In addition, competent managers have a good grasp of the capabilities and needs of their team and understand how the sales

organization is connected to the big picture (LaFasto & Larson, 2001).

**Dependability.** As defined here, sales manager's dependability is the degree to which they are consistent and predictable in their interactions with their salespeople (DelVecchio, 1998). Characteristics of dependability include consistency and predictability, which indicate that the sales manager will always perform the same way when faced with similar situations (DelVecchio, 1998). Dependability has been found to be a crucial dimension of peer and employee evaluation (Barrick, Stewart, Neubert, & Mount, 1998; Antonioni & Park, 2001; Paswan & Gollakota, 2004). Consequently, dependability is likely to positively influence desired outcomes (Paswan & Gollakota, 2004). Based upon these reports, managers who are dependable are more willing to encourage productive behavior from their subordinates to accomplish sales objectives.

**Consideration.** Sales manager's consideration is defined as the degree to which the manager is concerned about the personal needs of salespeople (Johnston, Parasuraman, Futrell, & Black, 1990). Sales managers provide vision and guidance to the sales force through encouragement and consideration (Netemeyer, Boles, McKee, & McMurrian, 1997). Subordinates perceive their managers to have consideration when they appear to be concerned about their well-being, rather than acting from purely opportunistic intentions (Clark & Mills, 1979; Clark & Waddell, 1985; Rempel, Holmes, & Zanna, 1985; Clark et al., 1986; Eisenberger, Huntington, Hutchison, & Sowa, 1986; Holmes & Rempel, 1989;). Considerate managers recognize their salespeople as individuals having different needs, wants, and interests (Churchill, Ford, Hartley, & Walker, 1985; DelVecchio, 2000), and would therefore be able to behave in a way that displays concern about their well-being.

### Personal Characteristics of Sales Managers and Trust

Researchers have determined various characteristics and behaviors that influence employees' perceptions of managerial trustworthiness (Erdem & Aytemur, 2008; Korsgaard et al., 2002). Research suggests that interpersonal trust is built through the interactions between salespeople and their managers as they understand each other's goals and intentions (Deutsch, 1949). Stemming from social psychology literature, trust is formed over time wherein the salesperson observes and interacts with the manager to achieve a degree of predictable behavior. Through these interactions salespeople assess the manager's personal characteristics. It is proposed that salesperson-sales manager relationships characterized by trust would be valued by the salesperson so that a desire to commit themselves to their managers would develop.

Trust is an important factor when developing relationships at work (Korsgaard et al., 2002). It reflects the security salespeople feel about their relationships and is often developed as salespeople seek and receive help from their managers. Salespeople's trust in their managers relies on the perceptions of their interactions with them. In a sales context, salesperson's trust in their manager is generated from their perceptions of trust-generating qualities of sales manager's competence, dependability, and consideration (Branzei et al., 2007; Korsgaard et al., 2002; Larzelere & Huston, 1980; Morgan & Hunt, 1994; Perry & Mankin, 2004; Smith & Barclay, 1997; Yilmaz & Hunt, 2001). Trust is generated when qualities of trust are perceived and when salespeople are confident that these qualities will be used in future interactions (Korsgaard et al., 2002; Yilmaz & Hunt, 2001).

**Sales manager's competence and trust.** Salespeople who believe that their managers are knowledgeable and skilled and know how to apply them to do their job, competently trust their sales manager. (Cook & Wall, 1980; Erdem & Aytemur, 2008; Levin & Cross, 2004;). Based on social exchange theory, sales

managers who appear to be professionally competent would be viewed positively by their salespeople. In exchange for this professional competence salespeople will be more willing to cooperate with them. Therefore, perceptions of their manager's professional competence are likely to impact the trust that salespeople have in them (Powell, 1990).

*H<sub>1</sub>*: Sales Manager's competence will positively be related to salesperson's trust with the sales manager.

#### ***Sales manager's dependability and trust.***

Dependability is an important influence on trust (Andaleeb, 1992; Butler, 1991; Gabarro, 1978; Johnson-George & Swap, 1982; Robinson & Rousseau, 1994). Based on social exchange theory, personal trust is based on consistency in the relationship ( Erdem & Aytemur, 2008; Korsgaard et al., 2002). When assessing trust in working relationships, individuals consider the dependability of member behaviors (Cook & Wall, 1980; Morgan & Hunt, 1994). Because of this, trust develops from the confidence that during an exchange the other party will behave in a certain way (Pearce, Branyiczki, & Bakacsi, 1994) or will be cooperative (Pruitt & Carnevale, 1993). Managers, who are dependable over time and in various situations, inspire confidence that they will act the same way in the future. Dependability thus reinforces the level of trust in the relationship (Graen & Uhl-Bien, 1995; Korsgaard et al., 2002). Salespeople must perceive their managers to be dependable before they will trust the manager (McAllister, 1995). Therefore, trust is likely to be generated when salespeople perceive their managers as dependable (Mcknight, Cummings, & Chervany, 1998).

*H<sub>2</sub>*: Sales Manager's dependability will positively be related to salesperson's trust with the sales manager.

#### ***Sales manager's consideration and trust.***

Trust is also developed when managers demonstrate concern for the welfare of their subordinates ( Erdem & Aytemur, 2008; Korsgaard et al., 2002; Dooney & Cannon

1997, Mishra, 1996, McAllister, 1995). Consideration involves showing sensitivity for salespeople's needs, protecting their interests, and not acting in opportunistic ways. Leader's consideration regarding member's input helps communicate trustworthiness in the relationship (Korsgaard et al., 2002; Korsgaard et al., 1995). When salespeople are confident that their managers are treating them fairly and have their best interests at heart, they will be inclined to trust them ( Dwyer et al., 1987; Konovsky & Pugh, 1996). Therefore, trust is likely to result when the manager shows consideration (Jap, 1999; Larzelere & Huston, 1980; Morgan & Hunt, 1994; Smith & Barclay, 1997).

*H<sub>3</sub>*: Sales Manager's consideration will positively be related to salesperson's trust with the sales manager.

#### **Personal Characteristics of Sales Managers and Commitment**

Salespeople base the impression of their managers on the behaviors and characteristics that are under the manager's control (Flaherty & Pappas, 2000). As with organizational characteristics, personal characteristics of sales managers influence the level of commitment from their salespeople (Mowday, Steers, & Porter, 1982; Pierce & Dunham, 1987). Managers demonstrating specific characteristics create a platform allowing salespeople to personally identify with the manager (Avolio, Gardner, Walumbwa, Luthans, & May, 2004). Because commitment is viewed as an emotional attachment, salespeople are more satisfied with the manager demonstrating these characteristics and are more committed to the organization due to the manager's behavior toward them ( Davis & Rothstein, 2006).

The quality of interactions salespeople have with the manager leads to commitment within organizations, which results in efficient business operations (e.g., High quality service - Wong & Tjosvold 1995). For the purpose of this study, commitment represents the personal desire to continue the relationship due to the affective dedication the salesperson has to the

manager (Smith, Carroll, & Ashford, 1995). More specifically, affective commitment to the manager expresses the salesperson's willingness to exert effort on behalf of the sales manager (Bakker, Albrecht, & Leiter, 2011).

**Sales manager's competence and commitment.** Considerable research has shown that the quality of the relationship between sales managers and salespeople is a direct reflection of how competent the salesperson perceives the manager to be (Busch & Wilson, 1976; Duchon, Green, & Taber, 1986; Kim & Organ, 1982; Liden, Wayne, & Stilwell, 1993; Wakabayashi, Graen, & Uhl-Bien, 1990). If sales managers demonstrate professional competence when performing their jobs, their salespeople are more likely to be committed to their leadership (DelVecchio, 1998; Duchon et al., 1986; Kim & Organ, 1982; Liden et al., 1993; Wakabayashi et al., 1990).

Sales managers appear to be competent when they are perceived by their salespeople as valuable resources in exchange relationships. This is particularly true when managers use their competence to support the overall sales goal/objectives and share their competence to support salespeople (DelVecchio, 1998). Competent sales managers build loyalty and commitment among salespeople. These are characteristics that are associated with higher quality relationships and cooperation (DelVecchio, 1998). Because of this, salespeople who perceive their managers to be competent would be more likely to commit themselves to them. This is because they believe that these managers attain objectives and share their knowledge with their salespeople.

*H<sub>4</sub>:* Sales Manager's competence will positively be related to salesperson's commitment to the sales manager.

**Sales manager's dependability and commitment.** Relationships are based on salespeople's confidence in the credibility of their sales managers and their confidence in the likelihood of them getting the job completed

successfully (e.g., Schultz & Evans, 2002). Social exchange theory would suggest that if sales managers are dependable in their interactions with their salespeople, in exchange their salespeople will be more committed to them. Dependable managers are consistent in their behavior, therefore salespeople expect them to behave in the future the same way as they have in the past. This suggests that there will be no misunderstanding about what the manager wants and expects, making the relationship more congenial. This is because when sales managers are dependable their salespeople are likely to perceive them as credible and predictable.

Research has found that quality relationships between key account representatives and their customers are frequently based upon their confidence in getting the job completed (Schultz & Evans, 2002). We would expect for this to carry over into a relationship between salespeople and their managers. Dependable managers communicate reliable and credible information and follow through on their commitments (Larkin & Larkin, 1996; Smith & Barclay, 1997). Therefore, salespeople are likely to be more committed to managers who display dependability.

*H<sub>5</sub>:* Sales Manager's dependability will positively be related to salesperson's commitment to the sales manager.

**Sales manager's consideration and commitment.** It is believed that sales managers who demonstrate considerate behavior toward their salespeople enhance their commitment to them. When salespeople perceive that their managers have a genuine concern for their personal welfare, they are likely to be more willing to support the quality of their relationships, commit to them, and to cooperate with them (Avolio & Bass, 1988; Bass, 1985; Bass & Avolio, 1990; Perryer & Jordan, 2005). This is because salespeople recognize that their personal and professional well-being will be served by their managers in future interactions. If sales managers are considerate, salespeople are likely to perceive that they genuinely care

for them and are concerned about their welfare and higher quality relationships will result (Podsakoff, MacKenzie, Moorman, & Fetter, 1990). Individual support of salespeople by their manager is likely to enhance the commitment salespeople have to them.

Consideration is the supportiveness, the desire, and willingness to help others succeed (LaFasto & Larson, 2001). Considerate managers figure out how to help them overcome challenges, rather than focusing on their struggles and failures. In addition, considerate managers are dedicated to the success of their salespeople and want what is best for them. More specifically, these managers are easy to work with, are willing to take on more responsibility to help their salespeople, and listen to salespeople while making them feel they are important both as individuals and to the success of the sales organization.

Consideration of salespeople by their managers has been found to enhance commitment

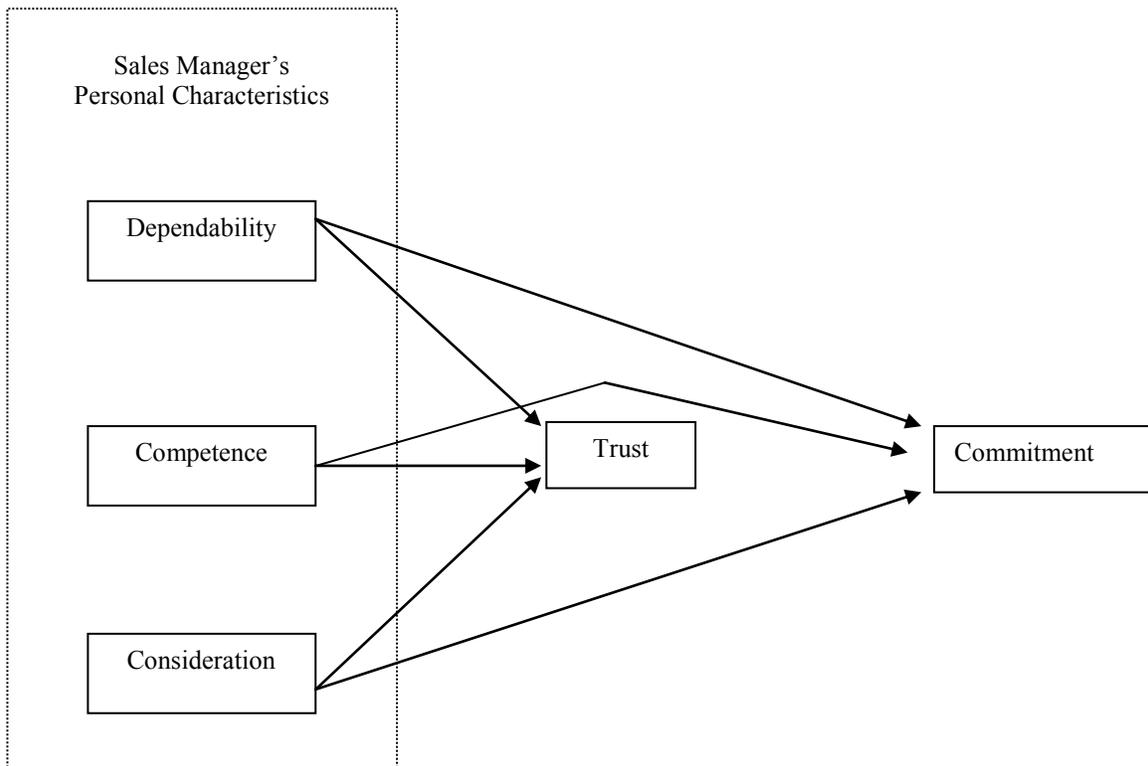
(Johnston et al., 1990; Flaherty & Pappas, 2000). If salespeople feel their opinion is valued and respected by their managers, and that their managers have their best interests in mind, they will feel more committed to them (Korsgaard et al., 1995). Managers who behave consistently and are supportive of their salespeople impact the commitment of their salespeople (Flaherty & Pappas, 2000). Therefore, salespeople are more likely to be committed to managers who show consideration.

*H<sub>6</sub>*: Sales Manager’s consideration will positively be related salesperson’s commitment to the sales manager.

**The Impact of Trust on Commitment**

High levels of trust facilitate commitment (Nyhan, 1999). Relationships that are characterized by trust will be highly valued, so that both parties will want to commit

**FIGURE 1:  
Conceptual Model**



themselves to each other and to the relationship (Hrebiniak, 1974). Extending this to a sales situation, the level of trust salespeople have in their managers will impact their commitment. Sales managers perceived as trust worthy will evoke commitment from the salesperson. Managers considered to be trustworthy in exchange are more likely to received commitment from salespeople (Morgan & Hunt, 1994; Nyhan, 1999; Yilmaz & Hunt, 2001; Herold, Fedor, Caldwell, & Liu, 2008; Bakker et al., 2011; Neves, 2011).

*H<sub>7</sub>*: Salesperson’s trust with the sales manager will positively be related to salesperson’s commitment to the sales manager.

**METHODOLOGY**

**Data Collection**

An on-line self-report questionnaire was developed to collect the information from a sample of salespeople. On-line questionnaires provide a cost effective and timely way to collect information (Hair, Bush, & Ortinau, 2000). The questionnaire was available to respondents at their convenience. It included items designed to measure salespeople’s perceptions of their sales manager’s characteristics, their trust in their sales managers, and their commitment to their sales managers.

A total of 454 salespeople were invited to participate in the study; 284 responded, a response rate of 62.5%. A questionnaire was considered incomplete when two or more items were left unanswered. After discarding the unusable responses, the sample size was reduced to 254. Eliminating these questionnaires dropped the response rate to 56%.

**Sample**

The sampling frame consisted of business-to-business salespeople employed by an organization that manufactures equipment for many facets of the energy industry. Through

numerous mergers and acquisitions, the organization has become a leader in integrated energy technologies and services. An e-mail list of salespeople was provided by the organization.

The respondents were 90% male, which is consistent with the industry. The respondents ranged in age from 23-68 years, with a mean of 45.18 years and a median age of 44. Over 90% of respondents considered themselves to be White/Non-Hispanic. Thirty-one percent of respondents reported having some college

**TABLE 1:  
Sample Demographics**

| <b>Demographic</b>                          | <b>Descriptive Statistics</b> |
|---|-------------------------------|
| Age (Years)                                 | Years (mean)                  |
| Gender (Percent)                            |                               |
| Male  | 90%                           |
| Female                                      | 10%                           |
| Race (Percent)                              |                               |
| White/Non-Hispanic                          | 90%                           |
| Other                                       | 10%                           |
| Married (Percent)                           | 81%                           |
| Single (Percent)                            | 19%                           |
| Education (Percent)                         |                               |
| Some College                                | 31%                           |
| Technical/Bachelor's Degree                 | 57%                           |
| Master's/MBS                                | 4%                            |
| Geographic Location (Percent)               |                               |
| North America                               | 84%                           |
| Europe                                      | 7%                            |
| Asia/Pacific & Middle East/<br>North Africa | 7%                            |
| Employment (Number of<br>Years)             |                               |
| Mean  | 8.42 years                    |
| Range                                       | 1-40 years                    |
| Number of Years in Current<br>Position      |                               |
| Mean  | 5.03 years                    |
| Income                                      |                               |
| Median Range                                | \$40,000-<br>60,000           |
| Straight Salary (Percent)                   | 57%                           |
| Salary/Commission Mix<br>(Percent)          | 43%                           |

education, 57% received a technical or bachelor degree, and 4% received a Masters/MBA degree. The number of years employed as a salesperson by the company ranged from less than a year to 40 years, with a mean of 8.42 years (SD=9.14). Respondents had worked in their current position for a mean of 5.03 years (SD=5.20). The mean annual compensation ranged from \$40,000-\$60,000, which was based on 57% of the respondents on a straight salary and 43% of respondents on a salary/commission mix. The demographic characteristics of the sample are presented in Table 1.

### Measurement

Sales peoples' perception of sales manager's consideration was measured by an eleven item scale. The scale was initially developed by Churchill et al. (1974) and subsequently modified by Johnston et al. (1990). The original internal consistency was Cronbach's  $\alpha=.91$ . Sales peoples' perception of sales manager's dependability was measured by a four item scale developed by Smith and Barclay (1997). The scale had an original internal consistency of Cronbach's  $\alpha=.78$ . Sales peoples' perception of sales manager's competence was measured by a nine scale which has an original internal consistency of Cronbach's  $\alpha=.86$ . The scale was developed by Smith and Barclay (1997). Salespeople's trust of the sales manager was measured by a three item scale developed by Morgan and Hunt (1994) which had an internal consistency of Cronbach's  $\alpha=.947$ . Salespeople's commitment to the sales manager was measured by a three item scale developed by Morgan and Hunt (1994). The original scale was developed for organizational commitment by Mowday et al. (1979), and was modified to fit relationship commitment by Morgan and Hunt 1994. The original internal consistency was Cronbach's  $\alpha=.895$ . All scales consisted of Likert-scale items ranging from 1 (strongly disagree) to 7 (strongly agree).

## ANALYSIS

### Preliminary Analysis

First a correlation matrix was computed of all 29 items. Based on the concept that items should be correlated if they are drawn from the same construct (Churchill et al., 1974), five items were deleted due to highly correlations as this would cause difficulties in determining the unique contribution of the variables to a factor (Field, 2000). Structural Equation Modeling (SEM) was used for the analysis. SEM is a flexible and powerful extension of the general linear model. Like any statistical model, it requires a number of assumptions to be met. These assumptions should be met or at least approximated to ensure trustworthy results (Joreskog & Sorbom, 1993). The key assumptions of SEM are 1) indicator variables with multivariate normal distribution, 2) large sample, and 3) continuous variables. All assumptions were met successfully.

A structural equation model was used to examine the underlying relationships among the empathy construct and other outcome variables. As suggested by Anderson and Gerbing (1988), a two-step procedure was used. The measurement model was first developed to examine the linkages between latent variables and observed variables. The measurement model was first estimated to confirm the validity of the employed scales. The structural model was estimated to evaluate the relationships among the latent variables. The structural model showed how the hypothesized relationships among latent variables are supported by the data.

### Measurement Model

The measurement model was first validated with the AMOS 18 program. A total of 254 respondents were used to test the model which included 5 constructs and a total of 24 items. Results of the AMOS output suggested that the measurement model needed some modification. Using the modification indices from the AMOS output, items were identified which had high

**TABLE 2:**  
**Constructs– Factor Loadings, Reliabilities, and Correlations**

| Construct                   | Factor Loadings | Std. Errors | Compt Reliability | Item Reliability | Variance Extracted | Correlation Matrix |       |       |       |     |
|-----------------------------|-----------------|-------------|-------------------|------------------|--------------------|--------------------|-------|-------|-------|-----|
|                             |                 |             |                   |                  |                    | COMP               | DEPD  | CONS  | TRU   | CMT |
| <u>Competence (COMP)</u>    |                 |             | .896              |                  | 0.674              | 1                  |       |       |       |     |
| COMP3                       | .916            |             |                   | .839             |                    |                    |       |       |       |     |
| COMP5                       | .760            | .052        |                   | .578             |                    |                    |       |       |       |     |
| COMP6                       | .872            | .044        |                   | .760             |                    |                    |       |       |       |     |
| COMP7                       | .721            | .052        |                   | .520             |                    |                    |       |       |       |     |
| <u>Dependability (DEPD)</u> |                 |             | .847              |                  | 0.745              | 0.746              | 1     |       |       |     |
| DEPD1                       | .885            |             |                   | .784             |                    |                    |       |       |       |     |
| DEPD2                       | .841            | .049        |                   | .707             |                    |                    |       |       |       |     |
| <u>Consideration (CONS)</u> |                 |             | .891              |                  | 0.739              | 0.784              | 0.816 | 1     |       |     |
| CONS1                       | .885            |             |                   | .489             |                    |                    |       |       |       |     |
| CONS2                       | .841            | .069        |                   | .547             |                    |                    |       |       |       |     |
| CONS4                       | .852            | .134        |                   | .726             |                    |                    |       |       |       |     |
| CONS6                       | .799            | .069        |                   | .638             |                    |                    |       |       |       |     |
| CONS7                       | .917            | .141        |                   | .841             |                    |                    |       |       |       |     |
| <u>Trust (TRU)</u>          |                 |             | .821              |                  | 0.629              | 0.753              | 0.802 | 0.755 | 1     |     |
| TRU1                        | .648            |             |                   | .420             |                    |                    |       |       |       |     |
| TRU2                        | .864            | .113        |                   | .746             |                    |                    |       |       |       |     |
| TRU3                        | .849            | .123        |                   | .721             |                    |                    |       |       |       |     |
| <u>Commitment (CMT)</u>     |                 |             | .813              |                  | 0.655              | 0.651              | 0.796 | 0.791 | 0.735 | 1   |
| CMT1                        | .980            |             |                   | .960             |                    |                    |       |       |       |     |
| CMT2                        | .902            | .040        |                   | .814             |                    |                    |       |       |       |     |
| CMT3                        | .438            | .073        |                   | .192             |                    |                    |       |       |       |     |

cross-loadings. Once the items were identified with high cross-loading, construct reliability was checked to assess the impact of removing the high cross loaded items. If both modification indices and reliabilities suggested that an item should be removed from the model, the item was deleted. A total of 7 items were removed. After removing each item, the measurement model was run again to assess the actual impact of removing the item. After assessing a numerous AMOS out puts and

construct reliabilities, 17 items were used to measure 5 constructs. Results of the final measurement model suggested good model fit (DOF=207; Chi-Square= 505; RMSEA= .07; NFI=.914; CFI=.961; and SRMR=.041). The properties of the measurement model included factor loadings, standard errors, R<sup>2</sup>, and internal consistency (Table 2). The factor loadings were interpreted as validity coefficients and the item R<sup>2</sup> as the reliability coefficients of the observed measures.

**TABLE 3:**  
**Maximum Likelihood Estimates: Standardized Regression Weights**

|            |         |                                 | Estimate | S.E. | C.R.   | P    |
|------------|---------|---------------------------------|----------|------|--------|------|
| Trust      | $\beta$ | Competence (H <sub>1</sub> )    | .471     | .203 | 2.321  | .020 |
| Trust      | $\beta$ | Dependability (H <sub>2</sub> ) | .770     | .227 | 3.398  | ***  |
| Trust      | $\beta$ | Consideration (H <sub>3</sub> ) | -.071    | .330 | -0.216 | .829 |
| Commitment | $\beta$ | Competence (H <sub>4</sub> )    | .495     | .180 | 2.751  | .006 |
| Commitment | $\beta$ | Dependability (H <sub>5</sub> ) | .528     | .253 | 2.688  | .007 |
| Commitment | $\beta$ | Consideration (H <sub>6</sub> ) | 1.040    | .271 | 3.834  | ***  |
| Commitment | $\beta$ | Trust (H <sub>7</sub> )         | .998     | .163 | 5.560  | ***  |

### Structural Model

After the measurement model was validated, the structural model was used to evaluate the relationship among the latent variables. The structural model provided sufficient fit on Degrees of Freedom: 207; Chi-Square=505; RMSEA=.07; CFI=.958; and SRMR=.04 (Hair et al. 2000). The results are presented in Table 3.

### Results

Considering sales manager's personal characteristics and salesperson's trust with the sales manager, the study found that sales manager's competence – H<sub>1</sub> (standardized regression coefficient=.471; z value=2.321; P<.05) and sales manager's dependability – H<sub>2</sub> (standardized regression coefficient=.770; z value=3.398; P<.001) had a significantly positive relationship on sales person's trust of the sales manager. Sales manager's consideration (H<sub>3</sub>) failed to show significant relationship on sales person's trust of the sales manager.

Results showed that only sales manager's competence - H<sub>4</sub> (standardized regression coefficient=.495; z value=2.894; P<.05), dependability – H<sub>5</sub> (standardized regression coefficient=.528; z value=2.688; P<.05), and consideration – H<sub>6</sub> (standardized regression coefficient=1.040; z value=3.834; P<.001) had a significant positive relationship on salespeople's commitment to the sales manager.

Sales manager's trust with the sales person was found to have a significant positive relationship on sales person's commitment to the sales manager – H<sub>7</sub> (standardized regression coefficient=.998; z value=5.560; P<.001).

### Discussion

Salespersons' perceptions of their sales manager influence their acceptance of organizational objectives and their willingness to cooperate to achieve those objectives. Cultivating strong relationships with salespeople develops over time as salespeople observe the sales manager's characteristics and believe these encompass the sales manager's behavior. Sales managers who lead with honest, knowledgeable, and considerate behavior, receive benefits of stronger relationships resulting in positive performance outcomes. Selecting sales managers with influential characteristics increases the relationship development with their salespeople. This study examined the influence of sales manager's personal characteristics on salespeople's trust and commitment to the sales manager. The findings of this study show that salesperson's trust was found to have a significant positive relationship on salesperson's commitment to the sales manager. When salespeople trust the words or actions of their manager, they tend to be more committed and attached to the sales manager.

Results show that sales manager's personal qualities such as competence and dependability

had a positive relationship with salespeople trusting the sales manager. However, sales manager's consideration had a negative insignificant relationship on salespeople's trust with the sales manager. An explanation for this could be that consideration is a characteristic that may influence salespeople's perceptions as having ulterior motives. Generally, sales manager's success and monetary rewards and compensation depend on the success of the salespeople. Hence, when a sales manager is offering a lot of support, guidance, and are overly concerned about the well-being of the sales people, salespeople could question the motive of the sales manager which could lead to mistrusting the sales manager.

Similar to organizational behavior literature, the current study showed that all three sales manager's characteristics, consideration, competence, and dependability, had a significant positive relationship with salespeople's commitment to the sales manager (e.g., Avolio et al., 2004; Mowday et al., 1982; Pierce & Dunham, 1987). Results of this study enable sales researchers to examine the manner in which a sales manager is perceived impacts the ability to achieve organizational objectives through the salespeople.

### **Managerial Implications**

This study extends the knowledge about the relationship between salespeople and their managers. Examining the ways in which sales managers display personal characteristics have a direct impact on the relationship with the salesperson. Recognizing these key characteristics presents an opportunity to train managers to know how to effectively demonstrate particular characteristics throughout the interactions and activities with their salespeople in order to foster salesperson's attachment to the relationship. Salesperson's commitment to the sales manager could have serious implications for organizational success because the sales manager is responsible for communicating organizational objectives and goals to the salespeople who will have the responsibility of implementing necessary

strategies and actions to achieve those specific objectives and goals. As a result salespeople are more willing to exert extra effort to achieve sales objectives when they are more committed to the sales manager.

Due to the nature of business-to-business sales positions, the amount of time salespeople spend with their manager is typically limited. Based upon these findings, managers should focus on the quality of the interactions when they are with their salespeople in building trust and commitment. The interaction should not be to the point of micro-managing, however, demonstrate ability to adapt to various situations (competence), demonstrate concern for the professional and personal well-being (consideration) of their salespeople and display actions that are consistently over time (dependability). These characteristics will assist salespeople to have a trusting and a committed relationship with the sales manager.

Companies spend time and money to train managers to be better role models and be superior leaders to head their organizations. During these training sessions, corporate educators and trainers need to focus on how managers could develop and communicate their competence dependability, and consideration, to the sales force. This would help managers to sell corporate vision and strategies to their salespeople.

Findings of the study failed to establish a relationship between sales manager's consideration and sales people's trust with the sales manager. Therefore, it might be prudent for sales managers to offer their support and concern but clearly provide a reasoning and justification for doing so, so that any doubts that may linger with the salespeople could be eliminated.

### **Limitations of the Study and Suggestions for Future Research**

Dependability was measured by a two item scale as the other two items which constitute the scale showed high-cross loading with other

factors. Therefore, they were deleted. However, since the two items which were included to measure dependability was highly correlated (correlation coefficient = 0.79) and the scale consisted of sufficient reliability (  $\alpha = 0.847$  ) the scale is suitable for measuring dependability (Iacobucci & Duhachek, 2003)

The sample was composed of industrial salespeople, all of whom engage in face-to-face selling activities within a single company. The responses might not be applicable to other companies or other industries. Since most of their work is conducted in a relatively independent work environment, researchers might study the theoretical model in a team-selling context.

Another area for future research addresses the effects of a manager's leadership style and behavior. This may have a distinct impact on cooperation, especially in a team-selling context. The sample was composed of salespeople in the oil-rig industry. It would be appropriate to examine other industries and compare results.

Another possible area for future research concerns other possible constructs related to cooperation. For example, other possible constructs to be investigated in future research could include job satisfaction, managerial respect, organizational commitment, supervisory style, market orientation, and risk.

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