

# MARKETING MANAGEMENT JOURNAL

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Spring 2010

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## FROM THE EDITORS

*The 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 *The 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 relating to marketing strategy, ethics, product management, communications, pricing and price determination, distribution sales management, buyer behavior, marketing information, international marketing, etc. will be considered for review for inclusion in *The Journal*. *The Journal* occasionally publishes issues which focus on specific topics of interest within the marketing discipline. However, the general approach of *The Journal* will continue to be the publication of combinations of articles appealing to a broad range of readership interests. Empirical and theoretical submissions of high quality are encouraged.

*The Journal* expresses its appreciation to the administrations of the College of Business Administration of the University of Akron and the College of Business Administration of Missouri State University for their support of the publication of *The Marketing Management Journal*. Special appreciation is expressed to Lynn Oyama of HEALTHCAREfirst, Inc. and the Center for Business and Economic Development at Missouri State University for contributing to the successful publication of this issue.

The Co-Editors thank *The Journal's* previous Editor, Dub Ashton and his predecessor David Kurtz, *The Journal's* first Editor, for their work in developing *The Marketing Management Journal* and their commitment to maintaining a quality publication.

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**MARKETING MANAGEMENT JOURNAL**  
**January 2010**

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The mission of *The Marketing Management Journal* is to provide a forum for the sharing of academic, theoretical, and practical research that may impact on the development of the marketing management discipline. Original research, replicated research, and integrative research activities are encouraged for review submissions. Manuscripts which focus upon empirical research, theory, methodology, and review of a broad range of marketing topics are strongly encouraged. Submissions are encouraged from both academic and practitioner communities.

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## EFFECTS OF JEWISH-ITALIAN CONSUMER ANIMOSITY TOWARDS ARAB PRODUCTS: THE ROLE OF PERSONALITY

**GIANLUIGI GUIDO**, *Università del Salento, Lecce and LUISS “Guido Carli”, Rome*

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*Wars or politic hostility between nations can lead consumers to modify their behavior, reducing consumption of goods made in hostile countries. In particular, events concerning the Second Intifada (2000) can be related to the decreasing sales of Arab goods occurred in recent years. This phenomenon can be explained through Animosity, defined as “the remnants of antipathy related to previous or ongoing military, political or economic events towards current or former enemies” (Shoham et al. 2007, p. 93). This paper has the aim to analyze antecedents and effects of animosity of Jewish-Italian consumers towards Arab products and comparing results obtained in the study of Shoham et al. (2006) in Israel with those obtained in Italy, considering also the role of their personality traits. A nine-section questionnaire, containing different scales, was administered to a sample of Jewish-Italian consumers (i.e., “Jews of the Diaspora”). In spite of their animosity towards Arab goods, they are not dogmatic and buy these products, if these are perceived as being of high quality. This is a result of their utilitarian personality, measured by the Big Five Factors and Utilitarianism/Hedonism high-order meta-traits. In presence of strong animosity, companies have to accurately consider entry strategies, product strategy and communication strategy in foreign markets. This is the first study considering animosity of Jewish-Italian consumers, one of the most ancient Jewish communities. Furthermore, it is the first analysis which considers simultaneously animosity and consumers’ personality traits, showing the interesting result that utilitarian personality trait prevails on animosity attitude.*

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### INTRODUCTION

Wars and political tensions between countries can change consumer behavior, reducing the purchase of products made by nations experiencing such events; in particular, the Second Intifada in September-October 2000 may be related to the decreasing sales of goods worldwide produced by Israeli Arabs (Katz 2002; Nir 2002). This phenomenon can be explained through *Animosity Theory*, according to which “the remnants of antipathy related to previous or ongoing military, political or economic events will affect consumers’ purchase behavior” (Klein, Ettenson and Morris 1998, p. 90). According to this theory, war and

economic disagreement influence and modify purchase behavior, regardless of product judgment (Papadopoulos and Heslop 1993).

The present study aims to assess the extent to which animosity towards Arabs, due to terrorist and military attacks on Israel by Arabs, affects the intention to buy of Italians of Jewish origin, the so-called “Jews of the Diaspora” – Jews expelled or who emigrated from Israel, but who maintain an attachment and a relationship with their original homeland (Safran 1991; Sarup 1996). Specifically, we aim to examine animosity (which arose from the Second Intifada) towards Arab Israeli products among Italian Jews, analyzing its antecedents and effects on intention to buy – thus replicating the study conducted by Shoham *et al.* (2006) in Israel in the Italian context. The results

obtained are only in part congruent with the conclusions drawn in the cited study, since the sample used does not reside in Israel, but in Italy. In fact, this study shows that Jewish-Italian consumers with a high level of *nationalism* and a low level of *internationalism* tend to show attitudes related to the animosity construct; moreover, the present study demonstrates that a high level of animosity negatively affects both judgments of Arab-made products and intention to buy, thus leading to a future change in purchase. Nevertheless, as regards those Italian Jews who are characterized by a *utilitarian* personality, their positive judgments of Arab products do not bring about a decrease in the intention to buy or a change in purchase behavior.

#### PURCHASE BEHAVIOR FOR FOREIGN PRODUCTS

As a consequence of international trade expansion and market globalization, researchers and operators' efforts have focused on the development of models which explain purchase behavior for foreign products and, in particular, change in consumer behavior as a result of war and economic disagreement. According to *Animosity Theory* (Klein, Ettenson and Morris 1998), which can be found in research on *country-of-origin effect*, people's opinion of a foreign country is reflected in the way they perceive its products' characteristics. Therefore, if consumers feel anger or hatred towards a foreign country, they will denigrate its products as well (Johansson *et al.* 1993). *Country-of-origin effect*, which is related to the association of a brand with a specific country of origin, has an influence on judgments and purchase choices of foreign products (Maheswaran 1994). *Country-of-origin effect* is stronger in the absence of other information useful for evaluating a product: in these cases, country image has a great relevance in the decision-making process and acquires even a symbolic and emotive meaning. Furthermore, *country-of-origin effect* is influenced by cultural and political similarity between consumers' and products' countries of origin, not only for ideological reasons, but also for practical ones

concerning conditions of use and safety standards.

Research on *country-of-origin effect* also includes *consumer ethnocentrism*, defined as "a belief that it is inappropriate, or even immoral, to purchase foreign products because to do so damages the domestic economy, costs domestic jobs and it is not patriotic" (Shoham *et al.* 2006, p. 108). *Ethnocentrism* represents the propensity to consider the members of one's own ethnic group as the centre of the universe and reject any requests or stimuli coming from outside individuals. The stronger the *in-group bias* (i.e. the sense of belonging to a particular group (Verlegh 1999), the more its members feel the necessity to evaluate their group positively. Thus the level of identification causes the strength of the group to increase (Tajfel 1978). *Ethnocentrism* has a negative influence on both purchase intention and judgment of foreign products (Shimp and Sharma 1987), leading consumers to prefer and buy national goods, not only because such a thing is considered morally right, but also because they are perceived as goods of higher quality, thus showing an inherent dislike for a large part of foreign products.

In marketing, the animosity construct concerning the analysis of purchase behavior for products made in hostile countries or in nations whose political, economic policies, or religious practices are seen as unacceptable, is based on Klein, Ettenson and Morris's seminal study (1998). Hatred due to war or economic disagreement between two countries has a negative impact on consumption. Consider, for instance, antipathy in China towards Japanese products, due to the Nanjing massacre, in 1937, in which the Japanese killed 300,000 Chinese. Furthermore, animosity is characterized by the irrelevance of judgments of foreign product quality. Consumers who are high in animosity, despite perceiving the superior quality of goods made in detested countries, usually still avoid buying them. This characteristic distinguishes the animosity construct from both *country-of-origin effect*, according to which "made-in" influences intention to buy and has an indirect

impact on product judgment (Papadopoulos and Heslop 2003; Peterson and Jolibert 1995; Verlegh and Steenkamp 1999), and *ethnocentrism* (Hinck 2004; Klein and Ettenson 1999; Witkowski 2000), whereby unwillingness to buy any foreign product affects product judgment. Animosity and *ethnocentrism* differ also because the ethnocentric consumer considers the purchase of products made in any foreign country as immoral (Shimp and Sharma 1987), whereas animosity manifests itself in people's refusal to buy goods or services produced by one particular nation, but at the same time they remain disposed to buy products of other countries (Klein, Ettenson and Morris 1998).

From a taxonomic point of view, animosity can be considered a stable construct – if due to ongoing events – or situational – if caused by temporary events; it can also arise from national events – related to a macroscopic perspective – or personal events– related to situations experienced by single individuals (i.e., labor loss caused by other countries) (Ang *et al.* 2004; Jung *et al.* 2002). Animosity originates from war (*war animosity*) – for example the mentioned Nanjing massacre or the situation in Israel – or from economic or diplomatic disagreement (*economic animosity*), deriving from fear of economic domination (Klein, Ettenson and Morris 1998; Riefler and Diamantopoulos 2007).

It is possible to classify animosity studies according to these items (see Table 1). As Table 1 shows, most studies deal with national problems rather than personal ones (Ang *et al.* 2004; Riefler and Diamantopoulos 2007); in addition, animosity caused by war mostly brings about ongoing problems, such as the unsolved issues related to the Second World War (Klein, Ettenson and Morris 1998; Nijssen and Douglas 2004) or to the American War of Independence (Shimp, Dunn and Klein 2004); on the contrary, economic crises are temporary, such as the dispute beginning after German Unification (Hinck 2004; Hinck, Cortes and James 2004). The studies mentioned in the middle of the table examine situations that

cannot be clearly classified; some events can have both economic and political causes, whereas others cannot be classified either as stable events, or as temporary events, since they are related to current situations but, at the same time, have a historical *background* (Klein 2002; Klein Ettenson and Morris 1998; Shin 2001; Witkowski 2000). Furthermore, some temporary events might change, turning into stable ones, or, vice versa, events that have been happening for a long time might turn into temporary situations.

The animosity literature can be divided into three main fields of research (Riefler and Diamantopoulos 2007): the first includes Klein, Ettenson and Morris's original studies (1998) and Klein and Ettenson's (1999), which contributed to establish the animosity construct as a variant of *ethnocentrism* (Shimp and Sharma 1987); the second includes studies which replicated previous research papers, carrying it out in different contexts (Cicic *et al.* 2005a,b; Klein 2002; Nijssen and Douglas 2004; Russell 2004; Shin 2001; Witkowski 2000); the third includes studies conducted in domestic contexts (Cicic *et al.* 2005a,b; Hinck 2004; Hinck, Cortes and James 2004; Shimp, Dunn and Klein 2004; Shoham *et al.* 2006). One of the studies belonging to the third field is that of Shoham *et al.* (2006), which demonstrated a direct link between the tragic events of the Second Intifada and the decreasing sales in Israel of goods produced by Arabs. Whereas the First Intifada (1987-1993) was a grass-root uprising, lacking an actual leader, the Second Intifada (September-October 2000) was characterized by violent demonstrations by Arabs.

Animosity studies consider dogmatism, nationalism, and internationalism as *antecedents* of animosity. *Dogmatism* is a philosophical stream which hypothesizes the pre-eminence of an object over a subject; it can be defined as “the extent to which a person asserts his/her opinion in an unyielding manner”, and therefore as the degree of openness or closeness in people's belief system (Bruner and Hensel 1992, p. 194). A high level

**TABLE 1**  
**Classification of Animosity Studies**

	Stable		Situational	
National	Gouliamos and Theocharous (2008): War Klein (2002): War Klein, Ettenson and Morris (1998): War Nijssen and Douglas (2004): War Shin (2001): War Shimp, Dunn and Klein (2004): Economy		Ang <i>et al.</i> (2004): Economy Bahae and Pisani (2009a,b): Politics Cicic <i>et al.</i> (2005a): War and Economy Cicic <i>et al.</i> (2005b): War Cui, Wajda and Hu (2009): Economy and Politics Edwards, Gut and Mavondo (2007): Diplomacy Ettenson and Klein (2005): Diplomacy Hinck (2004): Economy Hinck, Cortes and James (2004): Economy Klein and Ettenson (1999): Economy Nijssen and Douglas (2004): Economy Russell (2004): Politics Shoham <i>et al.</i> (2006): Armed conflict Witkowsky (2000): Politics	
		Amine (2008): Diplomacy Kalliny and Lemaster (2005): War, Economy and Religion Klein, Ettenson and Morris (1998): Economy Klein (2002): Economy Leong <i>et al.</i> (2008): Economy Shin (2001): Economy Witkowski (2000): Economy		
Personal	Ang <i>et al.</i> (2004): Economy		Ang <i>et al.</i> (2004): Economy	

Source: Adapted from Ang *et al.* (2004), p. 197.

of dogmatism is typical of people who are less tolerant of minorities and more reluctant to change their beliefs and values; on the contrary, a low level of dogmatism corresponds to open-mindedness about new information and ideas different from one's own (Mangis 1995).

*Nationalism* refers to "views that one's country is superior and should be dominant (and thus implies a denigration of other nations)" (Balabanis *et al.* 2001, p. 160); it is precisely the belief that one's nation should gain power in every field of economy and dominate internationally. A high level of nationalism characterizes people who are prone to aggressiveness and self-exaltation, prejudiced towards other nations and ethnic groups (Druckman 1994); in addition, highly nationalistic people show a high degree of *in-group bias*, that is the common need to develop one's community (Tajfel 1978; Verlegh 1999). *Internationalism* refers to a positive attitude

towards other nations and cultures (Balabanis *et al.* 2001; Kosterman and Feshback 1989); it should not be seen as a polar opposite to nationalism, but as a general attitude towards or nations (Kosterman and Feshbach 1989), implying openness in a geographical sense and also open-mindedness about other ethnicities and religions, and about economic and political issues. Therefore, a high level of internationalism is inversely related to animosity, as it reflects "an open-mindedness and acceptance concerning other nations and cultures" (Balabanis *et al.* 2001).

As regards *effects* of animosity, Shoham *et al.* (2006), in the study mentioned above, in contrast to previous research, found that animosity does not affect only intention to buy, but also product judgment, thus showing consequences similar to those of country-of-origin effect (Peterson and Jolibert 1995) and ethnocentrism (Shimp and Sharma 1987). This

result depends on both the temporal nature of animosity and the typology of goods used in the study. Firstly, events which caused Jews to feel animosity towards Arabs – the Second Intifada, in September-October 2000 – are relatively recent; in addition, hostilities and tensions between the two sides are yet to be smoothed out. Consequently, hatred nourished by Jews towards Arabs leads them to denigrate Arab products and services, according to the principle of cognitive dissonance (Festinger 1957). Secondly, products used by Shoham *et al.* (2006) in their study – typical Arab consumer goods, such as bread and other baked goods, olives and olive oil, fruits and vegetables – lead consumers to make a more negative judgment, since those products remind them of the culture and habits of the country towards which animosity is held (Russell and Russell 2006). In contrast, a large part of previous research concerning animosity did not study purchase behavior for specific types of goods (Ang *et al.* 2004; Hinck 2004; Hinck, Cortes and James 2004; Jung *et al.* 2002), and even when it considered specific product categories – cars (Klein 2002; Nijssen and Douglas 2004), televisions (Klein, Ettenson and Morris 1998; Nijssen and Douglas 2004) or computers (Shimp, Dunn and Klein 2004) – they were not related to the culture of the country towards which animosity was felt.

### AIMS AND OBJECTIVES

This research aims to study animosity, resulting from the Second Intifada, towards Arab products among Italians of Jewish origin, examining its antecedents and effects on intention to buy and product judgment, thus replicating the study conducted by Shoham *et al.* (2006) in Israel. Furthermore, we aim to analyze and compare the results obtained by Shoham *et al.* (2006) in Israel with those obtained in the Jewish-Italian community, in order to verify if it is possible to draw analogous conclusions, considering the strong relationship existing between Jewish Italians and Israelis. The present study has four objectives: the first is verifying if animosity is positively related to dogmatism and

nationalism, and inversely related to internationalism, according to the results obtained by Shoham *et al.* (2006). This objective is achieved verifying the following hypothesis:

**H<sub>1</sub>:** *Dogmatism, nationalism and internationalism are antecedents of animosity.*

The second objective is analyzing if animosity negatively affects judgment, intention to buy and behavior change (increase/decrease) in the purchase of Arab products – thus implying a decrease in purchase. This objective is achieved through the verification of the following three hypotheses:

**H<sub>2</sub>:** *The animosity construct negatively affects Arab products judgment.*

**H<sub>3</sub>:** *The animosity construct negatively affects intention to buy Arab products.*

**H<sub>4</sub>:** *The animosity construct negatively affects change in purchase behavior of Arab products.*

The third objective is verifying if a favorable product-quality judgment positively affects intention to buy and the future purchase of Arab products. This objective is achieved testing the following hypotheses:

**H<sub>5</sub>:** *Favorable judgment of Arab products positively affects intention to buy.*

**H<sub>6</sub>:** *Favorable judgment of Arab products positively affects change in purchase behavior.*

The fourth objective adds to those considered by Shoham *et al.* (2006) and involves examining Jewish Italian consumers' *personality*, in order to find out the predominant aspects of their characters and, specifically, to verify if they have utilitarian or hedonistic personality traits (cf. Babin *et al.* 1994). Consumers who are characterized by utilitarian personality are more rational, concerned with results, thus their purchase behavior is influenced by the functional features of goods/services, seen as things required to solve a certain problem. On the

contrary, consumers who are characterized by hedonistic personality are playful and have aesthetic inclinations; to them, shopping is a source of pleasure from which multi-sensorial and emotive benefits result, regardless of actual purchase of goods/services. The construct of multidimensional personality is examined through the *Big Five Model* (cf. Digman 1990). It summarizes the potentially infinite number of adjectives – so-called *markers* – in five main latent dimensions (called *traits*, *factors* or *components*), which properly describe the personality traits. The five traits are as follows: (1) *Agreeableness*, i.e., the propensity for sensitiveness and kindness towards other people; (2) *Openness to Experience*, i.e., the level of tolerance of different cultures and experiences; (3) *Conscientiousness*, i.e., the capacity for self-control, which enables the individual to achieve his/her objectives; (4) *Energy* (or *Extroversion*), i.e., the propensity to form relationships with others; and (5) *Emotional Stability*, i.e., the ability to react to stimuli, controlling one's emotions and impulses. This five-factor structure is further summarized in two meta-traits, called *higher-order factors*, in order to permit much more concise evaluation, following Digman's approach (1997), in psychology, and Guido *et al.* (2007, 2008), in marketing. Italians Jews' personality is examined through the meta-dimensions mentioned above: *Utilitarianism*, which is related to *Conscientiousness* and *Emotional Stability*, and *Hedonism*, which is related to *Openness to Experience*, *Extroversion* and *Agreeableness*. Due to phenomena of acculturation and psychic distance, this objective is achieved through the verification of the following hypothesis:

**H<sub>7</sub>:** *Jewish Italian consumers are characterized predominantly by a utilitarian personality.*

## METHODOLOGY

We drew up a questionnaire, composed of nine parts, following that of Shoham *et al.* (2006). The first section of the questionnaire concerns dogmatism, measured using Bruning *et al.*'s scale (1985) – a six-point Likert scale (ranging

from 1 = “strongly disagree” to 6 = “strongly agree”), including five *items* (such as: “*I try to convince others to accept my political principles*”). The second section concerns nationalism, measured by Kosterman and Feshbach's scale (1989) – a seven-point Likert scale (ranging from 1 = “strongly disagree” to 7 = “strongly agree”), including seven *items* (for example, an item stated: “*The first duty of every young Jew is to honor Israeli national history and heritage*”). The third section of the questionnaire measures internationalism using Kosterman and Feshbach's scale (1989) – a seven-point Likert scale (ranging from 1 = “strongly disagree” to 7 = “strongly agree”), including nine *items* (such as: “*If necessary, we ought to be willing to lower our standard of living to cooperate with other countries in achieving equal standards for every person in the world*”).

The fourth section concerns animosity, measured using Klein, Ettenson and Morris's scale (1998) – a seven-point Likert scale (ranging from 1 = “strongly disagree” to 7 = “strongly agree”), including nine *items*, adapted to the Italian context (for example, an item stated: “*I will never forgive Arabs for what they did during the Intifada*”). The fifth section measures product judgment using Klein, Ettenson and Morris's scale (1998), modified from that of Wood and Darling (1993) – a seven-point Likert scale (ranging from 1 = “strongly disagree” to 7 = “strongly agree”), including six *items* (such as: “*Products made by Arabs are carefully produced and display fine workmanship*”). Several attributes were considered, such as workmanship, quality, technology, *design*, reliability and convenience (Darling and Arnold 1988; Darling and Wood 1990; Wood and Darling 1993); a comparison between Israeli and Arab products was included as well, as Shoham *et al.* (2006) did in their questionnaire (for example, one of the items stated: “*Products made by Arabs are generally of lower quality than Israeli products or from imports*”). The sixth section concerns intention to buy, measured by Klein, Ettenson and Morris's scale (1998), modified from that of Wood and Darling (1993) – a seven-point

Likert scale (ranging from 1 = “definitely disagree” to 7 = “definitely agree”), including six *items* (such as: “*If two products were equal in quality, but one was Arab and one was not, I would pay 10% more for the Arab product*”).

The seventh section of the questionnaire concerns change in purchase behavior for Arab products over the last few years, as a result of the repeated terrorist attacks in Israel by Arabs. A five-point Likert scale was used (ranging from 1 = “large decrease” to 5 = “large increase”) to measure purchase change. In this study, for a best adaptation to the Italian context, two product categories were added to the six original ones considered by Shoham *et al.* (2006) (*pitas*, Arab bread and other baked goods, Arab olives and olive oil, Arab garage services, Arab restaurants, Arab tourism services, Arab fruits and vegetables). Products from the two categories of consumer goods we considered carry a clear Arab brand and therefore can be easily recognized as Arab produced (Arab products sold in supermarkets and books or movies dealing with Arab culture). The eighth section of the questionnaire includes a list of 25 adjectives – measured by a seven-point categorical scale – which describe the five personality traits, according to the *Big Five Model* (Caprara *et al.* 2001). The ninth section collects socio-demographic data.

The questionnaire was distributed in some Jewish meeting places in Rome (schools, rest houses, synagogues) and administered to a convenience sample of 241 Jewish-Italian consumers (43.6 percent M; 56.4 percent F), selected on the basis of a screening question – the so-called “Jews of the diaspora”, i.e., those who follow the Jewish religion, but do not reside in Israel. “Diaspora” generally refers to people who move from their country of origin to another, still maintaining a relation with it (Vertovec and Cohen 1999); however, in this case, most of the people of Jewish origin did not move from Israel to Italy, yet they maintain a relation with it because of a strong sense of belonging. An average Jew of the Diaspora sees Israel as a “return to one’s origins” or feels a “sense of home” (Cohen 2003).

## RESULTS

First of all, the reliability of the scales was tested, by calculating the Cronbach Alpha index (see Table 2). Findings show that, as the index is above .60, respondents indicate consistent attitudes towards each *item* related to the considered constructs; furthermore, scales prove to be valid and measure the constructs they refer to.

The descriptive statistics of the considered constructs were examined, i.e., mean and standard deviation, obtained through an additional procedure (see Table 3).

The correlation between the considered constructs appears in Table 4. The significant correlation coefficients ( $p < .05$ ) show that animosity is positively related to dogmatism and nationalism, and inversely related to internationalism; moreover, animosity is inversely related to both Jewish-Italians’ quality judgment of Arab products and change in purchase behavior of these products (increase/decrease). Finally, intention to buy Arab products is positively related to quality judgment of Arab products and to change in purchase behavior.

Hypotheses were tested through a series of linear regressions between the considered variables, thus determining the existence and the nature of the relationships between them. As regards  $H_1$ , which hypothesizes that the independent variables of dogmatism, nationalism and internationalism are valid predictors of animosity, the findings show a positive relation between the variables ( $R = .458$ ;  $R^2 = .210$ ; Adjusted  $R^2 = .20$ ), and from ANOVA results ( $F = 21.008$ ; Sig.  $< .01$ ). We infer that the null hypothesis can be rejected. Considering the effects of the single variables of the examined model, the level of significance and the related regression coefficients suggest that nationalism is the variable affecting most animosity – as nationalism is positively related to it – followed by internationalism – which is inversely related to animosity – whereas results

**TABLE 2**  
Cronbach Alpha of the Considered Constructs

	Cronbach Alpha	Cronbach Alpha based on standardized items	N. of items
Dogmatism	.822	.821	5
Nationalism	.700	.708	7
Internationalism	.725	.726	9
Animosity	.875	.877	9
Product judgment	.743	.746	6
Intention to buy	.754	.754	6
Purchase change	.880	.881	8

**TABLE 3**  
Descriptive Statistics of the Considered Constructs

	Mean	Standard deviation	N.
Dogmatism	3.790	1.221	241
Nationalism	3.698	.754	241
Internationalism	4.253	1.019	241
Animosity	4.880	1.257	241
Product judgment	3.246	1.032	241
Intention to buy	3.605	1.290	241
Purchase change	2.973	.918	241

**TABLE 4**  
Correlation Between the Considered Constructs

	Dogmat.	Nation.	Internat.	Animos.	Product judg.	Intent. to buy	Purchase change
Dogmatism	1						
Nationalism	.375(**)	1					
Internationalism	-.220(**)	-.225(**)	1				
Animosity	.241(**)	.415(**)	-.272(**)	1			
Product judgment	-.144(*)	-.239(**)	.260(**)	-.354(**)	1		
Intention to buy	-.198(**)	-.370(**)	.284(**)	-.546(**)	.546(**)	1	
Purchase change	-.026	-.244(**)	.172(**)	-.151(*)	.587(**)	.459(**)	1

Note: \* All correlation coefficients are one-way significant ( $p < .05$ ) (2-tailed). \*\* Correlation is significant for  $p < .01$  (2-tailed).

concerning dogmatism are not statistically significant (see Table 5). These findings are quite congruent: a high level of nationalism, on the one hand, and a low level of internationalism, on the other hand, positively affect animosity level. There is no clear pattern as regards dogmatism for Jewish-Italians consumers. Therefore, hypothesis H1, applied to the Italian context, can be accepted only partly.

Data analysis validates hypothesis H<sub>2</sub>, regarding the existence of a negative connection between animosity and quality judgment of Arab products; findings show that, though the linear model used does not fit data properly ( $R = .354$ ;  $R^2 = .125$ ; Adjusted  $R^2 = .122$ ), animosity statistically causes negative product judgments (see Table 6). This result, congruent with that obtained by Shoham *et al.* (2006), suggests that Jewish-Italians, if not asked to inspect Arab goods/services carefully, tend to make negative judgments of them.

As regards hypothesis H<sub>3</sub>, the findings show, as a consequence of the results obtained in the preceding analysis, the link between animosity and intention to buy (see Table 7). Consumers with a high level of animosity are less willing to buy Arab products. H<sub>3</sub> is therefore substantiated.

As for hypothesis H<sub>4</sub>, the results obtained validate it, as they show that animosity brings about a statistically significant reduction in the purchase of Arab products (Table 8).

Turning to hypothesis H<sub>5</sub>, regarding the existence of a positive relation between quality judgment of Arab products and intention to buy (see Table 9), the findings show that there is a link between the two variables, as positive product judgment has a positive influence on intention to buy, regardless of animosity levels. Therefore, data analysis validates hypothesis H<sub>5</sub> and also confirms conclusions concerning hypothesis H<sub>1</sub>, suggesting that Jewish-Italian consumers are not dogmatic and are willing to purchase Arab products if they perceive them to be of high quality.

As for hypothesis H<sub>6</sub>, regarding product judgment and change in purchase behavior (see Table 10), the findings show that positive judgment of Arab products generally brings about an increase in the purchase of these products.

In order to test hypothesis H<sub>7</sub>, concerning the personalities of Jewish-Italian consumers, we conducted a preliminary analysis, to test the existence of a multidimensional structure, congruent with that provided by the Big Five Model (cf. Caprara *et al.* 2001). The factor analysis, conducted using the principal component method, *Varimax* rotation and considering the extraction of five factors, shows a structure similar to that provided by the proposed theoretic model; it explains over 55 percent of the total variance (see Table 11). The factor coefficients obtained are above 0.35, in absolute value, except for the adjectives “Happy”, related to “*Agreeableness*”, “Efficient”, related to “*Conscientiousness*”, “Acute”, related to “*Openness to Experience*”, and “Well-balanced”, related to “*Emotional Stability*”. Nevertheless, these adjectives were included all the same: the indexes of internal congruence of the various sub-scales (*Cronbach Alpha*) obtained are above 0.65 and therefore the mentioned adjectives are congruent with the other adjectives describing each trait.

Jewish-Italians’ five personality traits were obtained using an additive procedure, specifically, by calculating the mean related to the five adjectives describing each trait. Afterwards, the five personality traits were added, calculating the mean values, in order to obtain two meta-dimensions, namely *Utilitarianism* and *Hedonism*. The procedure followed by Guido, Capestro and Peluso (2008) was used, with the difference that *Agreeableness*, *Conscientiousness* and *Emotional Stability* were combined into *Utilitarianism*, whereas *Openness* and *Extroversion* were aggregated, merging into *Hedonism*. This result is more congruent with the *Factors  $\alpha$*  and  *$\beta$*  described by Digman (1997) and more suitable for the context of our

**TABLE 5**  
**Effects of Dogmatism, Nationalism and Internationalism on Animosity**

<i>Factors</i>	<i>B</i>	<i>Beta</i>	<i>t</i>	<i>Sig.</i>
Dogmatism	.073	.071	1.131	.259
Nationalism	.580	.348	5.518	.000
Internationalism	-.220	-.178	-2.975	.003

**TABLE 6**  
**Regression Between Product Judgment and Animosity**

<i>Factors</i>	<i>B</i>	<i>Beta</i>	<i>t</i>	<i>Sig.</i>
Animosity	-.291	-.354	-5.850	.000

Notes: Dependent Variable: Product judgment;  $R = .350$ ;  $R^2 = .123$ ; Adjusted  $R^2 = .188$ .

**TABLE 7**  
**Regression Between Animosity and Intention to Buy**

<i>Factors</i>	<i>B</i>	<i>Beta</i>	<i>t</i>	<i>Sig.</i>
Animosity	-.561	-.546	-10.078	.000

Notes: Dependent Variable: Intention to Buy;  $R = .546$ ;  $R^2 = .298$ ; Adjusted  $R^2 = .295$ .

**TABLE 8**  
**Regression of Change in Purchase Behavior on Animosity**

<i>Factors</i>	<i>B</i>	<i>Beta</i>	<i>t</i>	<i>Sig.</i>
Animosity	-.111	-.151	-2.365	.019

Notes: Dependent Variable: Change in Purchase Behavior of Arab Products;  $R = .151$ ;  $R^2 = .023$ .

**TABLE 9**  
**Regression of Intention to Buy on Product Judgment**

<i>Factors</i>	<i>B</i>	<i>Beta</i>	<i>t</i>	<i>Sig.</i>
Product judgment	.683	.546	10.072	.000

**TABLE 10**  
**Regression of Change in Purchase Behavior on Product Judgment**

<i>Factors</i>	<i>B</i>	<i>Beta</i>	<i>t</i>	<i>Sig.</i>
Product judgment	.522	.587	11.211	.000

Notes: Dependent Variable: Change in Purchase Behavior of Arab Product;  $R = .587$ ;  $R^2 = .345$ ; Adjusted  $R^2 = .342$ .

study and represent social desirability – which concerns the individual’s response to socially acceptable matters concerning oneself or other people – and personal growth, that is openness to new experiences and use of one’s intellectual capacity.

Finally, in order to find out the predominant meta-dimension, the differences were analyzed, comparing the mean of the two sub-dimensions through a *paired-sample t-test*. The findings validate Hypothesis H<sub>7</sub>, demonstrating that Jewish-Italians are characterized predominantly by a *utilitarian personality* ( $t(241) = -6$ ,  $p < .000$ ) (see Table 12).

## DISCUSSION

Various results were obtained in the data analysis described in the preceding section. As regards hypothesis H<sub>1</sub>, which considers antecedents of animosity, the findings show that members of the Jewish community in Italy, characterized by high level of nationalism, tend to bear animosity, whereas those characterized by high level of internationalism are less inclined to animosity. Moreover, unlike the study conducted by Shoham *et al.* (2006), this research demonstrates that Italians of Jewish origin are not particularly dogmatic; this may

well be due to actual geographical distance from the conflict, whereas Jewish Israelis directly experiencing hostilities adopt more intransigent and inflexible attitudes towards Israeli Arabs than “Jews of the diaspora”.

Hypothesis H<sub>2</sub> is substantiated, as findings showed that animosity generally affects quality judgment of Arab products negatively. This result is congruent with that obtained by Shoham *et al.* (2006), showing that the animosity construct possesses features similar to *country-of-origin effect* and *ethnocentrism*. Furthermore, it is also congruent with analogous results achieved in contexts similar to the one considered in the present study – that is contexts characterized by situational animosity (Leong *et al.* 2008). Further research on animosity demonstrated that it causes resistance to goods/services related to the culture of the country towards which anger and hate are felt (Bahae and Pisani 2009; Russell and Russell 2006). The present study, like other surveys, clearly shows that animosity influences intention to buy. As a matter of fact, consumers who are high in animosity tend to avoid buying Arab-made goods, whereas other purchases remain unchanged, as hypothesis H<sub>3</sub> predicts. According to hypothesis H<sub>4</sub>, animosity also has an impact on the variable representing

**TABLE 11**  
**Descriptive Statistics and Factor Loading of the Adjectives**  
**Describing the Five Traits of Personality of Jewish-Italians.**

<i>Factors and adjectives</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>Factor loading</i>
<i>Factor 1: Extroversion (a = .715)</i>			
Dynamic	5.107	1.523	.721
Energetic	5.215	1.464	.704
Determined	5.439	1.371	.670
Competitive	4.937	1.428	.562
Happy	5.203	1.389	.111
<i>Factor 2: Agreeableness (a = .730)</i>			
Honest	5.929	1.147	.720
Genuine	5.609	1.359	.715
Generous	5.539	1.300	.575
Sincere	5.946	1.176	.556
Friendly	5.468	1.396	.534
<i>Factor 3: Openness to Experience (a = .755)</i>			
Original	4.871	1.520	.835
Modern	5.178	1.407	.758
Innovative	4.726	1.549	.688
Creative	4.813	1.654	.649
Acute	4.721	1.461	.049
<i>Factor 4: Conscientiousness (a = .678)</i>			
Careful	5.145	1.538	.641
Responsible	5.800	1.301	.636
Constant	4.709	1.518	.352
Reliable	5.705	1.294	.106
Efficient	5.348	1.236	.268
<i>Factor 5: Emotional Stability (a = .717)</i>			
Calm	5.095	1.456	.675
Confident	4.970	1.547	.650
Optimistic	5.037	1.610	.621
Solid	5.282	1.424	.379
Well-balanced	4.929	1.482	.299

Notes: N = 241. Extraction method: Principal component analysis. Rotation: Varimax. Total variance explained: 55%.

**TABLE 12**  
**Personality of Jewish-Italians**

<i>Factors</i>	<i>Mean</i>	<i>Standard Deviation</i>	<i>t-value</i>	<i>p-value</i>
Utilitarian personality	5.367	.772	-6	.000
Hedonistic personality	5.021	.917		

Note: N = 241.

purchase behavior of Arab products. This study proved that, as a result of the repeated attacks on Israel by Arabs, the average Jewish-Italian consumer with a high level of animosity tends to desist in the purchase of products made by Arabs or related to that culture, thus reducing consumption.

Data analysis also draws another interesting conclusion: a positive judgment of Arab products affects intention to buy them, as hypothesis H<sub>5</sub> predicts. Specifically, judgment deriving from animosity leads Jewish-Italian consumers to hold that they will not buy Arab products. Nevertheless, if consumers perceive a high product-quality, they say that they would buy that product all the same. The impact of product judgment on purchase behavior not only affects intention to buy, but also future change in purchase behavior (hypothesis H<sub>6</sub>). As a matter of fact, consumers who make a positive product judgment, besides maintaining their consumption habits, also tend to increase their purchases. In other words, the average Jewish-Italian consumer, despite bearing high animosity due to hatred for Arabs, does not change his/her predicted behavior if his/her product-quality assessment is high, therefore he/she tends towards purchase loyalty. As hypothesis H<sub>7</sub> predicts, this consumption behavior is typical of a utilitarian *personality*, which determines purchase behavior aimed at benefits of efficiency and functionality. In conclusion, Jewish-Italian consumers' purchase choices are not influenced only by animosity towards Arab products, but also by a criterion of economic convenience, deriving from assessment and appreciation of goods and services. This result is similar to that obtained in recent studies, which have demonstrated that some elements of personality and, in particular, socio-demographic characteristics can subdue animosity (Nakos and Hajidimitriou 2007).

#### THEORETICAL AND MANAGERIAL IMPLICATIONS

As regards theoretical implications, the present study shows the similarity between *country-of-origin effect* and *ethnocentrism*, on the one

hand, and situational animosity (resulting from temporary events, such as the Second Intifada in Israel in 2000) on the other. Findings confirm, like other studies in recent times, that animosity among Jewish-Italians has a negative impact not only on intention to buy, but also on product judgment (Leong *et al.* 2008). Interestingly, this study also suggests that antecedents and effects of animosity should be examined in further research, considering both regional contexts (Klein, Ettenson and Morris 1998; Shimp, Dunn and Klein 2004) and individuals' personality and socio-demographic characteristics (Nakos and Hajidimitriou 2007). Like other studies on residents and immigrants (Mathur *et al.* 2008), this study provides evidence that there exist some differences between Jewish-Italians and Israelis due to the fact that the respondents to the questionnaire, despite belonging to a Jewish community, reside in Italy and therefore might be influenced by the local culture, as well as by the effects of globalization and socialization of consumer behavior.

In today's global economy, characterized by frequent conflicts, findings on animosity are also managerially significant. They can be useful to international marketing managers, who should carefully examine the implications of wars, of terrorist attacks or cultural disagreement on consumption, in order to avoid high risk investments. Specifically, a firm's entry strategy into a foreign market and the consequent marketing operations should take account of investigations designed to measure animosity among individuals, its antecedents and effects on intention to buy and product judgment, and to analyze individuals' personality traits (Ettenson and Klein 2005; Klein, Ettenson and Morris 1998; Nakos and Hajidimitriou 2007; Shoham *et al.* 2006).

Animosity, which has been found to have a stronger impact on *business-to-consumers* relationships than on *business-to-business* ones (Edwards, Gut and Mavondo 2007), can determine entry strategies into foreign markets. Several conflicts originating from historical, religious, and cultural issues have had a

significant role in economic matters. After Klein, Ettenson and Morris's studies (1998) on animosity in China, and Nijssen and Douglas's (2004) on animosity in the Netherlands, a large number of studies on entry strategies have examined cultural features and the distance between country-of-origin and target market (Hennart and Larimo 1998; Kalliny and Lemaster 2005). For instance, Kalliny and Lemaster (2005) showed that animosity affects the risk perception of investments in a foreign country; this, in turn, determines the amount of money a firm intends to invest, and consequently the entry strategy adopted. A high level of animosity is therefore linked to a high risk perception. Firms that decide to invest in a country in which high animosity is expected, prefer not to invest a great amount of financial resources and avoid exports; thus, no local relations are established, which could however be helpful in removing negative effects of animosity. Planning *joint-venture* investment or *licensing* trade activities depend on the degree of trust a firm has in its trading partners (Kalliny and Lemaster 2005). In any case, the greater the difference between two markets there is, the more preferable a *joint venture* entry is, rather than planning *greenfield* investments, which imply the actual location of new trade activities in the target country. It becomes clear that it is absolutely essential to design appropriate entry strategies, depending on the various types of risks. For instance, a firm that decides to target a market segment bearing animosity can opt for strategic alliances which contribute to reduce the risk level and obtain a competitive advantage. Some nations, such as the United States, tried to solve the problem of trade exchange with Arab countries by forming a series of alliances, preferring Middle Eastern brands and avoiding "made in USA" labeled products, thus averting retorts due to animosity. In addition, alliances are advantageous, as they reduce risks deriving from possible wars and allow firms more flexibility.

A high level of animosity has relevance to marketing operations and mainly to communication strategies planned by firms

targeting such markets. Firstly, the major role played by animosity in influencing purchase intention and product judgment should lead managers to produce, when necessary, so-called "hybrid" goods, i.e., products carrying the brand of a country, which is not however the country where they were made. Secondly, they should separate the image of the product from the culture of its country of origin – making it more standardized, and therefore international – and emphasize attributes that are unrelated to the country where the product is made (Klein, Ettenson and Morris 1998). Moreover, companies already operating in a specific market can deal with the problem of animosity, for example through communications or public relations, designed to soothe hostility or improve the perception of the nation – a strategy that mostly proves effective in situations of situational animosity (Klein, Ettenson and Morris 1998).

An accurate analysis on animosity should necessarily include the examination of its antecedents and effects as well. Unlike Israeli Jews, consumers belonging to the Jewish-Italian community show openness to new experiences and others' views, as they are influenced by the culture of the country where they reside – in other words, their personalities are characterized by *cross-cultural* heterogeneities and differences. According to Hofstede's classical model (1984), the level of *Individualism* (i.e., preference for the individual rather than for the community) among Israelis is lower than individualism among Italians: 48 percent in Israel versus 70 percent in Italy (for up-to-date statistics, see [www.geert-hofstede.com](http://www.geert-hofstede.com)). This also explains the low degree of dogmatism among Italians; that is the reason why in Italy internationalism is inversely related to animosity, but to a smaller extent than it is in Israel, as was found in the previous study. There also exist great disparities between the two countries, much greater for Italy, concerning two other dimensions: the *power distance* index – measuring the extent to which individuals accept and deal with a level of disparity – and the *masculinity* index – i.e., the level of aggressiveness between men and

women. Thus, those who reside in Italy are more disposed to accept an unequal distribution of power (and therefore tend to be less dogmatic), but harbor repressed anger (hence a higher degree of aggressiveness towards injustices).

International companies and executives should not consider only the implications of animosity, but also cultural differences, different types of personality and the other variables which might have an influence on purchase behavior. This study shows that high-animosity consumers' intention to buy is influenced by product judgment, as a consequence of Jewish-Italians' *utilitarian* personality. The positive relation existing between product judgment and intention to buy underlines the necessity of using traditional marketing methods, aimed at emphasizing technical and qualitative attributes of goods/services, and communication strategies, which should not focus so much on the country of origin of products, but on design, workmanship, and a superior quality. When targeted, consumers are found to adopt a *utilitarian* purchase behavior. Marketing high-quality and high-performance goods, provided with certificates attesting to their excellence, and showing a satisfactory quality-price ratio, can consequently prove successful.

Companies should be aware of the effects of animosity on consumers' purchase behavior, in order to predict possible risks, and to design entry strategies and advertising campaigns suitable for their target international markets. A wise and sensible plan of action, that implies all these devices and takes account of the context, can contribute to reduce possible investment *sunk costs*.

### CONCLUSIONS

The present study, based on Animosity theory (Klein, Ettenson and Morris 1998), replicating that of Shoham *et al.* (2006) in the Italian context, partly confirms the conclusions of the previous study and reveals new outcomes and differences. It demonstrates that Italians of Jewish origin, though they reveal a certain animosity towards Arabs, are willing to buy

Arab-made goods/services, if positively evaluated, as they are characterized by a *utilitarian* personality.

It would be interesting, in the future, to replicate this research, which is the first to be conducted in Italy using a Jewish sample, in order to make temporal comparisons. Further research could also replicate this study in Jewish communities in other countries and examine the economic damages deriving from the continuation of the Arab Israeli conflict. Today's numerous global controversies and fierce antagonisms between market segments determine a wide applicability of these findings to managerial operations; this study draws companies' attention to the necessity, when marketing to high-animosity individuals, of planning entry and communication strategies that avoid emphasizing the origin of a product or service. When necessary, companies should separate the image of the goods/service from the culture of its country of origin – making it more standardized – and emphasize characteristics that are unrelated to the country where the product is made.

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## HOW FAR DOES THE APPLE FALL FROM THE TREE? ADVERTISING PREFERENCES IN SPAIN AND MEXICO

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*This research examines which cultural values are important in Spain and Mexico and then relates those findings to the degree of customization required in those markets to yield positive attitudes toward the advertisement. Respondents (N=356) viewed print ads using an experimental design, with results showing total customization of the language and visual portion of the ad was preferred for all four products, but it was most important for ads with emotional appeals. The driver of significant differences in ads which were product-attribute driven was the language (dialect) used. Thus, standardization would not be feasible even in these similar markets.*

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### INTRODUCTION

In the relative nascent paradigm of globalization, companies are moving into developing and diverse markets to improve growth and survival prospects in this competitive landscape (Townsend, Yenyurt and Talay 2009). Firms from industrialized nations are increasingly seeking opportunities in emerging markets, where they have never ventured before and where cultural differences tend to be significant. One thing that has become apparent is that in the international environment, it is a necessity that culture be well understood in order to achieve success in global marketing strategies (VanHeerden and Barter 2008). In fact, culture needs to be a major determinant in the establishment of global marketing promotions.

Although culture is widely recognized as the single most important constraint to standardization of marketing campaigns, the standardization/localization debate hasn't changed or been resolved in almost five decades; it has just changed names (Cateora and Graham 2007). Standardization vs. adaptation changed to globalization vs. localization, which evolved into global integration vs. local responsiveness, to name a few. Advocates of standardization contend that

due to the internet, increased travel and growing sophistication of consumers that global consumers are emerging and that marketing efforts should be standardized across markets. This was the position taken by Elinder (1961) in relation to the European market and later Levitt (1983) in relation to the world. Opponents such as Buzzell (1968) believe that language and cultural differences are of paramount importance, necessitating that firms tailor their marketing efforts to each and every market they enter. Over time firms have learned that it generally does not maximize profits to operate at either of these extremes on the standardization/customization continuum, so the question always becomes how many changes does a firm have to make to render its advertisements and marketing campaigns effective? Because the answer is always different according to the firm and its products/services, the home country and the intended export market and their consumers, the debate and the resulting scholarly articles continue with no end in sight. This debate maintains its significance because culture has been shown to influence all aspects of consumer behavior, including life insurance consumption (Chui and Kwok 2008), customer satisfaction (Ueltschy, et al. 2008), technology adoption (Calentone, Griffith and Yalcinkaya 2006) and lifestyles (Sun, Horn and Merritt 2004), so it is reasonable to believe culture will impact advertising preferences, which will be the focus of this study.

Thus, the objectives of this study are (1) to question whether countries which are perceived as being culturally similar still differ significantly on the cultural values they deem as important, and (2) if these differences influence the degree of customization necessary by a firm to render their advertisements effective. To achieve the objectives of this research, respondents from Spain and Mexico serve as comparative study groups, with the Spanish language and a common heritage serving as uniting influences. However, different paths taken by these two nations in recent history may potentially yield cultural differences.

### SPAIN-MEXICO RELATIONSHIP

The blood of the Spanish conquistadors runs through the veins of the Mexican people, but it has been mixed with that of the indigenous Indians to give Mexico its own unique flavor. Since gaining its independence from Spain in 1813, Mexico has enjoyed a friendly relationship with Spain, which in recent times has grown into an important trade relationship.

The year 2010 has seen Mexico increasingly affected by the economic woes of its northern neighbor and NAFTA partner, the United States. The severe recession in the U. S. has led to a drop in external demand for Mexico, a decrease in revenues from exports, tourism and remittances from Mexican relatives living in the U. S. Additionally, Mexico sells practically all of its oil and natural gas to the U. S. ([www.wharton.universa.net](http://www.wharton.universa.net)). The global economic downturn has resulted in a weaker peso, a tighter credit market, lower consumer demand and decreased private investment (*Country Commercial Guide: Mexico* 2009). To offset these woes, plus the problems brought on by the swine flu and the violence of the drug cartels, Mexico is increasingly looking to the European Union (EU), and Spain in particular, to lower its economic dependence on the U. S. Trade between Mexico and the EU totaled \$59 billion in 2008, some 18 percent higher than in 2007 and 222 percent higher than in 1999, the year before the Mexico-EU Free Trade

Agreement (MEUFTA) went into effect. Trade between the EU and Mexico is expected to reach \$80 billion by 2014 (Prim 2009). In 2009, the EU continued to be the second largest destination for Mexican exports and the EU was the second largest source of imports in Mexico, after the U. S. Mexico has also received \$84 billion in Foreign Direct Investment (FDI) from the EU from 1994-2008, with Spain being the largest investor from the EU, accounting for a whopping 47 percent of the total. MEUFTA has also promoted a dramatic increase in Mexico's FDI in the EU (*Trade Links* 2009).

Although Spain has been one of the fastest growing countries in the EU for the last 15 years, the current global recession has hit them also, with GDP growth for 2009 recorded as a negative 1 percent. Spain is the second largest recipient of tourists in the world, but that figure was down for 2009 (*Country Commercial Guide: Spain* 2009).

So, for Spain, focusing on export growth to Latin America, specifically to Mexico, could help its economic woes also. Although industrial production continues to play an important role in the Spanish economy, the service sector continues to expand and currently accounts for 67 percent of economic activity. An indication of this is that Mexico's largest bank is a Spanish bank. Although in recent years Mexico has been an extremely important trade partner for Spain in Latin America, foreign direct investment has been acquiring growing prominence, giving a new dimension to the bilateral relationship. From 1993 to 2004, Latin America received 34.5 percent of Spanish FDI, making it the main area of interest after the EU. Mexico stands above the other Latin American countries, representing 34.6 percent of the regional total of Spanish exports (Santos and Pérez 2009).

Thus, Spain and Mexico hold much allure and potential for each other. With the same language and both classified as high-context cultures (Hall 1977), where relationships and trust come first and completing a conversation

is more important than rushing off to a class or business meeting, marketers from both countries must wonder how much customization is really necessary to make their advertising effective in the other’s market. This research will study that question.

**CULTURE AND CONSUMER BEHAVIOR**

Culture can be thought of as “those beliefs and values that are widely shared in a specific society at a particular point in time (Ralston et al. 2008). In recognition that culture is a multi-layered construct (Tung 2008), the level of analysis in this study will be national culture. At the aggregate or national level, it is “the collective programming of the mind” (Hofstede 2001) that distinguishes the members of one country from another. “More than any other factor, culture is the prime determinant of consumers’ attitudes, behaviors and lifestyles” (Cleveland and Laroche 2007, p. 251). Cultural values can be thought of as the basic motivators in life and the prescriptions for behavior (Rokeach 1973) with culture determining how people perceive and interpret phenomena (McCracken 1986). How an advertisement is perceived is critical in determining the consumer’s reaction to it and how effective the advertisement ultimately is. Because culture is the lens through which our perceptions are filtered, it can be viewed as extremely important in terms of advertising.

To answer the question of whether the ties between Spain and Mexico are strong enough to allow for standardization, one must examine both the countries’ common roots and unique characteristics. A powerful unifying factor would seem to be that Spain and Mexico share a common language, albeit different dialects. As Hall (1959, 217) puts it: “culture is communication and communication is culture.” Language does not merely relay our thoughts but rather influences and shapes them. The cultural paradigms most used to investigate consumer behavior are Hall (1977) and Hofstede (1980, 2001). Hall classifies Spain and Mexico as high-context cultures where relationships and trust come before business

and groups and group harmony come before welfare of the individual. Status is also important in high-context cultures. Thus, Hall would not expect to find cultural differences between Spain and Mexico. Hofstede (1980, 2001) rates countries on four cultural dimensions: power distance, masculinity, uncertainty avoidance and individualism (see Table 1). Although Spain and Mexico are very similar on the dimension of uncertainty avoidance, with both countries preferring the status quo, significant differences can be seen on the other three dimensions. It should be noted that Hofstede (2001) added a fifth dimension, long-term orientation, mainly in deference to the Asian countries, but neither Spain nor Mexico was rated on that dimension. Hence, according to the paradigm by Hofstede, Spain and Mexico would be expected to exhibit cultural differences.

**TABLE 1**  
**Hofstede’s Cultural Dimensions**

	<b>Spain</b>	<b>Mexico</b>
<b>Power Distance</b>	57	81
<b>Individualism</b>	51	30
<b>Masculinity</b>	42	69
<b>Uncertainty Avoidance</b>	86	82

Rather than simply accept that Spain and Mexico are culturally similar in that they are both high-context countries (Hall 1977) or say that they are culturally different based on their differences on three out of four Hofstede (1980) cultural dimensions, this study will actually survey the respondents using the 36 values in the Rokeach Value Survey (RVS) (Rokeach 1974) to examine which values are important in each country.

**CULTURE’S INFLUENCE  
ON ADVERTISING**

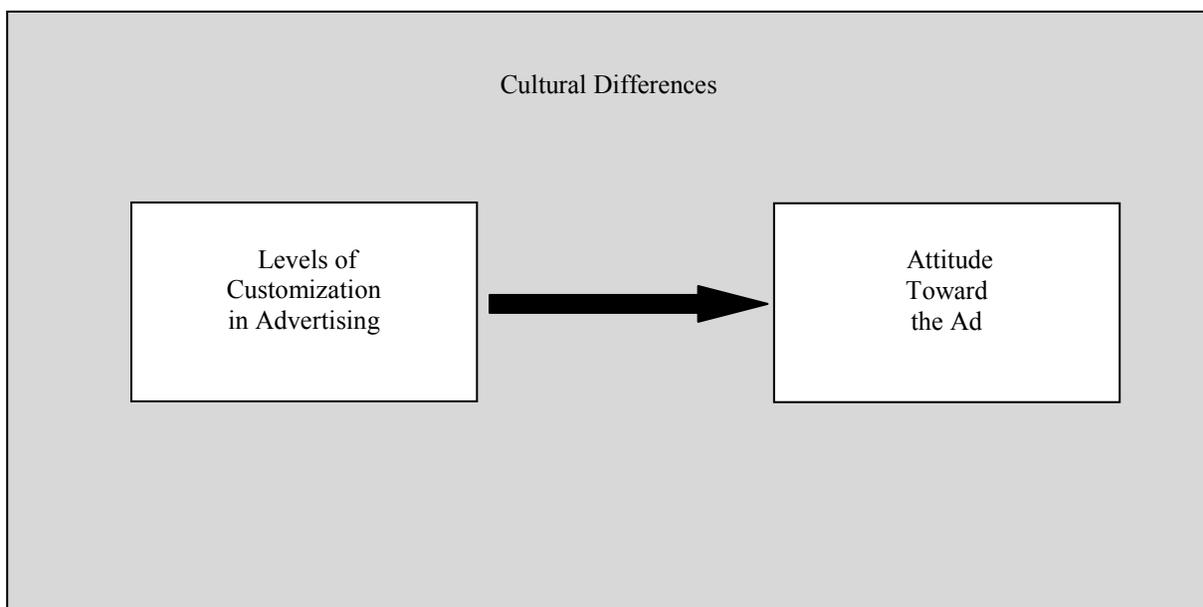
As discussed above, culture affects all aspects of consumer behavior. The influence of culture

is extremely important in transferring advertising strategy across borders, because communication patterns are very closely linked to culture norms in each market (Moon and Chan 2005). How phenomena are perceived is based on the background the viewer brings to the situation. Culture colors or shades the “reality” of a situation, along with the life experiences that a viewer brings. The content of advertisements can activate shared cultural values (Nelson, et al. 2006). For these reasons, the impact of culture has been found to be much stronger in the case of advertisements which have emotional appeals, where the viewer must identify with the people in the ad and the cultural values embedded in the ad for the advertising appeal to be effective.

Culture has been shown to influence advertising in countries where the cultures are very different, such as the United States and Israel (Hornik 1980), and also in countries where cultures are viewed as being very similar, such as China, Japan and Korea, which all have their roots in Confucianism (Ueltschy, et al. 2009). For example, Lass and Hart (2004) found

significant differences in acceptance of sexual imagery in advertising with the Italians, a high-context culture, being more accepting than those in the UK and Germany, low-context cultures. Choi and Miracle (2004) found that national culture has a significant main effect on how comparative advertising is accepted. Respondents in Korea, a high-context and highly collectivistic culture, did not accept comparative advertising as readily as those in the U. S., a low-context and individualistic country. Caillat and Mueller (1996) found differences in advertising preferences in two similar cultures, the U. K. and the United States. These are countries viewed as being so similar that Katz and Lee (1992) said “one might claim that if standardized advertising is to succeed anywhere, it must be in those two places.” Another study by Nelson et al. (2006) focused on four similar individualistic countries: U. S., Canada, Norway and Denmark and found significant differences in advertising based on differences in masculinity/femininity. Thus, the two countries chosen for this study, Spain and Mexico, can be expected to have significant differences in advertising preferences even though they share a language and are both high-context cultures.

**FIGURE 1**  
**Framework of Research**



## RESEARCH QUESTIONS AND HYPOTHESES

The research questions to be answered are: (1) Do Spain and Mexico differ significantly in the cultural values they deem important? and (2) How do these cultural similarities or differences affect the degree of customization necessary to make advertisements effective? Is changing the language (dialect) enough or does the visual portion and advertising appeal need to be tailored to the target market? (see Figure 1)

Thus, the first hypothesis to be tested is:

**H<sub>1</sub>:** There will be significant cultural differences between Spain and Mexico.

Spain and Mexico are hypothesized to differ significantly for the following reasons. The Spanish conquistadors and the Spanish Catholic church have played an important role in the cultural evolution of Mexico, but the significant influence of the indigenous Indian cultures can be seen in every aspect of Mexican culture, including certain words used in the Mexican dialect of “el castellano,” the Spanish language. Spain, on the other hand, has received cultural influences from the Arabs, the Romans, the Greeks and the Mediterranean cultures. Additionally, as was discussed previously, Spain and Mexico differ significantly on three of the four dimensions of the Hofstede cultural paradigm.

Given an understanding of these cultural differences or similarities, it will then be feasible to assess the impact of various levels of customization in advertising in these two markets. Culture has consistently been mentioned as one of the key constraints to standardizing marketing efforts globally (Terpstra, Sarathy and Russow 2006), which leads to the second hypothesis:

**H<sub>2</sub>:** If significant cultural differences exist between Spain and Mexico, there will be significant differences in attitude toward the ad based on the level of customization utilized.

The conceptual framework is best described by the model presented in Figure 1. As firms venture abroad, it is this situation, where cultural distance exists between the home and target market, that is of primary interest and concern. Hutzchenreuter and Voll (2008) found that added cultural distance taken on by international expansion negatively impacts a firm’s profitability unless the necessary time and care is taken initially to ensure success in the new market.

## METHODOLOGY

### Experimental Design

To address the research objectives, respondents were asked to view four print advertisements exhibiting different degrees of customization (see Table 2). The experimental design included two experimental variables, the language used in the ad copy and the visual portion of the ad with its appeal. The country in which the experiment was administered and the product category were the blocking variables. The dependent, or criterion variable, was attitude toward the ad.

The products selected were based on potential interest to students, as indicated by a pretest of graduate students from both countries, and a desire to have each of four categories of consumer products suggested by Whitelock (1987) represented. The four resulting products were Whirlpool washing machines, Ford automobiles, Kodak cameras and Avon cosmetics. The original advertisements were deemed suitable in both markets and were modified as needed to fulfill the research objectives

### Sample

MBA students (N = 356) from Spain and Mexico were selected as participants for this study since they were well matched on key demographic characteristics such as age, gender, education and international experience, as advocated by Calder, Phillips and Tybout (1981) since such samples allow a stronger test

**TABLE 2**  
**Degree of Customization**

T <sub>1</sub>	Total Customization	Language (Dialect)	Home Country
		Visual & Appeal	Home Country
T <sub>2</sub>	Less Customization	Language	Home Country
		Visual & Appeal	Other Country
T <sub>3</sub>	More Standardization	Language	Other Country
		Visual & Appeal	Home Country
T <sub>4</sub>	Total Standardization	Language	Other Country
		Visual & Appeal	Other Country

of theory (see Table 3). The universities selected were two private schools in each capital city. In both samples, over 80 percent of the respondents were young adults 24-35 years of age. In both Spain and Mexico, over 50 percent of the subjects had visited four or more countries outside their own. Significant gender differences in the sample were not noted; 65 percent of the sample in Spain were male and 69 percent of the sample in Mexico were male. The one difference between the two samples is that fewer students in Mexico have the luxury of being full-time students; most MBA students work full-time jobs and go to classes at night and on the weekend. Even though a large percentage in Spain were full-time students, the samples were still well-matched in that 92.8 percent of those respondents in Spain were working part-time in professional jobs and many were sponsored by their firms and given release time to pursue their studies. Additionally, graduate students in foreign countries represent the young upwardly mobile, which is a target market selected by many firms trying to expand internationally.

**Measurement**

In order to maintain consistency and content, the questionnaire was written in Spanish by the researcher and backtranslated by graduate students from Spain and Mexico, residing in the U. S., who were familiar with the topic of the

study. After demographic questions, the next six questions pertaining to each ad were manipulation checks of the language in the ad and the visual portion of the ad to ensure that respondents perceived the language to be theirs and that the visual portion looked like it was designed for their countries. In relation to the manipulation checks, subjects agreed or disagreed with the statements on a nine-point Likert like scale (1 = strongly disagree and 9 = strongly agree).

To compare cultural values of the participants from Spain and Mexico, Form G (Feather 1988) of the Rokeach Value Survey (RVS) was used. Originally designed to have subjects rank order in importance 18 terminal values and 18 instrumental values, more recent researchers (Munson and McIntyre 1979) have modified the RVS, resulting in an interval measure of value importance. Respondents rated each value on a nine-point Likert like scale (1 = not at all important and 9 = extremely important). Lastly, respondents listed the most and least important values from both the instrumental and terminal value lists.

A three-item scale capturing global attitude toward the ad (Zinkhan, Locander and Leigh 1986) was used to measure respondents' attitudes toward the ad, using a nine-point Likert like scale to respond to the three items (1 = strongly disagree and 9 = strongly agree).

**TABLE 3**  
**Respondent Profiles**

	Spain (N=184)		Mexico (N=172)	
	Frequency	Percent	Frequency	Percent
<b>GENDER</b>				
Male	120	65.2	120	69.8
Female	64	34.8	52	30.2
Total	184	100	172	100
<b>AGE</b>				
18-23	25	13.6	8	4.7
24-29	134	72.8	86	50.0
30-35	21	11.4	52	30.2
Over 35	4	2.2	26	15.1
Total	184	100	172	100
<b>OCCUPATION</b>				
Full-time students	103	56.0	31	18.0
Professionals	73	39.7	121	70.4
Technicians, office workers	8	4.3	11	6.4
Factory workers	0	0	9	5.2
Total	184	100	172	100
<b>INTERNATIONAL EXPERIENCE</b> (countries visited other than their own)				
0 – 3	39	21.2	86	50.0
4 – 6	55	29.9	37	21.5
7 – 8	31	16.8	10	5.8
9 or more	59	32.1	39	22.7
Total	184	100	172	100

**DATA ANALYSIS AND RESULTS**

**Manipulation Checks**

To ascertain that the desired effects were achieved, manipulation checks were performed pertaining to the language used in the ad copy and the pictures and people used in the visual portion of the ad. T-tests were performed between the respondents from Spain and those from Mexico and the results showed that the desired effects had been obtained with significant mean differences noted at  $p < .001$ .

**Ordering Effects**

To control for ordering effects in the experimental design, the four ads were

alternated in four different orders in the booklets given to respondents. To test for ordering effects, ANOVA was done by selecting random variables in the ad section of the questionnaire. No significant differences resulted based on the four different orders in which the advertisements were presented, meaning no ordering effects existed.

**Hypotheses Testing**

To test for cultural differences between Spain and Mexico, factor analysis was used to extrapolate the value dimensions represented by the Rokeach Value Survey (RVS). With the minimum Eigen value set at one, five factors appeared using principal components analysis with all 36 of the Rokeach values. These five

factors can be thought of as the global value dimensions present in Spain and Mexico (see Table 4) and together they account for 93.1 percent of the total variance. To assess the reliability of the RVS, Cronbach alphas were performed with all 36 values yielding a Cronbach alpha of .913. The Cronbach alphas

of the five factors uncovered ranged from .76 to .82; thus, the RVS is a reliable measurement instrument, having been well validated in the field.

To test whether Spain and Mexico did differ significantly on the value dimensions uncovered, a mean score for all Spaniards was

**TABLE 4**  
**Cultural Value Dimensions**

	Country Comparison	Difference Between Means
<b>Factor 1 – Rewards in Life</b>		
health		
pleasure		
comfortable life	Mexico – Spain	.4553*
mature love		
sense of accomplishment	Spain – Mexico	-.4553*
family security		
exciting life		
true friendship		
<b>Factor 2 – Peace &amp; Beauty</b>		
inner harmony		
world at peace	Mexico – Spain	-.1218
equality		
world of beauty	Spain – Mexico	.1218
freedom		
national security		
<b>Factor 3 – Mental Attributes</b>		
independent		
capable	Mexico – Spain	.4823*
intellectual		
imaginative	Spain – Mexico	-.4823*
broad-minded		
ambitious		
courageous		
<b>Factor 4 – Personal Responsibility</b>		
self-controlled		
responsible	Mexico – Spain	.5879*
loyal		
clean	Spain – Mexico	-.5879*
polite		
<b>Factor 5 – Religious Values</b>		
forgiving		
loving	Mexico – Spain	.1044
helpful		
obedient	Spain – Mexico	-.1044
salvation		
honest		

\* Indicates significant difference at the .05 level

calculated on factor 1 and the same done for all Mexicans with the same procedure followed for all five-factors. Then a Tukey’s Studentized Range test was performed on each factor yielded from the RVS. The first hypothesis was largely supported in that significant differences were noted at the .05 level for three of the five factors, as one can see in Table 4.

Next, to test whether the levels of customization influenced attitude toward the ad, ANOVA was performed with the four levels of customization as the independent variables and attitude toward the ad as the dependent variable. The second hypothesis was supported at the .05 level for all four advertisements, as can be seen in Table 5.

**TABLE 5**  
**ANOVA**  
**Attitude Toward Ad Levels of Customization**

	F Values	Pr > F
<b>Ford</b>	3.03	.03*
<b>Kodak</b>	6.96	.0001*
<b>Whirlpool</b>	3.33	.02*
<b>Avon</b>	5.67	.0008*

\* significant at .05 level

The question of interest, though, to marketers and firms is what factors are the drivers for the significant differences noted in attitude toward the ad? How many changes need to be made to make the ads effective? When looking at the details of the experiment, it becomes apparent that total customization is preferred for all ads – the language (dialect) of the market and the visual portion looking like it was designed for that market. This was particularly true for Kodak and Avon which were based on emotional appeals. In the case of the Ford and Whirlpool print ads, fewer significant differences were seen since they were very cognitively based and product-attribute driven. In the case of the Ford ad, the only significant difference was in relation to the language (dialect) used in the ad. This would make sense

since only the car was pictured; no people were present. In the Whirlpool ad, people were pictured and total customization was preferred, but only the language of the ad was significant at the .05 level.

**DISCUSSION AND  
MANAGERIAL IMPLICATIONS**

Many researchers have conducted cross-cultural research on how culture impacts various types of consumer behavior and most have chosen to use countries thought to be very dissimilar from which to draw their samples, such as Laroche et al. (2004) which investigated customer satisfaction and service quality perceptions among subjects from the U. S., Canada and Japan., contrasting high- and low-context cultures (Hall 1977) and Eastern and Western cultures. Perhaps more challenging and interesting are those studies which choose countries which are thought to be similar to see if cultural differences still do exist and what their impact would be on consumer behavior. An example of this would be a study by Deshpandé et al. (2004) which sampled respondents from China, Hong Kong, Viet Nam, Japan and Thailand and found significant differences in innovativeness, marketing orientation and culture. This present study belongs to the latter category. Spain and Mexico are thought to be very similar culturally. They share a common language, a common heritage and both are classified as high-context cultures (Hall 1977) where relationships and trust are paramount. This study actually surveyed the respondents as to their cultural values and their importance using the RVS, rather than assuming they were similar or different based on the popular cultural paradigms of Hall (1977) and Hofstede (1980). On three of the five cultural value dimensions uncovered using the RVS, there were significant differences between the Spanish and Mexican samples. This probably comes as a surprise to academics and practitioners alike and is a clear warning to firms to not assume that countries are alike culturally just because they speak the same language or are classified similarly according to

popular paradigms. This is particularly true if the advertisement uses an emotional appeal, like Kodak and Avon did, because then the viewers must bring similar perspectives and frames of reference for the ads to be effective, which is where the importance of similarities between cultures enters in. For product categories which typically use product attribute-driven ads, not emotional advertisements, such as industrial products, simply changing the language in the ad prototype advertising (Peebles, Ryans and Vernon 1978), might be very appropriate. However, it should be emphasized that differences in idioms, slang and vocabulary used in the dialect were found to be important in this study, so all the nuances of a particular dialect must be adhered to in order to maximize positive feelings toward an advertisement. Thus, the findings of this study concur with the contention of Alimiéne and Kuvykaite (2008, 37) that “standardization is often of no use to companies because of differences in language, culture, and consumer preferences . . . whereas, adaptation helps companies to evaluate and effectively use cultural differences to their competitive advantage.” So, in relation to the question in the title: How far does the apple fall from the tree? It does not fall directly below the tree, but rolls a short distance as if to establish its own self-identity.

### CONCLUSION AND FUTURE RESEARCH

Using subjects from Spain and Mexico, this study found that significant cultural differences may be found, even in nations linked by a common language and heritage. Although respondents from both countries indicated that salvation was the least important cultural value from the RVS and health the most important, they did vary significantly on the importance they placed on three of the five cultural value dimensions uncovered, with these cultural differences translating into significant differences in advertising preferences as measured by attitude toward the ad. Respondents from both countries wanted the visual portion of the ad to look like it was

created for them and the language in the ad to be their dialect of Spanish. This concurs with the work of Bulmer and Buchanan-Oliver (2006) that found that pictures are not universal and visual interpretations vary as viewers use cultural cues and visual signs to interpret commercials. Advertising messages are processed differently by receivers raised in different cultures. Interpretations of a single advertisement may vary considerably. Thus, advertisers should be aware of ascribed meanings of their advertisement internationally, as subtleties in campaign interpretation may lead to difficulties in various markets. Another important implication for managers is that sending a print ad to a translation service and telling them to translate it into Spanish is not sufficient; the dialect of Spanish has to be correctly matched to the target market. The viewer needs to perceive the language (dialect) as being their own; understanding the message is not enough.

While the findings from this research are potentially very useful for managers and marketers operating in global firms, the limitations must also be acknowledged, and then considered as opportunities for future research. This study focused solely on print ads; future research should investigate other types of media, such as television commercials and see if similar findings result. Lastly, this research surveyed graduate business students, the young, upwardly mobile segment in just two countries, so the results may be applicable solely to the results of the investigation. Subsequent research could employ samples from other countries culturally similar to each other who share the same language, such as Canada and the U.K. or Germany and Austria, etc. to enhance the generalizability of the findings.

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# HOW DO U.S. AND U.K. SALESPEOPLE COMPARE ON THE DIMENSIONS OF EMOTIONAL INTELLIGENCE, POSITIVE AND NEGATIVE AFFECT, AND CUSTOMER ORIENTATION LEVELS?

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McGraw-Hill Best Paper Award

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*Identification of the variables that affect the performance of sales professionals has been an endeavor that has lasted for decades. Specification of individual variables that not only influence performance, but are amenable to both measurement and change has proven to be elusive. The purpose of this research is to assess two aspects of individual behavior which are measurable and may have profound impacts on training and development programs and selection considerations. The constructs of emotional intelligence and dispositional affect were hypothesized as being positively related to sales force performance. This study provides the empirical results of analyses designed to evaluate whether salesperson performance is significantly and positively related to the salesperson's level of emotional intelligence and his/her dispositional affect. Based on these findings, implications, conclusions and suggestions for future research are provided.*

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## INTRODUCTION

Personal selling in the United States (U.S.) is increasingly becoming more highly regarded as a profession. As such, it seems that personal selling is a subject which is included in many university courses on many college campuses (Michaels and Marshall 2002). However, in the United Kingdom (U.K.) it appears that personal selling receives relatively less attention and focus (Honeycutt et al. 1999; Lysonski and Durvasula 1998). Yet, while it seems that differences exist regarding the importance of personal selling as either a legitimate academic endeavor or as a career, differences in salesperson attitudes and perceptions have not been explicitly assessed. The primary purpose of this research is to empirically compare specific dimensions of salesperson perceptions and attitudes based on the salesperson's country of origin. Exploring these issues from an international perspective may be important for a variety of reasons. One of these reasons might

be attributable to the fact that different countries perceive the relative importance and prestige of sales positions in different ways (Honeycutt, Ford and Kurtzman 1996). For example, the sales profession is held in comparatively low esteem in Europe. In fact, it has been argued that recruiters in the U.K. have difficulties recruiting good sales personnel due to attitudes toward sales (Ellis 2000).

In an analysis of the importance of specific skills, attitudes and behaviors, a multinational perspective may be important because in some nations skills, attitudes and behaviors that relate to closing are regarded as being offensive (Honeycutt, Ford and Kurtzman 1996). Further, internationally, selling is often regarded as a profession that is low in status, requires manipulation, and does not contribute to societal goals (Lysonski and Durvasula 1998). Many authors note that international attitudes toward personal selling and sales as a career are far more deleterious than are attitudes found in the U.S. (which admittedly are generally not very positive) (Amin, Hayajneh and Nwakanma 1995; Hill and Birdseye 1989; Johansson 1997; Terpstra and Sarathy 1997).

Ellis (2000) contends that recruiters in the U.K. have difficulties recruiting good salespeople. Internationally, difficulties recruiting sales personnel from universities are recognized by others who note international students do not have positive attitudes toward personal selling as a career (Amin, Hayajneh and Nwakanma 1995; Lysonski and Druvasula 1998). Ellis (2000) sums up attitudes toward selling by stating “many European customers view salespeople like North Americans used to view used-car salespeople.” In the U.K. this is certainly the case and recruiting agencies are more likely to adopt the term “executive” or “consultant in sales” to increase the number of applications. These points indicate that the recruiting of international sales personnel may be a far more formidable task than is recruiting of domestic (U.S.) salespeople. A study comparing attitudes toward sales held by students in Singapore, New Zealand, India and the U.S. found that Singapore and New Zealand had significantly more negative thoughts about selling than did U.S. students. India, however, had the most positive perceptions of the four nations analyzed. Except for India, all three nations’ students felt that salespeople are pushy, aggressive and have low reputations. Salespeople are viewed as being low in professionalism, sales jobs are perceived as lacking intellectual challenge, and as not contributing to society (Lysonski and Durvasula 1998). Similar findings occurred in a study reported one year later. In this study the attitudes of students from New Zealand, the Philippines, and the U.S. were compared. The findings indicated that sales careers are perceived negatively by students from each of the three nations.

It is interesting to note that some research has assessed attitudes toward sales careers held by university students in countries such as the Philippines, New Zealand, India, etc. However, no study was discovered which examined attitudinal and psychological differences between salespeople in two nations. Culturally and historically, one could reasonably argue that the U.S. and U.K. have strong ties politically and economically. It seems

surprising to note that none of the research uncovered has explicitly compared attitudes and predispositions of salespeople in these two nations. The purpose of this research is to correct this deficiency.

### **HYPOTHESIS**

Based on the review of the literature, the central hypothesis of this study is that U.K. salesperson predispositions and psychological attributes will be significantly more negative than will be those possessed by U.S. salespeople. This hypothesis is largely based on research indicating that international attitudes toward sales are generally negative (Amin, Hayajneh and Nwakanma 1995; Hill and Birdseye 1989; Johansson 1997; Terpstra and Sarathy 1997). Furthermore, Ellis (2000) contends that sales in the U.K. is held in lower esteem than it is in the U.S. Based on these findings, the following is the central focus of the study:

Salespeople in the U.K. will have significantly lower levels of emotional intelligence, positive affect and customer orientation than will U.S. salespeople. Correspondingly, U.K. salespeople will have significantly higher levels of negative affect than will U.S. salespeople.

### **METHODOLOGY**

The purpose of this research is to comparatively assess differences existing between levels of salesperson customer-orientation, emotional intelligence, positive affect and negative affect. The basic premise of the research was developed based on the perception that greater insights into salesperson characteristics may be garnered by comparing salespeople based on their countries of origin (U.S. and U.K.). Based on these considerations, the first step of the research process required the selection of samples that would facilitate the comparison of salespeople without the mitigating effects of potentially confounding variables. Following the selection of an appropriate sample, the second step entailed the development of a data collection instrument.

Based on the fact that the research was designed to compare salesperson predispositions and psychological attitudes, it was decided that salespeople should be employed in similar industries. Consequently, the sample consisted of salespeople employed in the healthcare industry. In the U.S. the sample consisted of 245 salespeople and in the U.K., the sample consisted of 107 salespeople employed in the healthcare industry. Following the specification of the sample, a survey was developed to accomplish the research objectives. The survey consisted of the following components:

### **Emotional Intelligence**

The current study uses the instrument developed by Schutte et al. (1998). The scale is a self-report measure that has been subjected to significant validity testing (Schutte et al. 1998). Strong conceptual grounding was used in the scale's development, since the model presented by Salovey and Mayer (1990) was used as the theoretical basis. The scale was subjected to correlations with theoretically related constructs, internal consistency replication, test-retest reliability, predictive validity, and discriminate validity with strong results for each analysis (Schutte et al. 1998). Although the instrument has been criticized for its self-report approach (Mayer and Salovey 1995), the instrument's validity appears to be robust. The scale is a 33-item self-report measure that includes items such as "By looking at their facial expression, I recognize the emotions people are experiencing," and "I easily recognize my emotions as I experience them." Respondents use a 5-point scale, on which a "1" represents "strongly disagree" and a "5" represents "strongly agree," to indicate to what extent each item describes them.

### **Dispositional Affectivity**

Positive and negative affect were measured using the Positive and Negative Affect Schedule (PANAS) developed by Watson, Clark, and Tellegen (1988). The PANAS includes a list of 20 mood-relevant adjectives,

of which 10 indicate positive (e.g., active, enthusiastic) and 10 indicate negative (e.g., angry, afraid) mood states. Respondents are instructed to "indicate to what extent you generally feel this way, that is, how you feel on the average." Extensive validity evidence is provided by Watson, Clark, and Tellegen (1988), Watson, Clark, and Carey (1988), and Watson (1988).

### **Customer-Orientation**

The key component of the survey entailed the measurement of customer-orientation. As noted, the concept of customer-orientation was operationalized by Saxe and Weitz (1982). Saxe and Weitz developed a 24 item scale which has been used in many studies of salesperson customer orientation (Brown, Widing and Coulter 1991; Dunlap, Dotson and Chambers 1988; Rozell, Pettijohn and Parker 2004; Thomas, Soutar and Ryan 2001; Periatt, LeMay, and Chakrabarty 2004). It has been described as a valid measure of one's customer-orientation levels (Periatt, LeMay and Chakrabarty 2004). Based on these factors, the SOCO scale developed by Saxe and Weitz (1982) was used in this research. This scale consists of 24 items using a seven point Likert-type scale (7 = strongly agree and 1 = strongly disagree).

## **FINDINGS**

As stated in the introduction, the purpose of this research entailed a comparative analysis of the levels of emotional intelligence, customer orientation, selling orientation, and positive and negative affect of healthcare salespeople working in the U.K. with those working in the U.S. The study's purposes were based on the desire to determine, empirically, whether differences exist based on the respondents' locales. As indicated in Table 1, the respondents consisted of 112 U.S. salespeople, for a response rate of 46 percent; and 77 U.K. salespeople, for a response rate of 72 percent. As shown in the table, demographically, the salespeople were similar. Salespeople in both countries had college degrees, the majority of

**TABLE 1**  
**Characteristics of the Sample**

<b>Characteristic</b>	<b>Total Percent (n)</b>	<b>U.S. Percent (n)</b>	<b>U.K. Percent (n)</b>
<b>Education:</b>			
College Degree	82.5 (155)	79.5 (87)	88.1 (69)
Graduate Degree	11.1 (25)	18.8 (21)	6.0 (4)
Other	3.4 (6)	1.8 ( 2)	6.0 (4)
<b>Position:</b>			
Management	9.0 (16)	1.8 (2)	21.6 (14)
Sales	91.0 (161)	98.2 (110)	78.4 (51)
<b>Compensation:</b>			
Salary	12.4 (22)	0	33.3 (22)
Salary and Commission	87.6 (156)	100.0 (112)	66.6 (44)
<b>Income:</b>			
< 40,000	1.1 (2)	0	3.2 (2)
\$40,001-60,000	8.0 (14)	0	22.2 (14)
\$60,001-80,000	14.4 (25)	0	40.0 (25)
> \$80,000	76.4 (133)	100.0 (100)	34.9 (22)
<b>Gender:</b>			
Male	72.8 (123)	80.4 (90)	64.2 (43)
Female	27.2 (46)	19.6 (22)	35.8 (24)
<b>Marital Status:</b>			
Single	14.0 (25)	10.5 (12)	19.4 (13)
Married	76.5 (137)	83.0 (93)	65.7 (44)
Divorced	9.5 (17)	6.3 (7)	14.9 (10)
	<b>Mean (sd)</b>	<b>Mean (sd)</b>	<b>Mean (sd)</b>
Age	36.6 (6.2)	35.9 (5.1)	37.8 (7.6)
<b>Employment (years):</b>			
With Present Comp.:	5.3 (4.3)	4.2 (3.7)	7.1 (5.0)
In current role:	5.0 (4.4)	4.2 (4.2)	6.4 (5.0)

salespeople sampled were male, married, between 35 and 40 years of age, and were compensated by a combination of salary and commission. A few differences that should be noted included the fact that salespeople in the U.K. were more likely to describe themselves

as managers, and were paid less (in U.S. dollars) than were their U.S. counterparts.

Based on the literature, the study might be divided into five primary research questions. The findings, as they relate to these research

questions are presented in Table 2. The first research question was related to emotional intelligence levels of the two groups. The findings indicate that no differences exist in the emotional intelligence scores of U.S. and U.K. salespeople. Thus, it appears that emotional intelligence may be a relatively stable construct, unaffected by cultural factors, as no significant differences were found in emotional intelligence scores for the salespeople sampled.

The second research question focused on the degree to which customer orientation levels might differ between U.S. and U.K. salespeople. It was anticipated that U.S. salespeople would have higher customer-orientation levels because in the U.S. the sales role is more culturally acceptable than it is in the U.K. As indicated in the table, U.S. salespeople were found to be significantly higher in their levels of customer orientation than were their U.K. counterparts.

Research question three was designed to assess the degree to which U.S. and U.K. salespeople were oriented toward making the sale, regardless of the buyers' needs. Since the questions were reverse scored, low scores would be indicative of higher levels of sales orientations or a desire to make the sale regardless of the customers' desires. Conversely, high scores were indicative of lower levels of a sales orientation, or a recognition that the sale should not be made unless the customer's needs were satisfied. It

was anticipated that U.K. salespeople would be less oriented toward making the sale, given that the research reviewed indicated that salespeople are not perceived positively in their culture. The findings agree with this perception, based on the fact that selling orientation levels are significantly lower (as noted in the reverse scoring) for U.K. salespeople compared with U.S. salespeople.

Research questions four and five were based on U.S. cultural stereotypes. Many in the U.S. perceive that their 'cousins across the pond' are more negative in their attitudes and attributions. Based on this gross stereotype, it was anticipated that respondents in the U.K. would have lower positive affect scores and higher negative affect scores than would U.S. salespeople. However, the findings indicate the stereotype is not valid for this group of respondents, as positive affect cores are significantly higher for U.K. salespeople than they are for U.S. salespeople. Consistently, U.K. salespeople have significantly lower negative affect scores than do the U.S. salespeople.

**CONCLUSION AND IMPLICATIONS**

The results suggest some significant differences with regard to sales person attitudes and predispositions based on their home countries. As noted, salespeople in the U.K. were significantly less customer-oriented and selling-oriented than were their U.S. counterparts. This

**TABLE 2**  
**Comparative Responses on Scales**

ITEM:	U.S. mean (s.d.)	U.K. mean (s.d.)	t-value (p)
Emotional Intelligence	107.5 (9.0)	105.8 (11.5)	1.3 (.19)
SOCO	173.8 (14.8)	172.4 (12.7)	.5 (.60)
Customer Orientation	105.1 (8.8)	98.9 (8.5)	4.6 (.0001)
Selling Orientation	62.7 (8.7)	73.6 (13.0)	2.9 (.004)
Positive Affect	31.6 (3.4)	34.2 (5.1)	4.1 (.0001)
Negative Affect	16.6 (3.3)	12.7 (4.3)	7.0 (.0001)

finding seems to suggest that U.K. salespeople are more likely to be apathetic with regard to either their customers' satisfaction levels or to their customers' purchase decisions. This is a negative result suggesting that U.K. sales representatives are inferior to their U.S. counterparts with regard to customer satisfaction and sales. However, as prior debate has noted the style of U.K. sales pitches are necessarily different due to the intrinsic views held regarding the sales and buyer roles (status) vis-à-vis negative connotations. Of further significance in this debate is the effectiveness of sales approaches in general, which have been increasingly placed under scrutiny as the traditional model based on sales results of salespeople (i.e., outcome performance) is shed. This is likely to be more apparent in highly competitive and prestigious sectors such as pharmaceuticals, where the roles of salespeople carry greater status and the verbal exchanges are more delicate in nature. Moreover, significant change and government-driven competitiveness has taken place manifesting in an altered attitude (and perhaps psyche) towards pharmaceutical sales in the precarious U.K. selling environment. Hence, we may assume that strategies increasingly rely on team-oriented selling and the building of long-term customer relationships (Corcoran et al. 1995). This would tend to explain the poor sales customer orientation scores, as U.K. sales teams build into their strategies greater tendencies towards customer lifetime value (CLV) in favor of sales volumes. Historically, U.K. sales management has based performance evaluation on high market share; selling high profit margin products; generating high sales revenue; selling new products/services; identifying and selling to major accounts; developing sales with long-term profitability; and exceeding all sales targets and objectives (Behrman and Perreault 1982). However, there are signs that this approach to performance evaluation is changing. We think it noteworthy that this research identified these differences in U.K. sales approach alongside higher than expected positive outlooks towards work in general. The idea that U.K. salespeople tend to be more positive in their outlooks toward work

than do their U.S. counterparts we found particularly unexpected given our discussions surrounding research questions 1-3.

This research has demonstrated empirically that our sample of U.K. salespeople are more likely to have positive attributions than are U.S. salespeople, who score higher on negative affect than do U.K. salespeople. This leads us to the conclusion that U.S. salespeople are more likely to possess negative attitudes toward their jobs. Both intuitively and theoretically this raises questions over the way in which sales management evaluate sales performance, and assign importance to the relationship building and value added initiatives used to augment the sales function. It also questions whether scholars have sufficiently researched this area to discern between traditional measure and more lasting lifetime value approaches to customer retention.

The final implication entails the recognition that emotional intelligence is a common trait of both U.S. and U.K. salespeople. Thus, it suggests that U.S. and U.K. sales forces alike might be assessed and trained in the area of emotional intelligence. Such a finding indicates that emotional intelligence seems to be a characteristic which is not culturally determined.

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# AN EXAMINATION OF THE ANTECEDENTS AND OUTCOMES OF PAY SATISFACTION AMONG RETAIL BUYERS

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*Pay satisfaction is one of the most important variables influencing employees' commitment to the organization. The study analyzed the effect of pay level and pay raise satisfaction on turnover among the sample of 428 retail buyers. The results indicated that both measures of pay satisfaction were related indirectly to turnover through organizational commitment. Distributive justice was a significant antecedent of pay satisfaction and withdrawal cognitions. Procedural justice, however, was related significantly only to pay raise satisfaction.*

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## INTRODUCTION

Pay, and the satisfaction derived from one's pay, is one of the most important factors influencing employees' contribution to the organization (Gupta and Shaw 1998; Heneman and Judge 2000). According to Locke, Ferren, McCaleb, Shaw and Denny (1980), "No other incentive or motivational technique comes close to money" (p. 381). It has been used to encourage performance (Gardner, Van Dyne and Pierce 2004) and is correlated significantly to organizational commitment (Cohen and Gattiker 1994; Mathieu and Zajac 1990), and turnover intentions (Motowidlo 1983; Trevor, Gerhart and Boudreau 1997). While pay satisfaction is important to employees, research has indicated that many employees believe they are not being compensated fairly. For example, according to Heneman and Judge (2000), "Research has unequivocally shown that pay dissatisfaction can have important and undesirable impacts on numerous employee outcomes" (p. 85).

Although pay satisfaction has been linked to various outcomes, its relationship with turnover has been modest (Griffeth, Hom and Gaertner 2000). This finding may be due to the fact that pay satisfaction has been measured as a single

construct (Heneman and Judge 2000) even though research has found pay satisfaction to be multidimensional (DeConinck, Stilwell and Brock 1996; Heneman and Schwab 1985; Judge 1993; Vandenberghe and Tremblay 2008). For example, Miceli and Mulvey (2000) have stressed the importance of using multiple measures of pay satisfaction when investigating its relationship to outcomes. For example, is an employee's satisfaction with the level of pay or satisfaction with the amount of a pay raise more important in determining behavioral outcomes?

Another important issue is how pay satisfaction is related to organizational justice, specifically to distributive justice and procedural justice. Distributive justice, the perceived fairness in monetary outcomes has been shown to be an antecedent to pay and promotion satisfaction (DeConinck and Stilwell 2004; Folger and Konovsky 1989; McFarlin and Sweeney 1992). However, the relationship between procedural justice and pay satisfaction is less certain. Procedural justice refers to the process and procedures by which allocation decisions are made (Folger and Greenberg 1985; Lind and Tyler 1988). While distributive justice involves the perception of what an employee receives, procedural justice examines the employee's perception of how he or she was treated during the allocation process. Generally, research has found that procedural justice is more highly related to organizational outcomes such as supervisor satisfaction, organizational

commitment and organizational citizenship behavior than with personal outcomes such as pay and promotion (DeConinck and Stilwell 2004; Colquitt et al. 2001; Cohen-Charash and Spector 2001). However, some research indicates that procedural justice is a predictor of pay satisfaction, although it explains less variance than does distributive justice (McFarlin and Sweeney 1992; Miceli, Jung, Near and Greenberger 1991; Tekleab et al. 2005).

A possible reason that distributive justice has explained more variance in pay satisfaction than has procedural justice is the lack of using multiple dimensions of pay satisfaction in previous research. For example, Tekleab et al. (2005), using two samples of employees reported that both distributive justice and procedural justice were significant antecedents of pay raise satisfaction. However, only distributive justice was a significant predictor of pay level satisfaction in both studies. Thus, their results do indicate that procedural justice is an important variable explaining employees' satisfaction with at least certain aspects of pay satisfaction. Given the inconsistent results in the two studies, further research appears warranted to understand how both dimensions of organizational justice influence employees' satisfaction with pay.

This study has two purposes. First, this study will analyze how two dimensions of pay satisfaction (pay raise satisfaction and pay level satisfaction) are related to outcome variables (organizational commitment, turnover intentions, and turnover) among a sample of retail buyers. The second purpose of the study is to examine the relationship between two facets of organizational justice (distributive and procedural) and outcome variables with a specific emphasis on the relationship between justice and pay satisfaction. The hypotheses for this study appear in the literature review below.

## LITERATURE REVIEW

### Organizational Justice

For the last four decades, much research has been devoted to understanding how employees' perceived fairness influences their behavior (see Cohen-Charash and Spector 2001 and Colquitt et al. 2001 for literature reviews). Organizational justice, which involves employees' perceived fairness at work, primarily has been analyzed through two constructs – distributive and procedural justice. The early research concentrated on distributive justice – the perceived fairness of outcomes. The concept of distributive justice was introduced by Homans (1961). He argued that in an exchange relationship participants will expect to gain proportionally with their investments. Fairness arises when those expectations are met.

Adams (1965) extended Homans' (1961) work with his concept of equity theory. According to equity theory, people compare their input/output ratio to another person. The other person may be another employee working in a similar position within the organization or another organization. They compare what they receive from the organization (e.g., pay and promotion) in relation to what others receive. The perceived ratio of what an employee obtains from his/her job compared to what an employee puts into his/her job helps to determine equity or inequity. If the employee perceives that he or she is receiving an adequate reward given his or her input (e.g., education and seniority) in comparison to others, then a perception of fairness will exist. Inequity will exist in the reverse situation. Essentially the employee *reacts* to perceived pay equity or inequity. Although equity theory has been criticized, research generally has supported Adams theory (Byrne and Cropanzano 2001).

Procedural justice focuses on the process and procedures that are used to determine outcomes (Cropanzano and Schminke 2001). While distributive justice involves the perception of what an employee receives, procedural justice

examines the employee's perception of how he or she was treated during the allocation process. It often has been used to assess employees' perception of the fairness associated with hiring procedures, promotions, and performance appraisals (Colquitt et al. 2001; Folger and Cropanzano 1998 Folger, R. and Cropanzano, R., 1998. *Organizational justice and human resource management*. , Sage, Beverly Hills (CA).). Overall, research has found that people perceive the process as fairer when they are given a "voice" in the process versus a "mute" condition where they are not allowed input (Folger and Cropanzano 1998).

An important question concerns the relationship between distributive and procedural justice and facets of pay satisfaction. What is the relationship between pay raise and pay level satisfaction and organizational justice? An abundance of research has determined that distributive justice is related to dissatisfaction with outcomes such as pay and promotion (e.g., DeConinck and Stilwell 2004; Folger and Konovsky 1989; Sweeney and McFarlin 1993) while procedural justice has been linked to satisfaction with the supervisor (DeConinck and Stilwell 2004) and organizational commitment (Fields, Pang and Chiu 2000; Colquitt et al. 2001).

However, some research indicates that both distributive justice and procedural justice are related to pay satisfaction. For example, in their meta-analysis Williams, McDaniel and Nguyen (2006) concluded that "distributive justice was more strongly related ( $p = .79$ ) to pay satisfaction than was procedural justice ( $p = .42$ )." However, both types of justice were correlated significantly with pay satisfaction. A recent study by Tekleab et al. (2005) provides further insight into the relationship between organizational justice and facets of pay satisfaction. These authors conducted two studies analyzing the relationship among distributive justice, procedural justice, pay raise satisfaction, pay level satisfaction, and turnover. In the first study involving 288 managers, procedural justice was related directly to both pay raise satisfaction and pay

level satisfaction. The same results were found for distributive justice. However, in the second study involving part-time MBA students, procedural justice was related significantly to only pay raise satisfaction while distributive justice was once again related significantly to both facets of pay satisfaction.

The literature review supports hypothesizing that distributive justice is related to pay satisfaction.

**H<sub>1</sub>:** Distributive justice is related positively to pay satisfaction.

The relationship between procedural justice and pay satisfaction is less clear. One of the purposes of this study is to clarify the relationship between procedural justice and pay satisfaction. Since prior research has produced inconsistent results, a hypothesis will not be proposed. Rather, the following research question will be investigated.

**R<sub>1</sub>:** What is the relationship between procedural justice and pay satisfaction?

### Outcomes of Pay Satisfaction

Various studies have analyzed the outcomes of pay satisfaction. In particular, the results of three meta-analyses have found that pay satisfaction is related positively to organizational commitment (Cohen and Gattiker 1994; Mathieu and Zajac 1990; Meyer, Stanley, Herscovitch and Topolnytsky 2002). With respect to the relationship between pay satisfaction and turnover intentions and turnover, Williams et al. (2006) reported that pay level satisfaction had a moderate relationship with turnover intentions ( $p = -.31$ ) and a weaker relationship with voluntary turnover ( $p = -.17$ ). Recently, Vandenberghe and Tremblay (2008) found that pay satisfaction was an indirect predictor of turnover intentions through organizational commitment. An examination of the literature supports the following hypothesis.

**H<sub>2</sub>:** Pay satisfaction is related positively to organizational commitment.

Two additional hypotheses will be tested. Abundance of research supports that organizational commitment is an antecedent to turnover intentions while turnover intentions is as antecedent to turnover (Griffeth et al. 2000; Meyer et al. 2002; Williams et al. 2006). Thus, the following two hypotheses will be tested.

**H<sub>3</sub>:** Organizational commitment is related positively to turnover intentions.

**H<sub>4</sub>:** Turnover intentions are related positively to turnover.

## METHODOLOGY

### Sample Characteristics and Procedure

A similar procedure as used by Keaveney (1992) in her study of turnover among retail store buyers was employed in this study. A probability sample of 1800 retail store buyers employed by both small and large retailers dispersed throughout the United States was chosen from Sheldon's Retail Directory. This directory contained the names of approximately 30,000 retail buyers. The directory was six months old at the time the survey was sent to the retail buyers. A letter was sent to the 1800 retail buyers selected informing them of the purpose of the study and requesting them to participate. They were told that a second survey would be sent to them one year later to determine if their attitudes had changed. The procedure that was used to obtain respondents was as follows:

1. An introductory letter was sent stating the purpose of the survey and asking the buyers to participate in the study.
2. One week later, the survey accompanied with a cover letter was sent to the sample of 1800 buyers.
3. Two weeks later, a second copy of the survey along with a cover letter was sent to the sample of buyers.
4. Three weeks later, a reminder letter was sent to the sample of buyers.

A total of 428 buyers returned the survey (23.7 percent). The response rate was similar to the

response rate reported by Keaveney (1992) and other studies involving marketing employees (Ganesan and Weitz 1996; DeConinck and Stilwell 2004). At the end of one year, a telephone call was placed to the buyers who had returned a survey. A total of 307 buyers were found to still be working for their organizations. Twelve of these buyers, however, were no longer employed as buyers and were dropped from the study. Thus, 295 buyers were still employed in their respective jobs one year later (68 percent).

The average age of the buyers was slightly less than 39; they had worked for their present employer an average of 10.5 years; most of the buyers were Caucasian (415 buyers, 95 percent); slightly more than half were males (244, 56 percent) and the average household income was almost \$83,000. Approximately 58 percent of the buyers (253) were employed by chain stores.

### Measures

*Distributive justice* was measured using the five item *Distributive Justice Index* developed by Price and Mueller (1986) ( $\alpha = .95$ ). Retail buyers were asked to rate how fair their employers have been in rewarding them regarding their responsibility, education and training, effort, job stress, and the quality of their work. *Pay satisfaction* was measured using two dimensions taken from the *Pay Satisfaction Questionnaire* (PSQ) developed by Heneman and Schwab (1985). The two dimensions measured retail buyers' satisfaction with a pay raise (Four items) ( $\alpha = .84$ ) and satisfaction with their level of pay (Four items) ( $\alpha = .94$ ). The items were measured using a scale ranging from (1) very dissatisfied to (5) very satisfied. Except for turnover, all of the other items were measured using a Likert scale ranging from (1) strongly disagree to (5) strongly agree. *Withdrawal cognitions* (a buyer's intent to search and/or leave their job or the profession) were measured using three items developed specifically for this study ( $\alpha = .91$ ). *Affective organizational commitment* was

measured using the 6-item version of the scale developed by Meyer, Allen and Smith (1993) ( $\alpha = .85$ ). *Procedural justice* was measured using seven items from the planning and feedback factors developed by Folger and Konovsky (1989) ( $\alpha = .92$ ). Turnover was measured as a dichotomous variable. It was coded 1 for retail buyers employed one year after the questionnaire was administered and 2 for buyers who left their jobs.

### Statistical Analyses

The data were analyzed using the LISREL 8 program (Jöreskog and Sörbom 2005). Before analyzing the structural models, the fit of a confirmatory factor analytic (CFA) model to the observed data was evaluated to determine if the items loaded on their respective scales. With the exception of turnover, the items were used as indicators of the latent variables.

## RESULTS

### Confirmatory Factor Analysis Model

The first step in analyzing the data was to conduct a confirmatory factor analysis (CFA) of the variables. The results of the CFA indicated a good model fit ( $\chi^2 = 688.29$ ,  $df = 385$ ,  $p = .00$ , GFI = .86, AGFI = .83, NFI = .97, CFI = .98, RMSEA = .053). The loadings estimates ranged from .70 to .78 for pay raise satisfaction; .93 to .96 for pay level satisfaction; .83 to .92 for distributive justice, .78 to .84 for organizational commitment; .77 to .88 for procedural justice, and .90 to .96 for withdrawal cognitions.

An examination of the modification indices indicated that one of the procedural justice items (the item appears in Appendix A) loaded highly on one or more other scale items and was dropped. The data were analyzed again with the deletion of that variable. Deleting this item improved  $\chi^2$  by 92.15 ( $\chi^2 = 596.14$ ,  $df = 357$ ,  $p = .00$ , GFI = .87, AGFI = .84, NFI = .97, CFI = .99, RMSEA = .049).

### Structural Model

The next step in analyzing the data was to test the hypothesized model. The results indicated a very good fit by most indices ( $\chi^2 = 635.99$ ,  $df = 367$ ,  $p = .00$ , GFI = .86, AGFI = .84, NFI = .97, CFI = .98, RMSEA = .051). The results indicated support for all of the hypotheses. According to  $H_1$ , distributive justice is related positively to pay satisfaction. Distributive justice was an antecedent to both pay raise satisfaction ( $\beta = .75$ ,  $t = 9.54$ ,  $p < .01$ ) and pay level satisfaction ( $\beta = .61$ ,  $t = 10.08$ ,  $p < .01$ ). The results indicated support for  $H_2$ . Both pay raise satisfaction ( $\beta = .44$ ,  $t = 4.79$ ,  $p < .01$ ) and pay level satisfaction ( $\beta = .16$ ,  $t = 2.26$ ,  $p < .01$ ) were related positively to organizational commitment. Hypotheses 3 and 4 also were supported. Organizational commitment was related negatively to withdrawal cognitions ( $\beta = -.66$ ,  $t = 11.05$ ,  $p < .01$ ) while withdrawal cognitions were related positively to turnover ( $\beta = .75$ ,  $t = 9.54$ ,  $p < .01$ ).

The research question investigated the relationship between procedural justice and pay raise satisfaction. Partial support was found for procedural justice being related significantly to pay raise satisfaction. A significant relationship was found between procedural justice and pay raise satisfaction ( $\beta = .16$ ,  $t = 2.92$ ,  $p < .01$ ). However, a significant relationship was not found between procedural justice and pay level satisfaction ( $\beta = .04$ , *NS*). The results indicate that a retail buyer's most recent pay raise but not his or her level of pay determines the perception of the fairness of the process by which rewards are allocated.

The modification indices indicated that one path could be added to improve the model's fit. This path was from distributive justice to withdrawal cognitions ( $\beta = -.22$ ,  $t = 3.53$ ,  $p < .01$ ). Thus, distributive justice is related indirectly to turnover through both pay raise satisfaction and withdrawal cognitions.

## CONCLUSIONS

The purpose of this study was to analyze the relationship among organizational justice, pay satisfaction, organizational commitment, withdrawal cognitions, and turnover among a sample of retail buyers. The results have several important implications. First, these results indicate the importance of organizational justice in determining retail buyers' satisfaction with their pay. Both distributive justice and procedural justice were related significantly to pay satisfaction. Retail buyers will perceive greater pay satisfaction when they believe that rewards are distributed fairly given their efforts, educational level, and responsibilities.

The research in this study both supports and contradicts prior research. As was been reported in previous research (e.g., DeConinck and Stilwell 2004; Folger and Konovsky 1989; Sweeney and McFarlin 1993), distributive justice was related to both pay raise and pay level satisfaction. However, contrary to the results reported by Tekleab et al. (2005), distributive justice has a slightly stronger relationship with pay raise satisfaction than does pay level satisfaction. However, both measures of pay satisfaction were highly significant outcomes of distributive justice.

While prior research has indicated a significant relationship between distributive justice and pay satisfaction, few studies have examined the relationship between procedural justice and pay satisfaction. An interesting finding is that the process by which allocation decisions are made (procedural justice) was related significantly to only retail buyers' satisfaction with a pay raise and not their pay level satisfaction. The results indicate that the supervisor indirectly impacts turnover among retail buyers by the method by which the performance appraisal is conducted. Thus, by using consistent standards, being candid and fair, and providing feedback, the supervisor can increase a retail buyer's satisfaction with the pay raise decision. However, these same methods will not have an influence retail buyers' satisfaction with their

level of pay. The results in this study partially support the findings from prior research (Tekleab et al. 2005). Perhaps the economy or other factors have a greater impact on pay level satisfaction than does the method in which the supervisor conducts the performance appraisal. Future research needs to ascertain the reasons why only one facet of pay satisfaction (pay raise satisfaction) is related significantly to procedural justice.

In this study, the effect of pay satisfaction on withdrawal cognitions and turnover was indirect through organizational commitment. This study's results confirm the findings reported by Griffeth et al. (2000) in their meta-analysis of turnover that the relationship between pay satisfaction and turnover is mediated by other variables. However, the results contradict the results reported by Tekleab et al. (2005). In their study Tekleab et al. (2005) reported a direct link between pay satisfaction and turnover intentions. But, in the Tekleab et al. (2005) study, organizational commitment was excluded. Thus, the mediation effect of organizational commitment was not measured. The results from this study and the one conducted by Tekleab et al. (2005) indicate the need for additional research to clarify the relationship among pay satisfaction, organizational commitment, and turnover intentions/turnover.

One of the most interesting findings was the direct relationship between distributive justice and withdrawal cognitions. The results indicate the important role that perceptions of distributive fairness play in determining withdrawal cognitions of retail buyers. Given the significant relationship between distributive justice and both pay satisfaction and withdrawal cognitions, understanding the reasons for a perception of distributive justice/injustice is important if organizations want to control turnover.

In summary, this study has shown the importance of organizational justice and pay satisfaction in the turnover process. Although the results provide important insights into

understanding turnover, several limitations exist. First, the study was limited to examining only two facets of procedural justice. Future research needs to include interactional justice, the interpersonal treatment or the level of perceived fairness in how employees are treated in the organization, and determine its relationship to pay satisfaction. In addition, the scope of the study was limited to examining only pay satisfaction. Including other facets of job satisfaction (e.g., supervisor and promotion satisfaction) may provide more information to assist organizations in controlling turnover among retail buyers.

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## APPENDIX A

### Withdrawal Cognitions<sup>1</sup>

1. Within the next six months, I would rate the probability of leaving my job as high.
2. Within the next 6 months, I intend to search for another job.
3. Within the next year, I intend to quit my job for a similar job.

### Organizational Commitment<sup>1</sup>

1. I would be very happy to spend the rest of my career in this organization.
2. I really feel as if this organization's problems are my own.
3. I do not feel like "part of the family" at my organization. (R)
4. I do not feel "emotionally attached" to this organization. (R)
5. This organization has a great deal of personal meaning for me.
6. I do not feel strong sense of belonging to my organization. (R)

### Procedural Justice<sup>1</sup>

1. During my last performance appraisal, my supervisor was honest and ethical in dealing with me.
2. During my last performance appraisal, my supervisor used consistent standards when evaluating my performance.
3. During my last performance appraisal, my supervisor did not show a real interest in trying to be fair.
4. During my last performance appraisal, my

supervisor was completely candid and frank with me.

5. During my last performance appraisal, my supervisor gave me feedback that helped me learn how well I was doing.
6. During my last performance appraisal, my supervisor discussed plans or objectives to improve my performance.<sup>4</sup>
7. During my last performance appraisal, my supervisor and I discussed ways to resolve difficulties about my duties and responsibilities.

### Distributive Justice<sup>2</sup>

1. How fair has your company been in rewarding you when you consider the responsibilities you have?
2. How fair has your company been in rewarding you when you consider the amount of effort that you have put forth?
3. How fair has your company been in rewarding you when you take into account the amount of education and training that you have?
4. How fair has your company been in rewarding you when you consider the stresses and strains of our job?
5. How fair has your company been in rewarding you when you consider the work that you have done well?

### Pay Level Satisfaction<sup>3</sup>

1. My current salary
2. My overall level of pay
3. Size of current salary
4. My take-home pay

### Pay Raise Satisfaction<sup>3</sup>

1. My most recent pay raise
2. How my raises are determined
3. The raises I have typically received in the past
4. The company's pay structure

<sup>1</sup>Items measured on a scale ranging from (1) strongly disagree to (5) strongly agree.

<sup>2</sup>Items measured on a scale ranging from (1) very unfair to (5) very fair.

<sup>3</sup>Items measured on a scale ranging from (1) very dissatisfied to (5) very satisfied.

<sup>4</sup>Item deleted after CFA analysis.

**PERCEPTIONS OF RETAIL CONVENIENCE FOR  
IN-STORE AND ONLINE SHOPPERS**  
*MICHELLE BEDNARZ BEAUCHAMP, Middle Tennessee State University*  
*NICOLE PONDER, Mississippi State University*

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*Shoppers seek convenience in different shopping situations; however, marketers know very little about the types of convenience that retailers offer and the types of convenience that consumers value. In this study, perceptions of retail convenience are examined across two popular shopping formats—traditional, brick-and-mortar stores and online shopping. Items measuring the retail convenience dimensions of access, search, transaction, and possession were constructed. Data were collected using both a convenience sample and a national online panel. Results indicate that retail convenience is a higher-order construct consisting of four distinct dimensions—access, search, transaction, and possession. Testing of hypotheses detailing retail convenience perceptions among in-store and online shoppers reveal that online shoppers have more favorable perceptions of access convenience, search convenience, and transaction convenience than in-store shoppers. The results detail consumer perceptions of convenience regarding in-store and online shopping. In addition, this research reveals the importance of the different dimensions of retail convenience in constructing an overall convenience strategy.*

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### INTRODUCTION

“Lost time is never found again.” ~ Benjamin Franklin (1743)

Foote (1963) characterized the consumer of the future (in the year 2000) as one whose primary constraints are no longer money, but time and learning. Retailers have encountered a new type of consumer—one who considers the resource of time as valuable as money (if not more valuable). Because today’s consumer is more time-starved than ever, it is appropriate to carefully consider the benefit of convenience to consumers as a concept of utmost importance.

In this study, consumer perceptions of retail convenience are evaluated across two different retail formats—traditional, brick-and-mortar stores and online stores. Retail convenience is defined as consumers’ time and effort costs associated with shopping in a retail environment (Seiders, Berry and Gresham 2000). The consumer resources of time and effort are described in the marketing literature

as non-monetary costs influencing shopping behavior (Bender 1964; Herrmann and Beik 1968). While shopping, consumers spend time and effort to complete multiple tasks. Some tasks, such as selecting a retailer, searching for product information, locating the product they wish to buy, comparison shopping, and completing the checkout process, are performed whether the customer shops online or at a traditional outlet. Tasks specific to shopping at a traditional store include selecting a retail location, traveling to the location, searching for a parking spot, and moving through the store. When shopping online, customers often spend time and effort locating a website, waiting for the web pages to load, navigating the website, and waiting for their purchase to be delivered. So whether consumers choose to shop online or in a traditional store, time and effort costs are inherent to the process of shopping.

While shoppers who are more rationally or economically motivated seek convenience in different shopping situations, we know little about the various types of convenience that retailers offer their customers. Seiders, Berry and Gresham (2000) propose four dimensions of convenience particularly relevant to retailers: access, search, transaction, and possession

convenience. To what extent do consumers seek these types of convenience when shopping? How do customer perceptions of retail convenience vary across different shopping formats? How can retailers benefit from a better understanding of what convenience means to their customers? This study provides a framework for addressing many of these important questions.

The primary purpose of this paper is to provide an examination of perceptions of retail convenience for both in-store and online shoppers. Armed with this new knowledge, retailers will be able to better understand how to meet customers' needs, thus improving customer satisfaction. First, a review of the literature relevant to retail convenience is presented. Then, five hypotheses related to customer perceptions of retail convenience are developed and tested. Next, the results of hypothesis testing are discussed. Implications for retailers and directions for future research are also provided.

## **LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESES**

### **The Evolving Nature of Convenience**

The concept of convenience first appeared in the marketing literature with Copeland's (1923) classification of goods. Copeland suggests that by classifying goods according to his tripartite structure (convenience, shopping, or specialty goods), marketers can determine the type of store in which the product should appear and the appropriate concentration of distribution. Convenience goods are those lower-priced goods which consumers are familiar with and which are purchased from easily accessible outlets. Gardner (1945, p. 275) provides this description, based primarily on how the consumer shops for this type of good:

Convenience goods are articles of daily purchase...which are insignificant in value or are needed for immediate use. These goods are, to a considerable extent, bought at the most convenient place without a comparison of values....

As marketers continued to develop other product classification systems, convenience goods remained an essential staple, re-appearing in several other schemata (Bucklin 1963; Kaish 1967; Holbrook and Howard 1977; Enis and Roering 1980; Murphy and Enis 1986). Thus, the initial use of the word "convenience" in the marketing literature was as an adjective describing a class of consumer goods. Researchers have conducted studies covering the vast domain of convenience goods, including convenience foods (e.g., frozen dinners, ready-to-eat cold cereals, fast-food restaurants) (Crist 1960; Anderson 1972; Reilly 1982; Darian and Cohen 1995), convenience time-saving durables (e.g., dishwashers, microwave ovens, washers and dryers) (Anderson 1972; Reilly 1982), and time-saving services (e.g., child care, house cleaning services, lawn care services) (Brown 1990).

Over time, the use of the word "convenience" changed from a descriptor of products into its own unique concept—one with an emphasis on time buying or time savings (Yale and Venkatesh 1986). Many researchers (Douglas 1976; Strober and Weinberg 1977, 1980; Schaninger and Allen 1981; Reilly 1982) facilitated this transition by hypothesizing that consumers with greater time constraints are more likely to use convenience products and services to save time (Yale and Venkatesh 1986). As a result of this evolution of meaning, the more complete definitions of convenience now contain one common element—the reduction of non-monetary costs associated with a product (Kelley 1958; Kotler and Zaltman 1971; Etgar 1978; Wolfenbarger and Gilly 2001; Rohm and Swaminathan 2004).

### **The Multidimensional Nature of Convenience**

Researchers taking a closer look at the concept of convenience describe it as a multidimensional construct (Yale and Venkatesh 1986; Brown 1989, 1990; Seiders, Berry and Gresham 2000; Berry, Seiders and Grewal 2002), or as a second-order construct

consisting of various types of time and effort costs (Berry, Seiders and Grewal 2002; Seiders *et al.* 2005; Seiders *et al.* 2007). To provide a better understanding of convenience, researchers in this area have distinguished between different types of convenience. Service convenience (Berry, Seiders and Grewal 2002) and retail convenience (Seiders, Berry and Gresham 2000) are two types of convenience, which have appeared recently in the marketing literature.

Service convenience, defined as a “consumer’s time and effort perceptions related to buying or using a service” (Berry, Seiders and Grewal 2002, p. 1), includes the dimensions of access, decision, transaction, benefit, and post-benefit convenience. This type of convenience is unique since these time and effort expenditures occur at different points during the service encounter. Recently, Seiders *et al.* (2007) developed a scale to measure service convenience (SERVCON), examining it in a nomological network.

In 2000, Seiders, Berry and Gresham introduced a different type of convenience—retail convenience. Retail convenience is defined as consumers’ time and effort costs associated with shopping in a retail environment. Seiders, Berry and Gresham

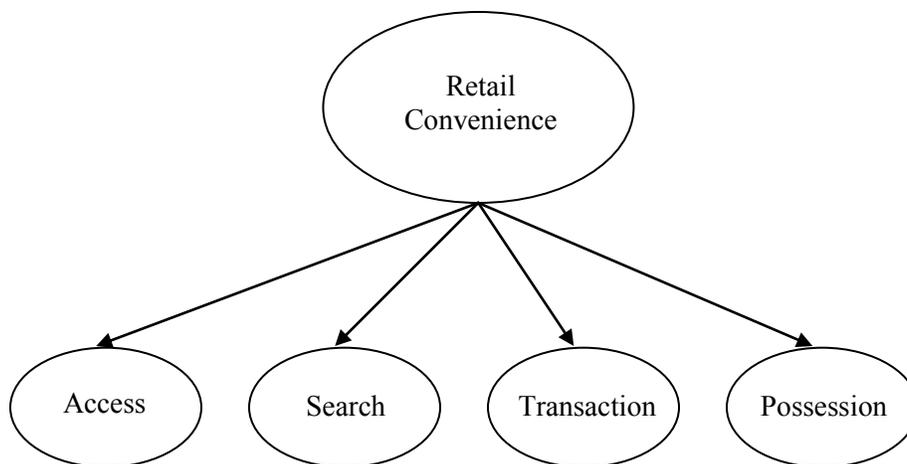
(2000) propose four distinct dimensions of convenience relevant to retailers: access, search, possession, and transaction. Although access and transaction are dimensions common to both service convenience and retail convenience, search and possession convenience are specific types of convenience more applicable to retailing. Each dimension is discussed in more detail shortly.

While the dimensions of service convenience have only begun to be examined empirically (Seiders *et al.* 2007), retail convenience has yet to receive empirical testing. As such, the first hypothesis relates to the structure of retail convenience for in-store and online shoppers. Remaining consistent with previous researchers who view convenience as a multidimensional construct, Hypothesis 1 states:

**H<sub>1</sub>:** Retail convenience is a higher-order multidimensional construct containing four dimensions: access, search, transaction, and possession.

Figure 1 contains the higher-order factor model to be tested in this study. Since this research focuses on retail convenience, a detailed description of the dimensions of retail convenience is now provided. Hypotheses related to each dimension are also presented.

**FIGURE 1**  
Retail Convenience for In-Store and Online Shoppers



*Access convenience* is defined as “the speed and ease with which consumers can reach a retailer” (Seiders, Berry and Gresham 2000, p. 81). This access may occur in person, over the phone, through a computer, or in other ways. Access convenience is an extremely important dimension of retail convenience, because if the consumer cannot reach the retailer, then the consumer would never be given the opportunity (on that particular shopping attempt) to make a decision, to complete a transaction, or to possess the desired product.

Consumer decision making is significantly influenced by both the speed and ease with which consumers can make contact with retail outlets. A “convenient location” is viewed as a place that minimizes the overall travel cost to the consumer (Jones, Mothersbaugh and Beatty 2003). Traditional retailers may improve access convenience by operating from a location that is easy to get to, near to most consumers, and near to other frequently visited stores (Seiders, Berry and Gresham 2000). Online retailers are certainly able to provide access convenience, as store location becomes irrelevant (Rohm and Swaminathan 2004), and consumers may shop online from any location (provided they have an Internet connection), 24 hours a day, seven days a week (Hofacker 2001). Compared to shopping at brick-and-mortar locations, shopping online saves the consumer travel time/effort to the location, time/effort spent parking, and time/effort spent walking from the parking lot to the store (Bhatnagar, Misra and Rao 2000). When considering the costs and benefits associated with shopping, online shoppers believe the time-saving benefit of accessing retailers via the Internet far outweighs the costs of delayed merchandise possession and the risks associated with shopping online (Wolfenbarger and Gilly 2001; Morganosky and Cude 2000). This leads to the development of Hypothesis 2.

**H<sub>2</sub>:** Online shoppers have more favorable perceptions of access convenience than traditional in-store shoppers.

Although it is an important aspect of retail convenience, providing access convenience

alone will not necessarily lead to success. To facilitate the decision-making process, the retailer must also provide the information necessary for the consumer to make the best purchase decision. *Search convenience* is “the speed and ease with which consumers identify and select products they wish to buy” (Seiders, Berry and Gresham 2000, p. 83), and includes effective interactive customer systems, store design and layout, product displays, store signage, and knowledgeable salespeople. So while access convenience reduces the time and effort necessary to reach a retailer, search convenience eases consumers through the shopping process by helping them make their purchase decision.

Many turn to the Internet to reduce the effort associated with making a decision (Todd and Benbasat 1992; Ratchford, Lee and Talukdar 2003; Biswas 2004; Dabholkar 2006). Benefits falling within the domain of search convenience for online shoppers include website design (Szymanski and Hise 2000), navigation (Childers *et al.* 2001), and the selection and availability of product information (Wolfenbarger and Gilly 2001). Online retailers design their websites carefully to provide the consumer with a website that is easy to navigate and easy to search. By doing so, they are facilitating search convenience as consumers arriving at such a website can quickly and easily find exactly what they are looking for.

Also considered within the domain of search convenience is the product selection offered by the retailer. A virtual retailer is not limited by shelf space; therefore, they can often offer a wider selection of products than traditional retailers. In addition, online retailers are able to provide additional written information about the product offerings. Online consumers are often faced with an extensive product assortment and a limited amount of time to make a decision; therefore, several e-retailers are offering decision aids (i.e., recommendation agents or shopping bots) to make the information search process and the formation of a consideration set more convenient for consumers (Punj and Moore 2009).

Conducting such an extensive search at a traditional store would consume considerable amounts of time and effort. By making it quick and easy to compare alternatives before purchase, online shopping facilitates search convenience. Consequently, online shoppers are expected to have more favorable perceptions of search convenience. This is formally stated as Hypothesis 3.

**H<sub>3</sub>:** Online shoppers have more favorable perceptions of search convenience than traditional in-store shoppers.

*Transaction convenience* is defined as “the speed and ease with which consumers can effect or amend transactions” (Seiders, Berry and Gresham 2000, p. 86); therefore, traditional stores and online stores with quick checkouts and easy return policies rank high in transaction convenience. At traditional stores, shoppers often spend time physically waiting in line to complete a transaction. Because the checkout process occurs at the end of the shopping experience, it is often frustrating for customers to have to spend additional time and effort to complete a transaction.

Many retailers are turning to self-service technology (in the form of self-checkout lanes) to attract new customers, increase customer loyalty, lower costs, and differentiate their offerings from the competition (“Help Yourself” 2009; Joseph 2009). In addition to the aforementioned benefits, retailers incorporating self-service technology are also offering greater transaction convenience since customers perceive self checkouts to be faster than waiting in line (Seiders, Berry and Gresham 2000). While self checkouts offer transaction convenience, it is important to note that this technology is not available in every store.

One of the main benefits of shopping online is that customers never have to wait in line (Wolfenbarger and Gilly 2001). Online shoppers are in “virtual checkout lines” where they can complete the transaction themselves when ready. Some consumers even mention the speed and efficiency of online checkouts as

influencing their decision to shop online (“Online Shoppers Care Most About Price” 2007). While offering transaction convenience may not be the primary reason for shopping online, it still minimizes the nonmonetary costs associated with shopping online. Hypothesis 4 states the following:

**H<sub>4</sub>:** Online shoppers have more favorable perceptions of transaction convenience than traditional in-store shoppers.

Seiders, Berry and Gresham (2000, p. 85) define *possession convenience* as “the speed and ease with which consumers can obtain desired products.” Included within the domain of possession convenience are in-stock merchandise, timely production, and timely delivery. One of the motives for selecting traditional stores over online stores is the ability to actually leave the store with the desired product (Alba *et al.* 1997; Rohm and Swaminathan 2004). Consumers who place a high value on possession convenience prefer to shop at traditional brick-and-mortar stores because the benefit of having the desired product in their hands at the end of the shopping trip outweighs the costs associated with traveling to the physical location and searching through the store’s shelves to find exactly what they want. Online shoppers must wait for their orders to be processed and delivered before obtaining their purchase. This time spent waiting for orders to be processed and for delivery is a non-monetary cost associated with online shopping. This leads to Hypothesis 5.

**H<sub>5</sub>:** Traditional in-store shoppers have more favorable perceptions of possession convenience than online shoppers.

The four dimensions of retail convenience share a common element—saving the consumer time and effort in a unique way. Whether shopping online or in a traditional store, consumers seek these various convenience dimensions to reduce time and effort costs associated with consumer decision making. The next section details the method used in testing these hypotheses.

## METHOD

### Construct Measurement

To measure the different dimensions of convenience, appropriate scale development procedures were followed (Churchill 1979; DeVellis 1991; Spector 1992). An initial survey containing several open-ended questions was administered to 196 students enrolled in upper-level marketing courses at a major university in the Southeastern United States. Questions such as "Please describe what the word 'convenience' means to you" and "Describe as specifically as possible what your ideal convenient shopping experience would be like" were asked to develop the most appropriate phrases to capture each dimension of retail convenience.

Many items were developed for each dimension based on these qualitative responses as well as the convenience literature. Next, 14 expert judges consisting of marketing faculty and marketing doctoral students who are trained in measurement and scale development, and who have an interest in research related to retailing and consumer decision making, were asked to rate the items according to how closely they matched the definitions of each convenience dimension. These judges were provided definitions of each convenience dimension and were asked to rate, on a seven-point scale ranging from "Reflects Completely" to "Does Not Reflect at All," the extent to which each item reflected its definition. Items were eliminated if they were not rated as a six or seven by all expert judges.

A pretest was then conducted to improve/clarify question wording and instructions. These pretest surveys were given to a sample of 75 upper-level undergraduate marketing students to determine the necessary modifications. This process resulted in slightly different item wordings for in-store and online shoppers.

When answering the questions related to retail convenience, respondents received the following instructions:

Think about the last time you made a *minor* purchase. Briefly describe your purchase experience. Please include what you purchased and where or from what company you made the purchase.

These instructions and open-ended questions provided a frame of reference for the respondents. Those who made their most recent minor purchase in a traditional store were directed to the scale items for in-store shopping, while those respondents who completed their most recent minor purchase online were directed to the items for online shopping. Table 1 contains the final survey items measuring each convenience dimension.

### Sampling Procedure

Using the final version of the survey, data collection was conducted in two phases. In the first phase, data were collected from both students and non-students using a convenience sample. Marketing students enrolled in upper-level undergraduate consumer behavior courses at a major university in the Southeastern United States participated as both respondents and recruiters. These students were not the same as those used to develop the initial survey items. For this study, student responses are appropriate to include in the sample because students typically face multiple demands for both their time and effort. Each student completed the survey and recruited one other non-student to also complete the survey. Non-student names and phone numbers were collected, and ten percent of them were contacted to ensure authenticity. A comparison of key construct means between the student and non-student surveys revealed no differences; thus, these groups were combined in subsequent analyses. This process resulted in 346 total usable surveys (50 percent students, 51 percent male, mean age 30); 241 completed their last minor purchase in a traditional store, while 105 completed their last minor purchase online.

A second phase of data collection was undertaken to increase our sample size in each

**TABLE 1**  
**Scale Items Measuring Retail Convenience**

<b>Dimension</b>	<b>Items for In-Store Shoppers<sup>1,2</sup></b>	<b>Items for Online Shoppers<sup>1,3</sup></b>
<b>Access</b>	1. The store was easy to get to.	1. The website was easy to find.
	2. The store had convenient hours.	2. I could order any time I wanted.
	3. Parking was reasonably available.	3. I could order from remote locations (e.g., home, work, etc.)
	4. It was easy to move through the store. <sup>4</sup>	4. I was able to find the website quickly.
	5. The store wasn't too crowded. <sup>4</sup>	5. The web pages loaded quickly. <sup>4</sup>
	6. I was able to get to the store's location quickly.	
<b>Search</b>	1. The store was well-organized.	1. It was easy to navigate the website.
	2. I could easily find what I was looking for.	2. I could find what I wanted without having to look elsewhere.
	3. The store was neat.	3. The website provided useful information.
	4. The store was clean.	4. It was easy to get the information I needed to make my purchase decision.
	5. I could find what I wanted without having to look elsewhere. <sup>4</sup>	5. The website was well-organized. <sup>4</sup>
	6. It was easy to get the information I needed to make my purchase decision. <sup>4</sup>	
<b>Transaction</b>	1. The store has a fast checkout.	1. The checkout process was fast.
	2. My purchase was completed easily.	2. My purchase was completed easily.
	3. I was able to complete my purchase quickly. <sup>4</sup>	3. It didn't take a long time to complete the purchase process.
	4. I didn't have to wait to pay.	
	5. It didn't take a long time to complete the purchase process.	
<b>Possession</b>	1. I got exactly what I wanted.	1. I got exactly what I wanted.
	2. It took a minimal amount of effort on my part to get what I wanted.	2. It took a minimal amount of effort on my part to get what I wanted.
	3. What I wanted was in stock.	3. My order was delivered in a timely fashion.
	4. I got what I wanted when I wanted it.	4. I was properly notified of my order status.

<sup>1</sup>All items were measured on a 7-point scale anchored by Strongly Agree and Strongly Disagree.

<sup>2</sup>Final n=756

<sup>3</sup>Final n=465

<sup>4</sup>Item was deleted based on expert judges or pretest results.

group. This time, the survey was administered to a national online panel. As an incentive, points transferrable to prizes were offered to potential respondents. Questions were asked about minor purchases both in-store and online. A total of 515 completed surveys were obtained (52 percent male, mean age 47). Means of key constructs (including the four dimensions of retail convenience) were compared across both samples, and no key differences were uncovered. While all 515 respondents had completed a minor in-store purchase, only 360 had also completed a minor online purchase. Thus, subsequent analyses are conducted on a total sample of 756 who completed a recent minor purchase in a traditional store, and 465 who completed a recent minor purchase online. For in-store shoppers, the types of products purchased include groceries, toiletries, household items, clothing, and CDs/DVDs/video games. For online shoppers, the types of products purchased include books, CDs/DVDs/video games, electronics, and items from eBay. The final sample is best described as 52 percent male with a mean age of 39.

### Statistical Technique

Several statistical techniques were used to analyze the data. To test Hypothesis 1, statistics typically used in scale development were employed, including Cronbach's alpha, principal components analysis (PCA), confirmatory factor analysis (CFA), and higher order factor (HOF) analysis using LISREL 8. To test Hypotheses 2 through 5, simple comparisons of means were used to compare scale means of access, search, possession, and transaction convenience for in-store and online shoppers. Results of these statistical tests are now presented.

## RESULTS

Statistical procedures commonly used in scale development were employed to test Hypothesis 1. Since the items within each dimension of retail convenience are considered to be reflective of their appropriate definitions, Cronbach's alpha was used to examine the

reliability of each dimension. For both in-store and online shoppers, the reliabilities were quite high, ranging from 0.80 to 0.95 for in-store shoppers and from 0.87 to 0.96 for online shoppers.

To ensure unidimensionality, PCA was initially undertaken on each of the final retail convenience dimensions in isolation. For access, search, transaction, and possession convenience, one strong component clearly emerged from the data for both in-store and online shoppers.

Next, to more closely examine the validity of these constructs, PCA with varimax rotation was undertaken on all of the retail convenience dimensions simultaneously. Table 2 presents the measurement properties for the in-store shopper group, while Table 3 presents the measurement properties for the online shopper group. For in-store shoppers, four components with eigenvalues greater than one were extracted from the data. Together, these four components explain 76.86 percent of the total variance. For online shoppers, four components emerged, explaining 83.58 percent of the total variance.

A more stringent CFA using LISREL 8 was also undertaken to further assess convergent and discriminant validity. As can be seen in Table 2, for in-store shoppers, the statistically significant parameter estimates provide evidence of convergent validity. Three of the items (Access2, Access3, and Search4) were problematic in that they fell slightly below the 0.70 threshold recommended by Garver and Mentzer (1999). However, they were within the 0.50 threshold recommended by Bagozzi and Yi (1988). Additionally, the majority of the squared multiple correlations (SMCs), defined as the percentage of variance in each item explained by the latent construct of interest, are above 50 percent (with the exception of Access2, Access3, and Search4), indicating that each item performed well in capturing the construct of interest. Average variance extracted (AVE) for search, transaction, and possession convenience are

**TABLE 2**  
**Retail Convenience Scale Results for In-Store Shoppers**

Dimension	Alpha	Component				CFA Results			Average Variance Extracted
		1	2	3	4	Parameter Estimate	t-value	SMC	
Access1: The store was easy to get to	0.80				0.856	0.71	18.46	0.50	0.45
Access2: The store had convenient hours					0.649	0.60	15.77	0.36	
Access3: Parking was reasonably available.					0.637	0.65	17.23	0.42	
Access4: I was able to get to the store's location quickly.					0.843	0.72	18.88	0.52	
Search1: The store was well-organized.	0.89			0.757		0.91	31.18	0.83	0.64
Search2: I could easily find what I was looking for.				0.660		0.86	28.20	0.73	
Search3: The store was neat.				0.841		0.74	22.85	0.54	
Search4: The store was clean.				0.801		0.67	20.14	0.45	
Transact1: The store has a fast checkout.	0.95		0.871			0.89	30.96	0.79	0.82
Transact2: My purchase was completed easily.			0.800			0.86	29.30	0.74	
Transact3: I didn't have to wait to pay.			0.899			0.92	32.77	0.84	
Transact4: It didn't take a long time to complete the purchase process.			0.907			0.95	34.75	0.90	
Possess1: I got exactly what I wanted.	0.91	0.862				0.87	29.55	0.75	0.74
Possess2: It took a minimal amount of effort on my part to get what I wanted.		0.735				0.74	23.31	0.55	
Possess3: What I wanted was in stock.		0.875				0.89	30.74	0.79	
Possess4: I got what I wanted when I wanted it.		0.869				0.92	32.76	0.85	
		<b>Variance Extracted=76.86%</b> Varimax Rotation				<b>Overall Fit Statistics</b> $\chi^2=433.9$ , 96df, $p=0.00$ RMSEA=0.069; RMR=0.055 GFI=0.93, AGFI=0.90 CFI=0.96			
n=756									

above the 0.50 level as recommended by Bagozzi and Yi (1988). The AVE for access is 0.45, signaling possible problems with convergent validity.

For in-store shoppers, the modification indices associated with constructs and error terms reveal issues regarding discriminant validity. Specifically, there were two problematic items—Transact2 (My purchase was completed easily)

and Possess2 (It took a minimal amount of effort on my part to get what I wanted). After returning to the item wordings for further review, it appears that these items may be capturing overall satisfaction with their purchase rather than transaction convenience and possession convenience. This most likely contributed to problems with discriminant validity.

**TABLE 3**  
**Retail Convenience Scale Results for Online Shoppers**

Dimension	Alpha	Component				CFA Results			Average Variance Extracted
		1	2	3	4	Parameter Estimate	t-value	SMC	
Access1: The website was easy to find.	0.89	0.793				0.74	17.91	0.55	0.66
Access2: I could order anytime I wanted.		0.627				0.85	22.10	0.72	
Access3: I could order from remote locations (e.g., home, work, etc.)		0.771				0.79	19.68	0.62	
Access4: I was able to find the website quickly.		0.775				0.86	22.27	0.73	
Search1: It was easy to navigate the website.	0.94				0.712	0.90	24.89	0.81	0.79
Search2: I could find what I wanted without having to look elsewhere.					0.784	0.85	22.50	0.72	
Search3: The website provided useful information.					0.820	0.89	24.56	0.80	
Search4: It was easy to get the information I needed to make my purchase decision.					0.756	0.92	25.66	0.84	
Transact1: The checkout process was fast.	0.96			0.788		0.97	28.33	0.93	0.89
Transact2: My purchase was completed easily.				0.775		0.96	28.16	0.93	
Transact3: It didn't take a long time to complete the purchase process.				0.732		0.91	25.31	0.82	
Possess1: I got exactly what I wanted.	0.87		0.625			0.85	21.46	0.73	0.64
Possess2: My order was delivered in a timely fashion.			0.810			0.77	18.51	0.59	
Possess3: I was properly notified of my order status.			0.836			0.77	18.58	0.60	
		<b>Variance Extracted=83.58%</b> Varimax Rotation				<b>Overall Fit Statistics</b> $\chi^2=218.88$ , 69df, $p=0.00$ RMSEA=0.066; RMR=0.025 GFI=0.94, AGFI=0.91 CFI=0.98			
n=465									

Additionally, there were five modification indices indicating that some within-construct error terms tended to correlate. These changes were not incorporated in the model, as conceptually it does not make sense to do so. In spite of these seven problematic modification indices, overall fit of the model is good: chi-square=433.9, 96 df,  $p=0.00$ ; RMSEA=0.07; RMR=0.06; GFI=0.93, AGFI=0.90, CFI=0.96.

For online shoppers (see Table 3), the statistically significant parameter estimates

provide evidence of convergent validity. All of the SMCs are above 50 percent, and all AVEs are above 0.50, indicating that each item performed well in capturing the construct of interest. This evidence of convergent validity is similar to the patterns for in-store shoppers. Similar problems with discriminant validity surfaced in the measurement model for online shoppers. With respect to the modification indices, Transact3 (It didn't take a long time to complete the purchase process) tended to be associated with other constructs, while three

within-construct error terms had a tendency to correlate. In spite of these issues, the model achieved good overall fit: chi-square=218.88, 69 df,  $p=0.00$ ; RMSEA=0.07; RMR=0.03; GFI=0.94, AGFI=0.91, CFI=0.98.

Finally, to test  $H_1$ , the factor structure of retail convenience as depicted in Figure 1, HOF models were assessed for both in-store and online shoppers. For the model to be properly identified, five items measuring retail convenience in general were used to measure the exogenous construct. These items (convenient – inconvenient; easy – hard; hassle-free – stressful; effortless – strenuous; and saves time – wastes time) were in a seven-point, semantic differential format and produced an alpha level of 0.93 for the in-store group and 0.96 for the online group.

Table 4 shows results of the HOF models. In both groups, the structural paths leading from the general retail convenience construct to each

dimension are statistically significant, which supports the HOF structure. Thus, there is evidence in support of Hypothesis 1. Regardless of the shopping format (i.e., in-store versus online shopping), retail convenience is a higher-order construct consisting of four distinct dimensions—access, search, transaction, and possession.

For Hypotheses 2 through 5, the mean scale scores for access, search, transaction, and possession convenience were compared for online and in-store shoppers. The results of the mean comparisons appear in Table 5.

Hypothesis 2 states that online shoppers have more favorable perceptions of access convenience than in-store shoppers. A comparison of scale means for these two groups yields a  $t$  statistic of 5.91 ( $p=0.000$ ). Online shoppers do have more favorable perceptions of access convenience (scale mean=6.43) than in-store shoppers (scale mean=6.09), providing

**TABLE 4**  
**Higher-Order Factor (HOF) Model Results**

	Path Estimate	t-value	Path Estimate	t-value
RETCON→ACCESS	0.45	11.02	0.67	15.86
RETCON→SEARCH	0.68	16.32	0.79	19.63
RETCON→TRANSACT	0.63	15.52	0.87	22.50
RETCON→POSSESS	0.65	16.08	0.64	15.10
Overall fit statistics	Chi-sq=798.13, df=181, $p=0.00$ RMSEA=0.07; RMR=0.09 GFI=0.91; AGFI=0.89 CFI=0.95		Chi-sq=695.4, df=144, $p=0.00$ RMSEA=0.08; RMR=0.08 GFI=0.88; AGFI=0.84 CFI=0.94	

**TABLE 5**  
**Comparison of Means**

Dependent Measures	In-Store			Online			t-value	Signif. Level
	n	Mean	Std. Dev.	n	Mean	Std. Dev.		
Access	769	6.09	1.00	460	6.43	0.99	5.91	0.000
Search	770	5.72	1.11	466	6.11	1.17	5.86	0.000
Transaction	771	5.14	1.63	466	6.26	1.18	13.94	0.000
Possession	771	5.95	1.22	466	6.13	1.22	2.51	0.012

support for H<sub>2</sub>. Hypothesis 3 states that online shoppers have more favorable perceptions of search convenience than in-store shoppers. Here the comparison of means produces a *t* statistic of 5.86 ( $p=0.000$ ). The scale mean of 5.72 for in-store shoppers is significantly less than the scale mean of 6.11 for online shoppers; thus, there is evidence in support of H<sub>3</sub>.

Hypothesis 4 pertains to transaction convenience and states that online shoppers have more favorable perceptions of transaction convenience than in-store shoppers. The *t* value of 13.94 ( $p=0.000$ ) indicates a statistically significant difference between the two group means. The mean for online shoppers (6.26) is greater than the mean for in-store shoppers (5.14), providing support for H<sub>4</sub>. Finally, Hypothesis 5 predicts that in-store shoppers have more favorable perceptions of possession convenience than online shoppers. The *t* statistic is again significant ( $t=2.51$ ,  $p=0.012$ ); however, the results are in the opposite direction. The possession convenience scale mean for in-store shoppers is 5.95, while the scale mean for online shoppers is 6.13. This finding is counter-intuitive, as one would expect in-store shoppers to benefit more from possession convenience than online shoppers. Possible reasons for this result are provided in the next section.

## DISCUSSION

In this study, consumer perceptions of retail convenience were examined for both in-store and online shopping. Hypothesis 1 was developed to better understand the structure of the retail convenience construct. Results provide support for retail convenience as a higher-order construct consisting of access, search, transaction, and possession convenience. These results are consistent for both in-store and online shopping, highlighting the importance of convenience regardless of the shopping format chosen.

The results of the CFA reveal issues surrounding the measurement of access convenience for in-store shoppers. Access

convenience is defined as “the speed and ease with which consumers can reach a retailer” (Seiders, Berry and Gresham 2000, p. 81). This includes how quick and easy it is to access the shopping channel initially and how quick and easy it is to access the merchandise once the consumer is at the store. Returning to the item wordings for further review, it appears that Access1 and Access4 are capturing the speed and ease associated with initial access to the retailer, while Access2 and Access3 are capturing the speed and ease associated with accessing the merchandise. This may account for lower SMCs associated with Access2 and Access3 and problems with convergent validity.

Furthermore, upon examination of the phi matrix for online shoppers, the dimensions of access and search convenience were correlated at 0.80, and the dimensions of search and possession convenience revealed a correlation of 0.82. Construct correlations for in-store shoppers were lower, in the 0.40 to 0.60 range. These findings suggest that while distinct dimensions of convenience certainly exist theoretically, consumers may tend to view convenience as more of a general construct, particularly with online shopping.

Hypotheses 2 through 5 were tested by examining differences in scale means across two shopping formats—in-store shopping and online shopping. These differences were examined for access, search, transaction, and possession convenience. Although the results for Hypotheses 2 through 4 were expected, one particularly interesting finding is the result of H<sub>5</sub>. The differences in mean scores for possession convenience across the in-store and online shopper groups are significant; however, the scale means are contrary to the hypothesis. Online shoppers have significantly higher perceptions of possession convenience than in-store shoppers. These findings are counter-intuitive as in-store shoppers take immediate possession of their purchase and online shoppers must wait for delivery.

Recall that convenience is characterized by both time and effort expenditures. This means

that possession convenience deals with both the time *and* effort associated with acquiring a purchase. While shopping at a traditional store is certainly faster than waiting for delivery of online orders, consumers must put forth effort at other stages of the shopping process to reap the benefits of immediate possession. So, while in-store shoppers can obtain the purchase quickly, they expect to expend a certain amount of effort to gain possession. On the other hand, online shoppers obtain the purchase easily through parcel delivery; however, the ease associated with delivery is accompanied by a longer wait time. It may be that the contradictory finding of Hypothesis 5 is the direct result of the tradeoffs consumers are willing to make when selecting a shopping format. That is, online consumers expect to obtain the product with little/no effort at the expense of having to wait for delivery. By meeting or exceeding these expectations, online retailers are improving perceptions of possession convenience.

A *post hoc* review of the item wordings for possession convenience reveals that the possession convenience items likely captured *satisfaction* with possession. Possession convenience is defined as “the speed and ease with which consumers can obtain desired products” (Seiders, Berry and Gresham 2000, p. 85). Items capturing this dimension include “I got exactly what I wanted” and “It took a minimal amount of effort on my part to get what I wanted.” While conceptually these items reflect the definition, it is suspected that respondents in the online shopper group did perceive higher possession convenience because they were more satisfied with the overall shopping experience. That is, they did not mind the wait for their product as other aspects of the purchase process (e.g., access and search) required minimal time and effort expenditures. Thus, possession convenience in this study may have been more of a general appraisal of, or satisfaction with, the *entire* purchase process, rather than a specific aspect of completing the purchase.

## MANAGERIAL IMPLICATIONS

In a market characterized by uniform product offerings, retailers should focus on the importance of convenience in adding value to the retail experience. Doing so allows retailers to improve upon and differentiate their offerings from those of the competition. While many retailers realize that convenience is an important offering, few are confident in developing strategies to enhance and deliver superior convenience (Berry 2001). This study provides an important first step by empirically examining consumer perceptions of retail convenience across two popular retail formats.

Results reveal that retail convenience is a higher-order factor, consisting of access, search, transaction, and possession convenience. In addition, the dimensions of retail convenience are highly related. Perhaps the specific dimensions of retail convenience are not easily distinguishable in the minds of consumers. Rather, they tend to think in more general terms of, “This is saving me time and/or effort.” Armed with this knowledge, retailers should realize the importance of each convenience dimension in influencing overall consumer satisfaction with convenience. If a retailer’s convenience strategy is limited in the types of convenience it provides, then consumers’ overall convenience perceptions of that retailer could surely suffer. Not only is it important to focus on each independent dimension, but it is also important to combine the dimensions in creating a comprehensive convenience strategy (Seiders, Berry and Gresham 2000).

This study provides evidence of higher perceptions of access, search, and transaction convenience for online shoppers (when compared to traditional in-store shoppers). When considering the concept of convenience across retail formats, customers and marketers alike have come to think of online shopping as “convenient” and in-store shopping as “inconvenient.” Though the difference is often perceived as simple, this study illustrates that different types of convenience contribute to our

overall thoughts regarding what is “convenient” or “inconvenient” in a retail setting. Not only should retailers keep these differences in mind when developing convenience strategies, but they should also develop distinct convenience strategies for in-store and online formats.

The fact that possession convenience was viewed more favorably by online shoppers than in-store shoppers seems to be an indication of the trade-offs consumers are willing to make in the purchase process. In order to have access anywhere and anytime, and in order to be able to carry out the search process with ease, online shoppers are willing to wait for their product to arrive. Furthermore, they are not inconvenienced by the wait. Some retailers (e.g., Walmart, Best Buy, and Lowe’s) now offer in-store pick up for online purchases to give consumers the best of both shopping formats—the benefits of shopping online and more immediate product possession (Gunn 2006; Wolf 2007).

#### LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

This study is an initial attempt to delineate the different retail convenience dimensions for in-store and online shoppers. As such, several limitations must be mentioned. In collecting the data, convenience samples were used. The first data collection involved a combination student/non-student sample concentrated in the southeastern part of the United States, and the second data collection involved a national online panel. With an online survey, several members of the population are eliminated as possible respondents. These include individuals not currently online, without access to the Internet, and/or lacking the online skills necessary to participate in the study. Using an online panel also introduces self-selection bias. The combination of these sampling issues limits the generalizability of the findings.

In future research, efforts to improve the measures of retail convenience are warranted. First, future attempts to measure access convenience for in-store shoppers should focus

on the creation of items to measure the time and effort associated with *initial* access to the retailer. Second, attention should be given to improving the discriminant validity of the scale, particularly with Transact2 and Possess2 for in-store shoppers and with Transact3 for online shoppers. In addition, retail convenience should be examined in the context of other construct to test aspects of nomological validity and predictive validity. By improving current measures, future researchers can contribute to the operationalization of the retail convenience construct.

The scale items measuring each retail convenience dimension were formulated to capture both the time and the effort expenditures associated with retail shopping. In the future it would be interesting to separate out the effects of both time and effort on the different dimensions of retail shopping convenience. Are time and effort expenditures equally important to all dimensions, or is one particular facet (i.e., time or effort) more important in establishing a particular dimension? This question and its practical implication to the retail arena deserve further attention.

Additional research on retail shopping convenience and its application to retail environments is also warranted. Following propositions set forth by Berry, Seiders and Grewal (2002), future studies should investigate the effect of distractions, engaging activities, firm-related factors (e.g., retail brand), wait time information, and time-saving options on perceptions of retail convenience. Another future research outlet is to determine the effect of different dimensions of retail shopping convenience on consumer outcomes of satisfaction and quality. By learning more about retail convenience and its effect on consumer perceptions, retailers can become more effective in their service to customers.

Retailers could also benefit from greater understanding of the trade-offs consumers are willing to make for convenient shopping. Researchers interested in this area could

perform a conjoint analysis to determine exactly where those trade-offs occur. Information gained could help retailers determine their optimal “convenience mix”—that is, the optimal combination of access, search, transaction, and possession convenience to best serve their customers. Regardless of the avenue chosen by future researchers, retail convenience is an important construct for consumers faced with purchase decisions.

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**PREPARING TO NEGOTIATE:  
AN EXPLORATORY ANALYSIS OF THE ACTIVITIES  
COMPRISING THE PRE-NEGOTIATION PROCESS  
IN A BUYER-SELLER INTERACTION**

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*A significant body of research has focused on the negotiation process, especially how skilled negotiators gain an advantage in the marketplace. However, the preoccupation with negotiation table exchanges has been at the expense of understanding what negotiators do prior to arriving at the table, which often determines what options they have while actively conversing. While previous research into negotiation antecedents has tended to focus on the demographic characteristics of the negotiator, the focus of this research is on defining the activities that negotiators often conduct in preparation of the negotiation encounter. Comprehending these activities should illuminate priorities, tendencies, and coveted behaviors/actions that people invest in prior to a negotiation encounter. The researchers identify and test a list of 34 pre-negotiation activities in a business negotiation situation, specifically in a buyer-seller encounter. Managerial implications and suggestions for future research are also discussed.*

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### INTRODUCTION

Negotiation, defined as a process by which parties attempt to reach an accord that specifies how they will act toward one another (Sawyer and Guetzkow 1965), is a fundamental phenomenon in inter-firm exchange behavior in business markets. In fact, marketing theorist Wroe Alderson (1957, p. 113) referred to negotiation as the “crowning process of business effort.” Given its central role and pragmatic importance in the exchange process, it should come as no surprise that over the years a significant stream of research has focused on the negotiation process. Much of this research has attempted to identify why some negotiators tend to make better deals than others. In general, this research has tended to focus on either the actual negotiation interaction, that is what happens at the negotiation table, or negotiator antecedent variables, such as negotiator age (Rubin and Brown 1975), experience (Phelps and Shanteau 1978), education (Rubin and Brown 1975), gender

(Rolloff and Greenberg 1979), or national origin (Graham 1983).

While much has been learned from negotiation research, it has been suggested that what the negotiator does to prepare for the negotiation interaction may have a significant impact on their success, or failure, in the negotiation interaction (Rognes 1995). In fact, Lewicki, Saunders, and Milton (1997, p. 91) go so far as to suggest that, “other things being equal, the negotiator who plans better does better.” More recently, Peterson and Lucas (2001) proposed a conceptualization of the pre-negotiation process in the sales arena. According to their framework, shown in Table 1, the pre-negotiation process consists of four components or phases. Two of the phases, formulation and strategy development, are directly related to planning activities, the other two phases focus on collecting information that will facilitate the process (intelligence gathering) and practicing/rehearsing the application of the plan in advance of the negotiation encounter (preparation phase). Unfortunately, to this point no empirical research has explored any aspect of this pre-negotiation process.

The purpose of this study is to begin to address this research shortcoming by exploring the activities individuals undertake in preparation for a sales-oriented negotiation situation. In particular, this research will focus on a situation in which the *terms* of an agreement (e.g., pricing, delivering, warranty, support services, etc.) are under negotiation. The objective of the research will be to explore what negotiators “do” prior to the negotiation table in order to obtain the best terms. To that end, we will first identify a comprehensive list of activities that are often used in preparing for a business negotiation encounter. Next, using a graduate student population participating in a simulated sales-oriented negotiation situation, we will confirm that these activities are, in fact, used in the pre-negotiation planning process. The outcome of the research will be a thorough list of pre-negotiation activities for a buyer-seller negotiation context.

**TABLE 1**  
**Four-Phase Pre-Negotiation Framework**  
**Suggested by Peterson and Lucas (2001)**

Intelligence Gathering	Act of collecting, processing, analyzing, and evaluating available data concerning the other party and relevant environmental factors.
Formulation	Entails developing goals, specific objectives, and setting the parameters for each issue to be negotiated.
Strategy Development	Strategy is a plan that integrates a person’s goals and action sequences into a cohesive whole.
Preparation	Involves rehearsing verbal communication, arranging/creating support materials, and attending to logistical concerns.

**IDENTIFYING  
 PRE-NEGOTIATION ACTIVITIES**

Identifying a comprehensive list of activities utilized by individuals as they prepare to negotiate seems to be a natural beginning point toward gaining a better understanding the pre-

negotiation process (Hunt 2002). In his paradigm for developing better constructs Churchill (1979) suggests beginning the construct development process with a thorough review of the existing literature on the subject in question. Following Churchill’s suggestion, the academic negotiation literature was searched for insights into the pre-negotiation process. Due to the limited number of rigorous academic studies in this area, the search was augmented by research published in the trade press and textbooks. This review of the literature resulted in 21 planning activities. Using the Peterson and Lucas (2001) Four-Phase Pre-Negotiation Framework as a classification structure, each of the 21 items fit suitably into the conceptualization through a sorting task involving two independent judges. See Table 2.

After the literature review, additional activities/items were sought to augment the domain specification. To that end, a panel consisting of three senior business people, each with over 20 years of business experience, and two senior marketing faculty members involved in teaching and researching in the negotiation area was convened to review the list of pre-negotiation activities. This panel suggested an additional 12 pre-negotiation activities.

To validate the list of generated items and to estimate the amount of time expected to perform each item, personal interviews were then conducted with a group of sales representatives from five different firms and senior negotiators from a large public accounting firm. These individuals were chosen because they routinely negotiating agreements with clients. The interviews led to a refinement of several items as well as the addition and consolidation of further items. This particular group was selected for the interviews since negotiation is an integral aspect of their position. They were asked whether these activities were: (1) certainly characteristic, (2) somewhat characteristic, or (3) not characteristic of pre-negotiation planning and preparation activities. When asked to suggest additional pre-negotiation activities this group

**TABLE 2**  
**Pre-Negotiation Planning Literature Review Items**

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Information Gathering Activities:

1. Collect primary data (consult with others in your firm, client's firm, 3<sup>rd</sup> party firms)
2. Collect secondary data (industry, government, trade publications, Internet, annual reports, 10k, etc.)
3. Gather data on market conditions, future trends, and how they may affect each party
4. Review history of the relationship from internal sources/data

Formulation Activities:

5. Set negotiation objectives
6. Define issues to be deliberated
7. Define the bargaining mix (what is on the table and what is not)
8. Set limit levels on issue(s) (optimistic, realistic, pessimistic)
9. Conceive BATNA (Best Alternative to a Negotiated Agreement, point where you agree not to do business)
10. Incorporate potential plans of the other party
11. Create a negotiating team assign responsibilities, role, and deadlines)
12. Outline the role you will assume (if part of a team)
13. Consult with others regarding your plan/strategy

Strategy Development Activities:

14. Develop trade-off strategy on the issues (what you will give for what in return)
15. Devise collaborative strategies (cooperative ideas and options)
16. Devise competitive attacking strategies (options to be highly aggressive)
17. Devise competitive defending strategies (options to defend against attacks)
18. Devise concession strategy (slow, but planned concessions to appease client)
19. Develop strategy(ies) that use a 3<sup>rd</sup> party to influence client actions (friendly/coercive influence asserted from 3<sup>rd</sup> party)

Preparation Activities

20. Role Play
21. Script opening ceremonies (formal opening statement)

could only suggest one additional activity. Thus, 13 items were added (see Table 3) to the list of 21 activities gleaned from the literature.

All the items were deemed to be either certainly or somewhat characteristic of the pre-negotiation process according to the group of experts, yielding a total of 34 activities. Finally, a pilot test was executed using 47 graduate students in a Southeastern university. The respondents were asked to review the activities and determine if some activities were missing and/or the anticipated times to execute the activities were incorrect. This pre-test supported the initial work and did not change the results; changes were grammatical in nature. The complete list of pre-negotiation items can be found in Table 4.

### VERIFYING THE PRE-NEGOTIATION PROCESS ACTIVITIES

The second step in this research utilized a negotiation scenario approach to verify that the 34 activities were, in fact, used in the pre-negotiation process and seeking additional activities that could be added. The negotiation scenario used for this prescribed the general role the respondents were to play leading to a pending negotiation. The scenario was a modified version of Graham's (1984) widely used Bolter simulation. The Bolter simulation (see Appendix A) entails the buying or selling of capital equipment for the purposes of extracting natural gas. There are a range of issues that a negotiator would need to prepare to discuss including purchase price, delivery

**TABLE 3**  
**Additional Pre-Negotiation Process Activities Suggested by**  
**Marketing Faculty Members, Senior Marketing Management and Study Respondents**

- 
1. Knowledge of the competitive alternatives the client may be pursuing
  2. Review history of the relationship from internal sources/data
  3. Review the previous strategies used by both you and the client
  4. Knowledge of client's anticipated preparation
  5. Understand the other's decision-making unit (structure and process)
  6. Create an agenda for negotiation
  7. Define your interests
  8. Outline the role you will assume (if part of a team)
  9. Prepare questions from client (questions that are in need of answers)
  10. Prepare for anticipated questions from client (answers to questions or objections)
  11. Prepare a mutual interest business topic (topic both parties find relevant to business concerns)
  12. Prepare visual and other aids (charts, graphs, presentation aids)
  13. Logistical concerns (seating arrangements, food, drink, room availability)

terms, payments terms, and a service agreement. Other researchers have used the Bolter scenario and have found it robust and complex enough to connote a real world experience (Alexander 1988; Alexander, Schul, and Babukus 1991; Westbrook 1997). Given their role as lead negotiator, the respondents were then asked to assume that they had 500 points (each point representing a unit of time to be spent) to distribute across the negotiation phases of this specific scenario. They were asked to divide their points among the three phases: 1) pre-negotiation (generally includes intelligence gathering, formulation, strategy, and preparation activities), 2) negotiation (includes actual face-to-face interaction with the client), and 3) post negotiation (includes implementation and follow-up issues). Based on the amount of points they allotted themselves for the pre-negotiation phase, each person was asked to scrutinize the list of preparation activities identified in the first phase of this research, and circle the ones they would undertake in order to prepare for their upcoming negotiation.

The list of activities given the respondents was categorized into four segments, intelligence gathering, formulation, strategy, and preparation. Each activity listed was associated with a point value. In order to gain this information or level of preparation, they had to spend the necessary points to obtain it, (i.e.,

“collecting primary data” costs 15 points). They were allowed to invest their points in whatever categories they wished. The activities within each category were in random order, thus no hierarchy was implied. If they wished to add an item to the list they could do so, and they could assign their own point value to it.

The subjects participating in this phase of the study were 178 graduate students at a major Southeastern university. The use of graduate students is often deemed acceptable in many types of research (Kardes 1996). A total of 172 usable responses were received, yielding a 97 percent response rate. The respondents tended to be male (64 percent), less than 34 years of age (82 percent), with an average of five-six years work experience, with 96.5 percent currently employed while pursuing their degree.

Table 5 presents the ranking of pre-negotiation process activities this sample indicated it would complete. A review of Table 5 indicates that all 34 activities were used by 14 percent to 84 percent of the respondents, offering support that these activities are, in fact, used by business people as they prepare for negotiation situations. Respondents were also given the option of adding additional activities in each category. Only three respondents added a total of four activities, which were clearly simple rewording of activities already on the list. These results suggest that the list of activities

**TABLE 4**  
**Pre-Negotiation Planning Activities**

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Information Gathering Activities:

1. Collect primary data (consult with others in your firm, client's firm, 3<sup>rd</sup> party firms)
2. Collect secondary data (industry, government, trade publications, Internet, annual reports, 10k, etc.)
3. Gather data on market conditions, future trends, and how they may affect each party
4. Understand other party (general profile, personality profiles, and communication patterns of others involved)
5. Knowledge of the competitive alternatives the client may be pursuing
6. Review history of the relationship from internal sources/data
7. Review the previous strategies used by both you and the client
8. Knowledge of client's anticipated preparation
9. Understand the other's decision-making unit (structure and process)

Formulation Activities:

1. Set negotiation objectives
2. Define your interests
3. Define issues to be deliberated
4. Define the bargaining mix (what is on the table and what is not)
5. Set limit levels on issue(s) (optimistic, realistic, pessimistic)
6. Contrive BATNA (Best Alternative to a Negotiated Agreement, point where you agree not to do business)
7. Create an agenda for negotiation
8. Incorporate potential plans of the other party
9. Create a negotiating team assign responsibilities, role, and deadlines)
10. Outline the role you will assume (if part of a team)
11. Consult with others regarding your plan/strategy

Strategy Development Activities:

1. Develop team strategy (who will speak, who will introduce demands, concessions, solutions)
2. Develop trade-off strategy on the issues (what you will give for what in return)
3. Devise collaborative strategies (cooperative ideas and options)
4. Devise competitive attacking strategies (options to be highly aggressive)
5. Devise competitive defending strategies (options to defend against attacks)
6. Devise concession strategy (slow, but planned concessions to appease client)
7. Develop strategy(ies) that use a 3<sup>rd</sup> party to influence client actions (friendly/coercive influence asserted from 3<sup>rd</sup> party)

Preparation Activities:

1. Role Play
2. Script opening ceremonies (formal opening statement)
3. Prepare questions from client (questions that are in need of answers)
4. Prepare for anticipated questions from client (answers to questions or objections)
5. Prepare a mutual interest business topic (topic both parties find relevant to business concerns)
6. Prepare visual and other aids (charts, graphs, presentation aids)
7. Logistical concerns (seating arrangements, food, drink, room availability)

**TABLE 5**  
**Response Frequencies of Pre-Negotiation Process Activities**

<u>Negotiation Activity</u>	<u>Percentage Selecting</u>
<u>Intelligence Gathering</u>	
1. Collect Primary Data	84.4%
2. Obtain Client Preparation info	70.5%
3. Collect Secondary Data	62.4%
4. Review Previous Strategies	53.8%
5. Review History of the Relationship	45.1%
6. Understand other side's decision unit	40.5%
7. Obtain Competitive Alternatives	37.6%
8. Gather Data on Market Conditions	30.1%
9. Understand Other Party	29.5%
<u>Formulation</u>	
1. Incorporate action plans of other	65.3%
2. Outline your personal role	61.8%
3. Define your interests	54.3%
4. Contrive BATNA	54.3%
5. Define the bargaining mix	47.4%
6. Consult with others on the plan	45.1%
7. Define issues to be deliberated	42.8%
8. Set limit levels on the issue	39.9%
9. Create agenda for negotiation	35.3%
10. Create negotiating team	30.1%
11. Set Negotiation Objectives	23.7%
<u>Strategy</u>	
1. Develop 3 <sup>rd</sup> party strategies	80.9%
2. Devise Competitive attack strategies	64.2%
3. Devise Competitive defend strategies	50.9%
4. Devise Concession strategies	46.2%
5. Develop trade-off strategy	38.7%
6. Devise Collaborative strategies	31.2%
7. Develop team strategy	20.5%
<u>Preparation</u>	
1. Script opening ceremonies	68.2%
2. Perform role-plays	64.7%
3. Address logistical concerns	59.3%
4. Prepare mutual interest topic	55.5%
5. Prepare visual and other aids	27.2%
6. Prepare questions for client	23.7%
7. Prepare for anticipated questions from client	14.5%

identified in this research compose a comprehensive list of pre-negotiation activities.

### SUMMATION AND IMPLICATIONS

It has been suggested that entering the negotiation encounter unprepared provides the opposition a negotiation edge (Smith 2007). However, little research has focused on pre-negotiation preparation activities. This study has contributed by beginning the process of exploring the activities negotiators perform when preparing for a negotiation encounter within a business-to-business sales negotiation. Using earlier works by academics and in the trade press, a list of activities that negotiators undertake prior to a negotiation session was developed. This list of pre-negotiation activities was expanded with suggestions from business negotiators, marketing faculty members, and study respondents. The initial testing and validation of the framework offered support for the 34 items generated via pre-testing and then tested on a sample of 172 respondents. The results of this initial study suggested that the 34 items generated appear inclusive.

The results of this study offer several managerial implications. For example, it has been suggested that negotiation proficiency can become a corporate competency (Ertel 1999; 2004). To that end, Ertel suggests the development of a companywide infrastructure designed to facilitate systematic improvement in negotiation proficiency. As part of that infrastructure, the comprehensive list of pre-negotiation activities identified in this research should prove useful in several areas.

First, the list of pre-negotiation activities identified in this research can be useful in hiring job candidates that possess negotiation skills. One approach would be to observe the candidate's use of the pre-negotiation planning activities. For example, observing the responses to interviewer questions such as, "Why would you like to work for our company?" and, "What income offer are you expecting or needing to accept this position?" offer insights into the degree of pre-negotiation effort and ability.

Another approach would be to ask the job candidate to role-play through a business negotiation scenario, similar to the format presented in this research, observing the candidates use, or lack of use, of each of the pre-negotiation activities.

The pre-negotiation activities identified in this research should also prove useful in developing negotiation-training programs. The first step in the training program would be evaluating the proficiency of the current employee base on each of these activities. The second step would be developing a training program designed to improve the employee base in the pre-negotiation planning activities that need improvement. As a component of on-going training and improvement efforts, the list of pre-negotiation activities can be used as a guide for post-negotiation analysis.

The list of pre-negotiation activities developed in this research should also prove helpful to management as the list highlights the steps that should be covered in the pre-negotiation planning process. Certainly the time constraints that may be inherent in many business negotiation situations may require negotiators to limit, or even omit, certain planning activities. In fact, the results of this study suggest that several of the activities would be a low priority for pre-negotiation planning for many of the respondents in the sample. For example, in this study only 14.5 percent indicated that they would include preparing for anticipated questions in their pre-negotiation planning activities. Additionally, other items that would intuitively seem important pre-negotiation activities but were used sparingly included developing a team strategy (20 percent), and setting negotiation objectives (23 percent). These results suggest that management should reinforce the value of each of the pre-negotiation activities and the need to include as many of the activities as possible given the constraints of the negotiation situation. For example, if preparing for anticipated questions is deemed to be an important pre-negotiation activity the training program should stress its inclusion.

### FUTURE RESEARCH CONSIDERATIONS

The newly developed framework and activities of the pre-negotiation phase captures the beginning portion of the negotiation process, but this study is very embryonic. Being one of the first empirical investigations in this domain, future studies should test and re-test these findings, and further explicate the activities undertaken prior to a negotiation encounter. While the list of pre-negotiation activities appears robust, confirmation and augmentation of the 34 activities is crucial to domain specification. Another aspect of the present study that merits further research is the extension of the current conceptualization to other research settings. Do the pre-negotiation activities grow or contract if the ensuing encounter promises to be highly competitive or collaborative? Also, does the international generalizability of this research hold? Do Asians, Europeans, or Arabs have a different set of activities they perform? While acknowledging the infancy of this investigation, it makes an important initial contribution to a newly defined domain of negotiation research. Obviously, a key eventual outcome would be to understand associations between planning inputs and negotiated outcomes, especially if a stepwise regression would help define a hierarchal relationship between pre-negotiation activities. In short, what are the most vital (and perhaps parsimonious) pre-negotiation activities to undertake to improve negotiated outcomes?

Scaling work needs to be undertaken. The list of pre-negotiation activities developed in this research should now be translated into scales that can measure the various facets of those activities. Among other things, understanding the importance of each activity would be beneficial. We would also like to ascertain in some way, the quality of these activities as they are undertaken, and link quality to performance in the negotiation process with further links to outcomes. While performing or not performing a pre-negotiation activity might be important to understanding how it links to performance of

negotiation behaviors, in all likelihood it will be the performance of those pre-negotiation behaviors that is most predictive. For example, as previously mentioned only 14 percent of the respondents included “preparing for objections” as a pre-negotiation activity. If constraints require the omission of certain pre-negotiation items, it would certainly be helpful to understand the relative importance of each item – thereby omitting those items that are deemed less important.

In closing, this research has begun the process of exploring the activities that business negotiators utilize in anticipation of a negotiation encounter. Of course, care must be taken in generalizing from this exploratory study. While research limitations exist, interested stakeholders now have a list of planning activities that comprise the pre-negotiation process. It is our hope that this list of pre-negotiation activities will focus practitioner attention on these important planning activities and stimulates other researchers to direct their attention on this broadened conceptualization of the antecedents of the negotiation encounter.

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#### APPENDIX A The Bolter Scenario

You are the lead sales representative in a contract negotiation between two firms over the sale of a complex compressor system used in the offshore production of natural gas. Stated simply, the compressor forces the natural gas from the seabed into a system that allows for its capture. The two involved firms are: 1) Bolter Turbines Inc.—a manufacturer of natural gas production equipment (with whom you are a salesperson), and 2) Maverick Natural Gas Inc.—a producer of natural gas with production operations concentrated in the Gulf of Mexico. This contract negotiation is based on the potential purchase by Maverick of one compressor *system*, but there is always a desire of selling additional units.

Maverick has been a customer for several years and knows you and your company through previous work you have performed for them. This compressor *system* would represent a lucrative increase in business from your client, and would be one of the first sales for a new and improved compressor system. The sales process has proceeded relatively smoothly, a few bumps here and there, but now the big decisions must be made during the negotiation.

Over the past few months, you (the Bolter sales representative) have been actively involved in preliminary sales negotiations with the Maverick purchasing agent and other Maverick staff members over the purchase of the *system*. This product is a specialized compressor system recently developed by your firm, and is rated as the best in the market at extracting natural gas. You have offered Maverick a general price range for the *system* (\$2-3 million), but have not talked any specifics yet.

with you. They have a reputation for working well together with those who cooperate with them. They think your *system* can be a good business arrangement for both parties. Maverick still wants to win as much as they can, but they also want you to win as well. While you might not agree on everything, you have reason to believe that everyone has the best intentions and will work together to find an agreeable solution.

Your role in the negotiation will be to negotiate with the other party to reach a decision on a contract for the *system*, including finalizing the price on the compressor, the price of the service contract and the delivery date. Again, your task is to complete the negotiations and get a signed agreement for the 1) compressor system, 2) service contract and 3) delivery date of the equipment.

Those receiving the **Completive** stimuli were given additional information; emphasis original.

**Important Information:**

It is your professional feeling, and other sources have confirmed it, that the Maverick negotiators are only concerned with making as much money from this deal as possible. They are not out to hurt you necessarily, but they do not feel the need to help you either. You anticipate Maverick being highly competitive with you. In fact, they will be as competitive as it takes so they can reach their objectives on every issue. You must take care of yourself if you intend to reach your goals and corporate objectives.

Those receiving the **Collaborative** stimuli were given additional information; emphasis original.

**Important Information:**

It is your professional feeling, and other sources have confirmed it, that the Maverick negotiators will tend to be *highly* collaborative

## COMMENTARY ON CONCEPTUALIZING THE SERVICESCAPE CONSTRUCT IN 'A STUDY OF THE SERVICE ENCOUNTER IN EIGHT COUNTRIES'

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*This commentary identifies and discusses several key shortcomings relating to conceptualizing the servicescape construct. Two mainstream marketing articles are used to exemplify the sometime overlooked and accepted oversights regarding accurately conceptualizing the servicescape construct. The manuscript also provides the foundation for advancing international services marketing thought by suggesting an International Servicescape Construct Conceptualization that has a comprehensive three dimension hierarchical factor structure.*

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*"...To address the aforementioned research voids, we first propose a conceptual framework that incorporates the effects of three distinct store environment dimensions: design, social, and ambient."<sup>1</sup>  
(Baker, Grewal, and Voss 2002)*

### INTRODUCTION

Though Baker, Grewal, and Voss (2002) conceptualized a three dimensional store environment (i.e., servicescape) that focused on the domestic marketing environment solely, the need to expand this discussion (i.e., enhancing the apparent mainstream marketing academicians' servicescape conceptualization) to the global marketplace is critical, relevant, and more importantly long overdue. Other prominent researchers such as, Keillor, Hult, and Kandemir (2004) started an international marketing focus on conceptualizing the servicescape; but we purport that the extant literature now provides a more generally applicable, advanced, reliable, valid, and robust conceptualization of a service firm's physical environment than used in their 2004 article. Baker, Grewal, and Voss (2002) stated that the actual retail store environment conceptualization "...research voids..." (p. 120) are broad in the marketing literature, and

we agree. However, this commentary addresses the servicescape construct's conceptualization questions definitively.

The data collected by Keillor, Hult, and Kandemir (2004), in its own right, is tremendous with respect to exploring global business (i.e., collecting usable data from the People's Republic of China alone is a feat). The countries contained in the 2004 study (Australia, China, Germany, India, Morocco, the Netherlands, Sweden, and the US) are geographically as well as culturally diverse, and thus make their assessment (i.e., physical goods quality, service quality, servicescape, and behavioral intentions) harder to accomplish. As more societies continue to globalize, the examination of service encounters on an international basis is becoming increasingly more important to both practitioners and academicians (cf., Keillor, Hult, and Kandemir 2004; Lovelock and Yip 1996). Keillor, Hult, and Kandemir (2004) state that no one had examined "...the relative importance of physical goods quality, service quality, and servicescape on behavioral intentions..." in a single study prior to their project. We applaud and agree with the study's use of a comprehensive services research model that included consumer behavioral intentions. However, we would like to share some additional thoughts on the servicescape's conceptualization in order to improve our ability to utilize the construct more effectively

both domestically and abroad in future comprehensive services models.

The servicescape is defined as everything that is physically present to the consumer during the service encounter (cf., Hightower 1997). This commentary focuses primarily on identifying and discussing an enhanced servicescape construct conceptualization that significantly clarifies and expands Keillor, Hult, and Kandemir's (2004) as well as Baker, Grewal, and Voss' (2002) results regarding the service firms' physical environment.

### SELECTED LITERATURE REVIEW

It is assumed that the readers have a substantive background and knowledge in the following literature areas: atmospherics, retail store environment, servicescape, environmental psychology, and services marketing. We open the commentary with Baker, Grewal, and Voss' (2002) assertion to demonstrate the highly complex servicescape construct. Some, after a first read, may think that there is a general agreement in the marketing literature on the actual servicescape construct's conceptualization. However, we suggest that there is distinct disagreement and or misunderstanding of how to actually 'best' conceptualize the servicescape construct.

This manuscript uses the same conceptualization for the servicescape construct that the most cited mainstream marketing 'servicescape researcher' to date, Mary Jo Bitner, referred to as "...promising" in 2000 (p. 45). Footnote (1) is taken directly from Baker, Grewal, and Voss' (2002) *Journal of Marketing (JM)* article for illustrative effect. This footnote was offered and accepted as appropriate support for the authors' three dimension store environment construct. Similarly, there is no room here to provide an extensive multi-area literature review section that some may require in order to fully appreciate the commentary. If additional theoretical and empirical background is needed, see the following publications: Bitner (1992); Bitner (2000); Brady and Cronin (2001); Baker,

Grewal, and Voss (2002); Hightower, Brady, and Baker (2002); Hightower (2003); Keillor, Hult, and Kandemir (2004); Hightower, Brand, and Bordeau (2006); Hightower and Shariat (2009).

Keillor, Hult, and Kandemir (2004) investigated several key services constructs' influence on consumers' behavioral intentions from an eight-country perspective, and answered the pervasive call for further empirical investigation of comprehensive services research models that included consumer behavioral intentions (cf., Cronin, Hightower, and Hult 1998; Bitner 2000; Baker, Grewal, and Voss 2002; Hightower, Brady, and Baker 2002; Hightower 2003; Hightower, Brand, and Bordeau 2006; Rosenbaum 2005; Hightower and Shariat 2009).

At first glance, Keillor, Hult, and Kandemir's (2004) use of Baker and Cameron's (1996) servicescape conceptualization appears straightforward, however, when their approach is coupled with their interpretation of the Nordic School of Service Marketing (NSSM) evaluating service encounters "...along two dimensions..." (p. 11), the servicescape construct appears to become limited to no more than two dimensions at best. It is suggested that Keillor, Hult, and Kandemir's (2004) reliance on Baker and Cameron (1996) along with incompletely incorporating the NSSM's body of work into their servicescape construct, created a significant gap in the construct's conceptualization.

The servicescape construct is best conceptualized to have three dimensions (cf., Bitner 1992; Bitner 2000; Brady and Cronin 2001; Baker, Grewal, and Voss 2002; Keillor, Hult, and Kandemir 2004). The services marketing literature has a number of detailed investigations/discussions about the "technical" and or "functional" qualities of service encounters in general, (cf., Brady and Cronin 2001; Gronroos 1984, 1982; Gronroos and Gussmesson 1985) and we concur with the literature depicted in the above citation. However, while placing a strong emphasis on

the extant literature, we suggest that additional consideration be given to the servicescape construct's conceptualization to include three dimensions as depicted in Figure 1. The figure includes three distinct hierarchical factor levels: overall, dimensional, and subdimensional.

### COMMENTARY

Herein, the servicescape is posited to have a hierarchical factor structure. It is further suggested that consumers think of the servicescape at three different levels simultaneously: 1) an overall level, 2) a dimension level, and 3) a subdimension level (cf., Hightower and Shariat 2009; Hightower, Brand, and Bourdeau 2006; Hightower 2003; Hightower, Brady, and Baker 2002; Hightower 1997). We assert that Keillor, Hult, and Kandemir (2004) do not include this servicescape hierarchical factor structure because they only partially address the components identified in (B). However, Figure 1 includes an overall servicescape level (A) and a subdimension level for the design and social factors (C and D respectively- also not identified, discussed, or included in Baker, Grewal, and Voss 2002). Figures 1, A, C, and D are counter intuitive in nature, yet when fully understood, they provide necessary information that enables a more complete and comprehensive assessment of the service firm's entire physical environment. The omission of the content represented by Figures 1, A, C, and D may contribute to the disparate empirical results reported in Keillor, Hult, and Kandemir's (2004) study. We suggest that researchers use the more comprehensive servicescape conceptualization depicted here in future servicescape assessments (domestic and abroad) across multiple industries, i.e., auto service, theme parks, video rentals, banking services, electronics retailers, restaurants, theaters, discount stores, and sports stadiums (i.e., Hightower and Shariat 2009) or in more socially controversial service settings. For example, Rosenbaum (2005) investigated whether or not homosexuals and or Jews are "welcomed" in certain establishments.

Keillor, Hult, and Kandemir link the servicescape (p. 12) with the NSSM's two dimensional technical and functional service quality outcome discussion (this relationship is not in dispute here), but they never fully and or completely operationalize the construct in its true hierarchical three-dimensional factor structure. They utilize what appears to be a visually intuitive version of the servicescape construct. It appears that only second order factors were used to conceptualize the servicescape construct (i.e., the lay 'verbal' or 'spoken' components of the physical environment, namely ambient, design, and social dimensions –Note: these are also utilized in Baker, Grewal, and Voss 2002). Ambient, design, and social servicescape dimensions together only account for one of the three hierarchical factor levels that exist for the complete servicescape construct (see Figure 1, B). In our opinion, Keillor, Hult, and Kandemir (2004) inappropriately use Baker and Cameron (1996) as a basis for a seemingly enlightening servicescape discussion (p. 12 and 18). They suggest that by using the three items shown below, the study identifies the servicescape construct's essence. We posit that they were unsuccessful in conceptualizing and operationalizing the complete servicescape construct.

**8. *They have attractive facilities.***

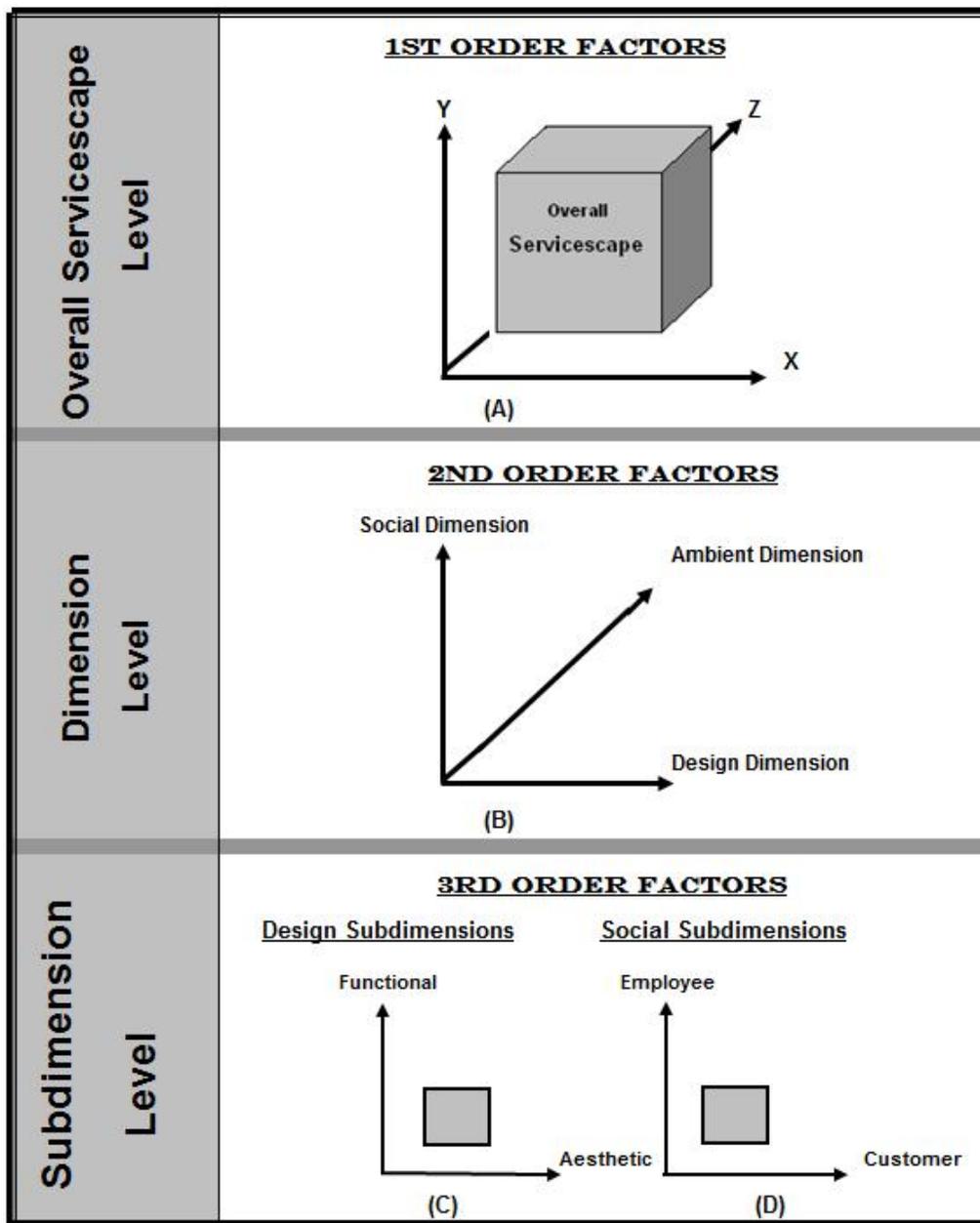
**9. *The layout of their facilities makes it easy to use them.***

**10. *Their facilities are comfortable.***

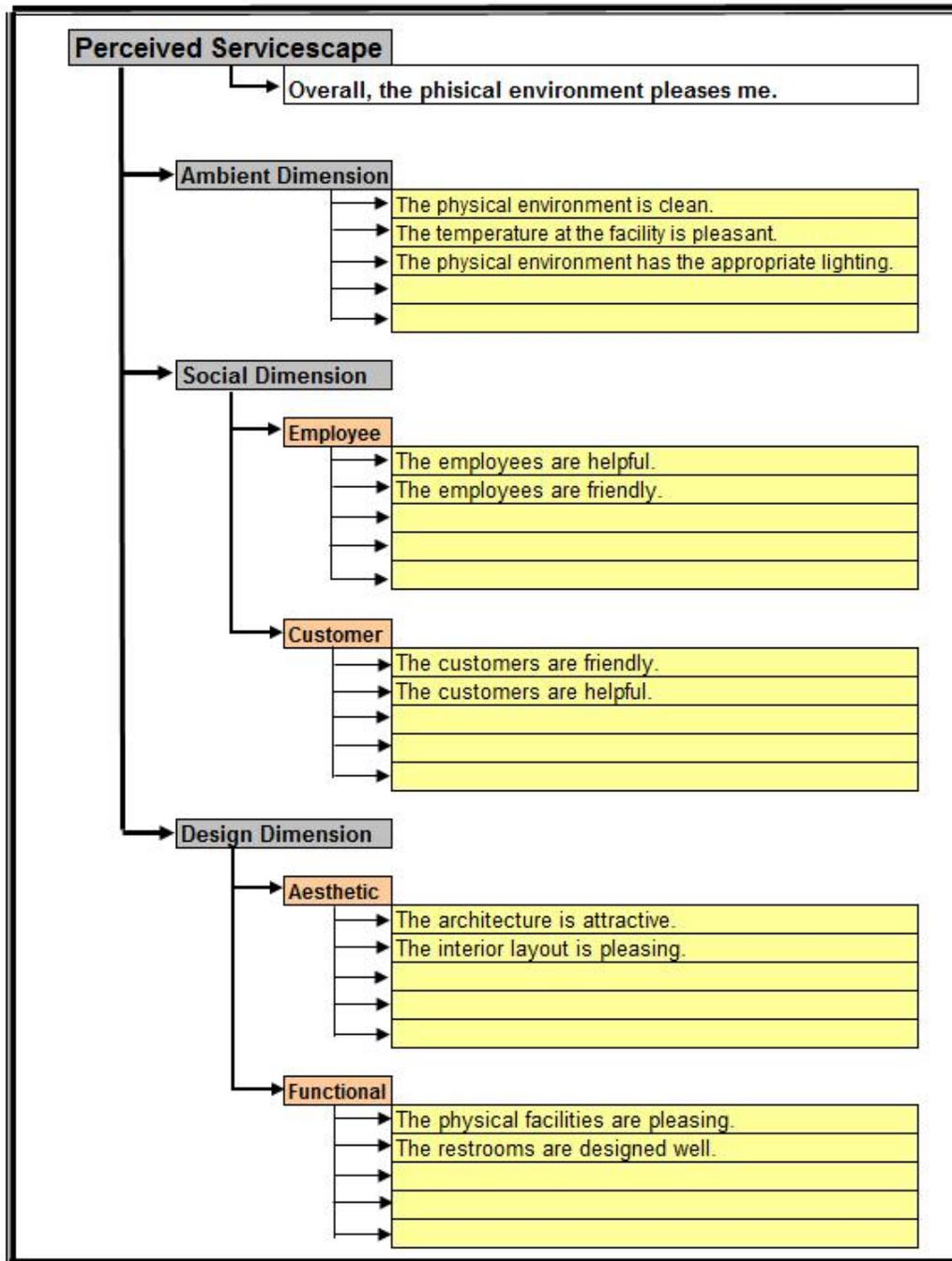
(Keillor, Hult, and Kandemir 2004, p.31)

The extant conceptual and now empirical servicescape literature confirms that this three-item servicescape construct operationalization is incomplete (cf., Hightower 2003; Hightower, Brady, Brand 2002; Hightower, Brand, and Bourdeau 2006; Hightower and Shariat 2009). By using items 8, 9, and 10 above only as the consumers' servicescape perception operationalization, Keillor, Hult, and Kandemir's (2004) results for India and Sweden become troublesome at best. The three-item measure used is incapable of appropriately capturing the *entire* servicescape environment as well as empirically indicating

Figure 1  
International Servicescape Construct Conceptualization



**Figure 2**  
**Proposed International Servicescape Scale-Base Items**



its proper influence on consumer behavioral intentions.

### Main Stream Marketing Results' Discussion

Their results may appear to support the servicescape's influence on behavioral intentions for the grocery store and fast-food industries; however, these results were not substantiated in Australia, China, Germany, Morocco, the Netherlands, and US markets. We suggest that some servicescape dimensions are more complex and have more than one component as identified in Figure 1. These dimensions (i.e., design and social second order factors) have subdimensions that combine related attributes into subgroups. The hierarchical first, second, and third order factors are not adequately represented in the Keillor, Hult, and Kandemir (2004) three-item scale (i.e., that contains second order factor items only) used to imply complete servicescape measurement. Similarly, it is unclear as to how Baker, Grewal, and Voss' (2002) items directly relate to their design, social, and ambient store conditions. Baker, Grewal, and Voss (2002) contradict their own explication of the 'store environment' dimensions with the heavy usage of music attributes alone to operationalize their ambient factor.

Note, that this failure to include these additional factor levels does not completely diminish Keillor, Hult, and Kandemir's (2004) contributions to the literature. However, it may significantly limit their ability to advance the emerging view of the servicescape's influence on consumer behavioral intentions, especially with international data. Again, this gap (i.e., the lack of including at least the minimum three factor levels necessary to appropriately operationalize the servicescape construct) highlights the need for this commentary and further investigation of this crucial point. Figure 1 suggests that the ambient factor has no subdimension (meaning attributes that depict the ambient factor are in one group only), the design factor has two subdimensions—functional and aesthetic, and the social factor has two subdimensions—employee and

customer (cf., Hightower and Shariat, 2009; Hightower, Brand, and Bourdeau 2006; Hightower 2003; Hightower, Brady, Brand 2002).

Furthermore, Keillor, Hult, and Kandemir (2004) completely omit the servicescape construct's first (i.e., overall) and third level factors (i.e., the subdimensions), and that may confound and confuse the assessment of the entire physical environment, especially across industries and internationally. For example, they provide heavily mixed servicescape results observed in Australia, China, Morocco, the Netherlands, and the US markets. These heavily mixed results, we suspect, stem primarily from the authors using an incomplete measurement tool, especially in a multinational multicultural multi-industry setting.

Their assessment tool could also have been improved by investigating the possibility that the consumer may have an "overall" assessment of the physical environment. Thus, we suggest that the three-item scale used in Keillor, Hult, and Kandemir (2004) may have difficulty assessing the overall consumer response, especially in a global setting. It appears that the three-items may capture a part of the servicescape's essence; however, we believe that future international researchers should include all three factor order levels as depicted in the International Servicescape Scale (see Figure 2).

### Ambient Factors

Ambient factors generally exist below the level of customers' immediate awareness, so customers may be less totally cognizant of these conditions in the environment. Some common examples of ambient environmental attributes are lighting, temperature, aural, scent, and cleanliness. Consumers expect a certain level of ambient environmental conditions to exist and may be unaware of these background components unless the attributes are absent or unfavorable. For discussion purposes note that Figure 2 does not include, according to some mainstream marketing academics, the

seemingly intuitive ambient music and/or scent items. We understand that aural and scent attributes may be extremely useful in some specific service settings; however, recent empirical research (i.e., Hightower and Shariat 2009) suggests that aural and scent attributes are not necessarily required to obtain valid servicescape assessments in diverse multi-industry service settings. Thus, aural and scent attributes are not *perfunctorily* included in the parsimonious yet complete International Servicescape Conceptualization model.

Certainly, one would add aural and/or scent attributes to the core ambient attributes in a specific servicescape model for venues similar to the Grand Ole Opry in Nashville, Tennessee; Carnegie Hall in New York City; Main Street Disney World Orlando, or San Francisco's Fisherman's Wharf. However, as stated earlier, Figure 2 captures the core (i.e., minimally required) servicescape attributes common across multiple venues, industries, and countries. Thus, some items 'included' or 'not included' in Figure 2 may appear to be counter intuitive on first read to some academicians (cf., Hightower and Shariat 2009). Baker, Grewal, and Voss (2002) admit that "...music, is relatively easy and inexpensive from a retailer's standpoint, represented the ambient dimension in our study" (p. 129). They go on to further acknowledge that "Although the ambient dimension includes elements other than music (e.g., scent, temperature), we could not vary those elements in the videotaped scenarios." This is a significant methodological shortcoming that cannot, in our opinion, be controlled for in their case as purported in the article.

The "manipulation checks" used by Baker, Grewal, and Voss (2002) do not account for the lack of validity in what their own definition states that the entire "ambient" dimension includes. Thus, it appears that based on "convenience", several historical aural studies, and opinion, 'music' is included initially (i.e., study 1) and is kept in the model (i.e., after marginal empirical results were reported in study 2) in this methodologically superior *JM*

study. It is suggested that the authors' ambient dimension as described (p. 129-130) in the 2002 study does not capture the entire ambient dimension of the store environment based on their own description, the literature, and the earlier discussion. In other words for the purposes of this study, does the "ambient" dimension of the servicescape equate to "music" only attributes? Further research will provide the answer to this question; however, given the seriousness of this oversight, Baker, Grewal, and Voss' (2002) results may not represent the actual retail store environment's ambient dimension as depicted in their Figure 1 (see p. 121) and Figure 2 (see p. 134). If this oversight is relevant, then how are the other relationships tested in their structural equation model impacted by this potential change to the exogenous variable (i.e. labeled ambient factors)?

### Design Factors

Design factors can be thought of as visual cues that make one think verbally of what is seen. The functional subdimension can include but is not limited to common components such as layout, comfort, privacy, and ingress/egress ability (Hightower and Shariat 2009). The aesthetic subdimension can include but is not limited to common components such as architecture, color, style, materials, and fixtures (Hightower and Shariat 2009). Another key point here is that the aesthetic attributes are more tangible than ambient attributes and may have a stronger impact on the perceived servicescape, and thus we posit a similarly strong impact on behavioral intentions for some cultures around the world. It is posited that the consumers' culture may cause specific similarities and or differences in the behavioral intentions as evidenced by (c.f., Hightower, 2003; Hightower, Brand, and Bordeau, 2006) Haitian-Americans' negative reaction to the color 'red' when included in a funeral home service environment. "Generationally" Haitian-Americans appear to have a strong aversion to the color red in a funeral home setting; be it an animate or inanimate item. Based on cultural traditions and beliefs, the color 'red' does not

work well in a funeral home for Haitian-Americans that are generation Y and older. The color 'red' is considered "evil" and or associated with the "Devil" by Haitian-Americans regarding the funeral service environment. Thus, a funeral home owner or manager that targets Haitian-Americans should be aware of how 'colors' may impact the firm's targeted market behavioral intentions.

### Social Factors

The social factor is defined as the people component of the physical environment. The customer component can include but is not limited to attributes such as crowding, dress code, and general behavior (Hightower and Shariat 2009). In some venues the customers themselves are more important than in other venues. World Cup soccer matches can place a general uneasiness and or stress on a number of fans that contemplate attending certain games between rival clubs based on a variety of personal reasons (i.e., security in World Cup soccer matches). For example, what is the likelihood of fan rowdiness or violence? Especially, if the fan is considering taking his or her family to the match that may include small children.

The employee component can include but is not limited to attributes such as the employee's appearance, behavior, and accessibility (Hightower and Shariat 2009). Returning to the World Cup example, employees (i.e., security guards, police) may play a key role in determining if, when, or how a soccer fan will participate in the event. For example, the number of both uniformed and plain clothes police present, available, and accessible to a "needy" fan at the game, their demeanor and overall attempt or lack thereof to enforce the laws, as well as their treatment of the respective fans can influence fan behavioral intentions. The extant literature (cf., Bitner 1992; Bitner 2000; Hightower 2003; Hightower, Brady, Brand 2002; Rosenbaum 2005; Hightower, Brand, and Bourdeau 2006; Hightower and Shariat 2009) suggests that the servicescape can make the consumer respond both cognitively

and emotionally. This is decidedly different from Keillor, Hult, and Kandemir's (2004) conceptualization of the servicescape as being a "...more subjective aspect of the service encounter..." (p. 12). Their approach limits the construct to being merely a part (i.e., a one level factor, see Figure 1, B) of the actual services setting reality during a service encounter, rather than depicting the *entire* construct. The researchers may have investigated a small portion of a single dimension (i.e., possibly addressing the affect component), but they completely omitted two entire levels of the servicescape construct's hierarchical factor structure.

### International Research Implications

We agree with Keillor, Hult, and Kandemir's (2004) call for the use of a simplistic and parsimonious assessment tool when gathering data in eight vastly different countries based on the obvious numerous translation, culture, and ethnic diversity issues involved. Using the *Journal of International Marketing (JIM)* as a quality indicator, one would believe that the authors used the appropriate methodological approach to simplify the items included. However, their initial conceptualization and subsequent operationalization of the servicescape construct may have limited the instrument's ability to reliably and validly capture the entire physical environment's measure (i.e., the servicescape) and its relationship to consumers' behavioral intentions in those eight countries. Therefore, the results and or findings based on their limited measured construct may become problematic for other academicians and practitioners that attempt to utilize them, regardless the publishing journal's status. Thus, we call for additional international servicescape measurement research using the generalizable, parsimonious, and comprehensive International Servicescape Scale.

The mainstream marketing literature has long suggested that the physical environment (i.e., servicescape) influences the customers' behavior. Consumers rely on environmental

cues in much the same way they rely on packaging to categorize and form their initial beliefs about consumer goods (cf., Baker 1987; Baker, Berry, and Parasuraman 1988; Kotler 1973; Markin, Lilis, and Narayaman 1976; Shostack 1977). The same literature also historically suggests that "...because services are intangible, customers often rely on *tangible cues*, or *physical evidence*, to evaluate the service before its purchase and to assess their satisfaction with the service during and after consumption..." (i.e., Zeithaml and Bitner 1996, p. 519, *italics* not added). The relationship between the service environment and consumer behavioral intentions has also been supported empirically (cf., Keillor, Hult, and Kandemir 2004; Baker, Grewal, and Voss 2002; Wakefield and Blodgett 1994; Wakefield, Blodgett, and Sloan 1996; Hightower 1997; Hightower, Brady, and Baker 2002).

Keillor, Hult, and Kandemir (2004) attempted to internationally test a new and significant hypothesis that was an intuitive intellectual progression from Hightower's (1997) original hypotheses and results. The new hypothesis was formally stated as:

**H<sub>3</sub>:** The servicescape is positively associated with customers' behavioral intentions.

H<sub>3</sub> was strongly supported in India and Sweden; marginally supported in Australia, China, Morocco, the Netherlands, and the US. The results from Germany, however, did not support H<sub>3</sub> at all. Normally, this is a significant point for some researchers.

What happened to H<sub>3</sub> in Keillor, Hult, and Kandemir (2004)? The lack of strong consistent support for H<sub>3</sub> across industries and countries is quite interesting (especially for high quality publications such as *JIM*), and suggests that the instrument used does not account for, nor capture the complete physical environment as does the comprehensive servicescape model conceptualized in Figure 1 and its operationalization depicted in Figure 2. Given the conceptual and empirical background in conjunction with the manuscript herein, we

posit that the International Servicescape Construct Scale shown in Figure 2 outperforms the three-item servicescape measure used by Keillor, Hult, and Kandemir (2004).

## CONCLUSIONS

The best means of conceptualizing an international service firm's physical environment is to use Figure 1. In other words, the researcher (especially in international service settings) should account for the possibility that the consumer may think of the servicescape in multiple levels, simultaneously: 1) an overall assessment level of the physical environment, 2) at the dimension level (i.e., design, ambient, and social factors), and 3) at the subdimension level (i.e., functional, aesthetic, customers, and employees) Hightower and Shariat (2009). It is posited that the items used in Keillor, Hult, and Kandemir's (2004) study address only one level (at best) of the three level servicescape construct (see Figure 1). As stated earlier, this mainstream marketing oversight (i.e., the omission of two entire servicescape factor levels) may help explain some of the significant variations in their results.

Figure 2 depicts 12 items representing the most parsimonious and complete international servicescape assessment instrument in the marketing literature. We posit that servicescape's hierarchical factor structure model can be used across many different service industries and countries. Figure 2's conceptualization is robust, and thus we assert that different industries, as well as companies within these industries can alter the "base" items of interest (i.e., by including additional items with the "base" required items as shown in Figure 2) for each level of the model in order to optimize the International Servicescape Scale for their respective country, industry, and business. We also suggest that, as firms become more global, there will be an increased need for a reliable and valid "base" means to compare servicescapes domestically and abroad. We offer the International Servicescape Scale as an initial step in gaining

consensus within the many different marketing research academic groups on the most appropriate servicescape conceptualization. The servicescape scale as depicted in Figure 2 displays good reliability and validity results across ten service industries in the US (cf., Hightower and Shariat 2009). We call for interested parties to use the scale and publish their empirical results such that the services marketing literature as whole can advance.

In summary, the global nature of the Keillor, Hult, and Kandemir (2004) study is substantial from the international assessment perspective; the number of diverse countries included, data set size, and should be commended as such. We agree with their position that the physical environment has a positive influence on consumers' behavior intentions in service encounters around the world and across many industries. This commentary is offered as a means to frame several common oversights associated with the servicescape construct's conceptualization and its potential influence on consumer behavioral intentions. We also suggest that researchers and practitioners utilize the instrument depicted in Figure 2 to develop a customized tool relative to their firm, industry, and country. We call for more in-depth empirical servicescape scale development and testing, especially in comprehensive services models that include servicescape's influence on consumer behavioral intentions across multiple services industries and countries. In other words, compare Hightower and Shariat (2009) scale's performance with other published, multi-industry, comprehensive, yet parsimonious, and empirically sound servicescape measurement tools.

The publication of this commentary demonstrates an interest by some scholars in actually advancing the marketing literature regardless of the affiliations involved. It also expands academic and practitioner collective knowledge regarding the notably broad "... research voids..." in mainstream marketing's depiction of an extremely complex, important, yet seldom fully understood services construct (i.e., Baker, Grewal, and Voss 2002, p. 120).

We agree with Keillor, Hult, and Kandemir (2004) in that continued exploration of the servicescape could provide "...a more complete understanding of phenomena that are important in different countries..." (p. 30). This commentary is theoretically and empirically supported in the literature, relevant to current research topics, critically insightful, and more importantly long overdue.

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<sup>14</sup>These dimensions, discussed by Baker (1987), are consistent with the ones Bitner (1992) uses in describing "servicescapes." Bitner's three dimensions are ambient; space/function (similar to design); and signs, symbols, and artifacts. Whereas marketing researchers traditionally have approached the design and ambient cues under the umbrella construct of store atmospherics, researchers in the field of environmental psychology distinguish between them for two fundamental reasons. First, ambient cues tend to affect nonvisual senses, whereas design cues are more visual in nature. Second, ambient cues tend to be processed at a more subconscious level than are design cues. There is some empirical evidence that design and ambient elements have differential effects on consumer responses (Wakefield and Baker 1998)." Entire footnote taken directly from Baker, Grewal, and Voss (2002), *Journal of Marketing (JM)* for effect.

## BANK PERSONNEL'S PERCEPTION OF BANKING SERVICES AND IMPLICATIONS FOR SERVICE QUALITY

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*This exploratory study examines the perceptions of bank personnel regarding bank services offered to customers by the banks in Turkey. The specific objectives of the study are to examine the perceptions of the bank personnel regarding the importance of the bank services; to compare the personnel perceptions of bank services by selective demographic profiles; and to discuss the implications of the results for service quality. The study found significant perceived differences of bank services by personnel position, gender, and age, but not education level. These differences, or "gaps", if not taken care of, could have adverse impact on bank service quality and in turn, on bank performance. The study presents a framework showing the potential impact of bank personnel characteristics on bank service quality. This framework and the results of the study could help managers to improve the quality of banking services offered to customers.*

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### INTRODUCTION

In today's dynamic marketplace, consumers have more choices and a wide variety of alternative banking services. A main challenge for banks is to understand how a customer decides which bank to choose when many of the banks offer similar products and services, such as free checking, phone access, and on-line and/or mobile banking. Stickler (2001) states that two things that can differentiate one bank from another and attract the customer: (1) customer service and (2) how the banks present and sell their products and services. Customers tend to go where they are made to feel welcome and offered the best quality service (Stickler 2001). However, if customers are not aware or informed of the products and services that a bank offers, they may not have any reasons to go to or stay with that bank. Therefore, banks must effectively communicate their products and services to their customers and target market.

To this end, it is essential for banks to examine how their bank personnel perceive the services and activities that they offer to their customers. Schneider, Parkington and Buxton (1980) reported that bank employees' perception of the organization they work for is closely related to the customers' perception of the quality of service that the organization provides. A study by Yayla, Kaya and Erkmén (2005) showed that the ultimate success of any service quality program implemented by a bank can only be gauged by creation and retention of satisfied customers. They claim that the role of customer-contact personnel in the attainment of these goals is of paramount importance. Thus, they recommended that in delivering high quality services to the external publics (i.e., customers), banks should not ignore the specific needs of their internal publics (personnel), notably their customer-contact employees.

These studies suggest that whether or not bank personnel perceive the services as being important for creating customer satisfaction will have a significant impact on the quality of services actually delivered and, in turn, impact actual customer satisfaction and banking performance. Therefore, the overall purpose of

this research is to examine how bank personnel perceive the banking services and also to investigate if demographic characteristics of personnel have any impact on bank service quality they offer in banks in Turkey, a developing country. Most previous studies dealing with bank service quality, bank performance, and benchmarking in banking have been conducted in the United States and Western Europe. While those studies have contributed to our understanding of these issues, little is known about the same issues in the developing countries. Moreover, it is possible that the demographic characteristics of the bank personnel could influence their perception of service quality offered to customers to the extent that this could lead to service quality differences. The results of this study could offer insights into bank personnel's perceptions of banking services and the potential impact of the personnel demographics in delivering high quality, highly satisfying customer service, and from the perspective of a developing country.

### **Overview of Banking Industry in Turkey**

In Turkey, the banking industry, which has dominated the financial markets, has experienced several systematic crises since the late 1970s. In order to improve the banking system and to liberalize the repressed domestic financial system, Turkish authorities removed, or minimized many restrictions on domestic and external financial intermediation and gradually started to introduce free-market based reforms during the 1980s. These liberalization processes and the free-market reforms have brought several changes in the Turkish banking industry. The number of foreign banks in Turkey increased from 4 to 23, giving them a significant presence in Turkey (Kibritcioglu 2005). Also, a majority of the new private banks are owned by large Turkish conglomerates which use their banks to finance their other companies (Damar 2004). In 2004, there were over 48 private and state-owned banks with more than 6,106 branches (Pinar and Donmez 2005).

All of these recent changes in the Turkish banking industry have brought new significance to bank marketing. Banks have started paying more attention to marketing practices in order to successfully compete, especially with foreign banks. As Once (2000) shows in his study, marketing in the Turkish banking sector has gained significance since 1980. A number of new marketing tools such as CRM, Relationship Marketing, Database Marketing, automatic teller machines (ATMs), e-Marketing and Interactive Marketing are being used by many Turkish banks (Cobanoglu, Yener and Sipahi 2005). Also, alternative banking channels via telephone, personal computer / Internet and POS were utilized by various banks starting in 1996 (Kambir, Aydin and Nart 2003). Since late 1997, telephone banking services have become popular among Turkish consumers (Polatoglu and Ekin 2001).

Despite the late start in accepting and implementing these recent marketing techniques and other developments in the banking industry, Turkish banks have worked hard to become more customer-oriented and to be successful institutions in Turkey. This new orientation has become even more critical for all the banks in Turkey that are susceptible to today's increased global competition and dynamic economic forces. After the 2001 economic crisis, which lasted for about five years, the Turkish banking industry has just started recovering and growing again in 2006. This recovery and growth is also reflected by the recent growth of foreign banks from 2 percent in 2001 to 13 percent in 2005. Several European banks have already tapped into opportunities in the local banking market by purchasing stakes in Turkish banks (Green 2005). For example, Fortis Bank purchased a stake in Disbank in the summer of 2005 (now called Fortis Bank), and General Electric Co. bought a minority stake in Turkey's third largest bank, Garanti Bank, which is a full service consumer and commercial bank with 405 branches and 10,805 employees (Kranhold 2005). All these changes have increased competition among domestic and foreign banks (Yayla, Kaya and Erkmen 2005).

These developments in the Turkish banking industry seem to have improved the quality of services the banks provide to their customers. Recently, Global Finance (Green 2005) selected the best banks in five areas/sectors. These banks are: 1. Best Commercial Bank in Corporate Services: Akbank, 2. Best commercial Bank in Retail Services: GarantiBank, 3. Best Bank in Credit Card lending: Yapi ve Kredi Bankasi, 4. Best Foreign Bank: Citibank, and 5. Best Investment/Securities Bank: Oyak Bank. The criteria used to determine the winners included an objective and subjective mix of assets, profitability, strategic and expanding relationships, customer service, innovation and management savvy. It seems that the entry of foreign banks has increased stability and efficiency as well as improved the quality of financial services in the Turkish banking industry. Moreover, the foreign banks have transferred and introduced new processes such as credit scoring methods and technology (Yayla et al. 2005). The entry of foreign banks which resulted from a stronger Turkish economy and improved banking regulations has had a positive effect on the Turkish banking industry.

### Service Quality

Service quality and its measurement have become an important research topic because of its apparent relationship to cost (Crosby 1979), profitability (Buzzell and Gale 1987; Rust and Zahorik 1993), customer satisfaction (Bolton and Drew 1991), and customer retention (Reichheld and Sasser 1990). Service quality indeed is regarded as a driver of corporate marketing and financial performance (Buttle 1996). A sound measure of service quality is necessary for identifying the aspects of service needing performance improvement, assessing how much improvement is needed on each aspect, and evaluating the impact of improvement efforts. The evaluation of quality for services is more complex than for products because of their intrinsic nature of heterogeneity, inseparability of production and consumption, perishability and intangibility

(Frochot and Hughes 2000; Zeithaml, Bitner and Gremler 2006).

Since service quality is an elusive concept, there is considerable debate in the relevant literature about how best to conceptualize this phenomenon. Though an all-embracing definition of service quality is not possible yet, definitions of service quality proposed by researchers revolve around the idea that it is the result of the comparison of customers' expectations about a service and their perceptions of the way the service has been performed (Grönroos 1984; Lewis and Booms 1983; Parasuraman, Zeithaml and Berry 1985; 1988). Based on this definition, the SERVQUAL as a multi-item scale gap model was developed by Parasuraman et al. (1985; 1988) which conceptualizes and measures elements of service that are evaluated by customers in assessing service quality. According to SERVQUAL conceptualization, service quality can be assessed on five dimensions of tangibles, reliability, responsiveness, assurance, and empathy with a total of 22 scale items. The scale is founded upon the view that the customer's assessment of service quality can be conceptualized as a gap between customer expectation and his/her perception of the delivered service. Without a doubt, SERVQUAL has had a significant influence on academic and business communities. However, the scale has been challenged by a number of subsequent empirical studies dealing with service quality (Babakus and Boller 1992; Carmen 1990; Gagliano and Hathcote 1994; Lee 2005).

The assumption underlying the service gap is that dissatisfaction will result if expectations are not met. In banking, customers come to the bank with certain expectations or assumptions of what their banking experience will be like as they go through the banking transaction. While exceeding these expectations is likely to result in a high level of satisfaction, loyalty and recommendation, falling short of those expectations could adversely affect the customer satisfaction, and ultimately retention and loyalty. Individual firms have discovered

that increasing levels of customer satisfaction can be linked to customer loyalty and profits (Heskett, Sasser and Schlesinger 1997), which indicates a relationship between customer satisfaction and customer loyalty. This relationship is particularly strong when customers are very satisfied, as the research showed in the Xerox experience (Menezes and Serbis 1991). Also, Enterprise Rent-A-Car learned through its research that customers who gave the highest rating to their rental experience were three times more likely to rent again than were those who gave the company the second-highest rating (Reichheld 2003). These findings indicate clear linkages have been drawn between customer satisfaction, loyalty, and firm profitability (Zeithaml et al., 2006).

### **Role of Personnel in Service Organization**

Personnel in all service organizations (large or small) serve as boundary - spanners and perform the role of part - time marketers (Gummesson 2001). Specifically, the front line (or contact) personnel play a significant role as part-time marketers. It should also be noted that the activities of these contact personnel can be important in creating an image of a service organization which can influence target customers' perception of an organization.

In improving quality in the service sector, the importance attached to personnel has been increasing. Personnel planning assume much greater importance in the banking services, as in most of the services, where personnel have a high level of contact with customers. Therefore, it is essential that service organization clearly specify what is expected from personnel in their interaction with customers (Palmer 2007).

Palmer (2007) suggests that personnel who have front line encounters with customers should be trained to treat these encounters as promotional opportunities. Palmer (2007) points out that training might seek to develop a number of skills in front-line personnel such as:

- a) Developing ability to spot cross-selling possibilities for front-line personnel: A Bank clerk who sees a customer repeatedly using a service that is not

adequately fulfilling his or her needs could be trained to try to sell another service which better meets the customer's needs. Training should make such personnel aware of services available and give them skills in approaching customers effectively and referring them on to appropriate personnel.

- b) Clearly defining sales responsibilities of the operational personnel: A bank clerk, for example, may be trained to encourage customers to deposit more money or use other investment tools which the bank offers.
- c) Promoting customer loyalty and referrals: Bank personnel's interaction with customers could be important for the customers to return and tell their friends about their good experience and/or pass on banking literature to their friends.

The importance of the above personnel skills for service quality and business performance is further magnified by intangibility and inseparability of services. Since personnel are the most visible aspect of the service organizations, they offer one of the first tangible opportunities regarding service quality and make a significant contribution in shaping the customers' first impressions about the service organization and development of the subsequent customer relationship. Inseparability of production and consumption of services leads to the service encounter (or moments of truth) when the customer interacts with the service provider. Anderson and Mittal (2000) claim that these service encounters (or moments of truth) are where promises are kept or broken and where the proverbial rubber meets the road – sometimes called the “real-time marketing.” Thus, it is in these service encounters that customers receive a snapshot of the organization's service quality, and each encounter contributes to the customer's overall satisfaction and willingness to do business with the organization again. Also, personnel make a significant contribution to the perception of overall service quality through interactive

marketing (Bitner 1995; Kotler 2002) and a creation of the service brand; in short, they represent the service organization and for some organizations, they are the business (Palmer and Cole 1995). Therefore, it seems reasonable to state that accurate employee understanding of the customer enables both employee and the firm to adjust appropriately to customer needs (Lovelock 1996). While previous research correlating customer and employees views of service is sparse and offers mixed conclusions, the study by Schneider and Bowen (1985) and Schneider et al. (1980) found high correlations ( $r = .63$  and  $r = .67$  respectively) between employee and customer attitudes about overall service quality in a bank setting.

Prior research emphasizes the critical importance of personnel for service quality during the service encounters (Bitner 1995; Anderson and Mittal 2000; Kotler 2002). However, these studies did not investigate if personnel characteristics could have any impact on the quality of service delivered to customers. It is possible that certain demographics of personnel (i.e., gender, age, education, etc.) could affect the service quality offered to consumers. For example, past studies found differences between women and men in the workplace regarding emotion and confidence (Fisk and Stevens 1993), stress in the work place (Babin and Boles 1998), in decision making (Powell and Ansic 1997), and aggressiveness and being autonomous (Hoffman and Hurst 1990). Lin, Chui and Hsieh (2001) found that the relationship between personality and service quality is moderated by gender. A study by Pinar, Crouch and Rogers (2004) examined if the demographic characteristics of bank personnel influenced the importance of banking services offered to their customers. The results of their study found significant differences regarding the perceptions of banking services between managerial and contact personnel, male and female personnel, and part-time and full-time personnel. For example, female personnel perceive focusing on customers as they enter the bank and greeting them is significantly more important than the perception of male

personnel; full-time personnel perceive giving attentive service and closing significantly to be more important than part-time personnel, and managerial personnel perceive greeting and cross selling to be more important than contact personnel. These results suggest that the personal characteristics could have a significant effect on (bank) service quality and customer satisfaction that ultimately impact the overall performance.

### Objectives of the Study

Previous studies examined customers' perceptions of bank services and attempted to identify the changing target market needs and preferences to better serve these customers. However, in order to better serve their target customers, banks must also know the perceptions of their personnel regarding the relative importance of bank services in providing high quality, highly satisfying service. As stated before, the overall aim of this paper is to examine the bank personnel's perceptions of the services offered by the banks to their customers. The specific objectives of the study are: (1) to examine the perceptions of the bank personnel regarding the importance of the bank services offered to customers; (2) to compare the personnel perceptions of bank services by selective demographics of bank personnel; and (3) to discuss the implications of the results for service quality and provide managerial recommendations for long-term strategy and competitiveness. Since most bank services are offered by bank personnel, banks must examine how their personnel perceive these services and activities that they offer to their customers. Whether or not bank personnel perceive the services as being important for customer satisfaction may have a significant impact on the quality of services actually delivered; and, in turn, impact actual customer satisfaction and banking performance. Also, examining the bank service quality by demographic characteristics of the bank personnel may provide some valuable information for the bank managers to improve the service quality. Finally, since this study is conducted with Turkish banks, the results could

provide some insights into the personnel perceptions of the banking services in a developing country.

### METHODOLOGY

To examine the personnel's perception regarding the importance of the banking services for customer satisfaction, a survey instrument was designed and administered to the personnel at the banks and/or their branches that participated in the study in two major cities of Turkey. While the SERVQUAL (Parasuraman et al. 1985; 1988) is one of the most commonly used scales to measure service quality, we developed a new scale in order to measure the specific services offered by the banks as customers complete their banking transactions. As service quality plays an important role for customer satisfaction (Best 2004; Kotler and Keller 2006; Zeithaml et al. 2006), and personnel play an important role in delivering the "promised" services to customers (Kotler and Keller 2005; Zeithaml et al. 2006), banks must evaluate their personnel's perceptions of these services for offering high quality service and creating customer satisfaction. Moreover, given that customer satisfaction is an excellent market-based performance metric and barometer of future revenues and profits (Best 2004), the above scale could be valuable for banks to identify the weak service areas to increase customer satisfaction, and in turn, improve their performance.

In developing the survey instrument, we utilized the previous research and literature reviews (Lathim 2001; Lubin 2001) and previous mystery shopper studies (Pinar, Taylor and Crouch 2003; Pinar and Eser 2007). Lubin's (2001) study suggests the quality of bank services usually experienced by customers should include the following key areas: customer banking transaction/experience of greeting customers, building rapport, needs discovery, product availability, presentation of how products meet needs, and the effectiveness of closing. The survey instrument developed for this study was broad enough to cover the entire

"cycle" of the customer banking experience and includes the following seven sections: (1) greeting customers with a smile in a timely manner; (2) building good rapport; (3) giving attentive service with sincerity and eagerness; (4) determining the customer's needs by asking questions and listening; (5) presenting with enthusiasm and good product knowledge; (6) offering other products for cross-selling; and (7) completing with an effective closing.

The survey instrument covered each of the above mentioned sections of bank services. Three bank managers, as experts in the banking industry, were asked to evaluate each item for its consistency with each part of the above seven sections regarding the customers' banking experience and, if needed, suggest improvements and additional items for inclusion. Based on the bank managers' suggestions, the items that had a high consistency with the sections of consumers' banking experiences were included in the survey instrument. This process, which improved the internal consistency of the scale items (Churchill 1979; Narver and Slater 1990), produced a list of items (or statements) for measuring each of the seven sections. These items were also submitted to two academicians who are experts on developing measurement scales for further refinement of the scale items. Based on these procedures, the final measurement instrument included a total of 39 scale items (A complete list of scale items can be obtained from the contact author). Responses to these items were measured on a 5-point Likert type scale with 1 = least important and 5 = most important. In order to avoid response biases, the items were not measured as very unimportant to very important, rather, they were measured as least important to most important. This scale suggests that all the measurement items were important, but some items might be more important than other items.

Since the survey instrument was originally developed in English, it was translated into Turkish, and then it was later back-translated into English to avoid translation errors (Ball,

McMulloch, Frantz, Geringer and Minor 2002) and to make sure that the intended meanings of the questions were maintained. The Turkish version of the instrument was also pre-tested with several faculty members in order to assure the appropriateness and consistency of the scale items. In addition, as recommended (Zikmund 2003), the survey instrument was pre-tested with 15 bank personnel to further assure that the Turkish version of survey questions were clear and were not confusing. Based on the feedback of these pretests, the instrument was further improved and refined.

The survey instrument also included several demographic questions. Respondents were asked their gender; how long they had worked in the banking industry and in their current bank; whether their position was clerical, teller or loan officer vs. supervisor or managerial; their level of education, and the extent of their internal and external training. These factors were used for profiling respondents and comparing the responses.

The survey was conducted in two major cities of Turkey (Ankara and Izmir). Several banks / bank branches were contacted in both cities and their managers were asked to participate in the survey. It is unfortunate that some of the banks refused to participate in this study. Since some banks are state (government) owned, and others are private (Turkish) and foreign owned, an attempt was made to include state, private, and foreign banks in order to compare the banking service perceptions of their personnel. A total of 17 banks/branches (3 state owned banks, 3 foreign banks, and 11 private banks) accepted the offer to participate in the survey. The survey instrument containing the measurement scales and questions regarding respondent characteristics was administered to all personnel at the participating banks/branches. In order to increase the response rate, the bank/branch managers' cooperation and support was requested. Each bank employee received the survey instrument. In order to preserve their anonymity, each was asked to put the completed survey into an envelope. A total of 427 useable surveys were returned for analysis,

and of these 427 surveys, 109 surveys are from 3 state owned banks, 47 surveys from 3 foreign banks, and 271 surveys from 11 private banks.

### Respondent Profiles

The selected profiles of the respondents show that the majority of the personnel are female (69.7 percent) and 30.3 percent are male; 28.0 percent of the personnel hold supervisory or managerial positions, and the rest (72.0 percent) hold clerical, teller, or loan officer positions. Concerning education level, a small percent of the bank personnel (17.1 percent) have high school degrees, a vast majority (73.9 percent) has college or university degrees, and only 9.0 percent have graduate degrees. On average, the respondents are 32.4 years old, have 9.3 years of work experience in the banking industry, and 7.5 years of experience at their current bank. Also, respondents indicated that they had an average of 89.3 hours of internal training and 18.1 hours of external training during the past 5 years.

## RESULTS

### Overall Perceptions

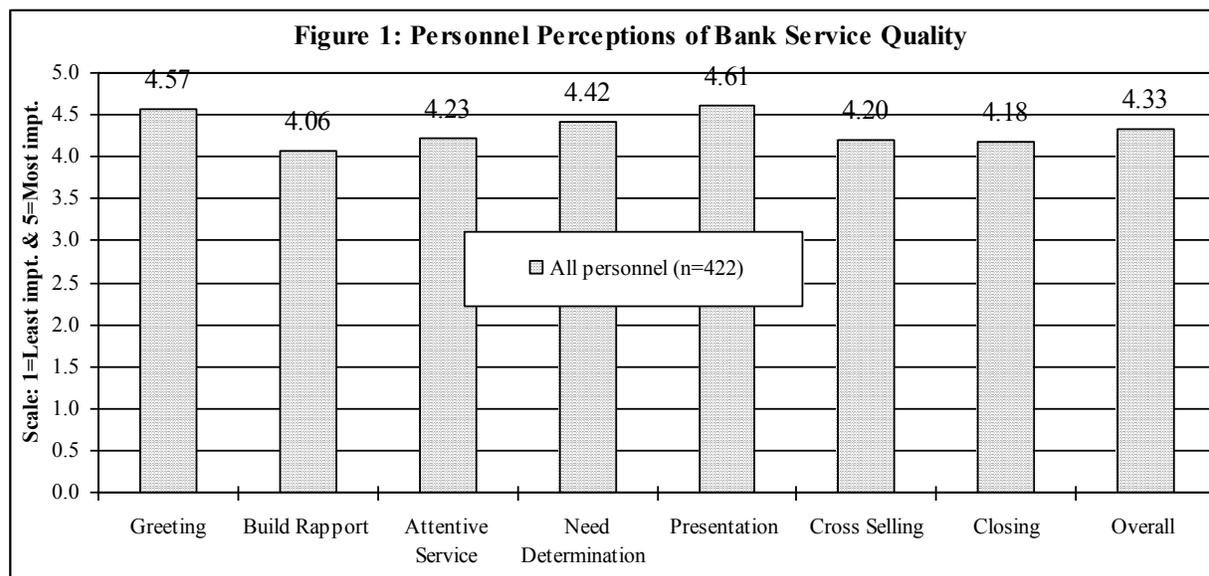
The first objective of the study was to examine the perceptions of bank personnel regarding the services they provide to customers. In order to accomplish this objective, the survey instrument contained seven sections covering banking services that customers experience from the time they enter the bank until they leave the bank after completing their transaction(s). From now on, these sections will be referred to as customer bank experience factors, or just "factors". Personnel at participating banks were asked to evaluate how important they perceived each of the items/statements in these factors to be in delivering high quality, highly satisfying customer service. The item scores in each factor or part were averaged to obtain the mean scores for each factor. A reliability analysis was conducted in order to examine the consistency of the items in each of the banking service factors. Cronbach's alpha coefficients are .700

for greeting, .726 for building rapport, .711 for giving attentive service, .794 for need determinations, .763 for presentation, .776 for cross selling, and .830 for closing. The coefficients for all factors are above the recommended threshold level of .70 for an exploratory study (Nunnally 1978, p. 245), which reflects a high level of consistency among the scale items in each factor. The high Cronbach alpha coefficients suggest reliability of the items used for measuring all seven bank service factors.

The overall mean and the means for each factor are presented in Figure 1. The overall mean perception of 4.33 out of a possible 5 suggests that bank personnel perceive all banking service factors to be fairly important in providing high quality, highly satisfying service. The means for each factor range from a low of 4.06 for building rapport to a high of 4.61 for presentation. These results suggest that the bank personnel seem to consider these bank services "important" or close to "very important". Of all the factors, the bank personnel consider "presentation" the most important factor (mean of 4.61), followed by "greeting" (mean of 4.57), "need determination" (mean of 4.42), "attentive service" (mean of 4.23), "cross selling" (mean of 4.20), "closing" (mean of 4.18) and "build

rapport" (mean of 4.06). The lowest score for "building rapport" might suggest that the bank personnel may think that "customers come to the bank to take care of their business"; thus, the bank personnel may assume that building a rapport may not be considered important for high quality, highly satisfying customer service.

In order to gain a better perspective regarding the relative importance of each factor, these factors are compared to the overall mean, which serves as a benchmark or reference. Comparisons of the factor means to the overall mean show that three of the factors, "presentation", "need determination" and "greeting", are higher than average. The higher means suggest that bank personnel may perceive these factors as being more important for high quality, highly satisfying service than the other factors. The means for the other four factors are lower than the overall mean. Of these four factors, "building rapport", "closing" and "cross selling" are considerably lower than the overall mean, which indicate that the bank personnel do not perceive these factors to be very important for high quality, highly satisfying service. The low scores for these factors might point out the current weak and/or deficient service areas where banks need to take corrective actions and train their personnel for delivering high quality, highly satisfying



service. For example, since "building a good rapport" and "closing" are the weakest factors, they might offer the most opportunity for improvement. Even though cross selling is one of the weak areas, Turkish banks have many different products and services to offer to their customers and bank personnel might have not perceived this factor as being very important for delivering high quality customer service.

It is interesting to note that "greeting" seems to be perceived as important for giving high quality service, whereas "building rapport" is less important; this may imply that bank personnel assume that "greeting" is part of "building rapport" and could be sufficient for "building good rapport". Given the importance of "building good rapport" in customer relations, the bank managers might address this issue. These comparisons show that the overall average score, serving as a benchmark, gives the bank managers an excellent opportunity to identify the "weakest" or "right" areas that may impact customer satisfaction and their banks' competitive advantage in the market.

It could be argued that when time is a constraint, bank personnel differentiate between what is necessary, what they must do, and what is optional or value added if time permits. Greeting the customer, determining their needs and presenting the product are necessary and, therefore, important. Building rapport, giving attentive service, cross-selling and closing are not absolutely necessary to the completion of the transaction. These could be viewed as optional and not as important. If this is true, perhaps time is the culprit and scheduling changes to allow for more time to be spent with customers may be necessary for improvements in customer service. When personnel are under time constraints, they may view the importance of their tasks from a different perspective. Additional training would also be helpful in this case.

### Effects of Demographic Characteristics on Bank Service Quality

The second objective of the study was to compare perceptions of bank services by selected demographic characteristics. The goal is to investigate if bank personnel with different demographic backgrounds differ in their perceptions regarding the importance of the bank services for high quality, highly satisfied customers. The data was collected by differentiating respondents by personnel position (managerial vs. contact), gender, education, and age. The differences in the perceptions of service quality may have an impact on the quality of service delivered in each of these service factors. This could provide the bank managers an opportunity to improve the "weak or problem" areas of bank services that could be associated with demographic characteristics of the bank personnel.

### Comparing Contact vs. Managerial Personnel

A study compared the perceptions of the front line or contact personnel (clerical, teller, and cashier) to those of managerial (supervisors or managerial) personnel regarding the importance of these factors for giving high quality, highly satisfying service. The results are presented in Figure 2. Overall, the managerial personnel (mean of 4.39) perceive these factors to be more important in providing high quality, highly satisfying service than do contact personnel (mean of 4.30) ( $p < .05$ ). As for the individual factors, higher means for managerial personnel on *all* factors indicate that managerial personnel perceive these banking service factors to be more important than do contact personnel. Other than "presentation" and "cross selling" which are not statistically different, the mean comparisons are statistically significant for "greeting" ( $p < .05$ ), "building rapport" ( $p < .01$ ), "attentive service" ( $p < .10$ ), and "closing" ( $p < .01$ ). The significant differences between the perceptions of managers and contact personnel could be a potential source of a problem for bank service quality delivered to

the customer. Even though managers believe that these factors are important for high quality service, if the contact personnel do not perceive them as being important, there could be serious service quality problems.

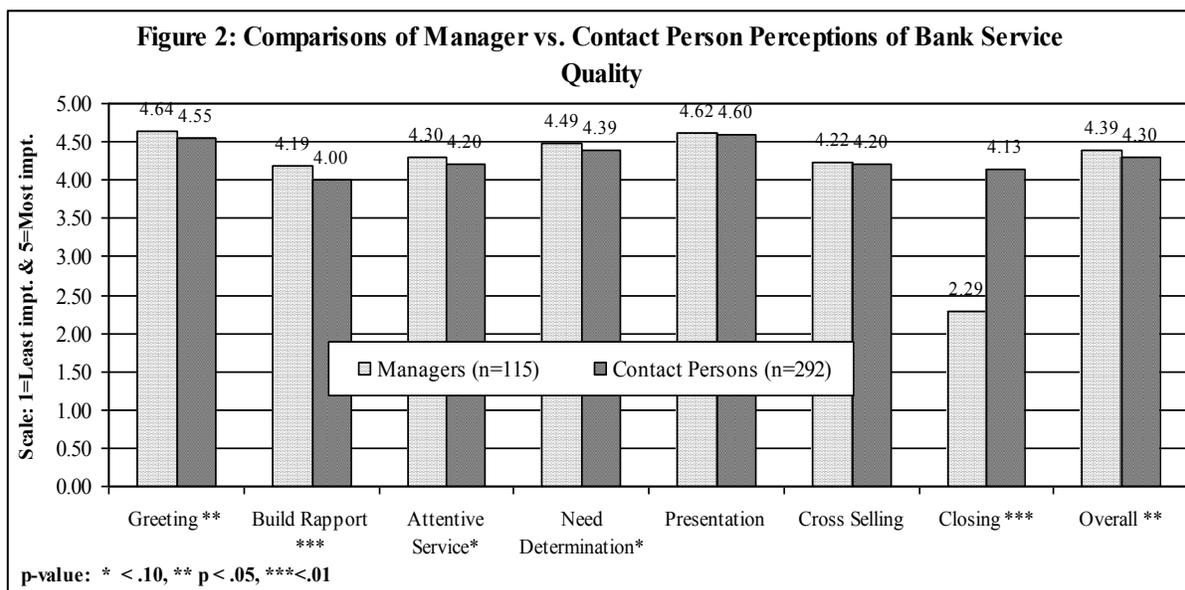
If we again consider time constraints on the contact personnel's ability to fully service the customer, it makes sense that contact personnel would have a different perspective than their managers. This is particularly evident for the factors "building rapport" and "closing" which represent the largest difference in importance ratings. These two factors may be considered optional tasks when contact personnel are running out of time, but very important when managers view the scenario without time constraints.

**Effects of Gender on Perception**

Figure 3 compares the perceptions of male and female personnel. Overall, female personnel perceive these factors as being significantly more important (mean of 4.36) than male personnel (mean of 4.21) ( $p < .05$ ). The comparisons of the individual factors in Figure 3 show that female personnel perceive

"greeting", "attentive service", "need determinations", "presentation", and "closing" as being significantly more important than male personnel do for delivering high quality, highly satisfying service. These findings indicate that female personnel place more importance on first impressions by focusing on consumers and greeting them properly when customers enter the bank, giving attentive service, determining customers' needs, giving a good presentation, and successfully completing the presentation. It is interesting that the female and male perspective is so different. Is this a function of characteristics specific to females or is there another explanation? Whatever the reason, since these factors are critical for the success of the bank, male personnel may require further training in these weak areas.

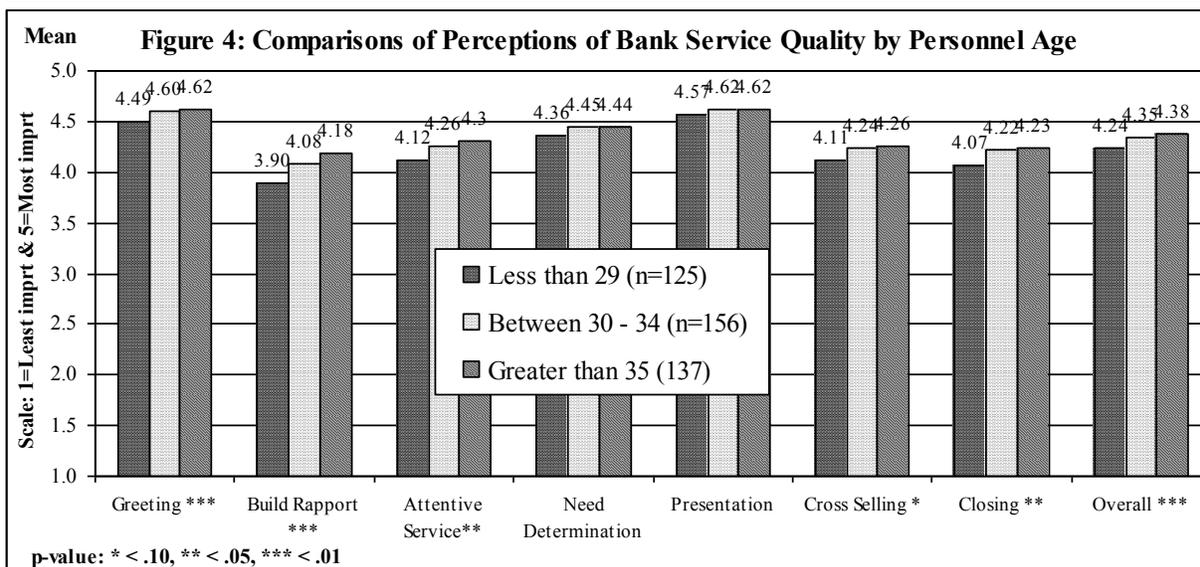
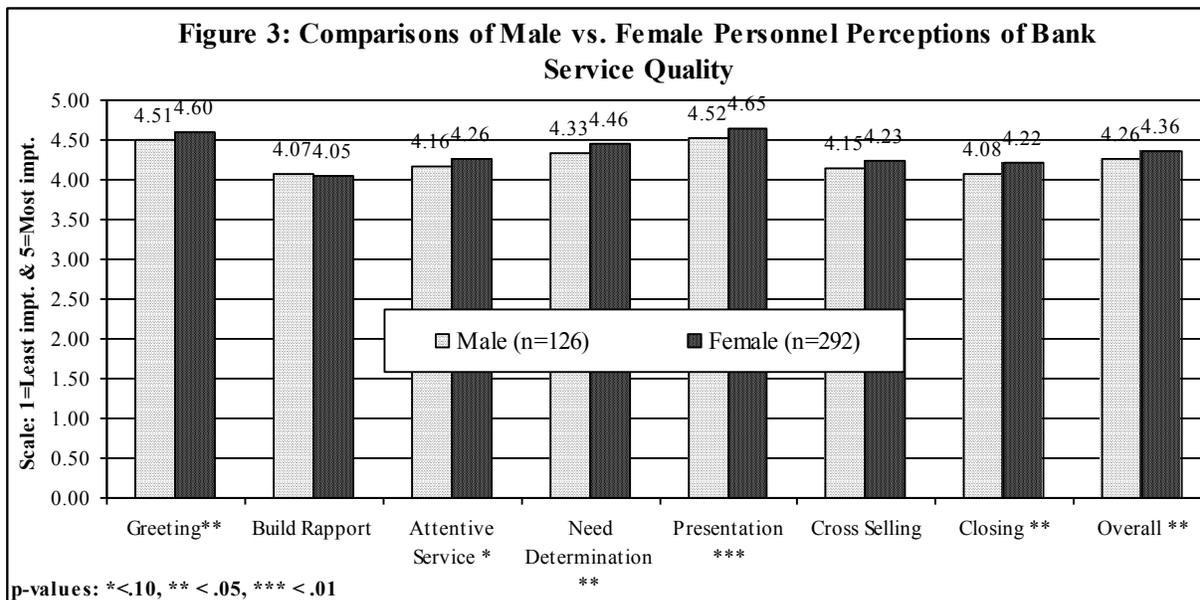
There are no significant differences between the perceptions of male and female personnel for "building rapport" and "cross selling". However, since both genders have the lowest mean scores for these service factors, and given the importance of building a good rapport for long-term successful customer relations, banks may have to train their male and female personnel in this area.



**Impact of Personnel Age on Service Quality**

The study also examined whether the age of the personnel impacted the perceptions of importance of the factors for delivering high quality bank services. The bank personnel were divided into three age groups, each representing one third of the respondents. This produced three age groups of (1) 29 years of old or less, (2) between the ages of 30 and 34 years old, and 35 years old or older. The underlying logic for this grouping is to use age as a proxy for experience and maturity where the first group could be considered as less experienced/

mature, the second group as mid-level experienced/mature, and the third group as being the most experienced/mature. The results of the one-way ANOVA for overall score and each service factor by the three age groups are presented in Figure 4. The table shows significant differences in overall perceptions among the three age groups ( $p < .05$ ). The pairwise comparisons of the overall means for the age groups (not presented here) found significant differences between age groups of 29 years old or less and 30-34 years old ( $p < .05$ ), and 29 years old or less and 35 years old



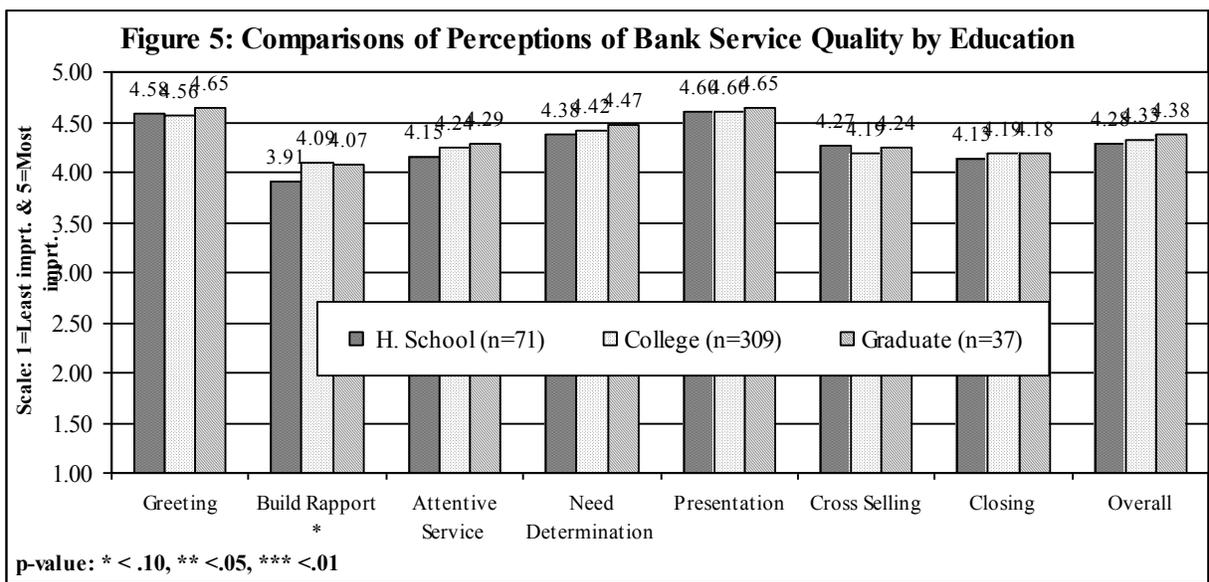
and older ( $p < .01$ ). These results suggest that the age of personnel seems to impact the perceptions of bank service quality. Since the mean score for less than 29 year olds is lower than those of the two other age groups, the young and/or new personnel may not realize and/or were not trained in the importance of these service factors as much as the other two groups in delivering high quality, highly satisfying bank service.

Individual factors with significant differences based on age include "greeting" ( $p < .10$ ), "building rapport" ( $P < .01$ ), "attentive service" ( $p < .05$ ), "cross selling" ( $p < .10$ ), and "closing" ( $p < .05$ ). These results suggest differences in the perceptions of the three age groups regarding the importance of these factors for high quality, highly satisfying bank services. The pair-wise comparisons (not presented) show significant differences between age groups of 29 years old or less and the other two older age groups, where significance varied from  $p < .10$  to  $p < .01$ . This is similar to the overall results. The comparisons are not significant between the age groups of 30-34 years olds and 35 years old and older ( $p > .10$ ). It is important to note that the mean scores for less than 29 year olds are consistently lower than those of the two other age groups for all bank service factors. These results indicate that

age (or experience/maturity) of the personnel does seem to influence the perceptions of the importance of these bank service factors in delivering high quality, highly satisfying bank services. Two of the factors, "need determination" and "presentation", are not statistically different based on age ( $p > .10$ ). This suggests that the age of the personnel does not impact the perception of bank service quality in terms of need determination or presentation. All these findings could have some important managerial implications for training the bank personnel that could improve the quality of banking services.

**Impact of Personnel Education on Service Quality**

In addition, the study examined the effects of personnel education on perception of bank service quality and the results are presented in Figure 5. The one-way ANOVA showed only one factor, "building rapport", to be significantly different based on education ( $p < .10$ ). This suggests that other than in one case, bank personnel regardless of their educational level, have a similar perception regarding the importance of these bank factors in delivering high quality, highly satisfying service. The pair-wise comparisons of the three education groups found a significant difference between the bank



personnel with high school education and with college education ( $p < .05$ ). The other comparisons were not significant. This suggests that other than in one case bank personnel regardless of their education level have a similar perception regarding the importance of these bank factors in delivering high quality, highly satisfying service.

### CONCLUSION AND LIMITATIONS

The overall results of this study show that the personnel at the participating Turkish banks generally consider all the banking services or factors fairly important (overall mean of 4.33 out of 5.00) in providing high quality, highly satisfying services. Regarding the individual factors, personnel at all banks collectively perceive that presentation, greeting customers as they enter the bank, and determining customer needs are the most important factors in providing quality banking services. The results indicate that bank personnel consider building rapport, giving attentive service, cross selling and closing as being less important for high quality service. These findings suggest that those banking service areas could be considered as deficiencies or weaknesses that need to be improved for better performance. This is especially critical for bank's success, given the importance of service quality for customer satisfaction (Bolton and Drew 1991), customer retention (Reichheld and Sasser 1990), and the link between customer loyalty and profits (Heskett et al. 1997).

The study found a difference between the perception of managerial personnel and contact personnel. The differences are significant for overall perception, as well as for all factors, except presentation and cross selling. These results suggest that the managerial personnel consider these factors more important than the contact personnel do for providing high quality, highly satisfying banking services. As suggested by Parasuraman et al. (1985) and Zeithaml et al. (2006), these discrepancies or "provider gaps", if not taken care of, might become a serious problem for the performance of the banks. As a short-term solution to close

these gaps, the bank management might communicate and/or explain the importance of these factors or banking services to their contact personnel for customer satisfaction and better bank performance. In the long-run, banks could train their personnel on these deficient service areas and/or recruit more customer oriented personnel.

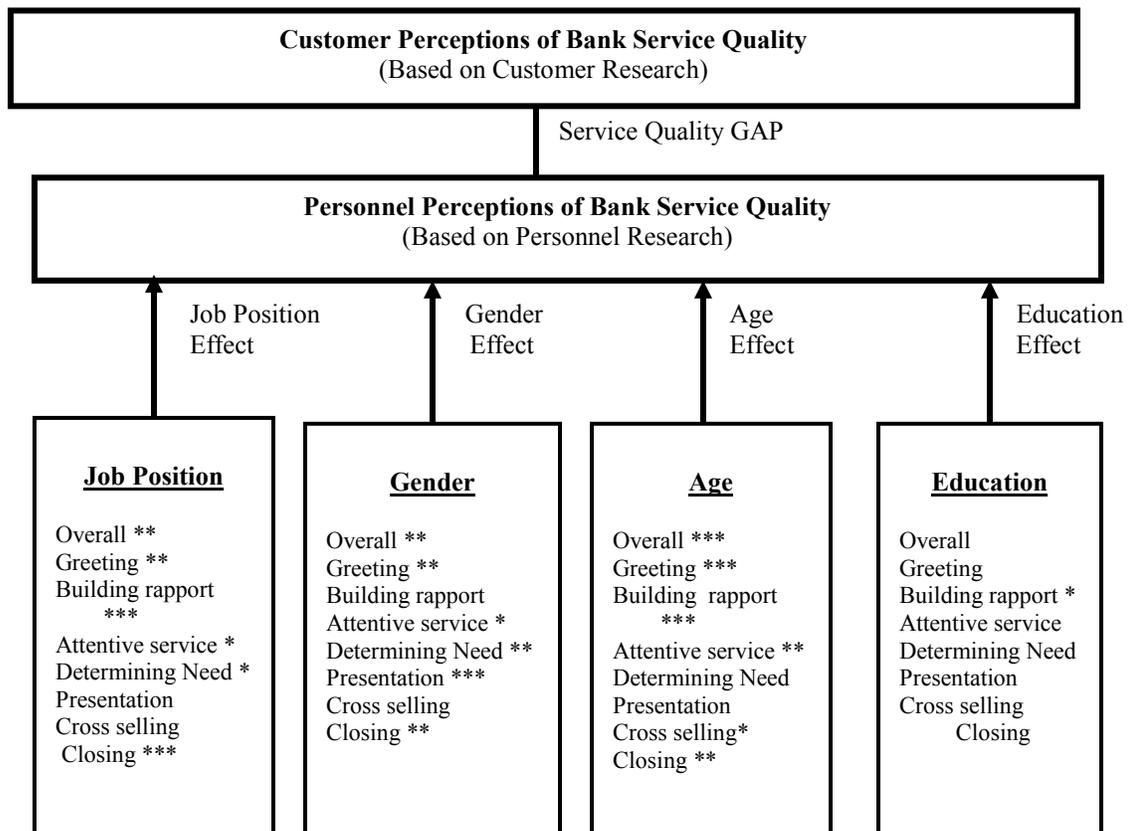
Time constraints could be part of the problem by causing contact personnel to value task oriented factors as more important than value added services. If they don't have sufficient time to close properly or develop rapport, they may consider these factors as less important than the greeting or presentation. Contact personnel must have sufficient time to provide a complete package of customer service including all of the seven factors analyzed in this study. Since contact personnel serve as boundary - spanners and perform the role of part - time marketers (Gummesson 2001), Palmer (2007) suggests that they should be trained to develop skills needed to take advantage of the customer encounters as promotional opportunities.

The comparisons of the means indicate significant differences between the perceptions of the males and females regarding all of the banks services except building rapport and cross selling. Specifically, the results show that the mean scores for female personnel are significantly higher than those of male personnel for service factors of greeting, giving attentive service, need determination, presentation, and closing, as well as overall service quality. These findings suggest that whether the banks hire male or female personnel, it makes a difference in providing high quality, highly satisfying customer service. In this regard, banks may have to review their hiring decisions and better train their male personnel in order to offer better service. This is especially critical for male contact personnel who deliver the banking services. Concerning the age of personnel, those who are younger than 29 years old seem to place less importance on these service factors in offering high quality,

highly satisfying service. The implications of these findings are that (1) recently hired personnel may not appear to understand the importance of these factors for providing high quality, highly satisfying service, (2) they may have not received proper training regarding the importance of these factors for bank service quality, and (3) older personnel may have learned the importance of these factors for service quality through their experience over time. Finally, since the study found no significant differences among the educational levels for all but one bank service factor, it seems that education does not affect perceptions of customer service by bank personnel. This is also apparent from consistently high service factor means for all education groups.

The potential impact of the bank personnel characteristics on bank service quality is presented in Figure 6 as service quality GAP. Unlike the GAP model presented by Parasuaman et al. (1985), we define service quality GAP as the difference between the customer perception of bank service quality and personnel perception of bank service quality. The definition in our framework indicates that there could be a service quality difference (or GAP) between the quality of bank services customers perceive they are getting and the quality of bank services personnel think they are offering. Such a discrepancy or GAP could have significant consequences for customer satisfaction, customer loyalty and ultimately for firm (bank) performance. The results presented earlier show that personnel at all banks collectively perceive that building rapport,

Figure 6: Potential Impact of Personnel Demographic Characteristics on Bank Service Quality



p-values: \* p < .10, \*\*p < .05, \*\*\*p < .01

giving attentive service, cross selling and closing as being less important for giving high quality service than greeting customers, determining customer need, and giving presentation. There is no doubt that these perceptions would be reflected by the service quality received by customers.

The framework we present in Figure 6 suggests that the demographic characteristics of the bank personnel may contribute to these quality perceptions. Specifically, we propose that the personnel position (managerial vs. contact persons), their gender, age, and education level of the bank personnel job position could have an impact on the service quality delivered. As shown in Figure 6, the effects of these demographic factors are labeled as *job position effect*, *gender effect*, *age effect*, and *education effect*. The results of our study found a significant difference between the perceptions of contact personnel and managerial personnel for overall service quality, as well as for greeting, building rapport, attentive service, need determination, and closing, where managerial personnel perceived these factors as being more important than contact personnel. These perceptual differences, labeled as "*job position effect*", could have a significant impact on the service quality delivered to customers because contact personnel do not perceive these factors as being as important as do managerial personnel; thus, they may not pay enough attention to these factors. Also, managerial personnel may be promising more about these factors through external marketing, leading to a service quality GAP between what customers are promised and what they received.

As presented earlier, the comparisons of perceptions of male vs. female bank personnel found a significant difference between the two genders for overall, greeting, attentive service, need determination, presentation, and closing. These differences, labeled as "*gender effect*", could cause a difference in service quality offered to customers. Since results indicate that female personnel believe more strongly than male personnel do in the importance of these factors for delivering high quality banking

services, these differences in perceptions could impact the quality of service received by customers. Similarly, the age of the personnel had a significant impact on the perceived importance of the service quality for overall perception, as well as greeting, building rapport, attentive service, cross-selling, and closing. These findings suggest that these differences among age groups, labeled as "*age effect*", could lead to a different quality of services offered to customers. Finally, the study showed that the education level of the personnel, labeled as "*education effect*", does not seem to have a significant effect on bank service quality offered to customers, except in building rapport.

Because of the intangibility and inseparability of services (Zeithaml et al. 2006), personnel, especially contact personnel, at service organizations play a critical role in delivering the quality of service expected by customers. Moreover, the framework presented in Figure 6 suggests that the demographic characteristics of personnel's position, gender, age and education could have a significant impact on the service quality delivered by banks. The implications of the findings in Figure 6 are: 1.) banks must understand not only the perceptions of all bank personnel together, they must also examine the potential effects of demographic characteristics of the personnel on bank service quality offered to the customers. 2.) The framework suggests that differences between the customer's perception and the personnel's perception of the banking service could lead to a service quality GAP. In order to close this GAP, banks must understand service quality from the perspectives of both the customers and the bank personnel. This point is also supported in prior research by the high correlation between employee and customer attitudes about overall service quality in a bank setting (Schneider and Bowen 1985; Schneider et al. 1980). Also, as presented in Figure 6, since personnel demographic characteristics could impact the service quality offered, managers must work on eliminating the potential effects of these demographic factors on bank service quality. In

doing so, they could reduce the service quality GAP.

While this exploratory study provided very useful insights into the perceptions of bank personnel regarding the services offered by Turkish banks, the study has a number of limitations. Therefore, caution should be exercised when interpreting the findings. One limitation is that the study was conducted in only two cities. Including banks/branches from more cities could improve the generalizability of the findings. Another limitation is the number of banks/branches participating in the study, resulting from unwillingness of the banks that were contacted to participate. While the results are important and valid, more banks/branches in more cities could have further strengthened the results of the study. The final limitation is that the scale developed for this study needs to be replicated in different countries with a larger number of banks/branches to determine if the scale and analyses are universal or specific only to Turkey.

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# ELECTRONIC COMMERCE RESEARCH: THE FIRST 15 YEARS IN THE FIELDS OF MARKETING, MANAGEMENT, AND INFORMATION SYSTEMS

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*Electronic commerce (EC) research examines the process and consequences of conducting business electronically. By definition and scope, EC research is cross disciplinary in nature, yet past attempts to classify and synthesize EC research have been piecemeal with only a subset of a given field's journals being considered. This article presents the results of a business-oriented cross disciplinary review and classification of the first fifteen years of electronic commerce research from twenty-five leading journals in the traditional college of business fields of marketing, management and information systems. The purpose of this analysis is to answer three fundamental questions: 1) What are the overarching categories of EC research? 2) What are the dominant themes within those broad categories? 3) What are the seminal articles within each discipline? The answers to these questions provide researchers with a basis for understanding how EC research has evolved and identify research opportunities.*

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## INTRODUCTION

How people shop and search for information has dramatically changed over the past fifteen years. With the advent of widespread commercial Internet technologies, the changes in business operations and consumer behavior have been unprecedented. In the United States alone, purchasing has grown from nothing in 1993 to more than \$1 trillion in 2007, accounting for more than three percent of all retail transactions. Globally, the adoption of the Internet has allowed over 500 million Asians and 300 million Europeans instant access to news, information and online events through mobile and PC-based connections. The myriad of uses of the Internet has evolved such that consumers use it to make purchases, seek health information, and even vote in national elections. Businesses have developed worldwide virtual teams and conduct meetings with clients and employees on a daily basis through webcasting. However, even such positive contributions to society are countered by negative consequences of the Internet such

as reduced barriers to vices including gambling and pornography.

As the use of the Internet has grown, so has academic interest in addressing issues surrounding the implementation, adoption and use of the Internet in society and business. Important questions such as 1) How has the Internet affected consumer behavior? 2) How should firms present information in a secure and positive manner? and 3) How should firms proceed in the development and deployment of Electronic Commerce operations? are often posed by businesses and researched by academics. As academic interest has grown in Electronic Commerce (hereafter EC), so has the number of topics investigated by researchers.

EC, by definition is cross disciplinary in focus and scope. The main business fields that have addressed EC operations have been information systems, management, and marketing. In this paper, the authors' goal is to assess the combined cross disciplinary contributions of these three business disciplines to the study of EC.

### Prior Reviews in Electronic Commerce

Previous studies of EC research have followed one of two paths. The first path has been an assessment of EC research topics in a specified subfield of journals (Romano and Fjermestad 2001; Tomasello 2001). For example, in the field of communications research, Tomasello (2001) reviewed five communications journals from 1994 to 1999 with respect to research trends within those journals, classifying the research topic into six predefined categories. Similarly, Kim and Weaver (2002) examined the methodological and theoretical approaches of communication-based research from 1996 to 2000. In the field of management information systems, Romano and Fjermestad (2001) examined selected articles that addressed issues in electronic customer relationships.

The second path represents a more abstract approach and attempted to examine the broader impact of EC on a specific field of study within business (Cho and Kang 2006; Ngai and Wat 2002). For example, Cho and Khang (2006) examined research trends and patterns using a content analysis of fifteen journals in communications, marketing, and advertising. Similarly, Urbaczewski, Jessup, and Wheeler (2002) examined the theoretical perspective within predominantly information systems activities.

Though all these reviews provide value and provide researchers guidance toward understanding EC, each of the reviews have included a mix of what would be considered the research agenda-setting journals and articles which would have a more limited dissemination. Additionally, the extant reviews do not attempt to integrate EC research across disciplines, thus potentially obscuring the overall impact of EC. The present study attempts to address this issue. In short, the authors hope to expand on the knowledge of EC research by providing a comprehensive synthesis of the driving literature of the fields of marketing, management, and information systems. With this goal in mind, the research questions are as follows:

RQ<sub>1</sub>: What are the overarching categories of EC research?

RQ<sub>2</sub>: What are the dominant themes within those broad categories?

RQ<sub>3</sub>: What are the seminal articles within each discipline?

## METHOD

### Sample

The data considered for this research included full-length published research articles in the fields of marketing, management and information systems. This cross-disciplinary approach was deemed necessary in order to provide a complete picture of the research that would be of interest to business academics and practitioners. Only academic journals were included in the search. These journals represent the highest level of research and can be considered the agenda-setting research journals of the fields. They are the source most used by academics for acquiring and disseminating new and innovative research. The editorial missions of these journals routinely state that they seek articles that contribute significantly to the field.

Twenty-five journals which represent the leading journals of the field of business (Marketing, Management and Information Systems) were selected to be included in the analysis. The leading marketing journals (*Journal of Marketing*, *Journal of the Academy of Marketing Science*, *Journal of Marketing Research*, *Journal of Consumer Research*, *Marketing Science*, *Journal of Retailing*, *Journal of Advertising*, *International Journal of Electronic Commerce*, *Journal of Public Policy and Marketing*, *Journal of Consumer Psychology*, and *Psychology and Marketing*) were included in the analysis. In the field of management, the four leading journals (*Journal of Management*, *Management Science*, and *Organization Science*) were included (*Academy of Management Journal*, a top management journal, was included in the initial search but contained no relevant articles.). From the information systems research, seven dominant journals (*Communications of the ACM*,

*Decision Support Systems, Journal of Management Information Systems, Information Systems Research, MIS Quarterly, IEEE Transactions of Engineering Management, and Decision Sciences*) were selected. Additionally, the leading general business journals which are cross disciplinary in nature, (*Journal of Business Research, Harvard Business Review, Journal of Business, and Journal of World Business*) were also included. Though argument can be made that journals listed in a specified field can be considered cross disciplinary in nature, the authors utilized available publication lists from several

universities to develop and validate this classification. Table 1 lists the journals where articles were found that were included in the analysis, the number of articles from that journal, and the journals' impact ratings according to the Social Science Citation Index (as of spring 2008).

### Article Selection

First the authors established an overarching definition of EC research. This analysis utilizes a modified definition similar to that used by Hayashi (1996) and Urbaczewski, Jessup, and

**TABLE 1**  
**Journals Used in Analysis with Impact Rating and Article Count**

<b>Journal</b>	<b>Impact Rating</b>	<b>Count</b>
<b>Marketing</b>		
<i>International Journal of Electronic Commerce</i>	1.429	<b>56</b>
<i>Journal of Advertising</i>	0.667	<b>16</b>
<i>Journal of Consumer Psychology</i>	1.763	<b>1</b>
<i>Journal of Consumer Research</i>	2.043	<b>9</b>
<i>Journal of Marketing</i>	4.831	<b>9</b>
<i>Journal of Marketing Research</i>	2.389	<b>10</b>
<i>Journal of Public Policy and Marketing</i>	0.649	<b>16</b>
<i>Journal of Retailing</i>	1.196	<b>17</b>
<i>Journal of the Academy of Marketing Science</i>	1.463	<b>11</b>
<i>Marketing Science</i>	3.977	<b>12</b>
<i>Psychology and Marketing</i>	0.948	<b>7</b>
<b>Management</b>		
<i>Academy of Management Journal</i>	6.079	<b>0</b>
<i>Journal of Management</i>	1.954	<b>1</b>
<i>Management Science</i>	1.687	<b>25</b>
<i>Organization Science</i>	2.815	<b>1</b>
<b>Information Systems</b>		
<i>Communications of the ACM</i>	1.509	<b>118</b>
<i>Decision Sciences</i>	1.620	<b>11</b>
<i>Decision Support Systems</i>	1.160	<b>49</b>
<i>IEEE Transactions on Engineering Management</i>	0.825	<b>2</b>
<i>Information Systems Research</i>	2.537	<b>28</b>
<i>Journal of Management Information Systems</i>	1.818	<b>39</b>
<i>MIS Quarterly</i>	4.731	<b>12</b>
<b>Cross Disciplinary</b>		
<i>Harvard Business Review</i>	1.505	<b>19</b>
<i>Journal of Business</i>	0.882	<b>3</b>
<i>Journal of Business Research</i>	0.815	<b>40</b>
<i>Journal of World Business</i>	0.627	<b>1</b>

Wheeler (2002), defining EC research as any research that examines *the process and consequences* of the use of computer networks to conduct business electronically (the exchange of goods, services, or information) with one’s suppliers, customers, competitors, or consumers (authors’ modification in italics). This definition is intentionally broad in order to encompass the strategic impact of Internet segments such as the World Wide Web, e-mail, online chat, virtual reality, instant messaging, and intranets on business operations (e.g., Cho and Kang 2006). A starting point of 1993 was selected because this was the year that the first user-friendly web browser, NCSA Mosaic, was introduced (Zwass 2003) and the topic of EC was addressed in any of the top-level journals. The endpoint of the research investigated here was articles that were published in March 2007.

To obtain appropriate articles the authors implemented a search strategy which included the use of EBSCO Host. EBSCO Host is a research database which contains full text articles of each of the selected target journals. First, the tables of contents of each issue of each journal were examined to determine which articles were a relevant fit. Next, a list of fifteen keywords and phrases was created based on previous research as well as the subject classification in EBSCO Host for the articles found in the first step. EBSCO Host was then searched for these keywords. Any articles published in peer-reviewed journals that were not found on the initial inspection of the journals were included during this phase. The list of the keywords can be found in Table 2. Next, a backward citation analysis using the Social Science Citation Index (SSCI) print and electronic resources was then conducted on each article. Relevant articles that were cited were found and inspected to determine if the article was: 1) in a leading journal, and 2) focused on EC research. This iterative search process resulted in the initial inclusion of 557 articles. The resultant pool of articles were then examined by each of the authors and reviewed for the purpose of eliminating any articles whose content did not meet the stated definition of e-commerce. We believe that the

resultant set of 513 articles encompassing the years 1993 – 2007 and twenty-five journals, while not exhaustive, does encompass a comprehensive basis for understanding the topic across disciplines. A complete bibliography of the 513 articles which were reviewed is available from the authors.

**TABLE 2**  
**Keywords used in Electronic Database Search**

<b>Keywords and Phrases Utilized in the Search</b>
<b>e-commerce</b>
<b>electronic marketing</b>
<b>online services</b>
<b>online auctions</b>
<b>Internet strategy</b>
<b>interactive shopping</b>
<b>electronic pricing</b>
<b>online learning</b>
<b>adoption / diffusion of electronic markets</b>
<b>online advertising</b>
<b>electronic market efficiency / effectiveness</b>
<b>electronic agents</b>
<b>online relationship marketing</b>

**Measures**

During the analysis phase of this study, a bottom-up approach was taken. The articles were coded into sixty-three emerging categories. Articles which were found to address multiple research subjects were included in each relevant category, resulting in more than half of the articles being coded into multiple categories. This method allowed the researchers to evaluate which topics were prevalent. The researchers independently reviewed each of the articles and coded them separately. Any differences in opinion were discussed and resolved (overall agreement rate of ninety-three percent).

Table 3 provides an overview of the number of articles published by each journal and the year each article was published. This illustrates the true cross-disciplinary nature of e-commerce research. Longitudinally, it appears that research has been most concentrated in the *Communications of the ACM* and *Decision Support Systems*. However, recent research

appears to be more concentrated within *Management Science*, *Journal of Business Research*, *International Journal of Electronic Commerce*, and *Communications of the ACM*. Figure 2 suggests an overall increasing number of articles published regarding EC research.

**RESULTS**

We now present the following findings regarding each of the research questions.

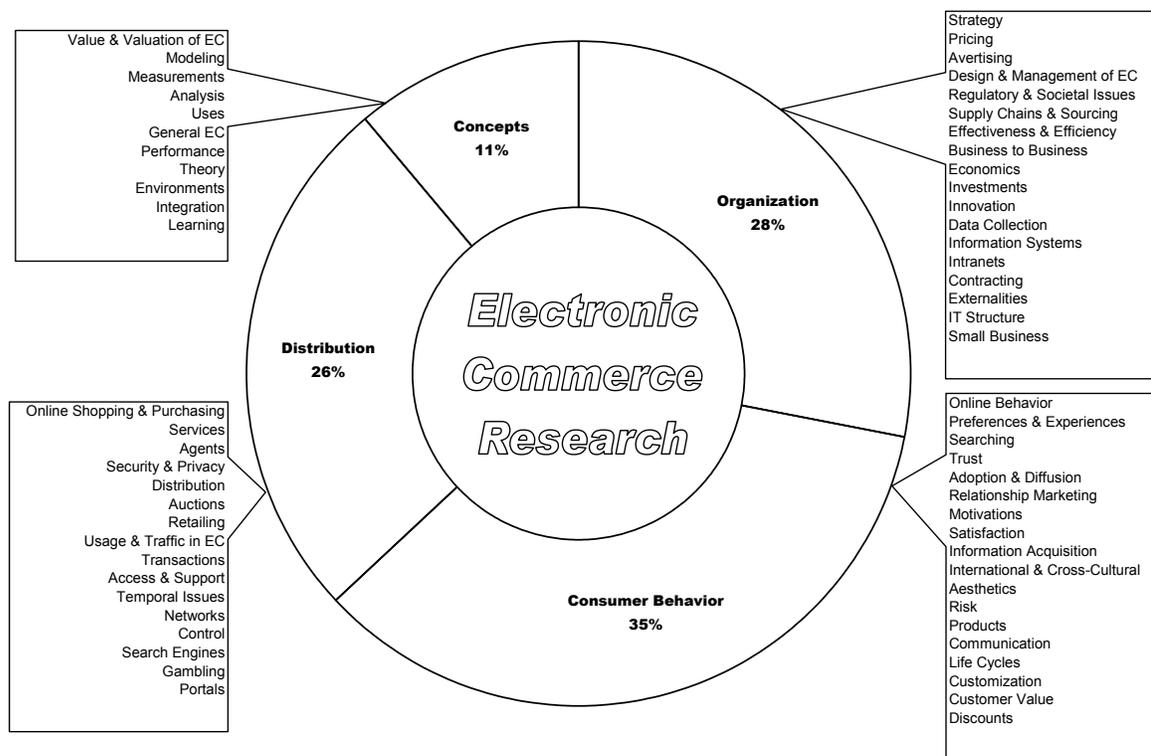
**RQ1: What are the overarching categories of EC research?**

The classification system employed by Ngai and Watt (2002) informed the system employed by the authors. The classification framework, shown in Figure 1 represents the four broad

topic areas of the published articles– Consumer Behavior, Distribution, Organization, and Conceptual – into which the emergent categories were classified. To determine membership in each category, the authors counted the number of articles appearing in each of the journals. Articles that were classified in more than one subtheme were allowed to be counted in multiple themes.

Consumer behavior issues received the most attention, with thirty-six percent of the articles published across all major journals. All journals had at least one article addressing Consumer Behavior, with the exception of *Journal of World Business* which had none. Consumer behavior is truly an interdisciplinary research area. Marketing (ninety-five articles) and information systems (seventy-nine articles)

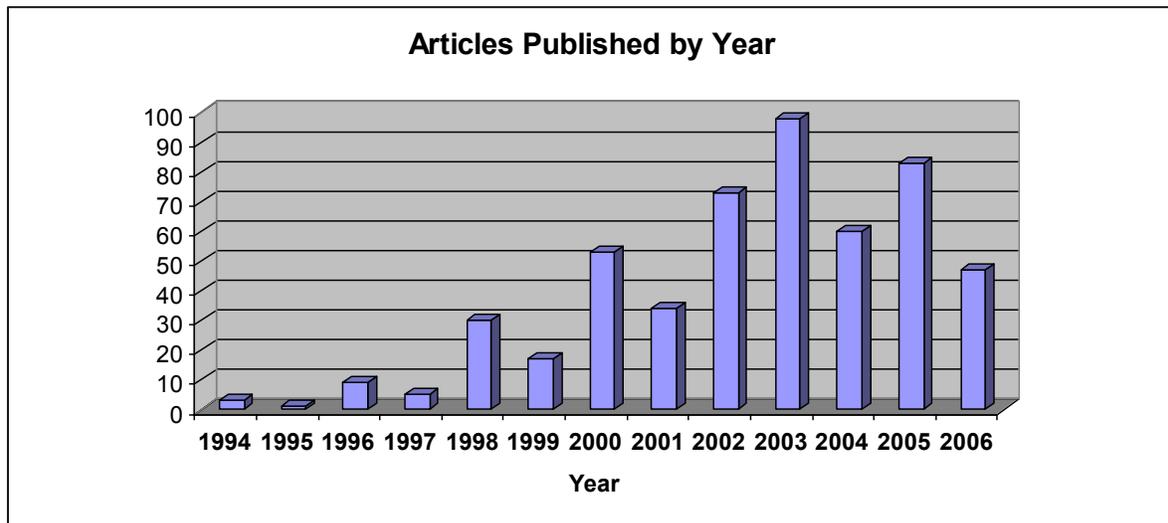
**FIGURE 1**  
**E-Commerce Research Classification Categories and Themes**



**TABLE 3**  
**Breakdown of Number of Articles in Each Journal by Year**

<b>Journal</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>Total</b>	<b>% of Total</b>	
<i>Communications of the ACM</i>	2		5		14	8	11	7	21	32	9	9		118	23.00	
<i>Decision Sciences</i>								1	2	2	1	3	2	11	2.14	
<i>Decision Support Systems</i>					6	2	9	4	9	11	2	6		49	9.55	
<i>Harvard Business Review</i>			3	1	2	2	7	3		1				19	3.70	
<i>IEEE Transactions on Engineering Management</i>										2				2	0.39	
<i>Information Systems Research</i>								1	15	1	7	4		28	5.46	
<i>International Journal of Electronic Commerce</i>											10	10	20	16	56	10.92
<i>Journal of Advertising</i>								2	7		3	3	1	16	3.12	
<i>Journal of Business</i>											1	1	1	3	0.58	
<i>Journal of Business Research</i>					7			1	5	8	2	11	6	40	7.80	
<i>Journal of Consumer Psychology</i>										1				1	0.19	
<i>Journal of Consumer Research</i>							3	1	1	2	1	1		9	1.75	
<i>Journal of Management</i>												1		1	0.19	
<i>Journal of Management Information Systems</i>		1		1			7	4	2	6	11	7		39	7.60	
<i>Journal of Marketing</i>	1		1	1				1	1	2		2		9	1.75	
<i>Journal of Marketing Research</i>							1	1	1	2	1	1	3	10	1.95	
<i>Journal of Public Policy and Marketing</i>							7	1		6	2			16	3.12	
<i>Journal of Retailing</i>							1	4	2	2	4	2	2	17	3.31	
<i>Journal of the Academy of Marketing Science</i>				1				1	4	2			3	11	2.14	
<i>Journal of World Business</i>						1								1	0.19	
<i>Management Science</i>						1	2		2		3	10	7	25	4.87	
<i>Marketing Science</i>						1	4			4		1	2	12	2.34	
<i>MIS Quarterly</i>				1	1	2	1	2	1	2	2			12	2.34	
<i>Organization Science</i>										1				1	0.19	
<i>Psychology and Marketing</i>										1	1	1	4	7	1.36	
<b>Total</b>	<b>3</b>	<b>1</b>	<b>9</b>	<b>5</b>	<b>30</b>	<b>17</b>	<b>53</b>	<b>34</b>	<b>73</b>	<b>98</b>	<b>60</b>	<b>83</b>	<b>47</b>	<b>513</b>	<b>100.00</b>	

FIGURE 2  
Sum Count of EC Research by Year



published the most articles about consumer behavior, and the dominant journals are *Communications of the ACM* (thirty-two articles), *International Journal of Electronic Commerce*, and *Journal of Business Research* (each with twenty-six articles).

Next were Organization and Distribution, each with twenty-seven percent of the articles reviewed. The category of Organization was also very cross-disciplinary yet not as much so as Consumer Behavior. Three journals contained no articles addressing organizational concerns – *Journal of Organizational Science*, *IEEE Transactions on Engineering Management*, and *Journal of Consumer Psychology*. Marketing (eighty-three articles) and IS (sixty-four articles) published the most articles relating to organizational concerns. The dominant journals were *International Journal of Electronic Commerce* (thirty-three articles) and *Communications of the ACM* (twenty-six articles).

The category of Distribution was a bit more concentrated with five journals containing no articles in this area – *Journal of Consumer Psychology*, *Journal of Management*, *Organization Science*, *Journal of Organizational Behavior*, and *Journal of World*

*Business*. The most articles appeared in *Communications of the ACM* (fifty-one articles), *Decision Support Systems*, and *International Journal of Electronic Commerce* (each with twenty-four articles).

The category of Conceptual, or theory-building, research is the least researched with only two journals having more than ten conceptually-oriented articles over the study period (*Journal of Management Information Systems* and *Information Systems Research*). Conceptually-oriented articles are fragmented across disciplines and several journals contain no conceptual articles (*Journal of Consumer Research*, *Journal of Public Policy and Marketing*, *Journal of Consumer Psychology*, *Journal of Management*, *Organization Science*, *Journal of Organizational Behavior*, and *Journal of World Business*).

#### **RQ<sub>2</sub>: What are the dominant themes within the broad categories?**

The larger subcategories, as shown in Table 4, are listed with some of the more representative articles within that broad category. The classification system employed was similar to that used to address Research Question 1 (Ngai and Wat 2002). In order for an emergent theme

to be considered, the authors set the cutoff at ten articles addressing that theme. The same method has been utilized by others (Urbaczewski et al. 2002). A benefit of this method is that themes that have attracted a large number of researchers serve as a proxy for importance. Conversely, themes that are less important are addressed less frequently. Alternatively, one could argue that those themes that are less-researched provide methodological challenges or lack proper conceptualization that encourages further exploration. This issue is addressed at a later point.

### Consumer Behavior

*Online Behavior:* Articles placed into this category describe the factors that directly influence purchasing decisions as the consumer is surfing the web. Research in this area focuses on how consumers behave in different sets of circumstances online and focuses overall on how information is gathered as well as the ways that eWOM and virtual communities influence decision-making. Some researchers have conducted comparisons of consumer behavior influenced by various media such as the web, television, and print. Also in this category, researchers have examined the characteristics of online consumers. More limited work has considered post-purchase behaviors such as satisfaction and reactions to product delivery. In terms of satisfaction with online retailers, a number of the articles addressed the reasons that consumers switch or stay. Also, descriptions of human-to-computer interaction have included both the consumer's usage of the website as well as the ways in which the characteristics of the website impact the overall online consumer experience.

*Preferences and Experiences:* Consumer perceptions of the web experience characterized this theme. Researchers have examined both the site characteristics that influence behavior and the consumers' characteristics that impact their online experience. They have also described the impact of site interactivity such as 3-D or rich media on consumers' online

experience. Lastly, researchers have discussed the influence of the amount of site personalization on the consumer's experience.

*Searching:* The articles in this subcategory included articles that addressed actual consumer search for products in the e-commerce setting. The researchers examined primarily the power of search to influence purchase decisions, the importance of search accuracy, and search dynamics. Authors also discussed the impact of search for various types of goods, both experience and credence. Limited research has been devoted to issues of disability accessibility related to search.

*Adoption and Diffusion:* Early entries in this stream of literature attempted to predict adoption of the Internet and the eventual diffusion of the technology on a global scale. As the technology and the diffusion literature stream has matured, there has been coverage of when firms' should participate in e-markets as well as investigations of the factors which contribute to consumers' decisions to adopt EC. The most recent article in this category was published in 2005, indicating that it would appear that this stream has reached its peak.

*Trust:* The importance of consumer and business trust in e-commerce channels was examined in these articles. A great number of these articles examined the role of trust in deciding to engage in EC and its role in the selection of an e-retailer. Articles have looked specifically at trust mechanisms such as e-seals and links. Another topic that has received attention is the measurement of online trust. Most of the articles discussed trust in a B2C context with some attention paid to C2C trust and much less to B2B trust.

*Advertising:* Advertising as a factor that moves a consumer through the purchase process and as a component of website design was the focus of these articles. Several authors examined the importance of understanding the impact of various components of web advertising such as ad congruity, 3-D effects, animation speed, interactivity, repeated exposures and page

**TABLE 4**  
**Emergent Themes within Categories and Article Counts**  
**(Shaded areas represent dominant themes.)**

Organization		Consumer Behavior		Distribution		Concepts	
Strategy	110	Online Behavior Preferences, Experiences	82	Online Shopping and Purchasing	55	Value and the Valuation of EC	24
Pricing	26	Trust	45	Services	30	Modeling	16
Advertising	22	Searching	29	Agents	26	Measurements	15
Supply Chains and Sourcing	18	Adoption and Diffusion	28	Security and Privacy	22	Analysis General EC (Not cat. Specific)	9
Design and Mgt of EC	17	Advertising	27	Auctions	19	Performance	9
Regulatory and Societal Issues	15	Satisfaction	22	Retailing	17	Theory	8
Business to Business	13	Relationship Mktg Motivations	16	Distribution Usage and Traffic in EC	14	Uses	7
Efficiency	5	International and Cross-cultural Issues	13	Transactions	11	Environments	4
Investments	5	Information Acquisition	10	Access and Support	9	Integration	4
Economics	4	Aesthetics	9	Temporal Issues	8	Learning	2
Innovation	4	Risk	8	Search Engines	8		
IT Structure	3	Products	5	Networks	6		
Data Collection	2	Communication	4	Control	5		
Information Systems	2	Life Cycles	3	Gambling	4		
Intranets	2	Customization	3	Portals	2		
Contracting	1	Customer Value	2		1		
Externalities	1	Discounts	1				
Small Business	1		1				
<b>Total Articles</b>	<b>251</b>	<b>Total Articles</b>	<b>317</b>	<b>Total Articles</b>	<b>237</b>	<b>Total Articles</b>	<b>100</b>
<b>Percentage of Total</b>	<b>27.73%</b>	<b>Percentage of Total</b>	<b>35.03%</b>	<b>Percentage of Total</b>	<b>26.19%</b>	<b>Percentage of Total</b>	<b>11.05%</b>

complexity. Consumer characteristics such as curiosity, involvement with the web ad, and online experience were also examined. Less attention has been paid to the integration of web advertising and tools used to measure the effectiveness of web advertising. Some authors also discussed the role of the webpage as an advertisement, and limited research has addressed the legal implications of wireless advertising.

*Satisfaction:* Articles in this stream were primarily concerned with the factors that contribute to satisfaction with online providers and the online experience. Some also addressed satisfaction with multi-channel distribution. Beginning in 2002, there also

seemed to be a greater interest in measuring overall satisfaction with e-commerce.

*Relationship Marketing:* The increased emphasis placed on relationship marketing in the literature was reflected in the articles that were grouped in this subcategory. Some articles were prescriptive in nature, describing the antecedents and consequences of online relationship marketing while other articles discussed the optimal ways to maintain customer relationships.

*Motivations:* These articles addressed consumer and firm motivations in the utilization of electronic channels. Beginning with an overarching model of participant

motivations (Alba, Lynch, Weitz, Janiszewski, Lutz, Sawyer and Wood 1997), most of the articles in this stream examine motivations as predictors of behavior. Some explored hedonic vs. utilitarian motives and others looked at the factors contributing to an individual's intention to search online.

### Organization

*Strategy:* Representing the most researched subtheme of EC, the articles placed into this category describe several strategic perspectives. Approximately thirty percent of the articles in the category discussed strategic decisions by the firm regarding the implementation of an e-channel. About twenty percent of the articles examined industry-specific case studies of firms who are participating in e-commerce. Another twenty percent covered future strategies. Fewer articles assess strategy as it relates specifically to consumer behavior. Other themes that emerged included the ways that firms are integrating the e-channel into their existing channel structure, the success of Internet channels, and descriptions of alliances and reactions to competitor actions.

*Pricing:* The articles in this literature stream displayed a maturing process regarding Internet pricing. The early literature seemed to focus on whether the Internet would decrease or even completely eliminate price competition, but this stream evolved to describe the medium's impact on price-related search, price dispersion, and pricing strategy.

*Design and Management of E-Commerce:* More specific than the overall business strategy, these articles discussed the logistics required to design and implement an EC channel. Effective website design from a theoretical perspective is important, as well as the design of m-commerce components, and the design of negotiation systems.

*Supply Chains and Sourcing:* The articles in this subcategory addressed three primary themes. A popular topic was the selection of strategic channel partners such as the use of

drop shippers vs. full inventory ownership, forward buying, or alliance formation. Other research discussed the design of the e-supply chain specifically. Finally, some authors described the impact of e-replenishment and supply chain structure on costs and efficiency.

*Regulatory and Societal Issues:* The proliferation of EC has created a fertile environment for information predators. The bulk of the articles in this stream related to issues of consumer privacy. Only a couple dealt with firms' intellectual property rights. Antitrust issues have also been addressed. Another broad stream related to negative behaviors in general such as gambling, spam, failure to design sites that are usable by the disabled, and unsolicited wireless advertising.

*Business to Business:* Several articles discussed the impact of B2B EC. The majority of them described the design of efficient e-marketplaces, addressing issues such as privacy, agents, overall adoption, and descriptions of participants. Other research examined various components of satisfaction in B2B relationships.

### Distribution

*Online Shopping and Purchasing:* These articles were predominately from a firm perspective and examined various aspects of the online shopping experience. An extensively researched area was site design and the ways in which it impacts perceived quality and satisfaction. Another important stream discussed internal customer characteristics of those who shop online and subsequent consumer decision-making process in the online setting.

*Services:* The Internet as a channel for service delivery is the theme of these articles. The authors described the evolution of services functions by discussing the ways that the web is shaping not only service industries decision to use web portals but also the manner in which services are delivered. A number of articles also described the role of consumer

characteristics in the decision to use an online service provider as well as in satisfaction with services, loyalty to service providers, and switching.

*Security and Privacy:* Security and privacy implementation decisions on the firm's side as they impact both firms and consumers were the subjects of this stream. The majority of the authors discussed privacy concerns from the consumer's standpoint. Another stream examined the primary privacy concerns from the standpoint of business. Among these, the primary subjects of concern seemed to be international privacy, methods for data security, and legal and ethical issues.

*Agents:* These articles addressed online search agents, their design, and impact on the market. The research areas included the role of agents in auctions and their impact as product recommenders. Search strategies were described as well as the design of agents as personable companions. Adaptive agents were also researched as were the potential dangerous effects of agents on price perceptions and the potential profitability generated by agents.

*Auctions:* Online auctions have had a serious impact on the ways that consumers shop for both goods and services. Several of the articles in this subcategory examined online bidding strategies, while others discussed various auction outcomes such as fraud reduction, mediation, and third-parties. A few also described efficient auction design and implementation.

*Distribution:* The articles in this category followed two primary streams. The first dealt with the firm's decision whether to utilize multi-channel distribution. The second discussed organizing distribution channels for digital goods.

*Retailing:* The impact of EC on retailing was examined in these articles. The vast majority of them discussed the development of a theory of e-retailing and its differences from traditional retailing. The remainder dealt with issues

involving decision-making regarding subjects such as inventory policies and channel decisions.

*Usage and Traffic:* These articles discussed the factors that drive e-commerce traffic and the implications of being able to measure and predict that traffic. Included were descriptions of the ways that e-commerce is utilized, including descriptions of flow and cross-cultural use. Other articles described methods for predicting and tracking EC usage.

### Conceptual

*Value and Valuation of EC:* The articles in this literature stream addressed the impact of adding a net channel to the firm's marketing mix as well as limits to the value provided. Other research addressed the requirements to make an online venture successful. Another theme was the value to consumers of online shopping.

*Modeling:* The authors of these articles applied modeling techniques to EC policies and procedures to better describe their impact on both firms and consumers. These models were of two types – theoretical and mathematical. Theoretical models have been developed to describe transaction quality, website usage, online communication, privacy concerns, customer experience, and the diffusion of e-business cross-culturally. Mathematical models were used to demonstrate clickstream behavior, brand loyalty, trust, forward bidding in auctions, market entry by firms, and supply chain choices.

*Measurements:* The articles in this subcategory predominantly represented attempts to develop measures that tap various aspects of the consumer experience. Some are general scales developed to assess the overall experience while others more specifically measure information privacy and trust, interactivity, or consumer knowledge. Instruments have also been developed to measure firm EC performance and value.

**RQ<sub>3</sub>: What are the seminal articles within each discipline?**

The evolving knowledge within each discipline regarding EC is grounded by a core set of researchers. These researchers have provided the theoretical and empirical foundations for their fields. To identify the seminal articles, the authors of this synthesis utilized the web-based Social Science Citation Index. Each article collected was evaluated in terms of number of citations. No distinction was made as to where the article was cited due to the fact that seminal articles by definition will start a research stream at a number of research levels. In order to be considered seminal, the research piece needed to be cited more than thirty times prior to June 2008. Table 5 presents a summary of seminal articles in each discipline. We now briefly discuss these seminal articles.

**Seminal Papers in the Field of Marketing**

The dominant journals in the marketing discipline were the *International Journal of Electronic Commerce* (fifty-nine articles), *Journal of Retailing* (sixteen articles), *Journal of Public Policy and Marketing* (sixteen articles), *Journal of Advertising* (fifteen articles), *Marketing Science* (thirteen articles), *Journal of the Academy of Marketing Science* (twelve articles), *Journal of Marketing* (nine articles) and *Journal of Marketing Research* (nine articles). Nine articles have formed the base of EC research in marketing. The primary EC research streams in marketing research included modeling the adoption process (394 citations-two articles), the implications of EC (164 citations - two articles), the impact of competition (121 citations-two articles), customer experience online (97 citations - one article), and the use of agents (59 citations - two articles).

Hoffman and Novak's (1996) article on the conceptual foundations of marketing in the EC environment (291 citations) and Alba et al.'s article modeling EC adoption (183 citations) are by far the most heavily cited articles across all disciplines. Also within marketing, the

implications of EC have been examined by Peterson et al. (1997) with 103 citations, Szymanski and Hise (2000) with forty-six citations and Zeithaml, Parasuraman, Malhotra (2002) with fifteen citations. Lynch and Ariely's (2000) research on search costs and their effect on competition (eighty-two citations) as well as Bakos and Brynjolfsson's (2000) research regarding bundling and competition (thirty-nine citations) have been influential as well. Studies of customer experience in marketing have relied heavily on Novak, Hoffman and Yung (2000) modeling efforts (ninety-seven citations) as well as Haubl and Trifts' (2000) research regarding the role of agents in decision making online (fifty-nine citations).

**Seminal Papers in the Field of Management**

The dominant journals within the field of management that have been outlets for EC research have been in *Management Science* (twenty-four articles). Two articles have formed the basis of management-oriented EC research. Brynjolfsson and Smith's (2000) dominant article with one hundred and thirty five citations reflects the field of management's emphasis on comparing EC to traditional channels. An additional important contribution within the management discipline is Keeney's (1999) description of the value of EC to consumers with forty-five citations.

**Seminal Papers in the Field of Information Systems**

The dominant journals in the information systems discipline have been *Communications of the ACM* (100 articles), *Decision Support Systems* (forty-eight articles), *Journal of Management Information Systems* (thirty-seven articles), *Information Systems Research* (twenty-one articles), *MIS Quarterly* (eleven articles), and *Decision Sciences* (ten articles). Eighteen articles form the base of EC research in Information Systems. The topics receiving the most attention from information systems researchers include the use of online agents (344 citations - five articles), consumer

**TABLE 5**  
**Seminal Articles with Times Cited, Authors, and Journal**

Author(s)	Year	Journal	Times Cited
<b>Marketing</b>			
Hoffman and Novak	(1996)	Journal of Marketing	291
Alba et al.	(1997)	Journal of Marketing	183
Peterson, Balasubramanian, and Bronnenberg	(1997)	JAMS	103
Novak, Hoffman, and Yung	(2003)	Marketing Science	97
Lynch and Ariely	(2000)	Marketing Science	82
Haubl and Trifts	(2000)	Marketing Science	59
Szymanski and Hise	(2000)	Journal of Retailing	46
Bakos and Brynjolfsson	(2000)	Marketing Science	39
Zeithaml, Parasuraman, and Malhotra	(2002)	JAMS	35
<b>Management</b>			
Brynjolfsson and Smith	(2000)	Management Science	135
Keeney	(1999)	Management Science	45
<b>Information Systems</b>			
Etzioni and Weld	(1994)	Communications of the ACM	105
Maes, Guttman, and Moukas	(1999)	Communications of the ACM	102
Bettman, Lohse, and Johnson	(1999)	Communications of the ACM	64
Lohse and Spiller	(1998)	Communications of the ACM	61
Agrawal and Karahanna	(2000)	MIS Quarterly	59
Glushko, Tenenbaum, and Meltzer	(1999)	Communications of the ACM	46
Lederer et al.	(2000)	Decision Support Systems	43
Friedman, Kahn, and Howe	(2000)	Communications of the ACM	41
Koufaris	(2002)	Information Systems Research	39
Palmer	(2002)	Information Systems Research	39
Palmer and Griffith	(1998)	Communications of the ACM	36
Norman	(1994)	Communications of the ACM	34
Bhimani	(1996)	Communications of the ACM	34
Wong, Paciorek, and Moore	(1999)	Communications of the ACM	34
Liang and Huang	(1998)	Decision Support Systems	34
McKnight, Choudhury, and Kacmar	(2002)	Information Systems Research	33
Wurman, Walsh, and Wellman	(1998)	Decision Support Systems	33
Gefen, Karahanna, and Straub	(1999)	MIS Quarterly	33
<b>Cross Disciplinary</b>			
Porter	(2001)	Harvard Business Review	101
Rayport and Sviokla	(2000)	Harvard Business Review	88
Chesbrough and Teece	(1996)	Harvard Business Review	74
Reichheld and Schefter	(2000)	Harvard Business Review	50
Kaplan and Sawhney	(2000)	Harvard Business Review	49
Iansiti and MacCormack	(1997)	Harvard Business Review	43
Klein	(1998)	Journal of Business Research	36
Gulati and Garing	(2000)	Harvard Business Review	35
Eighmey and McCord	(1998)	Journal of Business Research	34
Hoffman and Novak	(2000)	Harvard Business Review	33
Ghosh	(1998)	Harvard Business Review	33

behavior online (297 citations – six articles), EC adoption (110 citations – three articles), website design (seventy-five citations – two articles), and online security (thirty-four citations - one article).

Describing the use of agents online, Etzioni and Weld's (1994) article describing softbot-based interface research leads the pack with one hundred and five citations. This is closely followed by Maes, Guttman, and Moukas' (1999) research on agents that buy and sell (102 citations). Other agent research includes Glushko, Tenenbaum, and Meltzer's (1999) agent-based EC research (forty-six citations), Norman's (1994) research on how consumers interact with agents (thirty-four citations), Wong, Paciorek, and Moore (1999) examination of mobile agents (thirty-four citations), and Wurman, Walsh, and Wellman (1998) flexible double auction research (thirty-three citations). Consumer behavior research in information systems journals has focused on such topics as Bettman, Lohse, and Johnson's (1999) predictors of online buying behavior (sixty-four citations); Lohse and Spiller's (1998) article (sixty-one citations); as well as Agrawal and Karahana's (2000) and Koufaris' (2002) descriptions of the ways that consumers experience online activities (fifty-nine and thirty-nine citations respectively); and Friedman, Kahn, and Howe's (2000) and McKnight, Choudhury and Kacmar's (2002) discussion of online trust (forty-one and thirty-three citations respectively). Information systems research has also focused on EC adoption with Lederer, Maupin, and Zhuang's (2000) article on the use of the TAM model (forty-three citations) and Liang and Huang's (1998) transaction cost model approach with thirty-four citations, as well as Gefen, Karahanna, and Straub (2003) integrated trust and TAM approach with thirty-three citations. Site design has also been an important area of research with Palmer's (2002) site performance metrics (thirty-nine citations) and Palmer and Griffith's (1998) model for website design (thirty-six citations). Lastly, the work of Bhimani (1996) provides the foundation for

research into online security (thirty-four citations).

### Cross-Disciplinary

The dominant cross-disciplinary business journals which have been outlets for EC research have been *Journal of Business Research* (thirty-nine articles) and *Harvard Business Review* (eighteen articles). In this area of research, there have been three primary research agenda – strategy, consumer behavior online, and customer acquisition. The most heavily-cited area is that of strategy with a combined total of 456 citations across several authors. Seminal streams within strategy include overall business strategy (Ghosh 1998; Porter 2001); virtual channels (Gulati and Garing 2000; Rayport and Sviokla 2000); product innovation (Chesbrough and Teece 1996; Iansiti and MacCormack 1997); and developing B2B marketplaces (Kaplan and Sawhney 2000). The next represented agenda is consumer behavior online with work by Klein (1998) producing thirty-six citations and Eighmey and McCord (1998) producing thirty-four citations with research regarding consumer use of websites. Additionally, customer acquisition work by Hoffman and Novak (2000) produced thirty-three citations, and Reichheld and Scheffer (2000) produced fifty citations with research regarding customer relationship management.

### DISCUSSION AND CONCLUSION

In the research presented here the authors embarked on an ambitious task. In short they sought to answer the general question, "In what areas has EC research been investigated across disciplines?" We parsed this question down to three manageable research questions, 1) What are the overarching categories of EC research? 2) What are the dominant themes within those broad categories? and 3) What are the seminal articles within each discipline? Extensive review of over five hundred articles from twenty five journals allowed a presentation of the historical findings on the previous pages. Overall, the growth of interest and scholarly

articles has shown that EC is an extremely important factor in the fields of marketing, management and information systems. Researchers have investigated the impact of the Internet in a broad array of settings and contexts – from the perspective of EC impact on a firm’s ROI (Chircu and Kaufman 2000) to the role of privacy seals on consumer trust (Aiker and Boush 2006).

Additionally, in Table 4 the analysis indicates those areas that have been heavily researched as well as those that are less researched. The body of the paper contained an extensive description of the heavily researched areas. Though these areas are important, the reader should note that focusing on these areas for ideas regarding future research may be more difficult in an attempt to uncover unique contributions. Examination of Table 4 indicates that there are a number of areas that have not received as much attention as others. Probably one of the most important areas is the development of theories in EC. Arguably, theory development is a more difficult task than theory testing. Future researchers should be encouraged to develop theoretical frameworks that focus on the EC environment as opposed to comparisons between environments (i.e., print vs. web). Theory development will allow EC research a solid conceptual foundation instead of relying on the application of theories developed for other settings. Note that the most heavily-cited papers uncovered by RQ 3 are theory-oriented papers.

A second under-researched area appears to be dark side behaviors online. Dark side behaviors such as online gambling and viewing pornography have received some attention but other behaviors such as falling prey to phishing schemes and Internet scams have received much less. From a public policy standpoint, understanding the implications of these issues from both the perpetrators’ and the victims’ standpoints are necessary in order to develop educational campaigns and online filtering. An additional dark side behavior that has its roots in flaming is cyberbullying, especially through social network sites.

Future research could investigate the role of customer co-production. This research could take the form of understanding the technical requirements necessary for a firm to initiate co-production, or the use of customer site actions in the development of new products. Currently, few papers have addressed the issues of how to use customer-generated information that is stored on the company’s servers.

Lastly, much firm-oriented research has been conducted or implemented through large companies. A known advantage of the Internet is the ability of any firm to operate a web site. Future EC research can examine issues that are germane to small businesses given that they face unique resource and personnel constraints.

Regarding this research, several practical implications for managers also exist. Familiarity with the articles that explain the reasoning behind experimental results is something that can benefit managers. Managers have a unique perspective that they derive from day-to-day, hands-on experience with consumers and other practitioners. Through studying what marketing academics have examined, these managers are in an excellent position to leverage research findings to their specific use.

In conclusion, in this paper the authors sought to synthesize EC research across the leading journals in the fields of marketing, management and information systems. The suggested areas of future research based on this classification of past research can serve as a starting point for researchers who desire to move the understanding of EC forward.

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# THE KNOWLEDGE ECONOMY'S STRATEGY DILEMMA: BALANCING DIGITAL RELATIONSHIPS AND RIGHTS

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*Marketing scholars, like their economics and strategic management colleagues, acknowledge the knowledge economy's profound transformation of the business enterprise. Yet, the ethical tradeoffs incurred by enterprises that embrace digital network technology have not been sufficiently explored. This study examines the dilemma posed by the emerging knowledge economy structures and related digital network systems for sustainable business marketing relationships. Unlike the conflict focus presented in the extant literature, a confluent framework of digital enterprise and ethics is advanced by coupling marketing and MIS competences. Accordingly, knowledge economy resources are shown to optimize marketing strategy without obfuscating risks for business customers. Beginning with an examination of knowledge economy drivers, the essential determinants of successful business enterprise alliance are derived from relational marketing strategies and digital information systems. Next, a process is proposed to optimize knowledge economy business-to-business networking strategy, by balancing micromarketing enterprise relationship considerations with macromarketing ethical rights concerns. The resulting knowledge economy relationship management (KERM) process is then applied to a knowledge economy enterprise scenario to demonstrate its conceptual validity and commercial viability. Consequently, by embracing digital ethics rights as a complementary knowledge economy dimension, this exploratory study contributes a more balanced strategic perspective of digital enterprise relationships.*

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## INTRODUCTION

Knowledge economy (KE) relationships among business partners are information intensive. Beneath every business "value chain" (Kotler 1985) is a facilitating "information value chain" (Porter and Millar 1979). Drucker's (2005, 1999, 1993) foresight established knowledge as the essential business asset and customer relationships as the business purpose. These core concepts convey the knowledge economy business premise. However, knowing the knowledge economy business advantages is only the first step towards actualizing them. This study presents an exploratory approach towards actualizing knowledge economy advantages in business to business markets. A framework is developed by coupling the strategic marketing intelligence assets with MIS digital systems intelligence. This fusion of

strategic and systems competence is modeled for both collaborative macromarketing intelligence discovery and competitive micromarketing intelligence delivery. The phrase "sense and respond" (Bradley and Nolan 1998; Haeckel 1999) captures this yin-yang intelligence process that constitutes the knowledge economy "information value chain." Therefore, the research purpose is to model strategies and systems that balance micromarketing intelligence relationships with macromarketing intelligence rights in the knowledge economy. By furthering congruence among digital business relationships and rights, the study responds to the call for research exploring information technology's significance within the field of marketing strategy (Varadarajan and Jayachandran 1999).

Knowledge economy (KE) conditions help businesses combine marketing strategies with digital systems to sustain both micromarketing relationships and macromarketing rights. In terms of micromarketing intelligence,

knowledge economy relationship management (KERM) must combine the strategic planning tools from both marketing strategy and management information systems. Marketing relationship management techniques help to translate the knowledge economy potential for greater intelligence sharing into practical business marketing advantages. In a complementary manner, MIS digital intelligence mining technologies help to transform computing advances into tailored business marketing applications. Likewise, macromarketing intelligence builds on knowledge economy confluence among business stakeholder networks to embed ethical codes that ensure distributive justice rights. Here again, strategic marketing competence such as customer orientation and relational value permit a compatible alignment of business objectives with technology protocols, regulatory standards and societal norms. In addition, MIS contributes the competence to design digital systems that map enterprise relationships and monitor ethical rights. In many respects, this parallel pursuit of micromarketing enterprise and macromarketing ethics resolves a central knowledge economy business conundrum. Realizing the advantages of digital intelligence relationships requires an assurance of digital intelligence rights.

Business marketing relationships increasingly rely on the privacy and security of intelligence shared over digital networks. This digital intelligence risk has become a strategic success factor for managing knowledge economy micromarketing relationships and macromarketing rights. Business, marketing and economics scholars have mapped this vital knowledge economy territory along three dimensions:

- Meta-level -- broad structural market forces (knowledge economy, digital networks, etc.)
- Macro-level – bounded social market factors (external stakeholders, policies, ethics, etc.)
- Micro-level – business strategy market functions (relationship management system, skill, etc.).

These knowledge economy vectors align business intelligence relationships with digital information rights. In addition, the three vectors chart the literature streams that have surveyed the strategic and systems intelligence for sustaining knowledge economy relationship. The “meta-level” dimension literature extends knowledge economy theory to validate emerging digital network concepts. Typically, these digital network concepts emphasize the unique *structural* composition of e-commerce companies, channels and content. The “macro-level” dimension literature emphasizes the knowledge economy’s *societal* context. In particular, “macro-level” directives focus on the role of external environment stakeholders in balancing digital ethics rights and digital enterprise relationships. The “micro-level” dimension literature distills relational and digital intelligence into *strategic* contingencies. These “micro-level” knowledge economy strategies are devised to guide business enterprises and guard business ethics.

Ultimately, this study proposes a knowledge economy relationship management (KERM) model to synthesize the meta-level, macro-level and micro-level dimension literature streams described above. The proposed KERM process synchronizes micro-level knowledge management with the macro-level and meta-level dynamics of the broader knowledge economy. The coupling of micro-level marketing and MIS competencies reveals parallel knowledge economy considerations at the macro-level and meta-level. First, a foundation is established for the proposed KERM construct by reviewing the literature of knowledge economy functions, factors and forces. Next, the KERM construct is operationalized as a business marketing planning process for balancing digital intelligence relationships and digital intelligence rights. Finally, conclusions are drawn from an exploratory KERM process scenario to further knowledge economy relationship strategy and research.

**FIGURE 1**  
**The Evolution of Micro/Macro/Meta Knowledge Economy Dimensions**

	<b>Industrial Economy (tangible value) “Loading”</b>	<b>Service Economy (intangible value) “Linking”</b>	<b>Knowledge economy (intelligence value) “Learning”</b>
<b>I. MICRO-Level Strategic Knowledge Economy Functions</b>			
<b>Marketing</b>	<u>Fragmented</u> Market strategies <i>separated</i> in business planning process	<u>Focused</u> Market strategies <i>synthesized</i> in business planning process	<u>Fused</u> Relational intelligence management and <u>Digital</u> intelligence mining <i>synergies</i>
<b>MIS</b>	<u>Functional</u> Data systems <i>subordinate</i> to business planning processes	<u>Facilitative</u> Data systems <i>supportive</i> to business planning process	
Day and Glazer (1994)	<u>Info-Exclusive Strategy</u> (Corporation as Compartment)	<u>Info-Intensive Strategy</u> (“Corporation as Computer”)	<u>Holistic</u> Context-Dependent Sense/Respond Learning
Germunder and Ritter (1997)	<u>Material Resource Competence</u> Resource Task Management Resource Exchange Capacity	<u>Service Agency Competence</u> Agency Task Management Agency Transaction Ability	<u>Network Competence</u> Relationship Execution Relationship Qualification
Bean and Robinson (2002)	Territorial and Tangible Assets	Interactive and Intangible Assets	Relational and Intellectual Assets
<b>II. MACRO-Level Societal Knowledge Economy Factors</b>			
Achrol and Kotler (1999)	Vertical Market Structure	Horizontal Market Services	Network Market Systems
Castells (1996)	Material Mode and Industrial Paradigm	Social Mode and Services Paradigm	Informational Mode and Network Paradigm
Sweet (2001) Macro/Micro Value Logics	Industrial and Value-Adding	Service and Value-Extracting	Knowledge Web/Network Value Capture and Create
<b>III. META-Level Structural Knowledge Economy Forces</b>			
	Regulation (Intelligence Control)	Reciprocity (Intelligence Convergence)	Rights (Intelligence Collaboration)
Kim and Mouborgne (1997)	<u>Forced Process</u> Enterprise Performance and Compulsory Cooperation	<u>Free Process</u> Enterprise Performance and Voluntary Cooperation	<u>Fair Process</u> Enterprise Performance and Ethical Principles
Allee (2000a)	Material Capital (Protecting)	Human Capital (Sharing)	Intellectual Capital (Learning)
Wilkinson and Young (2005)	Placid Environments (Random and Clustered)	Disturbed Reactive Environ.	Turbulent Environment

### STRATEGIC KNOWLEDGE ECONOMY RELATIONSHIP PATTERNS

From a micro-level perspective, strategic business relationships in the knowledge economy (KE) combines the digital core competencies of marketing and MIS. Figure 1 charts the evolving convergence of MIS and marketing techniques from a tangible asset industrial economy, through the intangible asset service economy, towards the intelligence asset knowledge economy. The unique contribution of this study is to decipher the knowledge economy progression as the dialectic between relational marketing and digital MIS strategic competencies. Configuring knowledge economy evolution this way adds continuity between the micro-strategic, macro-societal and meta-structural tiers of economic value creation.

Research related to information technology and its influence on industry structures is needed, as are efforts toward integration of understanding of environmental changes driven by information technologies, value creation and marketing. (Bean and Robinson 2002, p.206)

Typically, knowledge economy frameworks emphasize the implications of broad structural forces like discontinuous technological innovation or societal factors information privacy on business marketing strategy. Instead, here, the knowledge economy is posited as a bottom up spiral configured around the coupling of micro strategy competencies. Specifically, those competencies sprout from the seeds of marketing relationship strategy and MIS digital systems. Growing the knowledge economy framework from familiar micro-level techniques and technologies imparts greater relevance for business marketing strategy. Still, this competency-oriented conceptualization is validated by knowledge economy research (Day and Glazer 1994; Polonsky 1995; Germunder and Ritter 1997; Achrol and Kotler 1999; Allee 2000a; Sweet 2001; Bean and Robinson 2002; Wilkinson and Young 2005).

### Linking Marketing and MIS Strategic Competency Logic

Confluence between marketing and information technology systems is the dominant knowledge economy business logic, because it facilitates the commercialization of intangible and even disembodied intelligence value. Interactive digital technology controls knowledge economy viability and market relationships coordinate knowledge economy value. In the information age's infancy, Day and Glazer (1994) coupled marketing and information technology system competencies to formulate the "market-driven learning organization," an exemplar of knowledge economy dimensions delineated here. Expanding on the market-driven organizational model, Day (1997) explained that information intensity enables marketing and information technology to synthesize knowledge economy strategy and structure. Recent business marketing studies firmly connect relationship value learning with information technology literacy (Walter and Ritter 2004).

Business marketing scholars also contributed to these founding models of competency-oriented knowledge economy patterns. In particular, the business marketing research casts marketing and MIS at the center of value-creating knowledge economy strategies. Gemunder and Ritter's (1997) network competence constitutes a micro level strategy that weds relational marketing and network MIS functions. By contrast, less relational competencies can be ascribed to pre-knowledge economy eras. The industrial economy's material resource architecture is typified by the capacity to exchange tangible goods. Similarly, the service economy's agency design facilitates transactions for intangible provisions. Therefore, the proposed framework's micro level strategy functions concentrate on business marketing network competence (Ritter and Gemunden 2003), but are also compatible with broader knowledge economy factors and forces.

Bean and Robinson (2002), explicitly weave marketing and MIS competencies into

knowledge economy value creation, in the form of intellectual and relational assets. Extending the market-based assets premise (Srivastava, et al. 1997), relational assets are attributable to marketing and intellectual assets stem from market-based management of MIS networks. Relational and intellectual skills create micro-level value because knowledge economy markets rely on intelligence sharing to accrue competitive advantage. Yet, this study's competency orientation regards micro-level marketing and MIS properties as both a cause and effect of broader macro-level and meta-level knowledge economy dynamics. Indeed, focusing on relational and intellectual assets can reveal business marketing environmental alliances among societal stakeholders and increase the relevance of structural knowledge economy transformations. The strategic momentum from "market power built on knowledge bases" (Bean and Robinson 2002, p.211) fuels this bottom up framing of knowledge economy dimensions.

For business marketing scholars this competency-orientation towards understanding the knowledge economy structure, society and strategy is referred to as "sense-making" (Weick 1995; Wilson and Woodside 2001). In particular, the process of "sense and respond" (Bradley and Nolan 1998; Haeckel 1999) captures the cause and effect duality between micro level strategic proficiency and the broader societal and structural knowledge economy patterns. A common feature of sense and respond strategy is the prevalence of environmental uncertainty and dynamism – especially for business-to-business electronic markets (Lazoda and Calantone 1996; Bstieler and Gross 2003). However, absent strategic vision (Grewal, et al. 2001) broader knowledge economy dynamics will not be sensed. Therefore, the proposed framework suggests that micro-level business marketers must first acquire the competency to see macro-level and meta-level knowledge economy conditions.

Strategic business marketing competencies are sense and respond determinants of knowledge economy value. In particular, this pertains to

relational and intellectual discernment. Sensing, as Haeckel (2004, p. 182) states, is not merely environmental scanning, but "making meaning out of apparent noise." Matthysens and Vandembemt (2003, p. 599) articulate this micro level reasons for knowledge economy reality as "cognition-in-context," because "managers enact their environments." Welsh and Wilkinson's (2002) "schemas" are also indicative of a strategic competency-orientation:

These schemas are the way managers make sense of their world and the interactions taking place with other organizations and represent a different kind of dynamical force shaping relationship and network development. (Welch and Wilkinson 2002, p. 27)

### **Leveraging Marketing and MIS Business Relationship Logic**

Customer relationship management (CRM) operationalizes the knowledge economy process of sensing meta-level and macro-level intelligence, in order to respond with strategic micro-level competences. CRM embeds the "dominant logic" of intangible intelligence resources, collaborative value creation and relationships (Vargo and Lusch 2004), while emphasizing the partnering nature of business to business marketing (Dunn and Thomas 1994; Tuten and Urban 2001). Likewise, CRM arrangements permit adaptive relational and network behaviors (Brennan and Turnbull 1999; Ivens 2004) to calibrate strategic competencies and time effects (Plakoyannaki 2006) in dynamic knowledge economy environments.

Ivens (2004) analyzes the multidimensional relational behavior construct in industrial markets to isolate effects on relationship quality. The findings imply that an array of relational styles will need to be embedded into the strategic competencies of knowledge economy business marketers. Value-oriented relationships achieved higher ratings on the relationship quality criteria of commitment, economic and social satisfaction. Ironically, the

findings also indicate that the most knowledge restrictive style (“defensive relationships”) scored highest on the trust criterion of relationship quality. This counter intuitive outcome may tell a narrative of trust as a risk-averse quality that is diminished by knowledge sharing without relational assurances. Morgan and Hunt (1994) firmly ground trust and commitment as pillars of relationship value. Perhaps, commitment was lacking in the non-defensive relational styles analyzed by Ivens (2004). Walter and Ridder (2003) model trust as part of an ensemble of influences, including adaptation and commitment to confirm its role as a key driver of relationship formation.

### **Marketing and MIS Network Logic**

The knowledge economy's macro level societal patterns also reflect the pairing of marketing and MIS competences. Figure 1 shows the “network paradigm” as a determinant of macro level knowledge economy patterns (Achrol 1997; Achrol and Kotler 1999). This adaptive network paradigm for business marketing in the knowledge economy differs from the earlier service economy logic of horizontally enabled social channels, as well as the industrial economy's structured vertical channels. Examining the network paradigm's patterns and properties closely will reveal the combination of relational marketing aptitude for macro knowledge coordination and digital MIS applications for macro knowledge control. As notated in Figure 1, Sweet's (2001) “value configuration logics” directly parallel this pairing of marketing and MIS network logic as a primary determinant of knowledge economy value. Like Sweet, this study's divides knowledge economy relationship networks into “microeconomic paradigms” of business value creation and corresponding “macroeconomic paradigms” of value creation in society.

At the meta-level of analysis, the network paradigm manifests the collective macro and micro level principles which will optimize knowledge economy navigation. This holistic meta-level direction is epitomized in Castells' (1996) seminal study of “network society.”

Network society development parallels the knowledge economy's progression. The industrial, service and knowledge economy are distinguished based on the primary mode of economic content and the dominant economic channel paradigm. Whereas the industrial economy prioritized material production and exchange, the service economy elevates intangible social mode processing and interpersonal transactions. Knowledge economy factors are an informational mode and digital network paradigm to disseminate value.

The holistic network society paradigm also poses the knowledge economy paradox of balancing enterprise relationships with ethical rights. Castells (1996) explains that parallel with the evolution of the knowledge economy has been the extensively documented rise in information security risks for e-commerce business enterprises, digital technology networks and general society welfare. These fundamental knowledge economy ethics issues posed by the network society paradigm are within the purview of meta-level structural forces. As Figure 1 shows, meta-level forces encompass digital technology breakthroughs, altered time/space locus and the emergence of knowledge value. However, most importantly, meta-level forces entail the ethical principles that balance the impact of those other structural changes on social macro level environments and strategic micro level enterprises.

### **Marketing and MIS Ethical Logic**

Ethical frameworks for marketing environment navigation and the digital ethics guiding MIS enterprise networks can be applied to knowledge economy considerations at the micro-level, macro-level and meta-level. Kim and Mouborgne (1997) describe their seminal contribution to ethical knowledge economy management as “fair process.” By combining micro level trust properties with macro level distributive justice principles, the authors formulate a compatible knowledge economy blend of enterprise performance and ethical cooperation. This proactive pairing of knowledge economy intelligence relationships

and rights can be contrasted with the compulsory ethics controls imposed by industrial economy regulations. Less restrictive service economy regulation fosters intelligence convergence, but fails to forge constructive ethics collaboration. The specific ethical dilemma of knowledge economy network information rights is addressed by a well developed marketing and public policy research stream (Brown and Muchira 2004; Chellappa and Sin 2005; Harridge-March 2006).

Besides the ethical considerations, meta-level forces chart the profound transformations in the knowledge era conception of economic value and environmental change. From an economic perspective, value denomination is a central business marketing measure and motive. Allee (2000a) traces economy value based on an appraisal of resource worth in comparison to preceding eras. This value progression described in Figure 1 depicts how each form of value is exchanged using a particular currency. So, material value is exchanged through financial currency, human value is exchanged with social currency and intellectual value is shared by digital network currency. Environmentally, the knowledge economy represents a transformation in the scope and speed of change. It gauges the pace of change impacted by change, as well as the sufficiency of strategic competency and societal conditions to attenuate that change. Social futurist Alvin Toffler (1970) calls the human effect of this property "future shock." However, Wilkinson and Young (2005) measure the business marketing knowledge economy effect in terms of relative environmental turbulence.

Having traced the knowledge economy's evolution based on converging marketing and MIS competencies -- as well as prevalent information security threats, a process for balancing the business network relationships and rights is presented. The proposed knowledge economy relationship management (KERM) process contributes a more purposeful embrace of ethics intelligence to knowledge economy research in the business marketing literature. The proposed KERM process frames

the knowledge economy with a competency orientation, which regards ethics as key to knowledge economy strategy, as well as societal and structural knowledge economy dynamics. At the micro-level ethics intelligence complements enterprise strategy by codifying trust, an essential knowledge economy relationship asset. Likewise, including ethics at the societal and structural level resolves the knowledge economy paradox of balancing digital relationships and digital rights.

### **KNOWLEDGE ECONOMY RELATIONSHIP PLANNING**

Knowledge economy (KE) e-commerce business marketers rely on proprietary customer data to facilitate relational intelligence sharing. Holmes and Srivastava's (1999) research on collaborative electronic data interchange (EDI) outlines the enhancements and inhibitors of strategic intelligence sharing in the pre-knowledge economy context. Knowledge economy relationships must balance the strategic profits derived from intelligence with the data security price (Chellappa and Sin 2005). In the case of business customer information privacy risks, a price is paid to obtain benefits such as EDI system connection, logistical alignment, preferred contract terms and value adding support services. These business market data privacy exchange benefits parallel consumer market rewards, such as customization, fulfillment, price discounts and affinity program services (Gardyn 2001; Norberg and Dholakia 2004). Wind (2006) has called for business marketers to adopt consumer market strategies more aggressively, such as relationship intelligence sharing. Business and industrial marketing networks must also balance intelligence sharing rewards and intelligence security rights in e-commerce knowledge economy relationships (Grewal and Comer 2001; Bean and Robinson 2002; Gronroos 2004). Figuring out which customers will engage knowledge economy e-commerce suppliers in mutually beneficial data sharing is referred to in economics as the "problem of identification" (Bajari and Ye 2003).

In information-intensive e-commerce relationships, data sharing arrangements with knowledge economy suppliers can expose customers to information risks (Culnan and Armstrong 1999; Hoffman, et al. 1999; Zhu 2002; Brown and Muchira 2004; Harridge-March 2006). Because of asymmetric information access and control, business-to-business relationships are vulnerable to these security risks as well (Ringberg and Gupta 2003). These potential information security threats are manifested through data leakage, violation and error, which in turn lead to trust eroding concerns such as identity theft (Friedman 2000).

To address the knowledge economy e-commerce "problem of identification" in an operational mode, a three-step KERM process combines the micro level competencies of marketing relationship *strategies* and MIS data mining *systems* into a viable business model for e-commerce value creating exchanges (Goel and Carter 2004). In many respects, this process parallels Glazer's (1997) fusion of marketing and IT for information-intensive strategy. Glazer's strategic sequence includes information acquisition, distribution, interpretation and organizational memory sense-making. However, because the proposed KERM process is purposefully aimed at balancing intelligence strategy and security, identification of mutually beneficial partners and classification of data exchange value thresholds are prerequisites. The KERM process commercialization step, however, is logically viewed as organizational memory sense-making. Figure 2 diagrams the three KERM steps and associated factors.

### Step 1: Identification: Realize Relationship

a) First *criterion for identification* in KERM comes from realizing shared strategic roles in achieving value-creating knowledge economy goals. The business strategy literature's "value chain" construct provides guidance for fashioning a KERM process that bridges the two seemingly divergent knowledge economy goals of *value delivery* and *information*

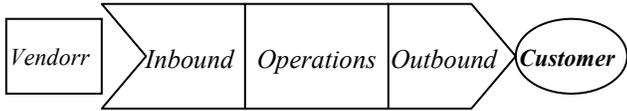
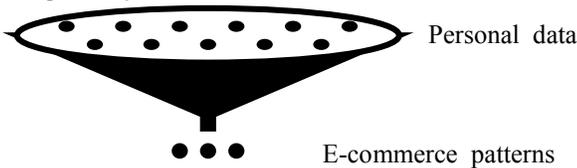
*security*. Porter's (1985) original value chain presented a channel connecting inbound resource flows from suppliers, operational "value-adding" activities and outbound resources flows to customers. By connecting suppliers, firms and customers like links in a unified chain, the focus is trained on value creation rather than vested separation.

Each link in the value chain has a role to contribute towards supporting (suppliers), creating/delivering (firm) and sustaining (customer) value. Customers provided preference information, which indirectly informed suppliers about the nature of inbound resources and directly enabled the firm to calibrate operations to align supplier resources with customer requirements. Of course the value chain could just as easily send signals from supplier through the firm to customers (e.g., resource innovations or shortages), or allow firms to send signals bi-directionally to customers and suppliers (competitive attack or defense). The strategic advantage provided by "value chains" is the ability for suppliers, firms and customers to operate in strategic relationships and not by separate rules. Increasingly, these strategic intelligence dialogues are mediated by digital "agents of exchange" (Carter 1997; Wind and Mahajan 2001). KERM embraces value chain message digitization to robustly identify signals of shared knowledge enterprise relationship roles.

b) Second *criterion for identification* comes from managing relationships to learn which *customers are loyal*. Customer relationship management (CRM) is a relational marketing competency (Grewal and Comer 2002) for profiling and tracking customer patterns to accrue the strategic merits customer loyalty. Identifying and modeling customer loyalty factors improves relationship quality, such as commitment, trust and adaptability over time (Morgan and Hunt 1994; Gronroos 2004; Ulaga and Eggert 2004).

Data mining is an MIS intellectual competency (Grewal and Comer 2002) supporting CRM to

**FIGURE 2**  
**The Knowledge Economy Relationship Management Process**

KERM Process Steps	Conceptual Premise and Criterion Principles	Knowledge Economy Advantage
(1) Identify	<p>(a) <i>Finding</i> E-Commerce “Value” Exchanges (Virtual Value-Chain)</p> 	Suppliers and customers have core competency knowledge connections
	<p>(b) <i>Forming</i> Knowledge Identity Relationships (Customer Relationship Management [CRM])</p> 	Suppliers and customers synchronize knowledge profiles and processes
(2) Classify	<p><i>Filtering</i> Anonymous Identities</p> 	Suppliers and customers configure trust-based knowledge networks
(3) Commercialize	<p><i>Fitting</i> Knowledge to Learning Need (<i>Trust = Sharing</i>)</p> <ul style="list-style-type: none"> <li>a) Disposition to Trust – Interpersonal Value</li> <li>b) Institution-Based Trust – Digital System Access</li> <li>c) Trusting Beliefs -- Value-Creating Learning</li> <li>d) Trusting Intentions – Strategy Sharing</li> </ul>	Suppliers and customers create trust-based value-learning knowledge asset relationships

address the problem of identification. It is precisely through data mining that knowledge economy enterprises employ the digital networks to identify loyal customer profiles that support the e-commerce business model. In this manner, marketing relational *strategies* and MIS digital *systems* are fused to further KERM objectives. The second KERM *classification* step addresses the paradox of balancing knowledge economy relationships and rights.

### Step 2: Classification: Anonymity Aids

The *sole classifying criterion is to collaboratively filter customer identities into anonymous privacy actuary sets*. In a very real sense, the "information age" is manifested in the capacity of business-to-business (B2B) and business-to-government (B2G) customers/clients to "spend" their proprietary data as "information currency" in the digital marketplace (Carino and Jahnke 1995; Moore 2002). Those customers that are willing to "spend" proprietary information help knowledge economy e-commerce suppliers formulate profitable business models that deliver higher customer value. On the other hand, strict adherence to information privacy by business and government customers limits the profitability of e-commerce business models (Essler and Whitaker 2001; Gurau and Ranchhod 2002), in much the same manner that poor driving limits the profitability of the auto insurance business model, or for that matter that unhealthy lifestyles limit the investment returns of medical insurance company shareholders. The classification step attempts to create customer portfolios that balance intelligence relationship advantages with intelligence assurance rights. Similar portfolio management methods have improved business marketing relationship success (Yorke and Droussiotis 1994; Zolkiewski and Turnbull 2002).

### Step 3: Commercialization: Know Need

The *sole criterion to commercialize e-commerce knowledge economy relationships is to learn knowledge needs*. Following step 2 of the KERM process, a set of B2B and B2G

customers has been anonymously profiled. Now, in step 3, commercialization draws upon detailed data mining insights to better understand customers' knowledge needs in order to fulfill the primary value proposition of *learning*. Learning, as represented in Figure 1, is the definitive knowledge economy outcome and value determinant. Learning demonstrates the effectiveness of strategic micro level competencies, societal macro-level collaboration and structural meta level controls.

Learning in information-intensive environments is a prime source of organizational advantage (Sinkula 1994; Slater and Narver 1995; Stewart 1997; Hurley 2002; Sinkula 2002), as well as business network competence (Ritter 1999; Welsh and Wilkinson 2002; Ritter and Gemunden 2003; Ritter, et al. 2004). As a valid method for generating return on relationship knowledge assets and intellectual capital (Bontis 2001; Gummesson 2004), learning strategically balances knowledge economy intelligence relationships and rights (Mohr and Sengupta 2002). Moreover, Perry, et al. (2002) identify both social and technology elements in the learning process that strengthens business marketing relationship bonds.

However, *commercializing* data mining insights through knowledge management requires knowledge economy enterprises to understand how *learning* creates value. In essence, *commercialized* KERM achieves a level of trust that encourages sufficient information sharing for the learning process to be achieved in a manner that is distinct, enduring, measurable and highly valued. Learning is a fundamentally human process that harnesses value by first establishing *trusted* connections with what Malhotra (2000) describes as human "knowledge creators" within the "virtual organizations" that comprise knowledge economy providers and customers. The added security for organizational and inter-organizational e-commerce knowledge sharing enables knowledge economy providers to plan market *strategies* and digital *systems* that generate distinct, enduring, measurable and highly valued learning outcomes. Therefore, in

the third KERM step, *commercialization* is measured by the level of trust gained by learning value returns on the knowledge sharing investments of e-commerce customers.

Trust is both a marketing strategy and MIS construct. The marketing strategy literature identifies trust as a determinant of the successful knowledge exchanges in e-commerce relationships (Morgan and Hunt 1994; Sirdeshmukh, et al. 2002; Schoenbachler and Gordon 2002), because of customer insistence on data privacy protection and anonymity. A critical mass of information systems research also converges on trust-embedded protocols for securing digital CRM networks (Kueter and Fisher 2000; Udo 2001; Kleist 2004; Katsikas, et al. 2005), as well as to mitigate the negative consequences of data mining practices (Mosbacher, et al. 2001; Danna and Gandy 2002; Lindell and Pinkas 2002).

With respect to knowledge economy enterprises, Debreceeny, et al. (2003) and others (Jevons and Gabbot 2000), regard trust as a behavioral inhibitor of intra-organizational and inter-organizational participation in e-commerce exchanges. Moreover, trust operates as a continuous function (not a dichotomous variable) to simultaneously reduce the risk of knowledge sharing and raise both the quantity and quality of knowledge content provided. This makes trust a vital barometer of knowledge economy exchanges.

For knowledge economy providers, a "typology of trust types" guides the implementation of the third KERM step of *commercialization*. Adapting the B2C web-based e-commerce model developed by McKnight, et al. (2002, 2001) to this study's B2B/B2G knowledge economy enterprise context, Figure 2 itemizes four trust construct indicators of *commercialization*:

- Disposition to Trust – Interpersonal Socio-psychological Value
- Institution-Based Trust – Digital System Access
- Trusting Beliefs – Value-Creating Learning

#### Trusting Intentions – Learning Maximization Strategy

Knowledge economy enterprises are first encountered on an interpersonal socio-psychological level and the KERM process proposes to increase trust through (a) "embedded anonymity" data mining and tailored customer service programs to gain (b) institution-based access to knowledge assets stored and exchanged via digital systems. After establishing relationships by effectively managing interpersonal ("disposition to trust") and digital systems ("institution-based trust"), the engagement is elevated to unite knowledge economy missions (c) value-creating learning competencies ("trusting beliefs") and strengthen strategic collaboration (d) shared relationship marketing strategy ("trusting intentions").

The KERM process, accordingly, posits the "privacy actuary measure" (PAM) as an information assurance metric to monitor relationship intelligence learning and monetize customer trust. PAM is formulated as a knowledge valuation mechanism for maintaining the integrity of knowledge economy relationship decisions, because trust – not treasury – sets the exchange value for knowledge providers to engage knowledge customers. The knowledge linkages connecting global e-commerce, virtual companies and digital customer markets are denominated in terms of privacy value, not economic worth. Because of proliferating network content, market making in the knowledge economy means that buyers and sellers place a premium on information assurance, authentication and accuracy. These prized knowledge asset criteria, in turn, require data privacy preservation, identity theft protection and network security.

So, just as maintaining currency exchange rates preserves traditional global commodity trade, managing information currency exchanges through privacy value measures aligns potential knowledge economy providers with prospective knowledge economy customers. With comparable privacy exchange rates, knowledge

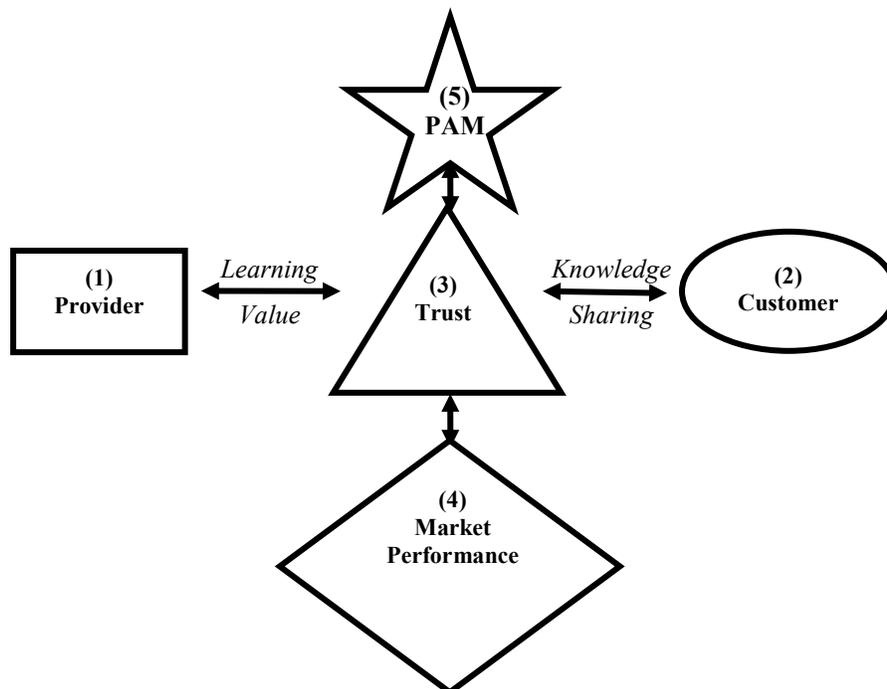
economy customer relationships can efficiently and electronically match the learning value sought by companies with the knowledge sharing benefits desired by customers. In this respect, the PAM is central to identifying and planning knowledge linkages among the three *networked modes* – customer (micro-level), company (macro-level) and global commerce (meta-level). The PAM operationalizes the alignment of knowledge economy micro-level, macro-level and meta-level dimensions. Consequently, the PAM triangulation of knowledge economy dynamics facilitates KERM process delivery by business marketers (see Figure 3).

**KERM PROCESS: A DIGITAL HEALTH ENTERPRISE SCENARIO**

To demonstrate the ability of KERM to triangulate the knowledge economy's (KE) micro-level, macro-level and meta-level

dimensions, a practical scenario is presented. This scenario uses the example of a generic knowledge economy e-commerce exchange provider, which is given the name "Medical Knowledge Services" (Med-Know), to highlight the advantages of the strategic intelligence of PAM. By illustrating vital knowledge economy relationship patterns and proficiencies, the medical services scenario presented here is comparable to the business marketing medical relationship value network analysis performed by (Allee 2000b, p. 4). Med-Know delivers value to B2B and B2G knowledge economy customers through electronic medical records transfer, storage, maintenance, data retrieval/display/analysis and decision support services (Alshawi, et al. 2003; Kovac 2005). Like all knowledge economy e-commerce enterprises, Med-Know seeks to develop a business model that optimizes the learning value delivered in the form of customized/personalized services, in exchange for customers' willingness to share knowledge.

**FIGURE 3**  
**Embedding Trust in Knowledge Economy Learning Relationships with PAM**



Because of the widely acknowledged inefficiencies in healthcare records, processes and customer relationships (Alshawi, et al. 2003), Med-Know believes its organizational learning core competencies are able to deliver value to B2B and B2G customers, as well as build a differential advantage over knowledge economy competitors. Dwivedi, et al. (2008) demonstrates the importance of relational digital intelligence in healthcare for reducing the cost and time associated with medical benefit packaging, service scheduling and treatment planning. In addition, the "digital healthcare ecology" (Crane 2005; Kovac 2005) recodes stored data to customize information delivery/display and personalize healthcare options. These efficiency and customization benefits are strategically relevant for the knowledge economy B2B and B2G organizations because they (a) endow employee morale through better quality benefits, (b) enhance human capital investments through performance consistency and reduced absenteeism, (c) enable operation planning that accounts for pertinent employee medical profile contingencies, as well as (d) ensure asset gains by decreasing healthcare liabilities.

However, this business model advantage is constrained by the level of access to customer knowledge and gaining of their trust. The promised value of efficient, customized/personalized and strategically beneficial mining of healthcare information will simply not be feasible unless Med-Know can obtain human resources data -- and in some instances organizational intelligence -- from prospective customers. In addition, customers, such as private sector companies (e.g., Microsoft, UPS, General Motors) and public sector organizations (e.g., United Way, colleges/universities, U.S. government agencies), will only contract with knowledge economy digital healthcare providers capable of preserving the information privacy concerns of individual human employees. In part, this concern for data security stems from corporate accounting provisions (Sarbanes-Oxley 1996), healthcare patient privacy standards (HIPPA 1996) and digital online consumer privacy

regulation (FTC 2000). In many instances, these employee data access risks can be attributed to personal identity characteristics such as gender, age, race/ethnicity, address, household/family composition and medical profiles. In other situations consumers fear the asymmetric power advantage held by organizations, digital networks and third-party vendors that is perceived to curtail employee control and certainty.

Med-Know must engage prospective knowledge economy customers using a KERM process that builds relationships by *identifying* value compatible enterprises and *classifying* their knowledge sharing potential in order to deliver *customized* learning advantages. Of course, the trust construct mediates this learning value proposition and Med-Know is strategically vested in the capacity to perform "embedded anonymity" data mining (Goel and Carter 2004), a KERM clustering procedure that preserves individual level identity. The "embedded anonymity" data mining method also gives knowledge economy providers like Med-Know the distinct advantage of statistically "learning" the economic value which individuals assign to personal data variables, for organizational customers (aggregated) and their employees (disaggregated) over time.

This modeling of information privacy risk/return ratios based on the choice to share proprietary data in exchange for economic or other exchange benefits is designated as a *privacy actuary measure* (PAM). In terms of its relationship purpose, PAM is comparable to return on relationship measures formulated for the business-to-business context (Gummesson 2004). Like the return on relationship metric, PAM serves as a trust measure and mediator to signal which customers present Med-Know with the most viable knowledge sharing opportunity. Core organizational learning competencies can be focused on customer relationships above the required trust threshold for required knowledge sharing.

#### **CONCLUSION: KE ECONOMY RELATIONSHIP PROSPECTS**

Balancing the promise of digital relationships with the protection of digital rights is the dilemma faced by business marketers in the knowledge economy. These complex knowledge economy contingencies require business planners to combine the strategic competencies of marketing and MIS. Relationship management has traditionally determined strategic success among business marketers. However, digital technology advancements and expanded digital content availability shift the focus of business marketing relationships from interpersonal meetings to intelligence mining. To optimize these emerging e-commerce based relationships, knowledge economy business marketers can merge marketing relational strategy and MIS digital system competencies. Yet, leveraging those strategic competencies requires a balance between relationship intelligence and intelligence rights. This condition, while replete in the consumer marketing literature, is noticeably void in business marketing research. The KERM process is advanced as a viable heuristic for combining knowledge economy enterprise and knowledge economy ethics in business marketing strategy. Specifically, the KERM process aids two venues:

Academic literature: statistical data modeling, decision science data mining, marketing and digital consumer behavior and customer relationship management in electronic commerce environments.

Management practice: Improved customer targeting and profiling, higher data mining certainty with improved privacy preservation, effective customer relationship management through distinctive competencies and the resulting consumer loyalty related to privacy preserving data tracking methods.

### **Advancing KE B-to-B Marketing**

Constructively, the KERM process addresses the rising information security concerns among e-commerce providers and customers by incorporating both the digital system and relational strategy competencies that pattern the

knowledge economy dimensions. Therefore, this study advances a model for balancing knowledge economy relationships and rights. In particular, KERM contributions can be stipulated as follows:

Preserves the anonymity of digital market consumers while including meaningful transactional patterns in data mining through clustering and modeling techniques.

Creates specific dynamic profiles of service/product/interest---not customer prototypes.

Establishes the basis for information privacy actuaries capable of translating online consumer privacy risks into dollar denominated economic exchange values. These economic values directly align data mining as a market intelligence function, information privacy as corporate governance and marketing ethics function and the revenue generating e-commerce business model.

Expands the revenue generating potential of e-commerce business models through "privacy risk insurance" and "anonymity policy" packages tailored to specific classes of online data sharing markets (e.g., auto, healthcare, home, credit card, education, etc.)

The study presented a cursory digital health case scenario to demonstrate the KERM process contribution to e-commerce business marketing relationship strategy. Critical success factors such as trust and market intelligence learning were codified into a "privacy actuary measure" (PAM). The digital health scenario reinforced the strategic importance of coupling marketing MIS strategic Knowledge economy competencies.

### **Limitations and Future Research**

The study's KERM process for knowledge economy business marketing is limited by its formative stage and conceptual formulation. The cumulative body of knowledge economy research has only recently been synthesized and widely acknowledged. E-commerce strategies

that combine relational marketing and robust MIS data mining are even more nascent. While there are numerous studies documenting digital marketing approaches, few of these purposefully merge MIS and marketing intelligence competencies – with a precise emphasis on preserving data privacy. Consequently, the proposed KERM process is limited by its formative framing of knowledge economy business marketing. The objective of synthesizing knowledge economy factors with digital marketing and MIS functions narrowed the inclusion of relevant e-commerce business marketing research.

In addition, the focus on logically framing a KERM process led to a conceptual research methodology. Construct development typically prioritizes the definition of terms and delineation of theoretical territory. This laying of conceptual foundations, however, can lead to frameworks without practical merit. Notwithstanding the illustrative role of the digital health case presented, absence of more structured empirical case studies and transactional data validation, compromises the strategic application benefits realized by knowledge economy business marketers.

Future research may draw upon this study's conceptual framing of digital strategy considerations for the knowledge economy and provide a more formally structured quantitative analysis of the merits of the KERM process steps and PAM tool outlined above. An operational statistical technique for conferring "embedded anonymity" is plausible using the HMM method, which has been shown to benefit data mining for market relationships (Netzer, et al. 2005). These practical tests of "embedded anonymity" concepts validate the knowledge economy synergies shared by marketing and MIS, which have been advanced here in an exploratory mode.

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## CONSUMER EXPERTISE, SACRALIZATION, AND EVENT ATTENDANCE: A CONCEPTUAL FRAMEWORK

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*In recent years, performing arts events (e.g., classical or jazz concerts, operas, plays, musicals, and ballets) have witnessed a considerable reduction in attendance. According to the National Endowment for the Arts (NEA), some of these events have even demonstrated double-digit declines in the last couple of years. However, a recent study by the NEA reveals that consumers who are committed supporters of classical and literary events attend performing arts events at significantly higher rates than others. This suggests that latent consumer expertise among patrons is related to attendance intentions. While past studies have examined consumer expertise or behavioral intentions in diverse contexts such as sporting events and shopping behavior, this paper extends research on consumer expertise and performing arts events to explore why consumer experts form intentions to attend performing arts events. Based on a review of relevant literature streams, three consumer expertise dimensions (cognitive abilities, category enthusiasm, and category knowledge) are delineated. Further, drawing from the theory of planned behavior and sacralization of consumption, a conceptual framework is developed by integrating dimensions of consumer expertise, sacralization, and event attendance intentions.*

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### INTRODUCTION

Performing arts events are service offerings that utilize a primary show experience to simultaneously fulfill the cultural and artistic goals of patrons (Hume and Mort 2007). In societies, performing arts events enrich the cultural fabric of communities, provide stimulating learning experiences to children and youth, foster the development of local theater groups, attract donations and commerce, promote tourism, and support local economies (Caldwell and Woodside 2001; Gainer 1989; Hume and Mort 2007; Kridel 2001). Unfortunately, over the last decade, performing arts events have been experiencing a steady decline in attendance (Boehm 2006). Events such as jazz concerts, classical events, musicals, and plays currently attract fewer patrons than ever before (Boehm 2006; Ng 2009). According to the National Endowment for the Arts (NEA 2009), some performing arts events (e.g., classical or jazz concerts, operas,

plays, musicals, and ballets) have even demonstrated double-digit declines in the last couple of years.

Previous researchers have explored some determinants of performing art attendance (e.g., Andreasen and Belk 1980; Hume and Mort 2007). Andreasen and Belk (1980) emphasized characteristics of performing arts consumers and proposed that attitudes, lifestyles, and developmental experiences may influence attendance intentions. More recently, Hume and Mort (2007) focused on the event itself and proposed two important characteristics that impact attendance intentions: show experience quality (e.g., the actors, the show, stage and show performance, show expectations, how stimulating, entertaining, and professional) and peripheral service quality (e.g., access, parking, transport, organization of venue, behavior of staff – ticketing, seating, cloaking, and refreshments). However, research on the mediating processes influencing performing arts attendance intentions is scarce in the consumer behavior and marketing literatures.

Interestingly, the NEA's Survey of Public Participation in the Arts (SPPA) recently indicates that attendance intentions among committed literary readers and classical or jazz listeners are significantly higher compared to others (NEA 2006). This statistic is especially intriguing as it suggests that devoted patrons and supporters, who possess high levels of category expertise, are especially likely to maintain their attendance intentions despite overall decline in attendance trends. While past studies have examined consumer expertise and behavioral intentions in diverse contexts such as sporting events and shopping behavior, this paper extends research on consumer expertise and performing arts events by exploring why consumer experts form intentions to attend performing arts events.

Consumer experts differ from novice consumers in that they possess (1) greater familiarity due to repetitive product-related activities, (2) more developed cognitive structures that are used to differentiate products, (3) better ability to analyze information, (4) enhanced ability to elaborate on given information, and (5) stronger memory recall for product information (Alba and Hutchinson 1987). Although research on expertise has evolved in consumer behavior, psychology, sport psychology, and other fields, there is no consensus on a definition of expertise (Alba and Hutchinson 1987; Bettman and Sujan 1987; Hovland 1953; McGuire 1969; Siemens et al., 2008). Extrapolating from existing studies, this paper delineates three dimensions of consumer experts: (1) *category knowledge* (objective knowledge of products and deeper category knowledge structure), (2) *cognitive abilities* (encompassing analytical ability, ability to remember, and cognitive effort as proposed by Alba and Hutchinson 1987) and, (3) *category enthusiasm* (encompassing enduring involvement and need fulfillment as proposed by Bloch 1986).

A major premise of this paper is that consumer experts strengthen attendance intentions with regard to performing arts events through the process of sacralization, which is an intense

form of consumer-product/service relationship. Consumer experts are devoted to their respective categories of interest and create emotionally intense relationships with such categories (Pichler and Hemetsberger 2007; Pimentel and Reynolds 2004). Their passion and devotion toward their category of expertise entail high enduring involvement and need fulfillment, which are critical drivers of sacralization (Belk and Coon 1991; Wallendorf et al. 1988). Although the etymological origins of sacralization are in studies of religion and religiosity, researchers have examined consumers' sacralization of places, times, tangible things, intangibles, persons, and experiences (Acquaviva 1979). For example, MacCannell (1989) developed a framework for 'site sacralization' and explored how travelers engage in the sacralization of travel destinations. In a similar vein, this paper explores how consumer experts sacralize their areas of expertise and, subsequently, the relationship between sacralization and performing arts events attendance.

Drawing from literature streams on performing arts events, predictors of event attendance, consumer expertise, theory of planned behavior, and sacralization of consumption, this paper proposes a theoretical framework for exploring intentions to attend performing arts events by consumer experts. The following sections are organized as follows. First, a review of the literature on predictors of performing arts events is provided. Second, following a brief discussion of research on consumer experts, three key dimensions of consumer expertise are discussed. Third, using the theory of planned behavior as a theoretical foundation, a conceptual framework for understanding how consumer experts in performing arts events form attendance intentions is introduced. The framework proposes that consumer experts in performing arts events are likely to engage in the process of sacralizing their areas of expertise and, hence, demonstrate high intentions to attend performing arts events. Concomitantly, after examining the relevance of sacralization to the current context and the process of sacralization,

testable research propositions are offered. Finally, a summary and implications are provided.

### PREDICTORS OF EVENT ATTENDANCE

As defined earlier, performing arts events are those events that provide a show experience while satisfying individual, communal, and cultural goals. In a recent national survey of arts participation (NEA 2009, p.1), the National Endowment for the Arts reveals the following: “For the 12 months ending in May 2008, more than 81 million Americans visited an arts museum or gallery, or attended at least one of the following types of arts events: theater; opera; ballet or other dance; or classical music, jazz, or Latin/salsa concerts. This group composes over 36 percent of the U.S. adult population, and it does not include those who visited an arts or crafts fair or festival, took an architectural tour, or read literature. Yet for most of these individual activities—literary reading is the single exception—participation rates have weakened over the past six years.” Specifically, between the years 2002 and 2008, the study reveals statistically significant declines in attendance in jazz (-28 percent), classical music (-20 percent), opera (-34 percent), non-musical plays (-24 percent), and ballet (-26 percent). Although the strains imposed by worsened economic conditions should be considered as an important factor for attendance declines occurring in the last couple of years, the study disturbingly reveals similar statistically significant declines over twenty six year period ranging from 1982 to 2008. This suggests that, recent economic challenges notwithstanding, other factors have also contributed to the decline of attendance in performing arts events.

Previous scholarly research has addressed performing arts attendance and highlighted major predictors: (1) life-style, (2) attitude, and (3) developmental experiences (Andreasen and Belk 1980). Two consumer life style groups, namely, “socially active” and “cultural patrons,” are posited by Andreasen and Belk (1980) as likely to attend performing arts

events. Socially active consumers are those who regularly attend interaction-oriented events, parties, restaurants, clubs, or other social meetings. Cultural patrons are those consumers that are regularly involved with arts activities, such as, theater, concerts, and other performing arts events. Likewise, the attitudes that are most likely to lead to event attendance are positive attitudes towards theatre and symphony, as well as, positive attitudes towards the arts in general. That is, positive predispositions toward cultural and performing arts events are likely to increase likelihood of event attendance. Finally, the developmental experiences most likely to affect attendance are early exposure to the arts, early education, and parents’ interest in classical music and theatre, urbanism. That is, individuals whose early interest in the arts was carefully nurtured through training and familial encouragement are more likely to sustain their interest on a prolonged basis than others. Importantly, socioeconomic variables such as education, sex, income, and occupation have been discussed as significantly weaker predictors than leisure life style or attitudinal factors (Andreasen and Belk 1980).

More recently, Hume and Mort (2007) expand on research by Andreasen and Belk (1980) and provide emphasis on attributes of the “show” as compared to consumer characteristics. They identify two broad show-related attributes: show experience quality and peripheral service quality. Hume and Mort (2007) propose that peripheral service quality is an important construct in audience development and growth in cultural organizations, while show experience quality and show development are the most important considerations in resource allocation and attendance. That is, while perceptions about the actual show itself (e.g., actors, the show, stage and show performance, show expectations, how stimulating, entertaining, and professional) may stimulate initial interest in attending events, attributes indirectly associated with the show (e.g., access, parking, transport, organization of venue, behavior of staff – ticketing, seating, cloaking, and refreshments) influence lasting

impressions and sustained interest. Both, show experience quality and peripheral service quality are instrumental in the formation of attendees' value perceptions and levels of satisfaction (Hume and Mort 2007).

Complementing the attendance statistics observed in the NEA study discussed earlier and the broad categories of antecedents of event attendance explored in academic research, a different study performed by the NEA's Survey of Public Participation in the Arts (SPPA, NEA 2006) reveals critical information on attendance intentions. According to the study, classical or jazz listeners are 5.4 times more likely to attend classical or jazz concerts, 3.3 times more likely to attend musicals or plays, 3.5 times more likely to visit art museums, and 1.4 times more likely to watch movies, when compared with non-listeners. Likewise, active literary readers of genre such as plays and poetry are 3.3 times more likely to attend classical or jazz concerts, 3.5 times more likely to attend musicals or plays, 3.7 times more likely to visit art museums, and 1.6 times more likely to watch movies, when compared with non-readers. This study's results suggest that acquired or maintained expertise in performing arts events could foster continued patronage of such events. Although prior research has not specifically addressed attendee and show characteristics with specific emphasis on expert consumers of performing arts events, research on consumer expertise provides some insights on this context.

First, as consumer experts regularly involve themselves with their categories of interest and participate in events where they can affiliate with other enthusiasts (Bloch 1986), they can be expected to possess life-style characteristics similar to those as described by Andreasen and Belk (1980). Second, as consumer experts in performing arts events have exceedingly positive attitudes towards the arts demonstrated through their passion and devotion (Pichler and Hemetsberger 2007; Pimentel and Reynolds 2004), they can be expected to possess positive attitudes towards the arts as described by Andreasen and Belk (1980). Third, as consumer

experts have a number of experiences with a product or service (familiarity) and a long-lasting relationship that stems from development (Alba and Hutchinson 1987), they can be expected to have undergone sufficient cognitive and emotional developmental experiences (Andreasen and Belk 1980). From the perspective of the show experience itself, as experts are more likely to focus on functional attributes than any other product or service features (Jamal and Al-Marri 2007), functional show characteristics could be expected to be most relevant for consumer experts (Hume and Mort 2007). The functional attributes of a performing arts event, such as quality of performance and professionalism, are also discussed as components in Hume and Mort's (2007) description of show experience quality. Peripheral issues, such as parking and behavior of staff, are less likely to initial attendance intentions as consumer experts are mostly concerned with attributes directly related to the quality of the performance (Jamal and Al-Marri 2007).

While the literatures on consumer experts and performing arts events could be integrated to develop perspectives on event attendance by consumer experts, greater elaboration is needed on the defining characteristics of consumer experts and how they form intense relationships with their areas of interest. The next section briefly summarizes relevant literature on consumer experts and outlines three defining characteristics as befitting the context examined in this paper.

### CONSUMER EXPERTISE: THREE COMPONENTS

Despite a rich tradition of studies in the cognitive psychology, sports psychology, and consumer behavior literatures, researchers have generally avoided defining the concept of *expert* and there is no consensus on the dimensions of consumer expertise. Instead, researchers have operationalized the term as befitting their areas of inquiry and focused on studying experts in various fields, including law (Johnson et al. 1984), medicine (Johnson 1981),

and chess (de Groot 1965; Shepherd et al. 2006). Table 1 presents a brief review of studies on expertise from the cognitive psychology, sports psychology, and consumer behavior literatures, identifies the conceptual overlap between expertise and other related constructs (such as high familiarity and knowledge levels), and presents a review of how expertise has been discussed over the years.

Definitions of the term *expertise* have evolved from an emphasis on demonstrated behavior to include cognitive and emotional abilities. In an early study, Hovland (1953) defines expertise based on the communicator's ability to make correct assertions. McGuire (1969) describes expertise based on ability to take the correct stance on an issue while Bettman and Sujan (1987) classify experts as those with extensive prior product experience. In their research on celebrity endorsers, Siemens et al. (2008) make a distinction between professional (the endorser's level of knowledge within a chosen profession) and product expertise (the expertise one has due to experiences with a product).

In their seminal work on product expertise, Alba and Hutchinson (1987, p. 411) define expertise as "the ability to perform product-related tasks successfully." They also propose the following attributes associated with expertise: (1) simple repetition related to cognitive effort, (2) well-developed cognitive structure used to differentiate products, (3) ability to analyze information, (4) ability to elaborate on given information, and (5) ability to remember product information. Since then, other attributes of consumer experts have been extrapolated. These include, an increase in information search prior to purchase (Wirtz and Mattilia 2003), a larger consideration set and decreased loyalty towards specific services in their category of interest (Wirtz and Mattila 2003), the tendency to look at the functional attributes of an entity rather than peripheral attributes like brand name, price, or behavior of sales staff (Jamal and Al-Marri 2007), and an understanding of the direct relationship between product attributes and product

performance (Jamal and Al-Marri 2007). Acknowledging the extant work on consumer expertise, this paper classifies the fragmented research on the dimensions of consumer expertise into three new categories and also emphasizes high levels of enthusiasm maintained by consumer experts. Specifically, three categories, cognitive abilities, category enthusiasm, and category knowledge are discussed in the following paragraphs.

### **Cognitive Abilities**

The dimension of "cognitive abilities" is proposed here as a broad construct that encompasses varied cognitive functions of consumer experts as proposed by Alba and Hutchinson (1987): ability to analyze, ability to remember, and cognitive effort. Familiarity, or the sum of experiences a consumer has with a product or service, is the foundation of or the common denominator for the enhanced cognitive abilities possessed by consumer experts. Firstly, the ability to analyze information is acquired by experts as they become more familiar with products. For instance, Shepherd et al. (2006) point to repeated contact with a product category as the logical prerequisite to analytical processing by experts. Likewise, Brucks (1985) states that analytical processing increases with product familiarity. Secondly, as familiarity increases, the ability to remember product information also increases (Alba and Hutchinson 1987). Jacoby (1983) suggests that previous exposures to a word would impact the ease to which that word would be recognized. Product-related encounters lead to increased familiarity and cognitive structural changes (Jacoby and Brooks 1984). Likewise, Baker et al. (1986) discuss the effects of familiarity on brand name recognition, or the ability to identify the packaging or wording of one product over another product in a visual search. Thirdly, familiarity impacts cognitive effort when consumer experts purchase, use, or otherwise engage in tasks related to the category of their expertise. That is, consumer experts demonstrate cognitive automaticity in that they expend less mental effort and perform tasks

**TABLE 1**  
**Review of Consumer Expertise and Related Constructs**

Source	Context	Construct	Conceptualization	Notes
Hovland, Janis, and Kelley (1953)	Psychology	Expertise	A person's ability to make accurate assertion	Conceptual
De Groot (1965)	Sports Psychology	Expertise	In a chess context, grandmasters were considered experts	Empirical; Experts evaluate fewer alternatives and tend to analyze strong moves. Novices examine the outcomes of bad moves.
McGuire (1969)	Psychology	Expertise	The ability to take a correct stance on an issue	Conceptual
Chase and Simon (1973)	Sports Psychology	Expertise	Focused on expert vs. novice chess players using the ELO scale	Empirical; Experts recall positions on board better.
Park and Lessig (1981)	Consumer Behavior	Product Familiarity	Focused on objective and subjective knowledge	Empirical; Familiarity affects confidence, category breadth decision time, and use of product dimensions.
Johnson (1981)	Psychology	Expertise	Experts differ from novices in the use of problem solving strategies	Empirical; Experts have more organized memory structure
Beattie (1982)	Consumer Behavior	Expertise; Product Knowledge	Experts isolate important product attributes, evaluate brands and products better based on comparison with ideals, and have complex memory structures.	Conceptual; Experts' complex memory structure enables them to verify similarities and differences to compare brands with ideals.
Johnson and Russo (1984)	Consumer Behavior	Product Familiarity	Familiarity fosters learning and organization of new information	Empirical; Inverted U-shaped relationship between familiarity and learning
Brucks (1985)	Consumer Behavior	Product Familiarity	Focused on objective and subjective knowledge	Conceptual
Sujan (1985)	Consumer Behavior	Consumer Knowledge	Knowledgeable consumers form faster impressions when new information matches category knowledge and use more effortful processing when new information is discrepant from category knowledge	Empirical; Focused on piecemeal-based and category-based processing

TABLE 1 (Continued)

Source	Context	Construct	Conceptualization	Notes
Bloch (1986)	Consumer Behavior	Expertise	Expertise enhances the ability to recall/process information, self image, and control of a person's environment	Conceptual; Enthusiasts possess expertise and seek information, innovativeness, and opinion leadership
Alba and Hutchinson (1987)	Consumer Behavior	Expertise	The ability to perform product-related tasks successfully	Conceptual; Experts possess: (1) simple repetition/cognitive effort, (2) deep cognitive bases (3) analytical ability, (4) ability to elaborate information, and (5) ability to remember product information
Wirtz and Mattila (2003)	Consumer Behavior	Expertise	Experts sort out irrelevant information, focus on salient attributes, and engage in information search more frequently and with greater depth.	Conceptual; High objective knowledge leads to lower risk perceptions and switching cost. High subjective knowledge leads to confidence and less information search.
Shepherd, Gardial, Johnson, and Rentz (2006)	Sales Psychology	Expertise	Acknowledge the lack of a definition on expertise in the cognitive psychology literature	Empirical; Expert salespeople seek personal credibility, prioritize and simplify sales situations, and plan/prepare more for sales calls
Jamal and Al-Marri (2007)	Consumer Behavior	Expertise	Experts have superior ability to learn and discriminate between relevant and irrelevant information. They possess well-developed cognitive structures, better understand product information, and have superior knowledge of alternatives	Conceptual; Experts evaluate functional attributes rather than peripheral ones; They understand the relationship between product attributes and performance
Siemens, Smith, Fisher, and Jensen (2008)	Consumer Behavior	Expertise	Expertise is a dimension of endorser credibility	Empirical; Distinguish endorser's product and professional expertise

more quickly than novice consumers. In general, with increased contact and experience with a particular category, the cognitive processes become automated while processing information about that category and consumer behavior becomes routine unless a stimulus is changed. For example, a change in benefits, costs, attributes, and packaging may cause consumer experts to reevaluate their choice and possibly choose another product in the same category of interest (Alba and Hutchinson 1987). Because all three cognitive processes (ability to remember, ability to analyze, and cognitive effort) are strongly related to

familiarity and number of exposures to a product, they have been grouped here into the category of cognitive abilities.

However, it is important to note that product familiarity does not solely indicate category expertise. Familiarity alone will not convert a novice consumer into an expert consumer (Alba and Hutchinson 1987). There are two reasons for this: (1) although the consumer may have a number of experiences with a specific product, the consumer may not have much experience with the product category as a whole and (2) even if a consumer becomes familiar with a

particular product, he/she may still be lacking category knowledge and category enthusiasm. The consumer expert must not only have familiarity with a particular product/service, but with the category of interest as a whole. Consider, for example, a novice consumer who regularly attends rock concerts. This consumer may not necessarily be enthusiastic about concerts in general, knowledgeable about music, or be involved with the performers. In this case, the consumer is not an expert, only a consumer familiar with concerts. Alba and Hutchinson (1987) refer to this distinction as the difference between expertise and product or service-related experience. That is, having multiple experiences is a necessary, but not sufficient, condition for developing expertise.

### Category Enthusiasm

The second dimension of consumer expertise is category enthusiasm. Category enthusiasm is primarily characterized by high levels of product/service involvement (Bloch 1986) and, as with familiarity, is a necessary, but not sufficient characteristic of consumer expertise. In general, the marketing literature (e.g., Johnson and Russo 1984; Moore and Lehman 1980) makes a distinction between category enthusiasts and consumer experts, but here it is argued that product enthusiasm is a component of consumer expertise. Category enthusiasts engage in high levels of information seeking behavior and are highly involved with their categories (Bloch 1986). However, information seeking behavior and category involvement are attributes possessed by consumer experts as well (Alba and Hutchinson 1987). For instance, information seeking behavior can result in high levels of consumer knowledge and lead to the development of expertise (Brucks 1985). Also, because category enthusiasm leads to enhanced evaluation of new product/service information, consumers can develop expertise on how product and service attributes relate to performance (Beattie 1982; Bloch 1986; Jamal and Al-Marri 2007).

In consumer experts, category enthusiasm is reflected in and motivated by high product

usage satisfaction, the fulfillment of mastery needs, the fulfillment of uniqueness needs, and the fulfillment of affiliation needs. Consumer experts, or patrons of the performing arts, are enthusiastic about their category interests and feel intense satisfaction while experiencing such events. Likewise, the fulfillment of mastery and uniqueness needs are satisfied by skill development and achievement, which also engender continued commitment. Enthusiasts might satisfy their uniqueness needs through frequent attendance of lesser known plays or concerts and extensive knowledge of directors and performers. Category enthusiasm is also fueled by the need for affiliation, due to which a consumer often becomes and remains a product enthusiast because of the companionship and group attachment with other enthusiasts of the same product category. Patrons or enthusiasts of performing arts events form attachments to concerts, theatre, etc. to continue their social associations with similar others, membership in fan clubs, and communication with other enthusiasts.

### Category Knowledge

The third component of consumer expertise is category knowledge. Knowledgeable consumers have deeper category structures and richer product information, which lead to the consideration of more alternatives than less knowledgeable consumers (Alba and Hutchinson 1987). All consumer knowledge falls into two categories: objective or subjective. Objective knowledge reflects what is actually known by the consumer. Subjective knowledge refers to consumers' own self-assessment of their knowledge. Expert consumers possess a high level of objective knowledge that allows them to "encode information about new alternatives more efficiently" (Wirtz and Mattila, 2003, p. 23). This high level of category knowledge also allows experts to distinguish between products in the same category easier. They are also better suited to sort out irrelevant information and focus on salient attributes (Wirtz and Mattila 2003) as they engage in information search more frequently and with greater depth. In

general, subjective knowledge increases with the number of product-related experiences a consumer has. However, at times, consumers are overconfident and believe they know more than they actually do (Alba and Hutchinson 2000; Brucks 1985; Wirtz and Mattila 2003). This leads to reduced information search and poorly developed category structures (Wirtz and Mattila 2003). Therefore, although consumer experts must possess high levels of objective knowledge, they do not have to necessarily possess high subjective knowledge.

The consequence of high objective knowledge is that consumer experts may become less loyal to a specific brand and more likely to switch between products or services within their category of interest. Although high objective knowledge may lead to brand switching due to reduced switching costs and risk perceptions (Wirtz and Mattila 2003), consumer experts demonstrate high loyalty once they find a product they like (Alba and Hutchinson 1987). Recent research, however, suggests that consumer experts are more likely to switch between products and services, while still confining their purchase choices to alternatives in their category of interest. This is a consequence of their high levels of objective knowledge and deeper category knowledge structure, which lead to bigger evoked sets.

Knowledge categorization theories discussed in psychology (Medin and Smith 1984; Mervis and Rosch 1981) and in consumer research by (Brucks 1986; Sujun 1985) explain how consumer knowledge is integrated into category structures. Knowledge categorization is “the predominant way of structuring concepts for a particular culture (or subculture)” (Alba and Hutchinson (1987, p.415) and, in a consumer knowledge context, category structures refer specifically to the product knowledge level of consumers. Consumer experts integrate new knowledge based on whether the new information matches their category-based knowledge structures (Sujan 1985). Matches between new knowledge and existing structures support rapid integration of new information using the category-based processing approach.

Discrepancies between new knowledge and existing cognitive structures are evaluated by a piecemeal approach, where consumer experts spend a longer period of time analyzing the information (piece-by-piece) and forming their evaluations.

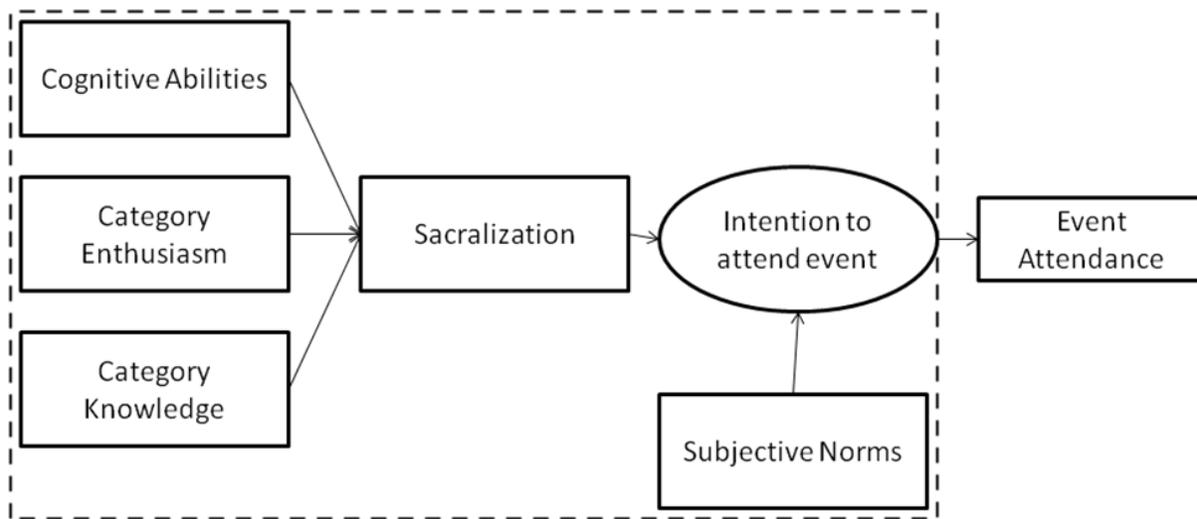
To summarize thus far, three defining characteristics of consumer experts have been identified and discussed: (1) cognitive abilities, (2) category enthusiasm, and (3) category knowledge. For consumer experts, cognitive abilities encompass familiarity driven cognitive processes, category enthusiasm results due to the high involvement, usage satisfaction, and attainment of uniqueness, mastery, and affiliation needs, while category knowledge represents the deeper category knowledge structures and high levels of objective knowledge pertaining to their category of expertise.

## THEORETICAL FRAMEWORK

The conceptual framework developed in the following sections borrows from existing research on consumer expertise, sacralization, and the theory of planned behavior. The framework (See Figure 1) proposes that consumer experts develop their intentions to attend performance arts events through the sacralization of their category interests. Empirically testable propositions that link the three components of consumer expertise with sacralization are also presented.

The theory of planned behavior states that the immediate antecedent of any behavior is the intention to perform that behavior (Ajzen 1991; Ajzen and Madden 1986). The stronger a person’s intention, the more likely it is that the behavior will be performed (White et al. 2008). Correspondingly, consumers’ intentions to perform a behavior are influenced by their attitudes and subjective norms. Attitudes refer to favorable or unfavorable predispositions, while subjective norms refer to social factors or external pressures. In turn, the determinants of attitudes and subjective norms have underlying belief and affective bases (White et al. 2008).

**FIGURE 1**  
**A Conceptual Framework of Consumer Expertise, Sacralization, and Event Attendance**



\*The focus of this paper will be on the five relationships enclosed in this box

The theory of planned behavior remains one of the accepted attitude-behavior models (Ajzen 1991; Ajzen and Madden 1986). Frameworks based on this theory have been used successfully to predict a wide range of attendance decisions, including the decision to attend health checks or health clinics (Orbell and Hagger 2006), breast cancer screenings (Drossaert, et al. 2005), physical activity classes (Estabrooks and Carron 1999; Lucidi et al. 2006), and workplace health and safety courses (Sheeran and Silverman 2003). In this paper, the postulates of the theory of planned behavior are applied to examine consumer experts' intentions to attend performing arts events. Ajzen and Madden (1986) allow this extension by suggesting that the TPB model applies to all behaviors under individuals' volitional control, as with the attendance of performing arts events by consumer experts. Toward this end, sacralization is discussed as the attitudinal construct that mediates the relationship between consumer expert attributes and event attendance intentions.

### Sacralization

Although discussions on sacralization have appeared in academic studies on religion, theology, psychology, and sociology for decades, researchers are only just exploring the construct's applicability in consumer and marketing settings. Table 2 provides an integrative review of studies on sacralization from varied academic streams, including marketing, identifies synonymous constructs, and briefly discusses varied conceptualizations. While the purpose of the table is not to provide an all-encompassing review, it reveals some broad conceptual similarities and differences with other established marketing and consumer constructs.

Durkheim (1953) defines sacralization as that which is in opposition to the profane. Based on consumption, observation, and belief systems, individuals tend to value their possessions, experiences, interactions, relationships, episodes, places, and objects differently. Drawing from early works on sociology, consumer researchers typically discuss the sacred and the profane as anchoring opposite

ends of a continuum (Belk 1987). In this context, the profane refers to everyday, ordinary, or mundane entities, while the sacred refers to significant, extraordinary, and revered entities. The distinction between sacred and profane entities is subjective in that entities considered sacred to one individual could be profane to another. That is, sacralization is inherently an individual judgment analogous to attitudes. In consumer research, Belk et al. (1989) adapted social science theory on the sacred nature of religion and applied it towards

understanding sacred consumption. Following Belk et al. (1989), sacred consumption is contingent on twelve properties: hierophany, kratophany, opposition to the profane, contamination, sacrifice, commitment, objectification, ritual, myth, mystery, communitas, and ecstasy and flow.

As discussed earlier, among other attributes, consumer experts satisfy their need for distinction developing category expertise and, as Pimentel and Reynolds (2004) suggest,

**TABLE 2**  
**Review of Sacralization**

Source	Context	Construct	Conceptualization	Comments
Durkheim (1915)	Religion	Sacralization	Rituals are the rules of conduct that prescribe personal conduct in the presence of sacred objects	Focused on sacralization as an element of religiosity
Durkheim (1953)	Sociology	Sacralization	The sacred is the opposite of the profane, which is analogous to the mundane	Identified that sacredness has varying degrees
Eliade (1958)	Religion	Sacredness	Sacredness is not manifest to everyone (Hierophany). It is ambivalent in that people are both repulsed by and attracted to it (Kratophany)	Discussed sacredness in the context of religion
Eliade (1959)	Religion	Sacredness	The sacred in opposition to the profane	Discussed sacredness in the context of religion
Nisbet (1966)	Sociology	Sacredness	The sacred has an element of mystery or the unknown	When an object loses mystery, it loses sacredness
Mol (1976)	Religion	Sacralization	Sacralization occurs when entities are represented as objects and assume more importance than their mundane appearance (objectification). It involves giving up something for reinforced connection (sacrifice)	Sacralization is a process not a state. Individuals are emotionally attached to the sacred
MacCannell (1976)	Sociology	Sacralization	Identified five steps in site sacralization: naming, framing and elevating, enshrinement, mechanical reproduction, and social reproduction	Discussed sacralization of sites and places
Acquaviva (1979)	Sociology	Sacralization	Even in highly industrialized societies, virtually anything can become sacred	Conceptual
Hirschman and Holbrook (1982)	Consumer Behavior	Sacred consumption	People consume some objects for the greater derived meaning or experience	Discussed sacred, hedonic, fantasy, and multisensory consumption
Holbrook and Hirschman (1982)	Consumer Behavior	Sacred/ Ecstasy	Ecstasy, like the sacred, can be derived from experiential consumption	Discussed music consumption; fantasies, feelings, and fun

TABLE 2 (Continued)

Source	Context	Construct	Conceptualization	Comments
Mol (1983)	Sociology	Sacralization	Art, sports, music, and secular objects like clothing and cars are sacralized.	Focused on religion and secular objects that are sacralized
Greeley (1985)	Religion	Sacredness	The sacred can detach a person from self in moments of ecstasy	Discussed sacredness in the context of religion
Belk (1987)	Consumer Behavior	Sacralization	When journeys are a search for the self, they can become sacred	Conceptual
Wallendorf and Arnould (1988)	Consumer Behavior	Sacred/Loved objects	Loved objects are important to the identity and give people meaning in their lives	Conceptual similarity with consumer devotion
Belk, Wallendorf, and Sherry (1989)	Consumer Behavior	Sacralization	An entity becomes sacred when it is more significant, powerful, and extraordinary than self.	Conceptual; Applicable to: places, times, tangible things, intangibles, persons, and experiences.
Pearce, Morrison, and Moscardo (2003)	Consumer Behavior	Sacralization	Examined site sacralization and apply it to tourism marketing	Focus on site sacralization process
Belk, Ger, and Askegaard (2003)	Consumer Behavior	Consumer Passion	Consumer passion is related to sacralization and devotion; is highly emotional and motivating	Conceptual; While passion and desire are similar, desire lacks commitment
Pimentel and Reynolds (2004)	Sociology/Sports	Sacralization/ devotion	Objects become sacred when they satisfy the need for distinction, the need to belong, or a felt	Addressed consumer devotion as a distinct concept. Sports fans' possessions demonstrate sacred relation-
Ahuvia (2005)	Consumer Behavior	Sacred/ Loved objects	Loved objects affect who and what people are. They enable people to separate themselves from held identities and also identify with conflicting parts of self	Conceptual
Pichler and Hemetsberger (2007)	Consumer Behavior	Sacralization	Products are sacralized to fulfill a need for spirituality.	Discussed emotional bonding in the context of consumer devotion

TABLE 2 (Continued)

Source	Context	Construct	Conceptualization	Comments
Pichler and Hemetsberger (2007)	Consumer Behavior	Sacralization	Products are sacralized to fulfill a need for spirituality.	Discussed emotional bonding in the context of consumer devotion
Chalmers and Arthur (2008)	Consumer Behavior	Sacralization/Lifestyle	Sacred-like lifestyle enacted through objectification, commitment, sacrifice, mystery, ecstasy, and flow	Studied hard-core members of consumption-oriented subcultures
Chung, Beverland, Farrelly, and Quester (2008)	Consumer Behavior	Consumer devotion	Fanaticism is the extraordinary and enthusiastic devotion to consumptive objects	In-depth interviews show fanaticism is associated with addictive and obsessive-compulsive properties
Schindler (2008)	Consumer Behavior	Sacredness	Ritual blessings of animals reveal special and sacred status of the blessing.	Focused on blessings and the spiritual life of consumers
Badrinarayanan and Madhavaram (2008)	Sales/ Marketing	Sacralization of work	Work provides extraordinary experiences and is treated with reverence and devotion	Conceptual

objects become sacred when they satisfy such felt voids. Further, research indicates that the elements of sacrifice, commitment, and objectification are especially relevant for sacralization to occur in consumer experts. Sacrifice involves giving up something to reinforce connection with entities or objects considered sacred (Mol 1976). Consumer experts sacrifice significant amounts of time and other resources in learning about their category of interest and in usage experiences. Sacralization goes beyond mere involvement and encompasses commitment, which refers to emotional and psychological attachment toward entities and objects (Belk et al. 1989). Correspondingly, consumer experts are emotionally attached to their category of interest and their category enthusiasm is deeper than mere involvement. Objectification is the process by which an object takes on more importance than its everyday appearance (Mol 1976). To Belk et al. (1989), objectification is the most important element in learning about contemporary consumption behavior. In consumer experts, objectification is inherent as they derive greater satisfaction from and place more importance on their areas of expertise.

Various entities including places, times, tangible things, intangibles, persons, or experiences can become sacred to individuals (Acquaviva 1979). For instance, frameworks on sacralization have been proposed in the contexts of travel destinations (MacCannell 1989), tourism marketing (Pearce et al. 2003), politics (Bertonneau 2008), people (Joas 2008), culture (Rice 2006), and memory (Misztal 2004). However, sacralization is a process that involves a sequence of steps and occurs in a similar fashion across objects and entities (Belk et al. 1989). Given the precedence for studying the sacralization of cultural experiences and the availability of robust sacralization formation frameworks, MacCannell's (1989) five-step model is extended to the context of sacralization of performing arts event by consumer experts.

MacCannell's (1989) five-step model for sacralization includes: (1) naming, (2) framing and elevating, (3) enshrinement, (4) mechanical reproduction, and (5) social reproduction. In the naming stage, MacCannell (1989) states that for an entity to be sacred it must be named or deemed iconic. This is evident in performing

arts events where plays like, *Oklahoma*, *Death of a Salesman*, and *A Streetcar Named Desire* are clearly branded and considered iconic. In fact, the play *Death of a Salesman* ran for a record 742 performances on Broadway and the Broadway League describes its impact by noting that its playwright, Arthur Miller, became a household name. In the framing and elevating stage, MacCannell (1989) states that something must be different about an entity that makes it better than its alternatives. The high levels of objective knowledge possessed by consumer experts enable them to frame and elevate performing arts in general and specific events in particular. Patrons of performing arts are also provided with opportunities to frame and elevate through memberships in societies like the Theater Historical Society of America, which is devoted to maintaining theaters. In the enshrinement stage, MacCannell (1989) suggests that a deep personal connection must be established with the entity. Consumer experts in performing arts events are enthusiastic and highly involved to the extent that patrons of the theatre define themselves by their theatre-attendance (Andreasen and Belk 1980). Also, there are thousands of theater fan clubs throughout the country including national clubs like the Broadway Fan Club, where theater patrons discuss playwrights and upcoming productions. In the mechanical reproduction stage, MacCannell (1989) suggests that some form of entity-related physical merchandise must exist. For performing arts events, physical merchandise exists in the form of programs, memorabilia, posters, and t-shirts, among others that are regular fixtures at theatre and concert events. In fact, rare merchandise from Andrew Lloyd Webber musicals and *Bat Boy*, *The Musical* are being sold on eBay for more than \$250. In the social reproduction stage, MacCannell (1989) discusses the existence of communities that identify with the entity. In the case of theatre, dance, and music, local communities identify strongly with the arts. In the United States alone, there are currently 207 community theater groups and membership has grown steadily since 1912 according to the American Association of Community Theatre 2009. As

the preceding stages are likely to be met by consumer experts possessing category level interest in performing arts events, sacralization is considered as an intervening process for consumer experts as they form behavioral intentions toward attending performing arts events.

### Propositions

As discussed earlier, cognitive abilities in consumer experts are driven by category familiarity and entail the ability to remember, ability to analyze, and reduced cognitive effort. Familiarity implies that the expert consumers' cognitive processes will become automated when processing information about performing arts events. Due to their enhanced category structures, expert consumers are more likely to recognize names and symbols related to performing arts events (Barsalou and Ross 1986) and engage in the naming stage of sacralization of performing arts events. Further, the names of specific plays or events assume higher meanings to experts and patrons of performing arts events perceive such cultural activities superior to other mass entertainment options. As experts critically analyze the performing arts and elevate them based on objective attributes (Wirtz and Mattila 2003), their cognitive abilities support the framing and elevating stage of the sacralization process. Further, once they elevate their attachment with performing arts events, experts' familiarity with their category of interest and derived satisfaction foster deep personal connection or enshrinement. Finally, experts' cognitive abilities are likely to influence choice of merchandise and membership groups that are deemed as offering appropriate functional attributes and opportunities for enhancing involvement and identification. Therefore, as experts' cognitive abilities are likely to facilitate their sacralization of performing arts events, the following proposition is offered:

- P<sub>1</sub>:** Enhanced cognitive abilities possessed by experts in performing arts events are positively related to sacralization.

Further, as discussed earlier, consumer experts are enthusiastic or highly involved with their areas of interest. Experts in performing arts have an established personal connection with and derive great satisfaction from the arts (Andreassen and Belk 1980). Category enthusiasm is relevant for influencing all five stages of MacCannell's (1989) sacralization process as it indicates heightened involvement and information seeking behavior, along with high product usage satisfaction, the fulfillment of mastery needs, the fulfillment of uniqueness needs, and the fulfillment of affiliation needs. These factors influence how performing arts events become iconic, framing and elevating of specific events and the overall category of interest, establishment of deep personal connections, ownership of tangible merchandise, and membership in identification groups. Accordingly, the following proposition is offered:

**P<sub>2</sub>:** Category enthusiasm possessed by experts in performing arts events is positively related to sacralization.

The third component of expertise is the possession of high objective knowledge that leads to increased information search and reflects a greater/elevated interest in the product category. That is, high objective knowledge provides consumer experts with deeper category knowledge and a better ability to discern between alternative choices. With consumer experts in performing arts events, this high objective knowledge enables the recognition and recall of iconic or classic productions, viewing performing arts events as sacred relative to other entertainment alternatives, enshrine performing arts events, better awareness of valued merchandise, and the need to participate in membership groups. Hence, the following proposition is offered:

**P<sub>3</sub>:** Category knowledge possessed by experts in performing arts events is positively related to sacralization.

According to the theory of planned behavior, attitudes are instrumental in influencing behavioral intentions. Sacralization, as conceptualized in this paper, has partial

conceptual overlap with related attitudinal constructs such as fascination and devotion (Belk et al. 2003). Further, attendance intentions have been examined extensively in previous studies employing the theory of planned behavior (e.g., Conner and Norman 1996; Drossaert et al. 2005; Estabrooks and Carron 1999; Lucidi et al. 2006; Orbell and Hagger 2006; Sheeran and Silverman 2003). In a similar vein, sacralization of performing arts events is proposed as an antecedent of event attendance intentions. Hence, the following proposition is offered:

**P<sub>4</sub>:** Sacralization of performing arts events by consumer experts is positively related to event attendance intentions

The theory of planned behavior posits that subjective norms, such as normative social beliefs, exert an influence on behavioral intentions. Although consumer experts in performing arts events are influenced by their own cognitive abilities, category enthusiasm, and category knowledge, it is likely that their event attendance intentions could be affected by the opinions of peers, reference groups, and reviewers. As highlighted earlier, consumer experts in performing arts events often seek membership groups that involve shared affiliations (e.g., Broadway Fan Club) to obtain and exchange relevant information. In addition to these influences, consumer experts' search for objective knowledge about performing arts events may be influenced by external reviewers (Plucker et al. 2009). When consumer experts search for objective attributes of events (Hume and Mort 2007), they are also likely to be influenced by critics or other valued opinion leaders and avoid (or experience) events with negative (or positive) functional attributes (Siemens et al. 2008; Wirtz and Mattila 2003).

**P<sub>5</sub>:** Subjective norms are related to attendance intentions for consumer experts in performing arts events

## CONCLUSION

As the National Endowment for the Arts aptly states, the public's involvement and participation in performing arts events and

activities represent the nation's cultural vitality. However, according to a recently released study (NEA 2009), attendance in performing arts events has been steadily declining since 1982 and more strongly between the years 2002 and 2008. Over the last couple of decades, declining attendance rates have prompted cultural organizations, event societies, national agencies, private bodies, and academic researchers to examine various factors contributing to attendance intentions. However, the NEA's Survey of Public Participation in the Arts (NEA 2006) shed further light on performing arts events attendance and revealed that attendance intentions are likely to be substantially higher for experienced consumers, active listeners, and literary readers. That is, consumers with expertise in the performing arts events are likely to patronize such events more actively than novice consumers. Given that past research has not focused on why consumer experts develop attendance intentions with regard to the performing arts, this paper develops a conceptual framework that integrates research on consumer expertise, sacralization of consumption, and intentions to attend performing arts events.

Based on a review of the consumer expertise literature, three important dimensions of consumer expertise are delineated: (1) cognitive abilities (2) category enthusiasm, and (3) category knowledge. Further, the construct of sacralization is adapted and extended to encompass powerful and enduring relationships between consumer experts in performing arts events and their categories of expertise. The process of sacralization is also discussed with specific emphasis on the dimensions of consumer expertise and performing arts events. Drawing on the theory of planned behavior, the conceptual framework developed in this paper proposes that expert attributes influence sacralization, which in turn, influences intentions to attend performing arts events. That is, sacralization is proposed as a critical mediating construct that explains why consumers with elevated experience in performing arts events maintain higher

intentions to attend such events, when compared to novice consumers.

This paper offers several theoretical and managerial implications. From a theoretical standpoint, prior work on consumer expertise and sacralization are chronologically tabulated to offer perspectives on how the constructs have evolved in academic research. Further, extending research on expertise in consumer research and sacralization in psychology and sociology research, this paper integrates both constructs in the context of performing arts events attendance. Mirroring extant research on sacralization of travel sites and other entities, the process of sacralization of performing arts events is also discussed. These contributions could provide insights for further rigorous research in the areas of consumer expertise, sacralization of consumption, and performing arts events. Notably, future researchers could empirically verify the propositions presented in this paper and examine their generalizability across different patron groups and types of performing arts events. Future researchers could also verify whether, as with commitment and involvement, there exist different types of sacralization. It would be especially interesting to examine other antecedents and contingent conditions to sacralization to form, mature, and decline. Finally, researchers must further examine patterns in performing arts events consumption, including frequency of consumption, the effect of the Internet on consumption, consumption as a social and shared phenomenon, and the roles of socioeconomic and generational variables.

From a managerial standpoint, this paper sheds some light on why there exists a difference in performing arts events attendance between consumers with elevated experience and developed knowledge categories versus novice consumers. Sacralization, when examined as a mediating variable, suggests that active and committed patrons of performing arts are more than simply involved with the arts. They share a deep personal connection with the arts, elevate their experiences as extraordinary when compared with other mundane consumption

activities, and integrate the performing arts as an important component of their identities. This perspective implies that promoters and marketers of performing arts events must tailor their advertising and promotional campaigns to appeal to experts' cognitive abilities, category enthusiasm, and category knowledge, while communicating appropriate stimuli that support sacralization. Princeton University's Center for Arts and Cultural Policy Studies indicates that performing arts events enjoy relatively high attendance in cities like Boston and Cincinnati, while attracting the least patrons in small cities and rural areas. As the presence of financially and managerial robust arts organizations is cited as a reason for this trend, managers of performing arts events in other large cities must examine how these cities enjoy continued success and also attempt to customize events that contribute to the cultural development of the populace in smaller cities. Local university and community theatre groups can learn best practices from more successful organizations and deploy their resources more effectively. The early stages of the sacralization process involve naming, framing, and elevating. Therefore, event organizers in both large and small cities must work on developing brand recognition for their offerings and stage iconic productions that enjoy broad appeals across varied market segments. Given the aging of the baby boomers segment that has been the mainstay of performing arts events consumers, event organizers must strategize unique ways to reach the younger, culturally-diverse, and technologically-savvy consumer segments. Toward this end, the role of social networking sites, networks for educating parents of children and young adults, and Internet membership groups must also be investigated.

In summary, this paper positions itself as an initial effort toward understanding consumption of performing arts events by consumer experts. Further research on this intriguing topic could facilitate better understanding of not only how consumer experts relate to performing arts

events, but also in handing down the cultural assets of a society to forthcoming generations.

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## BRAND CULT: EXTENDING THE NOTION OF BRAND COMMUNITIES

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*In this research we propose that Muniz and O’Guinn’s (2001) brand communities may be taken a step further, to what we refer to as brand cult. We define brand cult as an individual’s perceived sense of identity to a group of persons, with an identifiable brand in common that fosters a strong bond to the brand due to the strong group bond. This research explores the evolution of brand communities, recognizes the need for the next step and initiates the conversation of making a transition from brand community to brand cult. To test our conceptual hypothesis we develop three individual scales: brand following, connectedness, and consumer conformity to form the overall brand cult scale. Upon analysis, using a student sample drawn from 22 states, we explore the impact that each of these scales has upon the others and the ultimate brand cult scale. Our results validate the reliability of each individual scale and the brand cult scale making a case for the existence of the brand cult construct. Through an understanding of a brand cult, we believe marketers can manage better relationships with customers centered on an already existing brand.*

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### INTRODUCTION

From the evolution of a brand arose the notion of a brand community, defined by Muniz and O’Guinn (2001, p. 412) as “a specialized, non-geographically bound community, based on a structured set of social relationships among admirers of a brand.” In a brand community individual users are united around a brand.

Brands have since grown into a mentality or way of life for its consumer following (see Schau, Muniz and Arnould 2009; Diamond et al. 2009). A brand is often perceived as an extension of one’s own self, a reflection of who one is as a person (Belk and Sherry 2007; Gobe 2001). A brand has come to unite individual users who may share nothing more in common than the use of the same brand (Mathwick, Wiertz and Ruyter 2008). For example, Facebook recently (February, 2009) tried to change its “terms of use” agreement for its site. This created outrage among members resulting in 43,000 users joining Facebook groups to protest the change. Facebook eventually had to

back down from its intended changes. Here, one observes how a group around a brand begins to take control away from the owners of the brand; however, these actions cannot be labeled typical of a brand community.

We believe that brand communities may be taken a step further. From a brand community, individuals begin to develop a strong bond through the identity initiated by a common brand, exhibiting a cult-like mentality. A brand is seen as the focal point for its brand community followers (Muniz and O’Guinn 2001) the same way a strong group identity serves as the focal point for a cult. Individuals revolve their lives and shape who they are around a single cult, becoming loyal followers bound to the group, just as some consumers do so in a brand community. We believe this cult-like mentality, created by a strong brand, may be adapted to the way consumers behave within this next step in brand community—*brand cult*.

The purpose of this research is to conceptually explore how a brand community transitions into a brand cult and to empirically determine if a brand cult exists among brand users. In the following sections, first, we further discuss brand communities and explore the possibilities

of how brand communities take on cult-like characteristics in order to introduce the notion of a brand cult. Next, we develop and test a model for the transition into brand cults. Finally, we discuss the implications of these results for researchers and marketers.

### **THEORETICAL BACKGROUND**

The word cult stirs up a lot of emotions, usually having a negative or sometimes religious connotation. There are those who would disagree with the use of this term, advising that it should be severely limited in scholarly and other writing, especially about religious groups due to its popular negative usage (Richardson 1993, p.355). We recognize the controversy behind the term cult; however, we want to use the strength and impact behind this word to really illustrate the fact that what we are referring to is not a repetition of brand community. The main focus for this research, however, shall not look at what a cult really is or how it is formed. Instead, the term cult is being borrowed in order to stress the importance of group relations and commitment, and then apply it within the context of branding.

#### **From Brand Community to Brand Cult**

Cults, themselves, are obscure; there exists little agreement to the origin, development, and demise of cults (Campbell 1977). Therefore, it is difficult to provide a model for the ideal cult. Based on Howard Becker's definition a cult is "a kind of quasi-group embodying an individualistic search for ecstatic experience" (Campbell 1977, p. 376). In other words, a cult consists of individuals looking to gain some sort of fulfillment from their group experience, just as consumers are looking to gain some sort of fulfillment from their group experience initiated by consuming a brand.

According to Campbell (1977, p. 375) there are two elements to cultic systems of beliefs: (1) internal coherence and (2) implication of a social organization. In other words, a cult must have some unifying factor (in our case, a brand)

and must have some sort of group-like structure (we suggest the brand community). Applying Campbell's logic to branding, we find the conceptual foundation to go from brand community to a brand cult.

After understanding the power and impact behind the word cult, it is necessary to examine this move forward into something more than a brand community and incorporate the term cult. Brand community (Muniz and O'Guinn 2001) sets the stage for the concept of a group focused around a brand. In a brand community there is evidence of brand loyalty based on the connection an individual has with the group. But nowadays individual customers are taking the next step. They are not satisfied by those rare occasions in which they may have a connection with other users of a brand, they are looking to incorporate this group into who they are as a person. The group begins to serve as an outlet for personal fulfillment. It begins to become an integrated part of one's everyday life. The group connects a brand user to something greater. It is this deep underlying connection to the group and how it serves as part of who the individual truly is, which renders the use of the term cult appropriate.

An important distinction between brand cult and the popular notion of a cult brand needs to be made. There have been studies in the past that have proposed the notion of cult brands, (Munro 2006; Ragas and Bueno 2002) and the culting of brands. It is important to distinguish that cult brands and brand cults should not be identified as one and the same. The term cult brand has a negative connotation leading one to believe that an individual becomes unwillingly bound to and blinded by the product; whereas, the term brand cult is meant to describe a strong connection with a group cognitively initiated by individuals. Munro (2006, p. 22) argues that cult brands are something that require a little searching and do not have a marketing plan. They are almost like a fad; however, this does not make sense from a sound marketing perspective. Identity to a brand cult should be something that is well-known and well-admired. Businesses would not want to support

a following for their brands that may be insignificant or inconsistent. Therefore, the term cult brands should be disregarded for the purpose of this research and not confused with what we term as brand cult.

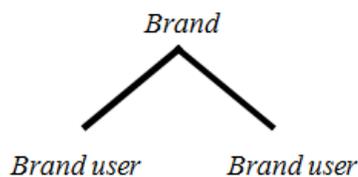
**Brand Following**

According to Hanlon (2006, p. 16) companies have only two choices in terms of how they do business: (1) they can be low-cost providers or (2) they can create a “sustained differentiation” around themselves with a community of “enthusiasts who flock to the brand and stick to it no matter what.” The latter makes the most sense for this study. Consumers gravitate to brands like Nike, Starbucks, and Apple as a means to fit in and become part of something much greater than themselves (Hanlon 2006, p. 16). These brand communities become so influential that they resonate outward and become a bigger part of the culture surrounding them (Hanlon 2006, p. 16). From this perspective on what a brand has to offer, individuals gravitate together around a common brand, searching for something more in their lives through a formed following around a brand.

Based on the preceding discussion with the composite of past research we begin examining this behavior of individual users coming together around a brand. For the purpose of this research, we refer to this as *brand following*. We define brand following as individual users united around a common brand due to a strong affiliation to the brand. Figure 1 illustrates the

Figure 1

**Brand Following**



relationship created by a brand following as a brand is the initial unifying force between brand users.

**Connectedness**

Muniz and O’ Guinn (2001) identify three markers of a community exhibited by a brand community: shared consciousness, rituals and traditions, and a sense of moral responsibility. All three of these markers make sense when forming a strong bond within a group centered on a brand. Shared consciousness or consciousness of kind most effectively looks at how brand communities’ social interactions among users may be pushed a step further. Shared consciousness is “the intrinsic connection that members feel toward one another” (Muniz and O’Guinn 2001, p. 413). It is this connection that goes beyond just a simple interaction with a brand. It may not even be on a regular basis between users but a deeper underlying connection and sense of identity with others in a group. There is this sense where members feel connected to some degree even if they have never met, based simply on a shared consumption experience with a brand (Muniz and O’Guinn 2001). The focus now shifts from just the brand to the relationship between brand users.

McAlexander, Schouten and Koenig (2002) examine how brand communities are built, looking to expand on Muniz and O’Guinn’s concept of brand community. The existence of a brand community, along with the meanings ascribed to it is a function of the consumption experience of the customer rather than simply the brand (McAlexander et al. 2002). A transition is made away from the idea that brand communities occur by coincidental interaction between common users, but instead are rooted in this connection and affinity with others that the customer gains. The relationships formed between members of a group centered on a brand often results in an increase in the personal investment of time, money and effort in a customer’s consumption of the product and brand (McAlexander et al. 2002). A strong affinity among members of the

group becomes the driving force behind an individual’s behavior. For the purpose of this research, we refer to this as *connectedness*: a strong affiliation individual users have with other users sharing a common brand.

Figure 2 illustrates the relationship created by connectedness, as brand users display an affinity towards one another. In connectedness we step away from our focus on the brand and instead examine the relationship between users.

Figure 2  
**Connectedness**

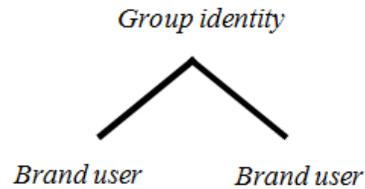


**Consumer Conformity**

The move from individual behavior to group behavior lies in social identity theory. According to Tajfel and Turner (1985), people categorize themselves and others into groups to make sense of the world. Social identity theory explores this connection between an individual and the formation of a strong bond with a group. “The basic idea is that a social category into which one falls, and to which one feels one belongs, provides a definition of who one is in terms of the defining characteristics of the category” (Hogg et al. 1995, p. 259). Group identity is found to influence how individuals in the group think, feel, and behave (Hogg et al. 1995). The group begins to define who one is as a person. It is this sense of belonging or *categorization* to the group and the personal fulfillment or *self-enhancement* that energizes the group and makes it stronger (Hogg et al. 1995). Hogg et al. point out that over a period of time individuals transform into group members and individuality transforms into group behavior.

Social identity is a strong motivating factor in establishing a deep connection in maintaining group stability. According to Van Vught et al. (2004), social identity acts as a social glue providing stability to groups. Weak ties between members of a group lead to unstable structures within a group, while groups with strong ties form a stable single entity with infrastructures that are very difficult to destroy. In terms of our research based on consumption, we refer to this as *consumer conformity* and view it as individual affiliation towards a group, due to group identity. Figure 3 displays the relationship created by consumer conformity, as group identity is the unifying factor between brand users.

Figure 3  
**Consumer Conformity**



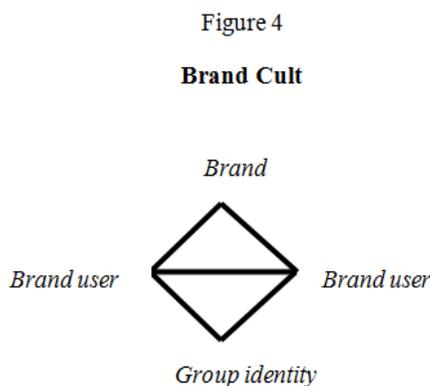
**Brand Cult**

Based on this notion of a strong identity or relation to a group, one may begin to observe how a group extends beyond a social interaction among people. There is an emphasis on the identification of an individual that fosters a strong cohesive group. In terms of a brand community, the interaction centered on a brand is no longer sufficient. Individual users may be drawn to a common brand, creating brand following, yet it is that affinity between individual users that really drives the group and sustains it, causing them to ultimately conform to the group. This group identity overcomes the individual and is incorporated into their everyday life and way of thinking. They

become dependent on the group as it fulfills them, defining who they are and giving them purpose. Hence, in this application of social identity to a brand community, the group may evolve into something much stronger and much more powerful. A brand community may thus transition into a *brand cult*. We define brand cult as an individual's perceived sense of identity to a group of persons, with an identifiable brand in common that fosters a strong bond to the brand due to the strong group bond.

This notion of a perceived sense of identity is important. Brand cults move away from strict social interactions around a brand. It is enough for individuals to maintain the perception that they are part of a larger group even if they have not met or interacted with the members before. The notion of identity is important as well. This is where we believe we make our biggest contribution. Never before has the concept of social identity been explicitly applied to brand communities. A recent article in this year's *Journal of Marketing* entitled, "Social Identity and the Service Profit Chain" by Christian Homburg, Jan Wieseke and Wayne D. Hoyer (2009) applies social identity to service profit chains. While this article does not directly relate to our work, its application of social identity shows that social identity theory is heartening to us.

Figure 4 displays how brand following, connectedness and consumer conformity come together to unite users.



Individual brand users are united by a common brand in a brand following. This union between brand users comes from the connectedness they experience towards one another. Brand users conform to these communities centered around a brand based on the perceived group identity. Together, brand following, connectedness and consumer conformity create a brand cult. The brand is the unifying factor much like in a brand community but it is this introduction of the dimension of group identity which sustains and maintains the group that differentiates brand community from brand cult.

Based on our three brand cult dimensions: brand following, connectedness and consumer conformity, the following hypotheses may be proposed.

- H<sub>1</sub>.** Product category has an impact on:
  - a. brand following,
  - b. connectedness,
  - c. consumer conformity, and
  - d. brand cult.
- H<sub>2</sub>.** The degree of conformity, irrespective of the industry type or product category, has an impact on:
  - a. brand following, and
  - b. connectedness.
- H<sub>3</sub>.** The degree of connectedness, irrespective of industry type or product category, has an impact on the level of brand following.
- H<sub>4</sub>.** Brand following, connectedness, and consumer conformity, irrespective of the industry type or product category, have a bearing upon integration into brand cult.
- H<sub>5</sub>.** Brand user characteristics, irrespective of the industry type or product category, have an impact on integration into brand cult.

Marketers need to understand the characteristics of a brand cult to establish a strong consumer following based on identity to

the group. We now proceed to describe the empirical examination of our constructs of brand following, connectedness and consumer conformity and their relationship with each other.

### **METHODOLOGY**

The objective of this study is to (1) explore the transition of brand communities into brand cults, (2) investigate the existence of brand cults and (3) examine the characteristics of brand cults. Empirical data is obtained from a convenience based random sample survey of college student populations. The initial context of student participants to test the construct of brand cults was chosen for several reasons. First and foremost, one of the authors of this research is a student and can personally attest to the great influence certain brands have on the chosen subjects, college students. Secondly, the college student population represents a substantially large consumer market that firms try to appeal to with their products on a daily basis. As a result, not only will the subjects chosen provide quality research results, these results may then be used to appeal to these students, an already large consumer base.

A web-based survey was used to collect data from college students. Using a web-based survey allowed for easier access to a large college student population in order to better represent the real-world college student population. The survey instrument was posted online via a commercial web surveying company. Any duplicate IP addresses were eliminated to avoid multiple submissions from a single respondent. A pretest was run to evaluate how the survey flowed; modifications were made in regards to the logic and wording of items.

Once the survey went live, subjects were recruited from college social networks, such as those supported by Facebook.com in an attempt to achieve this convenience based sample. Respondents were contacted through email accounts, both student and personal. Using a web link collector, a uniform email request with

a link to the survey was sent to each potential respondent through one of the authors' own personal email client. This method was chosen in order to prevent situations in which respondents' email service providers were blocking the email invitation as spam. This email included a request for respondents to forward the link to anyone else that they deemed willing and able to respond to this survey. Therefore, besides a convenience based sample, a sample with a "snowballing" effect of respondents theoretically existed as well. As a result, this sample ended up not only reflecting college student populations but a general consumer population as well. Of approximately 3,500 invited subjects 533 responded to the survey rendering a response rate of 15.2 percent, which compares favorably with past studies using an on-line data collection methodology. The effective sample size used for this study is five-hundred and thirty-three.

### **Sample Description**

Of the five-hundred and thirty-three people surveyed, almost half (42 percent) were between the ages of 18 and 20. The remaining 58 percent were 21 or above. Our sample was split about 69 percent to 31 percent in favor of females. Some respondents did not specify their gender when responding. This gender imbalance is difficult to explain. There is a current propensity for more women to attend college than men; however, consideration should be given to the effect that this imbalance may slightly skew our data.

In response to our survey, we did have a representative sample in regards to race. Forty-eight respondents identified themselves as minorities. We had respondents that classified themselves as one of the categories we provided: Caucasian; African American; Asian American; Hispanic, Latino or Other; Native America; Other. The majority of our samples reported being Caucasian (76.5 percent). This may be representative of the fact that a majority of respondents came from schools with limited diversity. This majority of Caucasians in our

sample corresponds with the general demographic of people in the nation.

About 25 percent of respondents were seniors in college, with 5 percent being graduate students and the rest underclassmen. We had an even dispersion in regards to representation for different majors: Humanities; Science; Social Sciences; and Business. This sample was slightly heavy with business majors.

The majority of respondents (68 percent) identified themselves as having a GPA of 3.1 to 4.0. Very few classified themselves as having a 1-2.0 GPA. The upper echelon is overwhelming; certain respondents may have been misleading when completing this item.

A majority of respondents were from four year institutions (61 percent). We have some representation from 2 year school (1 percent) and a good representation of graduate schools (23 percent) as well. Of those respondents who are no longer students, 6.2 percent of them have post-graduate degrees. Approximately 65 percent of respondents reported having a monthly income of \$5,000 or under, as one would expect from a student sample. There were 63 percent of respondents from New York, the home state of the research institution. However, there were 37 percent of respondents from outside of New York State. We had a good representation of the nation as a whole with 22 states represented in this sample.

### **Scale Creation**

We developed a six-item scale to measure the brand following construct and the connectedness scale is a five-item measurement scale. We developed a ten-item scale, based on Riketta's (2008) affiliation motive scale, to measure the conformity construct. The twenty-one-item scale to measure the brand cult construct is an integration of these individual scales. With the exception of the items used for identification in regards to the respondents and the brand being considered, each survey measure item was based on an adapted semantic differential scale with Likert type

scaling with a seven-point ("strongly disagree — strongly agree") response scale. This scale was adapted from the seven-point scale, anchored by "not at all" and "very much" with "moderately" in the middle, used by Bergami and Bagozzi (2000). Based on previous work, this study employed the familiar Churchill (1979) paradigm for developing a measure of brand cult (Carlson 2007).

### **Survey Validity**

A table of brands separated into categories, apparel, electronics, food/beverage, web, automobiles, and television, was provided at the beginning of the survey. Respondents were asked to keep one brand in consideration when completing the survey. The use of categories and limiting each respondent to one brand was based on an effort to collect data for multiple brands from multiple categories so that this research did not apply to just one brand. This category of brands appeared once at the beginning of the survey and then again in the middle of the survey in order to remind respondents of what brand they were thinking about in order to try and ensure that respondents kept one brand in mind the entire time they completed the survey. Later in the survey respondents indicated only which product category they had kept in mind when completing the survey as opposed to indicating which specific brand they had kept in mind. Again, this was all in an attempt to keep this study applicable to many brands.

It was important to not include the phrases 'brand community' or 'brand cults' within the survey. There were two reasons why we did not include these phrases in our survey (1) to eliminate bias and (2) maintain the validity of our study. The term cult would have created a negative connotation in many respondents' minds and misled them in their responses to the items in our survey related to the term cult.

## **RESULTS AND DISCUSSION**

We checked the reliability and validity of the brand following scale using the inter-item

reliability tests. The six-item brand following scale performed very well and exhibited good psychometric properties (Cronbach's Alpha 0.873). The five-item connectedness scale also performed very well and exhibited good psychometric properties (Cronbach's Alpha 0.821). The ten-item conformity scale resulted in a three-factor solution in an exploratory factor analysis. We achieved the three-factor solution through a principal component analysis, with a varimax rotation with a 0.60 factor loading cut off. Three items did not significantly load on any factor and were not included in the final ten-item scale and eliminated from further analysis.

The three factors obtained could be clearly labeled by descriptors created for this research as 1. Conventionalists, 2. Egotists, and 3. Independents. The descriptors were created based on the behavior reflective of each group. Next, we checked the reliability and validity of the three-dimensional conformity scale using the Cronbach's Alpha. The Conventionalists Scale was a four-item scale that performed very well and exhibited good psychometrics properties (Alpha 0.678). The Egotists Scale was a three-item scale that performed very well and exhibited good psychometrics properties (Alpha 0.705). The Independents Scale was a two-item scale that performed well and exhibited good psychometric properties (Alpha 0.650).

Originally, the Independents Scale was a three-item scale that was not performing as well as the other two conformity factors. We decided to eliminate the item "I like to be autonomous" from the Independents Scale, reducing it from a three-item solution scale to the two-item solution scale. By eliminating this item, we witnessed an increase from .581 to .650 of our alpha. It is a possibility based on conversations, that the term "autonomous" was not well understood by respondents. This may have affected our responses and hence our alpha. Therefore, this item was eliminated from our analysis.

The Brand Cult Scale was a twenty-item scale that performed very well and exhibited good psychometric properties (Alpha 0.822). The item "I dislike standing out in a group" had to be reversed-coded so that it conformed to the general direction of the scale. Recoding this item provided a good way to check for validity of responses. If someone were to check responses without reading the survey, this item should catch them off-guard because it is negatively loaded.

It should be noted that all of the scales in this research are first-time scales that we developed for this study. Therefore, we deem their corresponding Cronbach's Alphas as all performing well.

### **Impact of Product Category**

We next ran descriptive statistics for items that related to the product category that respondents kept in mind over the course of the survey. Each product category held a favorable response rate with only 11 percent of respondents choosing not to identify themselves with a particular product category. Results indicate that Apparel held the highest response rate with 23 percent of respondents choosing this category. Electronics, food/beverage, and web all held significant response rates as well. These response rates could lead one to believe that apparel, electronics, food/beverage and web all have strong brand consumption in our sample.

We first looked to determine whether consumer brand following changes depending on the product category. Using ANOVA we were able to test this hypothesis (H1.a.). Results indicated that product category does have an impact on a brand following ( $F=3.413$   $p: 0.005$ ). Our results show that both electronics and television product categories demonstrate a strong and significant brand following.

We next looked to examine whether consumer connectedness changes depending on the product category. Results indicated that (as stated in H<sub>2,b</sub>) product category does have an

impact on connectedness ( $F=11.151$   $p: 0.0001$ ). Our results show that electronics, web, and television product categories demonstrate a strong and significant consumer connectedness. Electronics, web and television are both significant product categories in regards to brand following and connectedness in this study.

We then examined  $H_{1,c}$ , whether each factor of consumer conformity changes depending on the product category. Results indicate that product category does have an impact on conventionalists ( $F=2.895$   $p: 0.014$ ) and egotists ( $F=2.797$   $p: 0.017$ ) but independents ( $F=0.767$   $p: 0.574$ ) do not exhibit significant influence based on product category.

Our results show that apparel and television product categories demonstrate a strong and significant impact on conventionalists. This makes sense. Conventionalists would be the ones most likely to follow the latest fashion trends or the hottest new show on television. They are followers looking for the next big thing. Our results also show that automobiles and electronics product categories demonstrate a strong and significant impact on egotists. This makes sense because egotists are the ones who are typically flashy and love to show off. These would be the types of people who have to have the really nice car or the expensive stereo system.

Our results indicate that despite the lack of impact product category has on independents, web product category does have a high impact on them. This lack of impact product category has on independents could be explained by the types of people in this category who like to make their own paths and not follow the trends. Web product category also makes sense for independents because the web is always changing and cutting edge so independents may not feel as though they are staying in the mainstream.

Finally, we looked to examine whether a brand cult changes depending on the product category, hypothesis 1.d. Results indicate that

product category does have an impact on integration into brand cult ( $F=4.220$   $p: 0.001$ ). Our results show that electronics, web and television product categories demonstrate a strong and significant brand cult. This result is consistent with brand following, connectedness, and the three elements of conformity.

### **Impact of Brand Following, Connectedness and Consumer Conformity**

We proceeded by running simple linear regressions. We first used brand following as the dependent variable and conformity as the independent. The data indicated an excellent fit between brand following and the three dimensions of consumer conformity ( $F=21.187$   $p: 0.00001$ ). In addition all three dimensions loaded positively and significantly at the 0.10 level. Results indicate that, as hypothesized, the degree of conformity has a bearing upon the level of brand following irrespective of the industry type or product category ( $H_{2,a}$ ).

We next used connectedness as the dependent variable and consumer conformity as the independent. The data indicate an excellent fit between connectedness and consumer conformity ( $F=25.517$   $p: 0.00001$ ). In addition all coefficients were statistically significant at the 0.05 level. Again, results indicate that the degree of conformity has a bearing upon the level of connectedness irrespective of the industry type or product category ( $H_{2,b}$ ).

We then used brand following as the dependent variable and connectedness as the independent. The data indicated an excellent fit between brand following and connectedness ( $F=138.269$   $p: 0.00001$ ). In addition all coefficients were statistically significant at the 0.05 level of significance. Results indicate that the degree of connectedness has a bearing upon the level of brand following irrespective of the industry type or product category ( $H_3$ ).

Finally, we examined the full model using brand cult as the dependent variable and brand following, connectedness and consumer conformity as the independent. The data

indicated excellent fits between brand cult and brand following ( $F=446.693$   $p: 0.0001$ ), connectedness ( $F=1090.222$   $p: 0.00001$ ) and conformity ( $F=92.533$   $p: 0.0001$ ). All of the corresponding coefficients were significant at the 0.05 level. Results indicate that all three dimensions have a bearing upon the level of brand cult irrespective of the industry type or product category ( $H_4$ ).

### Impact of User Characteristics

We finally looked to examine whether consumer integration in brand cult changes depending on user characteristics, irrespective of the industry type or product category. ANOVA results indicated that certain user characteristics do have an impact on membership in a consumer brand cult ( $H_5$ ). Results indicate age of the respondent has an impact on brand cult ( $F=16.322$   $p: 0.0001$ ). Our results indicate that both 18-20 and 26-30 age groups demonstrate a strong and significant integration in brand cult. Results indicate year in school does have an impact on brand cult ( $F=5.134$   $p: 0.0001$ ). Our results indicate that sophomores demonstrate a strong and significant integration in brand cult. Results indicate that highest degree earned does have an impact on brand cult ( $F=3.756$   $p: 0.024$ ). Our results indicate that individuals with a four-year degree demonstrate a strong and significant propensity to participate in brand cult. Results indicate income per month does have an impact on brand cult ( $F=5.049$   $p: 0.00001$ ). Our results show that the \$20-30,000 income group demonstrates a strong and significant integration in brand cult.

These results are important to marketers looking to target brand users within a brand cult. These results specifically assist marketers in targeting college students, the intended target sample for this survey, as they allow marketing managers to create preliminary target profiles for their brands.

### CONCLUDING REMARKS

This study contributes to marketing literature by examining theoretical constructs in an empirical study. The brand following, connectedness, conformity, and brand cult scales developed for this study all exhibit good psychometric properties for a pilot study. These scales can certainly be refined and utilized for future studies examining brand cults. The initial results from this study provide encouraging results regarding the theoretical constructs of brand cult.

The strong ties of a customer with the brand are further strengthened by providing a group around a brand whose users are connected with one another with a strong group identity. By fostering a brand cult companies could build stronger existing brands. Through an understanding of brand cults, strengthening an already established brand will prove to be less expensive, less of a risk, and far more strategically rewarding than trying to build a new brand. This is an attractive strategic alternative available to companies looking to maximize their brand potential and returns during lean economic times.

Our overall models contribute to managerial thinking in practical ways. For instance, the independents tend to conform to the group at a lower level than the egotists do, but even so, they do indicate a desire to conform at a statistically significant level. This is good news for marketing managers that would like to create stronger brands by further enhancing group conformity among their customers. As expected, the conformists were the most enthusiastic about the possibility of identifying with the brand and had a strong desire to bond with the group of followers. Another finding that allows for a strategic initiative that leverages the natural inclination of this market segment based on a classification schema derived from our theoretical scales. A brand strategy that devotes varying degrees of resources, such as promotional efforts, to these three distinct segments will be an efficient and cost-effective strategy.

In a recent study by Schau, Muniz, and Arnould (2009), an examination of several brand communities suggests value creation through participation and engagement in brand communities. Schau et al. posit that value creation in brand communities is a function of network driven marketing initiatives rather than the traditional dyadic buyer-seller view of value exchange. Their conclusions lend credibility to our findings which stress the importance of relationships between brand community members in addition to the dyadic brand-consumer relationship.

As with any research that relies on a limited student sample, the findings should be viewed with prudence. However, this research was actually enriched by a sample that showed distinct brand cults with the product categories that were researched. This research opens avenues of research unexplored thus far. This research is the preliminary step in our application of a cult mentality in branding, future studies should focus on extending the preliminary findings of this research. Questions such as measuring the brand cult among different product categories with specific brands would be of interest to brand managers. Thompson and Sinha (2008) explore the influence of oppositional loyalty within brand communities. They argue that affinity to certain brand communities may create oppositional loyalty towards competing brands. If oppositional loyalty applies to brand communities then it may also apply to brand cults. Our research does not address this theory of oppositional loyalty. It may be looked at in future studies of brand cults. This research focuses on complex brands such as Disney and Microsoft, but it would be interesting to look at brand cults for consumer packaged goods. Additionally, one could seek to extend this study to enhance its generalizability on non-student samples, in international markets, and across cultural typologies.

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## DEVELOPING MULTIDIMENSIONAL TRUST WITHOUT TOUCH IN VIRTUAL TEAMS

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*Trust is essential for effective team performance and is often believed to require face-to-face interaction to develop. However, in virtual teams the luxury of these interactions may not exist. This paper explores the development of trust in virtual teams. Specifically, we focus on the multi-dimensional nature of the trust construct and the role each dimension plays as trust develops and grows. First, this paper suggests that initial trust in a virtual team is heavily dependent on the ability dimension while integrity and benevolence trust dimension assessments may develop over time throughout the life of the virtual team. Next, we recommend specific actions to ensure that the potential for the trust dimensions of ability, benevolence, and integrity is maximized in a virtual setting. Finally, we argue that by focusing on the three trust dimensions, a virtual team leader or organization can identify relevant actions and create a more hospitable environment for trust development without face to face interaction or touch.*

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### INTRODUCTION

Advances in technology and telecommunications allow people to stay connected even when located in different times and places. Because of the growth of global business and increases in the number of employees working together from different locations, the concepts of business teams have become more “virtual.” Research has shown that all teams, whether face-to-face, virtual, or semi-virtual, need trust to perform effectively (Benson-Armer and Stickel 2000; Hunsaker and Hunsaker 2008; Oertig and Buergi 2006; and Stoner and Hartman 1993). However some argue that “trust needs touch” (Handy 1995, p. 46). So the question is how do we create effective virtual teams without regular “touch” or in some cases without any face-to-face “touch”?

The vast majority of research speaks of the positive impact that trust has on teams (Erdem et al. 2003; Holton 2001; Hunsaker and Hunsaker 2008; Mazany et al. 1995; Thompson and Pearce 1992). Logically trust between virtual team members would also have a

positive impact on team performance as explored by several researchers (Aubert and Kelsey 2003; Jarvenpaa et al. 1998). However, in the virtual environment, early research suggests that trust forms differently (Coppola et al. 2004; Kirkman et al. 2002). In the virtual setting we have a more difficult time establishing trust with each other because we lack information about each other and are unable to interact face-to-face.

In this paper, we focus on the multi-dimensions of trust commonly held to include the dimensions of ability, benevolence, and integrity, (Clark et al. 2009; Mayer et al. 1995; Schoorman et al. 1997), and how each of these dimensions can be impacted to make it more likely that trust will develop in a virtual team. We first explore existing literature explaining the importance of trust for team success, in particular virtual teams. We expand on this discussion by providing specific actions organizations should take to establish trust in virtual teams. Finally, we conclude with a discussion of how these action steps impact the three trust dimensions of ability, benevolence, and integrity.

### Virtual Teams

A virtual team is defined as “geographically and/or organizationally dispersed co-workers that are assembled using a combination of telecommunications and information technologies to accomplish an organizational task” (Townsend et al. 1998, p. 18). Virtual teams provide organizations with a flexible method to respond quickly to meet any need (Jarvenpaa and Leidner 1999; Solomon 2001). Additionally, virtual teams are often less costly and more profitable than face-to-face teams, especially when members are spread throughout a state, nation or the world (Cascio 2000). Finally, organizations can assemble workers from many locations with different skill sets, cultural backgrounds, or experience levels to better “fit” a situation (Hunsaker and Hunsaker 2008; Kirkman et al. 2002), to improve customer service, to provide access to global markets, and to increase environmental benefits (Cascio 2000).

While teamwork often contributes to job success, some drawbacks of virtual teams include high setup and maintenance costs, overcoming cultural barriers, and increased feelings of social isolation (Cascio 2000; Hunsaker and Hunsaker 2008). Some researchers argue that the dysfunctions of face-to-face teams are amplified in the virtual context resulting in problems such as social loafing, role overload, role ambiguity, absenteeism, and lack of organizational commitment (Jarvenpaa and Leidner 1999; O’Hara-Devereaux and Johansen 1994). A strong sense of trust helps to overcome many of these problems (Erdem and Ozen 2003; Holton 2001; and Prasad and Akhilesh 2002).

One obvious difference between virtual teams and face-to-face teams is a change in the communication method used by team members (Tan et al. 2000). Good communication is essential for establishing and maintaining trust (Huang et al. 2008; Walther and Bunz 2005), and virtual workers communicate differently than face-to-face teams. For example, members of a virtual team may communicate through e-

mail, telephone conversations, and video conferencing mixed with a few face-to-face interactions while a purely virtual team would have no face-to-face contact. Many believe that some face-to-face interactions, especially without prior relationships with team participants, are essential for the formation of trust (Handy 1995; Holton 2001; Oertig and Buergi 2006; O’Hara-Devereaux and Johansen 1994) but may be impossible in many virtual settings.

### Multidimensional Trust

Fukuyama defines trust as “the expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the part of other members of that community” (1995, p. 26). Similarly, Mayer et al. (1995) argue that trust is the acceptance of vulnerability based on the performance of expected actions of another party. When working with others we want to believe that they will behave or act in ways beneficial to us; therefore the existence of trust is critical. Early trust research measured a single trust characteristic (Johnson-George and Swap 1982; Soloman 1960; Strickland 1958) while more recent research argues for a more complex, multidimensional structure (Brashear et al. 2003; Butler 1991; Clark et al. 2009; Hung 2004). A popular current conceptualization introduced by Mayer et al. (1995) explore trust consisting of three dimensions: ability, benevolence, and integrity. Ability, benevolence, and integrity are separate factors that may independently vary from one another. “A trustee should not simply be deemed trustworthy or not trustworthy; rather, trustworthiness should be thought of as a continuum” (Mayer et al. 1995, p. 721) based on different levels of each dimension. Hung et al. further explore this stating that “trust is formed not only using the *perceived amount* of the interacting parties’ ability, integrity, and benevolence, but also based on the *perceived importance* of each of these antecedents to the situation” (2004, p. 6).

Mayer et al. define ability as “that group of skills, competencies, and characteristics that enable a party to have influence within some specific domain” (1995, p. 717). A person may be highly skilled in a certain technical area and therefore that person will be trusted on tasks within that specific technical area. Although a person may be highly skilled in one area, that person may lack training or experience in another area. For example, if an individual lacks interpersonal communication skills, they may not be trusted to initiate contact with a customer, regardless of their ability to complete a task within his or her technical area. Schoorman et al. (2007) propose that ability judgments form relatively quickly in a relationship. These judgments are often based on previous reference points or ratings of performance.

The second factor, benevolence, “is the extent to which a trustee is believed to want to do good to the trustor, aside from an egocentric profit motive” (Mayer et al. 1995, p. 718). Mayer et al. suggest benevolence exists between a mentor (trustee) and a protégé (trustor). In this situation, the mentor is *not required* to help the protégé, but *wants* to help him or her. Therefore, the trustee has a positive orientation toward the trustor. Benevolence is related to each party’s motivation towards relationship success. Schoorman et al. (2007) argue that benevolence is an experience dimension of trust and perceptions of benevolence will evolve with additional

experiences as the relationship develops over time.

Mayer et al.’s final trust factor of integrity relates “to a set of principles that the trustor finds acceptable” (1995, p. 719). If the trustor does not follow the same set of principles as the trustee, then the trustee would not have integrity in relation to the trustor (McFall 1987). Mayer et al. explain that the

consistency of a party’s past actions, credible communications about the trustee from other parties, belief that the trustee has a strong sense of justice, and the extent to which the party’s actions are congruent with his or her words all affect the degree to which the party is judged to have integrity (p. 719).

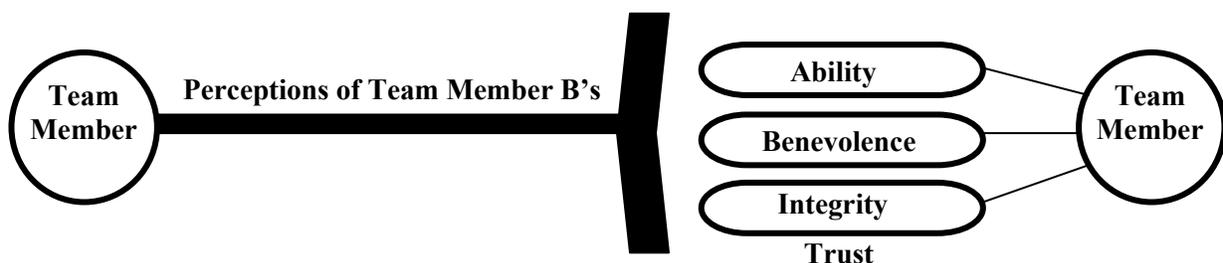
Schoorman et al. (2007) argue that the influence of integrity on the trust relationship will be most critical early in the relationship when there is little information available on partner benevolence. We will substitute judgments of a person’s integrity with any previous knowledge of that person. Initially people more similar to us are often seen as having high integrity.

**Trust and the Virtual Team**

Trust is an important factor in any environment but in the virtual environment it is even more important since team members are unable to

FIGURE 1

Does Team Member A Trust Team Member B?



observe, monitor, and control each other's behavior (Aubert and Kelsey 2003; Hunsaker and Hunsaker 2008). O'Hara-Devereaux and Johansen (1994) believe that "trust is the glue" that holds the virtual team together explaining that trust prevents the physical distance from creating a psychological distance. They note that technology plays a role but is not sufficient to form the necessary relationships to hold a virtual team together.

Research has found that workers' trust in others is impacted by their ability to monitor what others are doing (Aubert and Kelsey 2003; Mayer et al. 1995). A high level of trust in a work setting may replace the need a manager has for control, monitoring, agreements, etc. In the virtual environment, it is argued that virtual team members have less ability to observe other workers than they would have in a face-to-face setting (Aubert and Kelsey 2003). Jarvenpaa et al.'s (1998) and Aubert and Kelsey's (2003) work focuses on virtual teams that are temporary, without a prior history, and lack a designated leader. Jarvenpaa et al.'s (1998) study of virtual teams provides some indication that virtual teams with high-trust exhibits swift trust. Swift or initial trust is trust that exists at the start of the team without any history. They note that virtual teams that develop swift trust seem to do so without a similar degree of "socialization, courtship, and social identification" (p. 810) typical of trust formation in non-virtual teams. Perhaps, as Jarvenpaa et al. suggest, this swift trust is based on how quickly team members initiate and respond to each other through e-mail at the onset of the project exhibiting a high ability to others.

Meyerson et al. (1996) believe that one way in which swift trust could be formed is based on positive stereotypes of group members. Jarvenpaa et al. (1998) point out that in their study, team members were not privy to much information on which to base such a stereotype. The development of initial trust in virtual teams may initially focus on the ability dimension of trust (Piccoli and Ives 2003). "When a virtual team is formed, teammates must communicate

to evaluate the project requirements, make decisions regarding process and content, and provide feedback on one another's work" (p. 367). Piccoli and Ives further argue that the dimension of benevolence grows as experiences continue. "As the working relationship unfolds, team members develop expectations about individual workload, work processes, and individual contributions. As expectations arise about reciprocal obligations between teammates, a psychological contract is formed" (p. 367).

Kirkman et al. (2002) studied 65 virtual teams and concluded that the formation of trust is possible on virtual teams without face-to-face interaction. They explain that members of face-to-face teams form trust of their teammates after spending time with them often focused on socialization. They refer to this type of trust as benevolent or interpersonal trust. In contrast, a virtual team develops a different type of trust focused on the task which they refer to as ability-based or task-based trust. "Unlike face-to-face teams, where trust develops based on social bonds formed by informal chats around the water cooler, impromptu meetings, or after-work gatherings, virtual team members establish trust based on predictable performance" (Kirkman et al. 2002, p. 71). Additionally, Jarvenpaa et al. (1998) categorized virtual teams into low-trust or high-trust categories and found that high trust teams exhibited better team dynamics. High-trust teams are more proactive, focus on task output, have an optimistic spirit, dynamic leadership, frequent interactions with few gaps, and substantive, predictable feedback. In contrast, low-trust teams are reactive, focus on the process more than task output, and have a pessimistic team spirit, static leadership, infrequent interactions with many gaps, and unpredictable and non-substantive feedback.

In addition to an increased focus on the ability dimension, some researchers stress the need for virtual team members to get acquainted virtually through alternative means using such tools as chat rooms, video conferencing, discussion boards and social networking sites

(Anderson and Shane 2002; Prasad and Akhilesh 2002). Holton (2001) urge teams to take sufficient time to interact with team members online and to exercise caring talk. She describes caring talk as “personal conversations and storytelling” that help create a “mood of support and encourage self-disclosure and the sharing of feelings” (p. 36).

### **ACTION STEPS TO DEVELOPING GREATER TRUST IN VIRTUAL TEAMS**

As with face to face teams, there are actions that can be taken to facilitate trust development in virtual teams, although these actions differ because of the higher focus on ability-related trust early in team formation. We focus on organizational factors, team member selection, team building activities, and communication. For each recommended action, we also highlight which trust dimensions (ability, benevolence, integrity) are impacted by the suggested measure. Recall that ability is an evaluation of whether a person can complete the required tasks, benevolence is an assessment of whether a person cares about the team member relationship, and integrity is an overall perception of whether a person is a good person. The combination of the three is believed to create a person’s level of trustworthiness or an assessment of how much another person is likely to trust him or her (Mayer et al. 1995).

#### **Organizational Factors**

We begin with steps the organization can take to impact trust formation. If the organization wants to be successful in creating deeper trust in its virtual teams, it is important for the organization to create an environment that allows trust to occur. Many of these steps impact the amount of uncertainty and risk that exist in the overall environment.

*Organization’s Performance Evaluation and Reward Allocation.* To facilitate trust formation in a team, the organization needs to determine how team performance will be evaluated and rewarded prior to the team

formation. Without this information, team members will experience high uncertainty and will either trust or distrust according to their personality. High trust helps reduce and manage uncertainty (Jarvenpaa and Leidner 1999; Peters and Manz 2007). Similarly, an environment with a low level of uncertainty will make it more hospitable for trust to exist and grow.

In a team setting, many organizations provide both individual and team rewards based on team productivity and improvement in team performance (Denton 2006; McClurg 2001). Merriman (2009) found that rewards that consider how much an individual contributes to the team effort are important rather than basing rewards only on the team output (Merriman 2009). Teams with low trust have members focused on the equity of performance assessment and rewards while teams with high trust were more accepting of rewards based on collective team performance (Merriman 2009).

Prior to team formation, an organization should consider the impact that different reward and assessment structures will have on trust formation and overall team performance. To achieve the benefits of team work, it is essential that the reward system allows for risk-taking without severe harm to team members or team performance if the outcome is less than desired. Trust allows risk-taking and innovation to occur (Meyerson et al. 1996; Peters and Manz 2007). It is also very important that team members perceive that the rewards and assessment of job performance are fair and accurate (Mayer and Davis 1999). If they do not, team members lose trust for the organization. The additional uncertainty and risk also makes it difficult for team members to continue with high trust for each other.

*Provide Role Clarity.* If members understand their purpose and function on a team, it reduces uncertainty which helps to lower opportunities for interactions to be perceived as distrustful or with a negative motive (Meyerson et al. 1996). In many situations, an organization may want to explain to all team members what role each

person is selected to fill. By removing role ambiguity, the organization is providing a framework to direct how people should interact with each other. This is especially important when a new team is assembled.

There are other situations for which an organization may not want to clarify team member roles but rather allow the team to develop role clarity over time and for itself. Teams may need the flexibility to designate and modify team roles as circumstances require. For a new virtual team, we urge some role clarity at the beginning of team formation to reduce uncertainty thereby providing a more habitable environment for trust formation. Role clarity will positively impact team member motivation towards the group goals and increase their benevolence trust in the group.

*Resources.* An organization that desires to reap the benefits of team work must provide that team with the necessary resources for success (Scarnati 2001). Those resources include team members with the necessary skills, experience, and time to complete the team tasks (Holton 2001). Team members often are placed on teams without acknowledging that participating on a new team will be a significant increase in their work load. This lack of understanding by the organization can be the spark of distrust as members begin to feel they are asked to do an impossible task.

In a virtual setting, an organization must also provide the team with reliable and adequate technology and technical resources to support the work of the team (Anderson and Shane 2002; Prasad and Akhilesh 2002). Before the team is formed, the organization should have a clear understanding of what technology is available, how it may be used, and what resources it will make available to support the work of the team. Answering these questions prior to the team formation removes another area of uncertainty.

More tools are not necessarily better. Lu et al. (2006) in a study of global teams used by Intel found that too much variety in team practices

had a negative impact on trust and communication. Variety of practices included the changing of team membership, the use of different technology among different teams, and the use of varying collaboration methods among the teams at Intel. Employees suggested that Intel develop a set of standard tools and processes for its teams and make them available in one common place. Miscommunication can occur if team members do not know how to use the tools effectively (Anderson and Shane 2002).

*Selecting a Leader.* A manager should also take great care in deciding who should lead the virtual team. The leader of the team consistently has been found to have a significant impact on team dynamics (Hunsaker and Hunsaker 2008). Jarvenpaa and Leidner (1999) discovered that poor leadership or the lack of leadership could hinder or dissolve trust. Ammeter and Dukerich (2002) found that the leader characteristics were the only significant predictor of team budget performance and the perceptions of team and project performance. The important leader characteristics were how the leader communicated the task goals, how the team aligned team member goals with task goals, how the leader created a feeling of empowerment among team members, and fostered a good work ethic (p. 8). A leader also plays a crucial role in leading a group through conflict and overcoming cultural differences in communication (Jarvenpaa and Leidner 1999; Oertig and Buergi 2006).

A team leader is a major factor in the quality of communication that occurs within the group, in providing content feedback, and in establishing group norms on how to deal with social loafers who do not do their part on the team (Jarvenpaa et al. 1998). An ineffective leader can contribute to low trust in the team. For example, Jarvenpaa et al. found that teams that ignored social loafers had lower trust.

If the team is selecting its own leader, the team must appreciate the importance the leader has in the success of the team. When a virtual team leader was selected for being the first to

volunteer rather than based on needed skills, leadership was a negative factor for the team (Jarvenpaa and Leidner 1999). In high trust teams, leaders were selected based on their skills after performing for the group (demonstrating ability). High trust teams were also able to move from a procedural to a task focus as well as handling conflict adequately. A leader plays a crucial role in these activities.

**Individual Factors (Team Member Selection)**

*Personality Characteristics.* A significant consideration for selecting team members is assembling the right mix of personalities (Anthoine 2008; Powell 2004). In a virtual setting, the desired personality traits may differ than those for a face to face team. For example, the need to have several extroverted members to make everyone feel at ease may not play as large a role in a virtual setting. A manager may discover that an introverted individual may have a different online personality because of the use of alternative communication tools (Holton 2001). Virtual team members need to have a personality that allows them to work with people different from themselves (Peters and Manz 2007).

To develop virtual teams with deeper trust, team members with a higher propensity to trust should be considered first. Poon et al. (2007, p. 353) argue that “a person with a propensity to trust tends to expect the best from others and has more optimistic expectations about outcomes.” Additionally they argue that people

who are predisposed to trust are more likely to be open, cooperative, and helpful to others which will lead to better relationships and higher work satisfaction. Team members who start with a tendency to trust others will begin with a higher initial trust than members who naturally are less trusting of others (Jarvenpaa et al. 1998; Mooradian et al. 2006). Also, if the manager places people on the team who are perceived to be good to their word and to do what is right rather than to take advantage of others, the initial level of trust will be higher until something damages that trust (Meyerson et al. 1996). Therefore propensity to trust is a critical factor in a situation where the parties are not familiar with each other or have little knowledge regarding the relationship.

There are short personality instruments that may help a manager assess a person’s propensity to trust others. To measure whether a person is deemed trustworthy, a manager will have to make an evaluation based on knowing his or her employees’ workplace. It may be possible to ask the employees to evaluate how much they trust others in the office. Researchers have also found that individuals high in personality traits of agreeableness and conscientiousness were perceived as being more trustworthy (Evans and Revelle 2008). In particular, these personality assessments will be most influential in establishing benevolence and integrity trust dimensions. By understanding a person’s propensity to trust and their trustworthiness, initial assessments of team members’ willingness to work for the

**FIGURE 2**

**Factors Influencing Trust Formation in Virtual Teams**



team and their honesty will likely be greater (Colquitt et al. 2007; McKnight et al. 1998).

*Diversity v. Similarity.* Diversity in team membership is desirable for outcomes that are more creative, represent more interests, have group buy-in, and are “better” decisions (Mayo 1999). However, diversity in backgrounds and experiences may also result in more conflict and thereby impact trust formation. Selecting team members with some similarities, whether in personality, interests, needs, etc., facilitates trust creation (Meyerson et al. 1996). It is human nature to trust people who are similar to us (Koeppke 2007; Lu et al. 2009).

The manager faces a dilemma in deciding how to balance the need for diversity on a team while also having enough similarity so that team members are more likely to develop trust. To resolve this dilemma, a manager should first identify a team diverse in important skills, experiences, and backgrounds to get the task completed. Then, the manager should identify similarities between the potential teammates personalities, work habits, communication skills, and preferences and help team members realize they have these similarities by providing some interaction time or activities that allow these similarities to be shared. By demonstrating these similarities to the team members, a manager will likely improve integrity assessments.

*Peer Feedback System.* The decision of who should be on a virtual team is a crucial decision. Not only should a manager consider whether an individual has the experience and skills needed to do the task, but a manager will also need to select people that have some technical skills or at least a willingness to communicate using a variety of tools. In terms of experience, a manager should consider whether a person has experience with the subject matter but also whether a potential team member has experience with working in virtual teams.

To better understand an employee’s teamwork skills, a peer feedback system could be developed similar to ratings used to evaluate online seller/buyer exchanges. Such feedback

assessment should ask team members to evaluate a person’s timeliness of response, willingness to communicate, willingness to work with others, flexibility in schedule, etc. These evaluations should focus primarily on an individual’s willingness to work as a team member. The criteria for evaluating a team member’s performance should vary based on the needs of the company and the task of that team. From these team member satisfaction ratings, a manager may find some employees are excellent selections for additional virtual teams while others should be avoided until weaknesses are addressed (Dominick et al. 1997; Ramsay and Lehto 1994).

An established feedback system will help an organization understand which team members have the ability, benevolence, and integrity to be successful on a virtual team. Not all employees have the skills, motivation, or discipline to function well in a team environment. Due to technology requirements, the need for regular communications, and lack of direct oversight, a virtual team environment is likely even more difficult for employees to thrive. Not only will a feedback system provide information regarding a specific employee’s capabilities when assigning teams, they will also provide a basis for initial trust assessments between team members. Much like a consumer might read previous consumer ratings to evaluate an online seller, team members can view these ratings of unfamiliar individuals to get some understanding of how they had previously performed.

### **Team Building**

*Purpose of Team Building.* Once team members are selected, the next step to facilitating trust development is getting them ready to function as a team. In a typical team, Stoner and Hartman (1993) described three main goals of team building interventions: orient team members to the complexity and challenges of the team building process; facilitate members in identifying the needs and resources of the team; and establish a good process for handling team conflict. Mazany et

al. (1995) cited the goal of team building exercises as increasing the team’s efficiency and effectiveness. A critical element to team building success is to “build trust among individuals and groups throughout the organization, up and down the hierarchy” (Mazany et al. 1995, p. 51).

Goodbody (2005) suggested that an initial team building activity for a virtual team should set goals and norms for the team, secure agreement on the team’s mission, assign tasks, review team members’ roles, skills, and experience, and provide team members an opportunity to discuss the previous issues. For team building to be effective, these exercises need to focus on the skills and needs of that particular team (Woodward 2006). If the goal is to increase trust on a virtual team, activities should focus

on helping team member’s assess fellow team member’s abilities, benevolence, and integrity. One positive outcome of team building exercises is that they provide team members with an initial assessment of whether others will do what they say they will do.

*Team Building Activities.* Jarvenpaa et al. (1998) found that team building exercises provided team members with the ability to develop perceptions of each other in terms of ability, benevolence and integrity. Team building exercises in a virtual online class were effective for developing processes for future team work (Grzeda et al. 2008). In another study team building exercises were found to increase a team member’s attraction to their group (Johnston 2007).

Although team building has the potential of

**TABLE 1**

**Trust Development Exercises**

Focus of Activity	Sample Activities
Skills Showcasing (Ability)	First, the leader should share with the team the skills that each member brings to the team. John was selected for his direct marketing experience, Sally for her technical skills, Bill for a deep understanding on the product, and Mary for product innovation. Then the leader explains a problem situation that the team needs to handle. The leader directs the team that in the next hour, using only the chat room and group decision software, they must solve a problem with our new product. Give the team some guidance as to the format of the outcome. Select a problem that allows each person to play an important role so they can show what they are able to do. You want the team to succeed so that they will have confidence in the skill set and make it more likely ability-based trust will form.
Socialization (Benevolence and Integrity)	Provide the team with interesting questions to answer and interact with each other on a chat or discussion board. You want a format that allows all team members to read the responses and interact. It works best to have the team members post a picture of himself or herself so people can begin to attach the information to an image. Ask about favorite vacation spots, what would you do with \$1,000 if you had to spend it today or lose it, pet peeves in addition to basic information, etc.
Finding Similarities (Integrity)	Have team members interact using a chat or discussion board so that everyone can view the responses and interact. Have each team member find ten things they have in common with each of the other team members. You may want to forbid the obvious things (hair color, work for the same company, are a female) or just raise the number to 15 so that each member has to move beyond those things.
Reliability Showcasing (Benevolence)	As the team leader, establish norms about how the team will communicate. Then ask the team to provide you with certain information, in a certain way, by a given date. You could ask the team to provide you with the list of similarities between all team members that were generated in the earlier exercise. The goal of this exercise is for team mates to meet deadlines and do what they were asked to do. Another option would be to pair team members and ask them to work together to complete a few tasks.

increasing team performance, the benefits must be weighed against the costs to the organization (Mazany et al. 1995). The leader must be clear about the objective of the team building exercise (Miller 2007). If the purpose is to facilitate trust formation, then the benefit derived from increased trust may be a long term benefit not reflected in short term figures. We believe costs should be considered when evaluating what type of team building exercise to use with a virtual team. Conducting a face-to-face exercise may be costly but may achieve the desired results better and faster. Table I provides some examples of team building exercises to foster trust development in a virtual team.

### Communication

The frequency and quality of communication influences whether trust forms in a virtual team (Holton 2001; Hunsaker and Hunsaker 2008). In the virtual setting, the interaction between communication and trust appears strong. Jarvenpaa and Leidner (1999) found that social communication early in the team's formation was very important to the development of initial trust. They also found teams with high initial trust had early social communications with a lot of excitement and enthusiasm. Teams that ended the project with high levels of trust had predictable, regular, and equitable communication patterns throughout the project. Teams that started and ended with high trust routinely received timely messages from team members verifying that their work was received reviewed, and feedback was provided. Because communication is so important to the development of team trust, organizations should provide clear communication guidelines to their virtual teams. The leader of the team must also adhere to these guidelines.

*Set Communication Norms for Response and Action.* Since virtual team members are not located in the same place and they cannot verify through sight that a member is present or working on a project, some believe that trust is critical to monitoring (Hunsaker and Hunsaker 2008; Meyerson et al. 1996). Team members

must trust that members are doing what they are supposed to be doing and rely on status reports from each other. Uncertainty grows when communication is lax. Communication at expected points in time with sufficient information helps to remove uncertainty.

Coppola et al. (2004) found that communication must occur immediately in an online environment for trust to develop. Iaconna and Weisband (1997) in a study that examined e-mail communication between virtual team members found that members with continuous and frequent communication maintained high levels of trust with team members. Additionally, Johnston (2007) found that certain types of communication impact the formation of group cohesion. Hambley et al. (2006) found that face to face teams developed greater cohesion than chat teams and video conference teams. In a virtual setting, Jarvenpaa and Leidner (1999) found there is a deep need for team members to respond to each other's work.

Therefore group norms to direct the communication practices of team members should be set early and standardized (Hunsaker and Hunsaker 2008). For example, it is good communication practice for each team to designate a primary way of communication (e-mail, text message, team message board, etc.). Each team member should check this designated communication medium at least once every 24 hours and respond immediately when a message is received. Team members should agree to use a team calendar to record times of unavailability. Teams should discuss the suggested norms and adapt them to the specific needs and styles of the members and the group task. By establishing group communication norms, trust assessments on the benevolence and integrity dimensions will be improved. Group members will have a better understanding of their requirements and others' expectations. This will lead to more motivation towards group goals and greater honesty and openness among members.

*Match the Communication Medium to the Purpose of Communication.* There are two main theories that tie virtual team communication to trust formation. Media richness theory focuses on the type of communication that occurs and the degree to which the parties communicating can clear up ambiguities (Andres 2002; Daft et al. 1987; Jarvenpaa and Leidner 1999). Choosing the right medium is pertinent to the development of trust because increased uncertainty strains trust. See Figure 3 for media richness levels of common communication channels used in virtual settings.

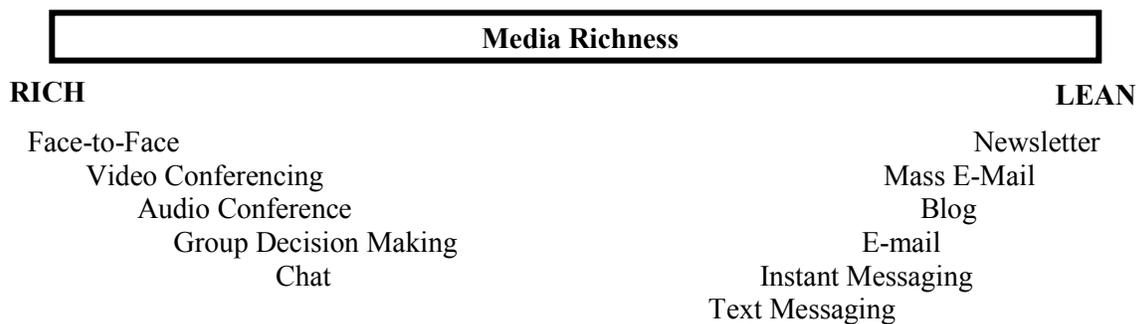
In contrast the social presence theory argues that humans have to have social interaction, often characterized as face-to-face interaction, for trust to form (Andres 2002; Jarvenpaa and Leidner 1999; Short et al. 1976; Warkentin and Beranek 1999). These face-to-face interactions contain multiple modes of communication including nonverbal cues (eye movement, facial expressions, hand gestures, body posture, and other body language) as well as paraverbal cues (tone of voice, inflection, volume, pace) (Trevino et al. 2000; Warkentin and Beranek 1999).

Communication in a virtual setting is often less rich because team members lose some of the cues that are available in a face-to-face setting (Andres 2002; Jarvenpaa and Leidner 1999). Knight et al. (2008) found that face-to-face

teams had greater group cohesion than virtual teams. In another study comparing face-to-face teams to virtual teams, Andres (2006) found that face-to-face teams exhibited more team-wide communication while subgroups of the virtual teams seemed to seek clarifications frequently, signaling confusion and perhaps mistrust. By using a wide variety of communication mediums, team members will have a greater number of experiences with each other. This variety will lead to increased assessments of all three trust dimensions over a shorter period of time.

Studies have found that effective managers know how to use the appropriate communication medium for the type of message being conveyed (Lengel and Daft 1988; Whitworth and Riccomini 2005). Lengel and Daft (1988) concluded that a high-performing manager used a rich medium for non-routine communication for which there is complexity, potential for emotional response, and no common frame of reference between the manager and the employee. Conversely, a lean medium worked best for conveying routine communications which are simple and straightforward. Organizations should also consider the source of the communication. Whitworth and Riccomini (2005) found that managers in a face to face meeting were the most credible source of information. Information conveyed in an Internet chat room was deemed the least credible source.

**FIGURE 3**  
**Richness of Virtual Communication Channels**



*Communication Types and Tools.* Organizations should ensure that all team members understand and are comfortable with using a variety of communication tools available to them. They should also know which tool and which medium to use for different types of communication. Communication that is dominant, open, attentive, friendly and relaxed was found to be positively related to group cohesion (Johnston 2007).

Despite all the tools available to teams, Grzeda et al. (2008) found that in an online setting team members often reverted to communication tools

which they were most familiar (e-mail) rather than using new methods better suited to the task. In a study comparing virtual teams who had received virtual team communication training to teams who had not, they found that team who received the training had increased levels of trust (Warkentin and Beranek 1999). Based on this finding, it is important to provide communication training in the virtual environment as part of the team building activities or orientation sessions. By increasing the number of communication methods (i.e. video conferencing, chat sessions, etc.), team members will likely experience a more rich communication environment and will build

**TABLE 2**  
**Virtual Team Factors Influence on Trust Dimensions**

	Abilities	Benevolence	Integrity
<b>Organizational Factors</b>			
Performance Evaluation and Reward	X		
Role Clarity		X	
Team Resources (time, skills, technology)	X		
Selecting a Team Leader	X		
<b>Selection of Team Members</b>			
Propensity to Trust (can I trust)		X	X
Trustworthiness (can I be trusted)		X	X
Similarities to Others			X
Feedback Systems	X	X	X
<b>Team Building</b>			
Socialization Team Building		X	X
Skills Showcasing	X		
Reliability Showcasing		X	
Similarities Recognition Activity		X	X
<b>Communication</b>			
Communication Norms for Response		X	X
Communication Medium/Task Matching	X	X	X
Communication Types and Tools	X	X	X

stronger trust with other team members across all three dimensions.

### SUMMARY OF IMPACT ON TRUST DIMENSIONS

As discussed above, trust is commonly characterized as consisting of three dimensions (Mayer et al. 1995). Ability is an assessment of whether the team member can accomplish what is asked. Benevolence is an assessment of whether the team member cares about the relationship between team members and the goals of the group. Finally, integrity is an assessment of whether the team member is a good person that is honest and open with others. The suggestions we made in the previous section to develop trust in virtual teams impacts the opportunity for team member's to determine the ability, benevolence or integrity of other team members. While all of our suggestions should improve trust among virtual team members, different ideas will impact the trust dimension in different ways. As you can see from Table II, many of the organizational factors we discussed will help to improve team member's assessments of others' abilities, while team member selection factors will more likely help to improve benevolence and integrity assessments.

### SUMMARY AND CONCLUSIONS

Trust is touted as the glue that holds virtual teams together. This article examines team building and trust formation aside from looking at the individual differences of team members. Another area for research is to focus on the personality traits of team members and the fit between a team member's propensity to trust and preferred communication choice. We believe there is a strong relationship between a team member's preferred use of media and trust development. If team members communicate in the preferred way, we posit that trust will increase. If not, then trust will decrease. The door is wide open for future work as we try to understand established theories in the virtual context as well as developing new ones that apply directly. We believe the arguments we

discussed should provide a stepping stone for future research.

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## 21<sup>st</sup> CENTURY SOCIAL CLASS THEORY AS IT APPLIES TO MARKETING

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*Within marketing, researchers and instructors have not kept up with the changes in social class theory. We examine the old social class theory still used and cited in current marketing literature and discuss the evolution and additions of cultural capital and its shift from an elite-to-mass to an omnivore-to-univore status hierarchy. In light of this shift, past consumer behavior research needs to be reviewed as well as future inclusion in empirical and theoretical research. The new social class paradigm shift explains why social class can still be applied to consumer behavior beyond market segmentation.*

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### INTRODUCTION

Borrowing from theories in economics, anthropology, sociology, and psychology, consumer research and marketing has flourished; however, the theories borrowed from different disciplines have not been balanced. For example, research in consumer behavior has been dominated by studies of the individual (Sheth 1979). Leong (1989) reported that only 4.1 percent of the references in articles published in the *Journal of Consumer Research* between 1974 and 1988 came from sociology, the science of group behavior. During the same period, 26.8 percent of the references came from psychology. In the last decade, Wells (1993) stated that marketing should pay more attention to the sociological theories that influence consumers so that conundrums could be solved.

Social class theory is an old area of sociology that has been modified in the 21<sup>st</sup> century. Unfortunately, marketing has not caught up to this new reality. Many in the discipline still rely on past marketing research assuming the old theory of social class as current. Few have delved into the theory's foundational strengths, weaknesses, and restrictions of usage and interpretations. Even fewer have actually

researched how social class theory has been evolving into something that may add new insight to past and future research.

The objectives of this article are: to educate marketing academics and practitioners in the basic history of social class theory; to identify its problems and limitations; and to introduce the 21<sup>st</sup> century's theoretical social class shift within the cultural capital concept from an elite-to-mass to an omnivore-to-univore theory. By tracking the evolution of social class theory and discussing both the positive and negative aspects, the reader can better understand sociology's theoretical shift that makes social class theory once again viable for consumer research.

### SOCIAL CLASS THEORY'S PAST

Social class refers to a status hierarchy in which groups and individuals are distinguished in terms of esteem and prestige. Among the sociological theories, social class is a pillar to the marketing academician and practitioner in that it has helped segment people by lifestyle, thus helping anticipate purchasing patterns, and has been important in segmenting product-markets by consumer types (Myers and Gutman 1974; Sobel 1983; Coleman 1960, 1983; Foxall 1975; Hisrich and Peters 1974; Levy 1966; Matthews and Slocum 1969; Myers and Mount 1973; Myers *et al.* 1971; Schaninger 1981; Shimp and Yokum 1981; Slocum and

Matthews 1970). Research suggests that consumption is distinctive across social classes by products such as furniture, clothing, and housing, by services such as health care and banking, and by switching behavior (Schaninger 1981; Gronhaug and Trapp 1988; Dawson 1989).

Social class theory began with Warner (1941) and the Yankee City series in sociology. Six social classes were identified: upper-upper, lower-upper, upper-middle, lower-middle, and lower-lower. Warner's research demonstrated that members of different social classes displayed different purchase goals and shopping behaviors. The status system crossed over into marketing in the 1950s and has been forwarded almost intact ever since.

Martineau's (1958) article provided the momentum for the 1960s (Coleman 1960; Carman 1965; Levy 1966) showing significant differences among social classes in various behaviors. Coleman cautioned that social class had been misunderstood and over-simplified. Carman was also critical of the overly simplistic manner that researchers had applied the social class concept.

Interest in this area continued into the early 1970s in the form of segmentation (Plummer 1974; Cunningham and Crissy 1972). But in the 1980s, sociology was starting to question the basic assumptions of social class theory. The critical issues were:

Do we really have the same classes now as then, and if not, what are they?  
 How do status groupings that characterize today's America affect consumer behavior?  
 How do we now tell who ranks where when we study status phenomena?  
 (Coleman 1983, p.265)

Corresponding to these criticisms, two approaches emerged: the Gilbert-Kahl and Coleman-Rainwater models.

### Sociology's Gilbert-Kahl and Coleman-Rainwater Models

Gilbert and Kahl took the 1940s sociological view of social class and combined it with theories from political economy to frame their book, *The American Class Structure: A New Synthesis* (1982). Their work was an updating of Kahl's previous synthesizing study, *The American Class Structure* (1957). Kahl treated class in the United States as essentially a matter of style, social networks, and personal prestige reputation. But in 1982 a change of mind took place: "... we have reversed the direction of emphasis...we pay more attention to capitalist ownership and to the occupational division of labor as the defining variables...then treat prestige, association, and values as derivative" (p.354). The change reflected a shift in sociology's social class underpinnings.

In contrast to the political-social basis of the Gilbert-Kahl model (1982), the Coleman-Rainwater (1978) model is based on patterns of interaction among members of society. This model defined a social class as a group who shares commonality in such social characteristics as prestige, education, occupation, social skills, status aspirations, community participation, family history, recreational habits, and physical appearance. Coleman (1983) suggested two ways to use this concept. One was to divide the consuming public into four main status groups: Upper Class, Middle Class, Working Class, and Lower Class Americans. The second was more a reminder than a new idea, namely, that it must always be kept in mind that a diversity of family situations and a nearly unbelievable range in income totals are contained in each class.

Coleman also reviewed social class theory within the marketing literature and indicated that it seemed forgotten and was not up-to-date. In fact, since almost as far back as 1960, nothing theoretically new was published in consumer behavior or marketing. Most of what appeared in print merely repeated findings from the 1950s. In the 1970s and 1980s, the

marketing discipline partially discovered Coleman's model but then neglected it for twenty years, assuming no theoretical growth. The result has been academics applying and teaching the old theory broadcloth.

### **The Old Social Class Theory and Marketing's Research Conclusions**

During the last several decades more and more marketing studies have disproved social class as a valid segmenting factor. As a result consumer behaviorists suggested that other factors were significantly better than social class as predictors of purchase behavior. Researchers argued, for example, that income was the better variable over social class in many products and situations (Hisrich and Peters 1974; Mathews and Slocum 1969; Myers *et al.* 1971; Myers and Mount 1973; Slocum and Mathews 1970; Bellenger *et al.* 1976; Schaninger 1981) while others argued that income and social class be considered simultaneously (Coleman 1960; Peters 1970; Dubois and Duquesne 1993). It was also suggested that perceived risk could explain a great deal about the way information is acquired instead of social class (Hugstad *et al.* 1987).

Besides income and perceived risk, life cycle has also been the subject of investigation (Rich and Jain 1968). For example, Levy (1966) argued that "social class variations are variations of lifestyle". Follow-up studies supported the intervening effect of lifestyle in consumption and suggested that lifestyle was a more effective variable in marketing segmentation than social class (Bellenger *et al.* 1976; Miller 1978; Dawson and Wallendorf 1985; Myers and Gutman 1974; Wells and Gubar 1966; Feslon 1975; Plummer 1971).

Likewise, consumer behaviorists kept finding the disadvantages of using social class as a variable for understanding consumer choice in market segmentation. The general consensus became that the application of social class theory works in a few situations but is not generalizable. As a result the marketing

literature on social class and patronage behaviors has not produced any unified theoretical linkages (Dawson and Wallendorf 1985). The new consensus is that social class is not a valid concept for consumption and that the patterns are no longer consequential to class reproduction. Unfortunately, the marketing consensus is based on an old, out dated theory.

It is true that the old social class theory is no longer reproduced through distinctive patterns of consumption. Alternatively, this relationship is obscured when old theorizing is used to analyze the new social formation. More specifically, all these deficiencies and problems in applying social class theory to marketing were generated in the outdated understanding of cultural capital.

### **SOCIOLOGY'S PARADIGM SHIFT OF CULTURAL PREFERENCES**

Social life has three distinct elements: economic (financial), social (relationships, organizational affiliations, and networks) and cultural (distinctive tastes, skills, knowledge, and practices). These elements compete for status or symbolic capital (Carman 1965; Bourdieu 1979). Sociology generally agrees that class is a power-based three dimensional concept. In addition to the economic and political capitals, cultural capital is a self-perpetuating sub-culture that differs in the value placed on education, solidarity of the family, religious involvement, media exposure, recreational activities, and others. More specifically, cultural capital is as Martineau (1957) states;

the friend we choose, the neighborhoods we live in, the way we spend and save our money, the educational plans we have for our children are determined in large degree along social class lines. A rich man is not just a poor man with more money. He probably has different church membership, and many different notions of right and wrong, all largely stemming from social class differentials. With its disciplinary pressures of approval and disapproval, belonging

versus ostracism, social class is a major factor shaping the individual's style of life (p. 166-7).

The concept of cultural capital has been used in sociology to study the impact of cultural reproduction on social reproduction. Sociologists developed a view of status groups ranked in terms of their appreciation of the arts and letters, their styles of clothes and language, and their use of leisure time (cultural capital). They discovered the close association between such status rankings and ranking by stratification variables including income, occupation, and years of schooling (Goffman 1951; Warner 1953; Form and Stone 1957; Gans 1974, 1985). Ethnographic studies of cultural status indicators have appeared within the American elite (Baltzell 1964; Domhoff 1974; Sennett and Cobb 1973; LeMasters 1975; Halle 1984; Fantasia 1988) as well as in occupational groups (Hugees 1958; Bensman and Lilienfeld 1991). Finally, cultural capital has been associated with symbolic forms in maintaining class socialization and status hierarchy (Bourdieu 1984, 1985; Bourdieu 1977; DiMaggio and Mohr 1985; Lamont and Lareau 1988).

Cultural capital is relevant to social consumption and marketing research in that consumer goods have a significance that goes beyond their utilitarian character and commercial value. This significance rests largely in their ability to carry and communicate cultural meaning (Douglas and Isherwood 1979; Sahlins 1976). Cultural meaning flows continually between its locations in the social world, aided by the collective and individual efforts of designers, producers, advertisers, and consumers. There is a traditional trajectory to this movement in that cultural meaning is drawn from a culturally constituted world and transferred to consumer goods and then drawn from the object and transferred to an individual consumer (McCracken 1986).

During the last two decades, consumer behaviorists have made the cultural significance

of consumer goods the focus of renewed academic study (Belk 1982; Felson 1975; Furby 1978; Hirschman 1980; Holman 1980; Levy 1978; McCracken 1986; Prown 1984). One of the most relevant to marketing is the elite-to-mass cultural capital theory of Bourdieu.

In his book *Distinction* (1979), Bourdieu argues that cultural capital secures the respect of others through the consumption of objects that are ideationally difficult and can be consumed only by those few who have acquired the ability to do so. A foundational premise of the theory is that categories of cultural goods and activities vary by the level of cultural capital required to successfully consume them (i.e., to fully enjoy the act of consuming).

Based on Bourdieu's cultural capital theory, the standard view of stratification in the United States is that at the top there is an educated and discerning elite with well-refined tastes and at the bottom an ignorant and stimulus-seeking mass (Brooks 1958; Goffman 1951; Glenn 1969; Shils 1961; Sobel 1983).

Therefore, the elite-to-mass portion of social class theory makes clear predictions about the arts and leisure choices of groups at different levels of the status hierarchy:

Those at the top will choose the fine arts and related leisure activities while shunning others. Those near the middle will choose derivative works and activities, while those groups at the bottom will shun the fine arts and indiscriminately choose sensational and mass-mediated entertainments (Peterson 1992, p. 246).

This distinction directly leads to different purchase behaviors with the general conclusion that social class is a salient dimension of store image and that patronage is the result of consumers seeking congruence between self and store image (Martineau 1958; Levy 1966). Others confirmed that department and specialty store patrons primarily are from upper social classes (Rich and Jain 1968; Hirschman 1980), while discount stores tend to attract lower class

consumers (Rich and Jain 1968). This pattern was more distinctive for purchases such as furniture or clothing (Schaninger 1981) that evoke higher social risk (Prasad 1975). In addition, in comparing higher and lower social classes, the former were found to spend more on books and education, but less on activities like baseball game attendance (Smelser 1976).

On the other hand, many aspects of consumer behavior show great discrepancy from social class' cultural capital prediction. For example, Rich and Jain (1968) examined women's fashion shopping behaviors and found:

- Fashion plays an important part in the lives of all women regardless of class.
- Women in various social classes seemed to find newspaper ads helpful to about the same degree.
- Women in various social classes showed no significant difference in the influence of friends on shopping.
- Most of women enjoyed shopping regardless of their social class although the reasons for shopping vary.

They questioned the usefulness of social class concepts in understanding consumer behavior because of recent changes in income, education, leisure time, movement to suburbia, and other factors. Numerous studies have indirectly questioned the old social class theory, and Bourdies' elite-to-mass portion. The central question was: Does Bourdieu's theory apply to contemporary United States? Peterson and Simkus' (1992) suggested the shift on cultural capital from elite-to-mass to omnivore-to-univore status hierarchy was one of the best answers to this problem.

#### **FROM ELITE-MASS TO THE OMNIVORE-UNIVORE THEORY**

Peterson and Simkus' (1992) meticulously disassembled social class theory to show its problems and suggested solutions. Based on Bourdieu (1984, 1985) and Wright's (1985) nature and structure of social classes, they

defined nineteen distinct groups of occupations: higher cultural, lower cultural, artists, higher technical, lower technical, higher managerial, lower managerial, higher sales, lower sales, clerical, skilled manual, semi-skilled, semi-skilled, laborers, skilled service, farmers, and farm laborers. The type of music liked best was chosen as the indicator of aesthetic taste.

The log-multiplicative technique by Goodman (1985) and elaborated by Becker and Clogg (1989) was used to simultaneously rank the occupational groups by types of music. According to the old theory, high status groups should have been exclusive in their taste and not like the non-elite group's music, but the empirical results were contrary. Peterson's study (1992, p. 248) found the higher status occupational groups tended to show high rates of participation in non-elite activities. Others (DiMaggio 1987; DiMaggio and Useem 1978) began to use the omnivore concept to explain the theory shift.

Because status is gained by knowing about, and participating in many if not all forms of activities, "the term 'omnivore' seemed appropriate for those at the top of the emerging status hierarchy," (Peterson 1992). But Peterson did not believe the findings meant the U.S. was becoming a more egalitarian society or that leisure activities and tastes in music had lost their efficacy as status markers for the elite. Instead, he proposed some tentative reasons for the emergence of the omnivore:

The fundamental humanist belief in the moral superiority of fine culture was sharply contradicted by the realities of the two World Wars.

Technical education, to an important degree, has displaced birth and cultural breeding as requisite for elite status.

Many mobile persons of diverse traditions value the customs of their past. (1992, p. 255)

At the same time other forces had operated to tame and make respectable ethic and working-

class cultural expressions. These forces included liberal education, the democratic effort to find something good in the traditions of all groups, the exposure via the mass media of folk and ethnic-based customs, food, and music. As a result, the image of the taste-exclusive highbrow, along with the ranking from snob to slob had become obsolete suggesting an alternative explanation of the elite-to-mass status hierarchy.

Since the top of the pyramid was conjectured to be the omnivore, the bottom of the pyramid was also changed. According to Peterson, “the occupational groups near the bottom are less likely to spend more hours watching television and tend to have a lower incidence of all leisure activities.” (1992, p. 253). Therefore, the most descriptive appellation for those near the base of the pyramid would seem to be ‘univore’. Unlike the high status ‘omnivore’, members of this group tend to be actively involved in just one, or at best a few, alternative aesthetic traditions. He suggested that the elite-to-mass was once correct but had become inaccurate in U.S. society. Using comparable 1982 and 1992 surveys, Peterson and Kern (1996) tested the change in tastes and found that hightowns are more omnivorous than others and that they become increasingly omnivorous over time. Finally, they suggested social changes as five factors: structural change, value change, art-world change, generational politics, and status-group politics.

Erickson (1996) argued that Boudieu’s social class theory was lacking because it was based on the French and not Americans. Also, Holt (1998) suggested “the theory should be reformulated to focus on consumption practices rather than consumption objects and on mass rather than high culture.” (p. 1). Sociologists concluded that in America, people who have high cultural status occupations tend to have wide interests on cultural capital, while people who have low cultural status occupations have narrow interests on the cultural capital dimension.

### OMNIVORE-TO-UNIVORE’S EFFECT ON CONSUMER RESEARCH

Although the theory shift has been a hot topic in sociology for almost two decades, marketing and consumer behaviorists have not incorporated this change. In fact, no research has emerged in the marketing literature integrating the social class’ cultural capital shift from an elite-to-mass status hierarchy to an omnivore-to-univore status hierarchy. We suggest that marketing adopt the omnivore-to-univore segment in that it better explains and predicts some of the past, present, and future empirical research in consumer behavior. By applying omnivore-to-univore to marketing, social class becomes a better predictor, or at least as relevant, as income and becomes a better predictor over lifestyle.

Social class research in consumer behavior has a long history, but the contributions have been minimal in marketing. This is partially because the dominant theory in marketing is both inconsistent with major trends in American society and incompatible with the socialization perspective (Shimp and Yokum 1981). Social class research in marketing tends to overemphasize the economic dimension while overlooking the cultural dimension, a primary factor to consumer behavior. Marketers have not realized the theoretical changes and have based decisions and research on an old, inappropriate theory.

According to our research, this review illuminates the key concepts for the uninitiated while clarifying to the researcher the new reality. Despite the change and development of social class theory in sociology, social class theory in marketing has not been updated since the 1960s. Instead, marketing researchers (consumer research) have kept disproving the validity of social class theory and proposing other factors, such as income, perceived risk, and life cycle, as better predictors in segmenting and predicting consumer behaviors. By understanding the cultural capital dimension we change the view of social class theory from an elite-to-mass to an omnivore-to-univore

status hierarchy, thus negating the disadvantages found in consumer research in recent decades. This shift from an elite-to-mass to an omnivore-to-univore status hierarchy significantly influences the marketing discipline. By understanding the current sociological literature, marketing and consumer research not only can reconcile past application controversies but can also see the theory as a more valid factor in the current research.

In addition to the theoretical contribution, understanding and utilizing this shift can benefit practitioners. For example, according to the omnivore-to-univore view of social class theory, consumers in the upper level of social class are different from what was believed and accepted by product/services. Therefore, products considered as consumptions by lower level social classes may also be targeted to upper level social class consumers as well. Other elements of marketing can also be reconsidered. For example, with the theory change upper level consumers should accept both high and low priced products, visit both elegant and discount stores, and can be accessed through traditionally different assumed promotional strategies. By comparing both views practitioners may discover more opportunities to target different consumer classes with the same medium and strategy.

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## CONSUMER PERCEPTIONS OF COMMUNITY BANKS: AN EXPLORATORY STUDY

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*This study examines consumer attitudes toward community banks during an era characterized by great economic turmoil and instability within the banking industry. It examines preferences among five types of financial institution (national banks, regional banks, community banks, investment houses, and brokerage firms). It analyzes the relationship between switching intentions and factors such as perceptions of bank instability, economic projections, and presence of online banking technologies. Findings indicate that those consumers who feel less confident about the economy have less confidence in the stability of banks. Additionally, findings indicate that consumers are significantly more comfortable with community banks than the other forms of banking. Finally, in terms of consumers' bank switching intentions, the intention to switch banks was impacted by the perception of bank instability and an interest in online banking is often associated with an intent to switch banks; but an intention to switch banks is not associated with the level of economic confidence. The managerial implications and suggestions for needed future research in this area are also presented.*

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### INTRODUCTION

Recent bank failures and bank stock devaluations have led many to question the safety and soundness of the banking industry as a whole. In April of 2009, US consumer confidence in banks fell to the lowest level (18 percent reporting either "a great deal" or "quite a lot" of confidence in US banks) reported since this type of survey was first conducted in 1979 (results of a Gallup Poll presented in Jacobe 2009). In May, 2009, *The Wall Street Journal* reported that the 19 largest U.S. banks are predicted to have losses approaching \$599 billion by year end 2010. The industry's inherent sensitivity to the economy, bank investments in highly leveraged mortgage-backed securities, the resultant government bailout, continuing banking industry investigations, increasing government oversight, and pending regulatory changes have damaged the reputations of small and large banks alike. While community banks were not

drivers in this crisis, they are certainly affected by it (Sheshunoff 2009). The economic crisis in a sense has forced consumers to assess the soundness of their personal financial positions, which includes a review of bank and other providers that service customer financial needs.

The purpose of this paper is to measure consumer perception of community bank safety and soundness during the spring of 2009, a critical juncture in the historical evolution of the US economy. We examine consumer usage patterns and general perceptions of community vs. regional and national banks in one Southeastern county. We also study how perceptions of the economy as a whole affect perceptions of primary bank safety/soundness, and how those concerns impact bank switching intentions. At the time of the survey, consumer confidence in national banks seemed to be waning, but with a recent spike in community bank closures, and popular press articles about national banks being "too big to fail," customer perceptions of bank soundness remain in flux. The banking industry is headed for consolidation, so these rapidly changing perceptions will certainly have an impact on the

sustainability and success of community banks. This paper makes a unique contribution to the literature by being one of the first academic research studies to address this current issue. While recently there has been surveys done by the Gallup organization and other marketing research firms along with discussions on marketing blogs, ours is one of the first academic marketing studies to look at consumer banking perceptions in the current economic situation.

In this paper, we first discuss the literature regarding the changing landscape for community banks, the role community banks serve, and the possible future outlook for community banks. We then describe the hypotheses and survey methodology. Finally, we present the results of our analysis and discuss the managerial implications of the findings. This paper hopes to stimulate additional discussion and research on consumers' banking perceptions in this changing economy.

### LITERATURE REVIEW

The current banking crisis and recession has some calling for banks to reevaluate their business practices (Cocheo 2009; Martin 2009). While there are numerous metrics by which a bank might measure its sustainability, this study uses consumer confidence in primary bank safety and soundness as a barometer for predicted retail banking success. Consumer confidence indicators attempt to gauge consumer attitudes toward various socioeconomic issues (Katona 1975). Currently, two indices, (The Conference Board's Consumer Expectation Index, and The University of Michigan's Index of Consumer Expectations) are widely used as consumer confidence indicators. However, a recent study by Bechtel (2008) suggests that a non-linear structure that combines elements of both indices provides richer information.

The Federal Reserve Bank defines community banks as those with less than \$1 billion in assets (Jagtiani 2008). These institutions serve an

important niche in the banking industry by providing loans to individuals, farmers and small businesses (Hannan and Prager 2009). The personal relationships they offer to these groups are often unavailable from larger regional and national banks. Recent literature on community banks has focused primarily on three elements: the historical evolution of the community banking segment over the last twenty years; the important market niche filled by community banks and the projected future of community banking. The remainder of this section will examine the literature on each of these areas.

### The Historical Evolution of the Community Bank Segment

Since 1990 the total number of community banks has declined 36 percent (from 9200 at the end of 1989 to 5900 at the end of 2006) (Jagtiani 2008). Additionally, the community bank share of total banking assets has also fallen during this time frame (from 18.5 percent to 10.5 percent). It is generally agreed that the primary reason for this decline has been the result of mergers and acquisitions, (Hannan and Prager 2009; Martin 2009; Jagtiani 2008) resulting from deregulation that allowed for geographic expansion via branch networks both within state boundaries and across state lines (Hannan and Prager 2009).

From 1990 to 2006 there were more than 4200 bank mergers with more than 90 percent involving the acquisition of community banks (Jagtiani 2008). Interestingly, mergers and acquisitions would have had an even larger impact on the decline of community banks if it had not been for a significant increase in community bank charters during the period 1990-2006. Data from this period indicate that more than 2000 new charters were issued to community banks during that span (Jagtiani 2008).

Analysis indicates that the majority (53 percent) of community banks lost to mergers were acquired by other community banks while 32 percent were acquired by regional banks and 15

percent were acquired by national banks (Jagtiani 2008). Yet when examined from the perspective of the value of assets acquired, another picture emerges. Community banks acquired just 30 percent of community bank assets acquired while regional banks acquired 43 percent and national banks 27 percent. This is due to the fact that community banks acquired by larger banks tended to be larger in size (Jagtiani 2008).

Concern emerges over the mergers and acquisitions of community banks by large banks because they tend to lead to a reduction in small business lending (Peek and Rosengren 1996, 1998). However, research indicates that when community banks merge with or are acquired by other small banks this reduction in small business lending is less likely to occur (Strahan and Weston 1996, 1998). The reduction in the number of community banks is significant for small business consumers in relative terms as community banks lend a greater percentage of their assets to small businesses (20 percent of all community bank loan assets) as compared to larger banks (less than 7 percent) (Jagtiani 2008).

Yet even though the overall number of community banks is in decline, during the current economic difficulty, consumers remain more confident in smaller banks than larger ones. Research conducted by KRC Research, an international market research firm, revealed that 72 percent of consumers had a “great deal or some confidence” in regional and local banks while only 40 percent expressed the same confidence in big national banks (KRC Research 2009). The same study revealed that patrons of all bank types were not inclined to switch banks, regardless of bank performance on federally mandated stress tests with 88 percent saying that they were “not likely or not at all likely” to switch banks no matter the results of the stress tests. This demonstrates that consumers extend a high degree of trust to their personal banks regardless of the current volatility in the market.

### **The Community Bank Market Niche**

There is significant concern over the loss of community banks (Sheshunoff 2009; Culberson, Jr. 2008; Streeter 2008). The reason for concern surrounds the unique niche that community banks play in delivering financial services. Community banks are the primary source of capital for small businesses and businesses with 100 or fewer employees account for 96 percent of all U.S. businesses (Sheshunoff 2009). Additionally, community banks are the primary banking source for households, agriculture, and others who require personalized services.

Research has shown that small community banks have certain advantages over large banks due to their ability to provide more personalized services to individuals and small businesses. Particularly, customers who may not be as financially savvy as some look to small banks as a source for information that may be unavailable at larger institutions (Hannen and Prager 2008). Additionally, studies have shown that larger banks tend to offer lower deposit interest rates (Park and Pennacchi 2009; Hannan and Prager 2004, 2006) and charge higher deposit fees (Hannan and Prager 2004, 2006).

In the current economic crisis, financial institutions have tightened credit and consumers of all types are finding it more difficult to borrow money. Under such more restrictive circumstances, any reduction in the credit available through community banks would have a particularly negative impact on small businesses. Because community banks play such a vital role in lending money to individuals and/or small businesses, any effort at economic recovery should include some role for community banks. Fortunately, most community banks were not directly involved in the recent banking crisis as they did not engage to the same extent in sub-prime lending, they concentrated on personalized service for individuals and small business, and they generally did not invest in exotic financial instruments (Sheshunoff 2009).

### Projections Regarding the Future of Community Banks

Despite the reduction in community banks they remain an integral part of American finance as they still account for more than 60 percent of all commercial banking organizations (Hannan and Prager 2006). However, current research suggests that community banks need new strategies for future success. Martin (2009) suggests that a new business model is needed in order for small banks to remain competitive. He notes that community banks have not only diminished in number, but they have also lost profitability in recent years. In the decade from 1996 to 2006 the smallest banks (less than \$500 million in assets) lost 21 basis points in profitability while the largest banks actually improved by 18 basis points. At the same time, the smallest banks also experienced deterioration in their net interest margins (83 basis points) while the largest banks gained 104 basis points in net interest margin. It needs to be noted though that others dispute this statement and actually show that in recent months small banks have outperformed larger banks in terms of net interest margins and net charge-offs (see *Community Banker*, January, 2009, pp. 12). Martin (2009) calls for increased attention to profitability via more loans at better rates, organic growth, a reduction in their least productive activities, and an increase in asset size of the smallest banks.

Another area of concern for small banks is cost containment. Cocheo (2009) feels that many community banks have overextended and become complacent in recent years and that measures need to be taken to become more efficient. Many community banks have been expanding the number of branch locations and he feels that in the short term this activity needs to be restricted. Additionally, he calls for a reduction in entertainment spending, donations, and routine mailings. However, he does advise that bankers not cut technology, but rather invest in technologies that improve efficiency, for example, the use of e-mail to reduce mailing costs. Further, Cocheo (2009) also suggests

that bankers examine and pursue opportunities for outsourcing.

Thus, the literature supports community banks placing a greater emphasis on technology (Streeter 2008; Trafton 2008). Streeter (2008) warns against the threat of direct online banks and states that community banks need to provide better online banking services. Direct banks, such as ING, have been taking deposits away from traditional banks in part due to their large advertising budgets. However, Streeter (2008) also advises that research indicates that customers prefer a combination of online and personalized banking, and that traditional banks have an advantage over direct banks given that they already maintain a physical presence in the markets they serve.

Trafton (2008) advises bankers to embrace Web 2.0 as a means to communicate with clients. Web 2.0 has been proven to greatly improve online communication with customers. He also suggests that mobile banking via cell phones offers opportunities for appealing to the more technologically savvy segment of the market most interested in convenience.

The vital role played by community banks will not diminish in importance even though cost efficiency continues to pressure banks to achieve economies of scale created by expansion and merger. Community banks should not abandon their core competency, which is exemplary personalized service to small businesses and individuals. Small business has been and should remain at the core of community banking activities (Culberson, Jr. 2008; O'Connell 2008; Streeter 2008). Additionally, personal services will remain important (Cocheo 2009; Culberson Jr. 2008; Streeter 2008).

### Research Hypotheses

Based on the literature described above and current events related to the economic downturn, we pose the following hypotheses regarding consumer behavior in relation to community banks.

First, a recent poll (KRC Research 2009) conducted in May of 2009 found that US consumers are almost evenly split on whether the state of the economy is getting better (39 percent) versus the worst is yet to come (35 percent). We posit that consumers who are less positive about the economy will be more concerned with their primary bank stability than consumers who are more positive about the future direction of the economy. Thus:

*H<sub>1</sub>: Consumers' concern with the stability of their primary bank is impacted by their level of economic confidence.*

Second, based on the knowledge that community banks were somewhat isolated from the banking crisis facing the country today, and the idea that community banks are better at maintaining personal relationships with their customers (which we posit will be a comfort during difficult economic times), we offer another hypothesis:

*H<sub>2</sub>: Consumers are more comfortable with community banks compared to other types of banks.*

Consumer concern does not always translate into direct consumer action. It may be that consumers who are more concerned about the economy in general will be concerned not only about the safety and soundness of their own primary bank but also that of other banks, leading them to sit tight to wait out the crisis given so many unknowns. Or it may be that if, during times of economic hardship, there would be a greater likelihood of consumer switching intentions. Thus we generate the following hypotheses:

*H<sub>3A</sub>: Consumers' level of economic confidence impacts their switching intentions.*

*H<sub>3B</sub>: Consumers who are more concerned with the stability of their primary bank will be more likely to intend to switch banks.*

One weakness of community banks, identified in the literature, is that community banks tend to lag larger banks in the adoption and

utilization of online banking technology. We also believe that consumers are increasingly interested in having the best of both worlds, a physical presence where consumers can meet face-to-face and maintain a personal relationship with a banker and access to the most convenient online banking services. Thus we postulate that:

*H<sub>4</sub>: Consumers who see online banking technology as more important will be more likely to switch banks.*

## METHODOLOGY

### Sample

The sample was a non-probability convenience sample gathered using a mall intercept technique in several locations in a southeastern Georgia county including restaurants, shopping centers, and a mall. Trained researchers collected data over a week long time period in March, 2009. There were 904 surveys collected of which 868 were usable; surveys from respondents not living in the county were not utilized.

The sample was fairly evenly split in terms of gender with 47.5 percent male and 52.5 percent female. The median age category was 26 to 35 years old. The median time living in the county category was five to nine years. The average number of people in a household was 2.83 people (standard deviation of 1.31). The majority of the sample was Caucasian at 82.8 percent. The median education level was a two-year associates degree. Finally, the median income was \$50,000 to \$74,999. Details about the sample are provided in Table One.

In comparing the sample to the Census Bureau's (2009) demographics of the southeastern county surveyed, the sample was similar in several ways. Our gender breakdown was similar to the 48.9 percent males and 51.1 percent female reported by the Census Bureau. Our median age also matched the 26.4 years reported by the Census Bureau. The average household size for the sample was also similar to the 2.52 people reported by the Census

**TABLE 1**  
**Descriptive Information on Sample**

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Items

**Age:**

18-25	36%
26-35	14.9%
36-45	15.6%
46-55	14.7%
56-65	10.4%
Over 65	8.4%

**Ethnic Group:**

Caucasian	82.8%
African American	9.7%
Hispanic	1.6%
Native American	1.0%
Mixed Race	2.1%
Other	2.7%

**Education:**

Some high school or less	.9%
High school graduate or equivalent	12.6%
Some college	33%
Two year Associates degree	8.1%
Four year College degree	23.9%
Some graduate school	5.5%
Graduate degree	16%

**Income:**

Below \$15,000	16.3%
\$15,000-\$34,999	17.5%
\$35,000-\$49,999	13%
\$50,000-\$74,999	17.5%
\$75,000-\$99,999	14.2%
\$100,000 and above	21.5%

Bureau. Also similar was the number of people with a college degree with 23.4 percent noted by the Census Bureau versus 22 percent for the sample. Finally, the median income of our sample was also similar to the \$51,404 reported by the Census Bureau. The only area of difference between our sample and that of the actual demographic profile of the county was in terms of ethnic groups; our sample skewed more Caucasian (with 82.8 percent Caucasian for our sample) compared to the 67.7 percent reported by the Census Bureau and less African American (with 9.7 percent for our sample) compared to the 27.7 percent reported by the

Census Bureau. Thus, with the exception of under-representation of African Americans, our sample demographics were very similar to that of the county as a whole.

**Measures and Hypotheses Testing**

For our first hypothesis, consumers’ concern with the stability of their primary bank is impacted by their level of economic confidence, to measure economic confidence, the three item economic confidence measure of Bechtal (2008) was utilized. The measure was unidimensional (utilizing Principle Component Analysis) and reliable (coefficient alpha of .75). The three survey questions (measured with three item scales ranging from one meaning worse, two meaning the same, and three meaning better) addressed expected changes in the next six months in terms of general business conditions, available jobs in ones’ area, and total family income. The mean score for the general business condition item was 2.11 (standard deviation .69) suggested that on average people feel general business conditions will be the same six months from now. The mean score for available jobs was 1.89 (standard deviation .75) suggesting that there are perceptions of somewhat fewer jobs six months from now. Finally, for the mean score for total family income was 2.06 (standard deviation .59) suggesting that on average people feel that their total family income will be approximately the same six months from now. Thus, for the economic confidence items as a whole (mean 2.02, standard deviation .65), people expect that the economic conditions will remain relatively unchanged during the next six months.

To test consumers’ concern with the stability of their bank, a single item measure asking “Given the current state of the economy, how confident are you in the stability of your primary bank?” was utilized, measured on a five point Likert scale (one meaning very unconfident, three meaning indifferent, and five meaning very confident) as developed by the authors. The mean stability score was 3.96 (standard deviation .95) suggesting that on average

people are confident in the stability of the primary bank.

For our second hypothesis, consumers are more comfortable with community banks compared to other types of banks, to measure comfort with banks, the respondents were asked to rate five categories of banks (National Banks, Regional Banks, Community Banks, Brokerage Firms, and Investment Management Firms) on a five point Likert scale (1 meaning least comfortable, 3 meaning indifferent, and 5 meaning most comfortable) as developed by the authors.

For our third hypotheses (H<sub>3a</sub> and H<sub>3b</sub>) dealing with consumer bank switching intentions, bank switching intentions was measured with a single item measure created by the authors, “Other than as a result of moving, have you switched or considered switching your primary bank within the past 12 months” measured on a three item scale (one meaning that they have not considered switching banks, two meaning that they have considered switching banks, and three meaning that they have switched banks in the last 12 months). Overall, 74.3 percent of the sample had not considered switching banks, 19.6 percent had considered switching banks, and 6 percent had switched banks in the last 12 months. It is important to note that similar to KRC Research (2009), we found that the

majority of consumers are not considering switching banks.

Finally, for our fourth hypothesis, consumers who see online banking technology as more important will be more likely to switch banks, the importance of online technology impacting bank switching intentions was measured with a single item created by the authors asking how important “Better online technology at another bank” would be in enticing one to move their checking account to another bank scaled on a five point Likert scale (one meaning very unimportant, three meaning indifferent, and five meaning very important). The mean score for the importance of online technology impacting bank switching intentions was 3.64 (standard deviation 1.13) suggesting that online technology at another bank was somewhat important to impacting bank switching intentions.

**RESULTS**

*Hypothesis 1* (consumer concerns regarding primary bank stability are influenced by consumer economic confidence) was tested with ANOVA comparing mean bank confidence scores for those in the three economic confidence groups (those that feel the economy will be worse in six months, those that feel the economy will be the same in six

**TABLE 2**  
**H<sub>1</sub> ANOVA Banking Stability Results by Economic Confidence**

Economic Confidence	N	Mean	SD
Worse	153	3.81	.94
Same	454	3.91	.94
Better	172	4.28	.87
Total	779	3.97	.94

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	22.59	2	11.30	13.17	.000
Within Groups	665.84		776	.858	
Total	688.43		778		

months, and those that feel the economy will be better in six months).

The ANOVA was significant ( $F = 13.165$ ,  $p = .000$ ) as those who feel less confident in the economy have a significantly lower mean confidence bank stability score than those who feel the economy will be the same or better in the next six months. Thus there is support for Hypothesis 1 that consumers' confidence in the stability of their primary bank is impacted by their level of economic confidence. The details of the ANOVA test are provided in Table Two.

*Hypothesis 2* (consumers are more comfortable with community banks compared to other types of banks) was tested utilizing both a series of one sample t-tests (test value of 3 meaning indifferent) and paired sample t-tests comparing comfort levels of Community Banks with the other four banking categories.

For Hypothesis 2 (Consumer Comfort with Community Banks), the mean comfort scores from highest to lowest for the five types of banking were as follows: Community Banks (mean 3.89, standard deviation 1.10), Regional Banks (mean 3.73, standard deviation .98), National Banks (mean 3.58, standard deviation 1.31), Brokerage Firms (mean 2.59, standard deviation 1.06), and Investment Management Firms (mean 2.51, standard deviation 1.13). The one sample t-values for each type of bank was significantly ( $p = .00$ ) different from a response of being indifferent. For the Community, Regional, and National Banks, the mean scores were significantly higher from a response of being indifferent in terms of comfort, suggesting that respondents were at least somewhat comfortable with these three types of banks. For Brokerage and Investment Management Firms, the mean scores were significantly lower than indifferent in terms of comfort, meaning that respondents were at least somewhat uncomfortable with these two types of banks.

In comparing the scores of the different types of banks, Community Banks scored the highest on where consumers would feel most comfortable

with their bank account. A series of paired sample t-tests comparing the mean score for Community Banks with the other four types of banks was significant for all four comparisons ( $p = .00$ ) with the mean comfort score for Community Banks being significantly higher than that of Regional Banks, National Banks, Brokerage Firms, and Investment Firms. These results support Hypothesis 2 as consumers are more comfortable with community banks compared to the other types of banks. These results are similar to the results offered by KRC Research (2009) suggesting that consumers are more confident with regional or local banks compared to big national banks. The details of the t-tests are provided in Table Three.

*Hypothesis 3a* (switching intentions impacted by consumer economic confidence) was tested with a chi-square comparing switching intentions (have not considered switching, have considered switching, and have switched banks) for those in the three economic confidence groups as measured by Bechtel (2008) (matched with those that feel the economy will be worse in six months, those that feel the economy will be the same in six months, and those that feel the economy will be better in six months). *Hypothesis 3b* (switching intentions impacted by consumer stability concerns) was tested with an ANOVA comparing mean confidence scores in the stability of one's primary bank with switching intentions.

For Hypothesis 3a (switching intentions impacted by economic confidence), the chi-square was insignificant at 1.78 ( $p = .777$ ) as the switching intentions did not vary much for the three economic confidence groups as almost 3/4s of the respondents in the three different economic confidence groups had not considered switching banks. This suggests that there is no difference in bank switching intentions based on consumer economic confidence. The details of the chi-square test are provided in Table Four.

For Hypothesis 3b (consumers' confidence with the stability of their primary bank differing by their switching intentions), the ANOVA was

**TABLE 3**  
**H<sub>2</sub> Comfort Level T-tests Results**

**One Sample T-Tests**

Test Value of 3 (Indifferent) with a higher score indicating a higher comfort level

Bank	t	df	Sig. (2 tailed)	Mean Difference
Community Banks	22.75	794	.00	.89
Regional Banks	20.78	781	.00	.73
National Banks	12.41	791	.00	.58
Brokerage Firms	-10.73	773	.00	-.41
Investment Mgmt Firms	-12.14	779	.00	-.49

**Paired Sample T-Test Comparing Community Versus Other Banks Comfort Mean Differences**

Bank	Mean Difference	SD	t	df	Sig. (2 tailed)
Regional versus Community Banks	-.14		1.39	-2.86	770 .00
National versus Community Banks	-.30		1.90	-2.86	776 .00
Community versus Brokerage Firms	1.28		1.50	23.60	764 .00
Community versus Investment Mgmt	1.38		1.53	24.60	770 .00

significant ( $F = 10.170, p = .000$ ) as the mean confidence score with one’s primary bank stability being significantly higher for those who have not considered switching or who have already made the switch versus those who are considering switching. The details of the ANOVA test are provided in Table Four. Additional post hoc Tukey tests showed that there were significant differences in mean confidence with their primary bank’s stability for those who have not considered switching banks compared to those who have considered switching ( $p = .00$ ) and for those who have considered switching with those who had already switched banks ( $p = .00$ ). There was not a significant difference though between those who have not considered switching and those who had ( $p = .87$ ). These results suggest that those who are not considering switching or who had already had made a switch in banks have a much higher level of confidence in the stability of their primary bank than those who are contemplating a switch.

*Hypothesis 4* (switching intentions impacted by importance of online banking technology at another bank) was tested with an ANOVA comparing mean importance of online banking technology at another bank by switching intentions.

For Hypothesis 4 (the importance of better online technology at another bank differing by switching intentions), the ANOVA was significant ( $F = 3.23, p = .04$ ) as the mean score for the importance of better online technology at another bank was highest for those who are considering switching banks. This result supports the discussion of Streeter (2008) stressing the need for community banks to provide better online banking services. The details of the ANOVA test are provided in Table Four. Additional post hoc Tukey tests showed that the mean score for the importance of better online technology being significantly lower for those who have not considered switching with those who have ( $p = .04$ ). There

**TABLE 4:**  
**H<sub>3</sub> Consumer Bank Switching Intentions**

**H<sub>3A</sub>: Switching Intentions Impact by Consumer Economic Confidence**

	Consumer Economic Confidence			Total
	Worse	Same	Better	
Have Not Considered Switching	110	332	126	568
% W/in Economic Confidence	73.3%	74.6%	73.7%	74.0%
Have Considered Switching	33	88	32	153
% W/in Economic Confidence	22%	19.8%	18.7%	20%
Have Switched Banks	7	25	13	45
% W/in Economic Confidence	4.7%	5.6%	7.6%	5.9%
Total	150	445	171	766
	100%	100%	100%	100%
	Value	df	Sig.	
Pearson Chi-Square	1.78	4	.77	

**H<sub>3B</sub>: Switching Intentions Impact Bank Stability Confidence Means**

Bank Confidence Stability	N	Mean	SD		
Have Not Considered Switching	573	4.04	.90		
Have Considered Switching	154	3.67	1.00		
Have Switched Banks	46	4.11	1.04		
Total	773	3.97	.94		
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	17.533	2	8.77	10.17	.00
Within Groups	663.72	770	.862		
Total	681.26	772			

was no significant difference in mean scores for the importance of online technology at another bank for those who have not considered switching with those who had already switched ( $p = .51$ ) or those who have considered switching with those who had already switched ( $p = .95$ ). These results suggest that better online technology at another bank is more important for those who are considering switching banks than those who have either already switched banks or are not planning a switch in banks.

**MANAGERIAL IMPLICATIONS  
AND DISCUSSION**

Not surprisingly for bank leadership, customers who view the economy as trending downward

will have increased concerns over the stability of their bank. Spring 2009 was a period of economic recession, yet the majority of respondents (approximately 80 percent) expected that general business conditions in their area would be the same or better six months in the future. As one would expect the approximately 20 percent of respondents who reported feeling pessimistic about the economy had a significantly greater concern about the stability of their primary bank.

Good news for community bankers is that while consumers are generally more comfortable with all types of banks as compared to brokerages and investment management firms, at least in times of economic hardship, consumers are significantly more comfortable using

**TABLE 5**  
**H<sub>4</sub> Impact of Technology on Switching**

**H<sub>4</sub>: Switching Intentions Impact Importance of Online Technology at Another Bank**

Importance of Online Technology	N	Mean	SD		
Have Not Considered Switching	574	3.57	1.15		
Have Considered Switching	153	3.82	1.05		
Have Switched Banks	46	3.76	1.08		
Total	753	3.63	1.13		

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	8.23	2	4.11	3.23	.04
Within Groups	955.14	750	1.27		
Total	963.37	752			

community banks than any of the other four types of financial institution included in the study, including regional and national banks. This preference contradicts the consolidation in the banking industry as a whole as community banks are swallowed by mergers and acquisitions. This means that from a strategic perspective, as economic efficiency and increasing consumer mobility provide the dual impetus to consolidate and build larger banking networks, there remains among many consumers a significant preference for smaller high-touch community banks.

While there was no significant difference in the intent to switch among those consumers who were optimistic, neutral, or pessimistic about the economy over the next six months, those consumers who reported concern about the stability of their primary bank report an increase in the intention to switch banks. This finding is important to bank marketers as it represents opportunity to capture those who intend to switch banks. Our analysis demonstrates a greater comfort level among all types of consumers with community banks. The literature review reveals that consumers believe that community banks are somewhat insulated from the current crisis in the banking industry. Therefore, it is reasonable to conclude that many of those not confident in the stability of their own bank (and contemplating a switch) would more likely be

regional and national bank customers. Community banks who go into market with messages about safety and soundness and who also strongly brand themselves as community banks (i.e., invested in the community, staffed by people well known in the community, long history in business, commitment to local charities and development projects), may benefit from the safety and soundness concerns of regional and national bank customers. Periods of economic downturn are opportunities for community banks to gain customers from regional and national competitors if the message is one of community bank security.

Finally, there is evidence that those consumers contemplating a switch of banks are also those consumers who report a high level of interest in online banking technology. As the literature review reveals that many community banks lag in this area, this represents an opportunity for community banks to strengthen their advantage over other bank types by investing in technology that will improve their ability to deliver community bank services online as well as in person. One factor that has kept community banks from adopting these technologies in the past has been cost. Today, the cost of such technology is declining so this is not the obstacle that it once was.

### Limitations and Directions for Future Research

The major limitation of this study is its reliance on a convenience sample. However, the demographic characteristics of the sample closely match those of the geographic area of study in all respects except one, ethnicity of respondents, and the sample size is large. All of the responses were gathered from a single community in Southeastern Georgia. Even so, as the county seat, a regional shopping destination, a satellite community to an urban area, and a college town, the survey area contains inhabitants from all over the country and from both rural and urban environments. Future research though would need to utilize a national probability sample to determine if our findings hold nationally.

Another limitation is that there were several single item measures utilized to test the hypotheses. Future research would need to include development and testing of multi-item measures of consumer perceptions of banking.

Finally, an area we feel would be interesting for future research is to measure if consumers are accurately aware of what kind of bank they utilize (national, regional, or community). Our questionnaire simply asked the respondents to identify their primary bank by name. We then coded these responses as national, regional, or community banks based on the size of each banks' assets. Many of the regional banks (less so with national banks) engage in clever marketing practices designed to give the impression that they are actually locally-based community banks. Thus, an interesting study would be to determine if consumers know what kind of bank they use as there is an opportunity for future research to examine marketing strategies used by non-community banks to cloud the distinction between regional and national banks in comparison to community banks. Thus, this paper hopes to spur additional research and discussion of consumer perceptions of banking in these volatile economic times.

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## THE PROVISIONS FOR A FLOURISHING MARKETING AND FINANCE DISCOURSE AND ITS IMPACT ON ORGANIZATIONAL STRUCTURE

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*For the last three decades numerous articles have discussed the need for marketing and finance dialogue. Surprisingly, a notable gap still can be found between normative suggestions for a finance-marketing interface and actual business practices. The fact that the plea for cooperation between marketing and finance has been made so many times and for so long suggests that the desired degree of interaction and integration of disciplines has not been achieved. A number of reasons can be advanced as to why organizational barriers persist and a meaningful two-way interchange between financial and marketing managers does not routinely take place. The current study addresses the roots of the problem and will attempt to integrate conventional concepts of "Brand Equity" proposed in the financial and marketing management literatures. The interrelationship of major "Brand Equity" models can serve as a promising scheme for establishing and instituting consequential dialogue and cooperation between financial managers and marketing managers. The article concludes by exploring alternative organizational structures to bring about the desired interaction.*

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### INTRODUCTION

In the summer 1981 issue of *The Journal of Marketing*, Webster (1981) reported the findings of interviews conducted with chief executive and operating officers of 30 major U.S. corporations. One of the conclusions of the research was that marketing managers were unsophisticated in their understanding of the financial dimensions of marketing decisions. Shapiro and Kirpalani (1984) also believed that the financially-oriented tools of marketing analysis were being less widely used than their potential contributions warranted, despite the fact that analytical requirements posed no major barrier due to training of recent graduates of business schools. In addition, new generations of computer hardware and software conceivably very easily can provide the needed information. Surprisingly the situation has not improved significantly since the mentioned research, although various articles have

discussed the need for marketing and finance departments to work together in developing information for the good of the corporation and to determine the importance of customer equity and the process of looking at customers as company assets (Berger, Bolton, Bowman, Griggs, Kumar, Parasuraman and Terry 2002; Zeithaml, Bolton, Deighton, Keininham, Lemon and Peterson 2006). A remarkable contrast still can be found between normative suggestions for a finance-marketing interface and actual business practices (Tucker and Tucci 1994; Dekimp and Hanssens 2000; Malta and Kohli 2000).

The fact that the plea for cooperation between marketing and finance has been made so many times and for so long suggests that the desired degree of interaction and integration of disciplines has not been achieved. Marketing departments must make their organizations aware of their importance and relevance within the management function, as they are in a precarious position and oft-times facing elimination within the corporation. (Webster 2005). A number of reasons can be advanced

as to why organizational barriers persist and a meaningful two-way interchange between financial and marketing managers does not routinely take place. Numerous articles have discussed the importance of such cross-functional business processes, particularly within customer relationship management (CRM), and their usage in both private and public business sectors (Day 1994; Hamburg, Workman and Jensen 2000; Gulledge and Sommer 2002; Injazz and Popovich 2003; Sommer 2004; Payne and Frow 2005). A recent study by Elmuti, Jia and Gray (2009), found that various managers of U.S. corporations interviewed stated that CRM aided them in improving their customer responsiveness and performance. They also found that although various managers within the organizations studied did not understand the benefits of CRM, the marketing managers were clear in their understanding of the benefits afforded by CRM in meeting the expectations of customers, as well as improving the profitability of their corporations. These findings indicate that it may well be the responsibility of marketing managers to educate their colleagues in other functional departments as to the benefits of CRM. Lambert and Sterling (1987) postulated that one of the major reasons for these organizational barriers is that the financial reporting systems were primarily developed for external reporting purposes and not for management decision making, and the fact that cost analysis for marketing purposes generally has received relatively low priority. Other reasons include different conceptualization of the tasks of financial and marketing managers, sub-optimized decisions, and professional isolation.

#### OVERALL PURPOSE OF PAPER

The overall purpose of this paper is a) to discuss the root of the problem, b) to examine what it takes to establish an effective finance and marketing interface, c) to address alternative organizational structures to bring about the desired interaction, and d) to discuss an important topic that represents a large void in the marketing and finance literature.

#### DIFFERENT PERSPECTIVES

In the following section, it will be shown that the root of the problem lies in how marketing managers and financial managers are looking at business operations quite differently. Finance and marketing are perceived to be different units of the organization, with different values and different objectives. Indeed, the traditional functional structure of corporations tends to encourage conflict by leaving marketing, finance, and production working in relative isolation from each other. The typical duties and responsibilities of financial managers are still considered to consist of a number of specific tasks such as funds acquisition, credit and payment policies, bank relations, investing excess funds, capital budgeting, establishing stockholder relations, and managing pension and profit sharing funds. The list suggests that the function of financial managers consists of performing effectively through a series of specific, isolated, but well-defined tasks.

According to Harvey and Novicevic (2001), the role of the marketing manager and their importance in the firm has been ignored by “economic theories of exchange such as transaction cost analysis” (pg. 525). The marketing manager’s role can be typified, as explained by Kotler and Keller (2008) in the thirteenth edition of *Marketing Management*, a widely used marketing management textbook. The tasks include effective control of global channels of distribution, analyzing the marketing environment with the aim of identifying and assessing the profitable market potential to invest scarce resources, selecting target markets, making decisions regarding new product development and positioning, pricing, distribution channels, physical distribution, promotion and finally, evaluating and controlling marketing performance in the marketplace (Brown 2008; Kotler and Keller 2008).

Considering the above tasks, Barra (1983), Hilton (2001) and Brown (2008) maintain that marketing activities and decision-making involves creative thinking, imagination, and

optimism about the marketplace, while financial decision-making involves dealing with realism (e.g., risk assessment of investment), control, and perhaps, overconfidence brought about by faulty calibration. However, concentration upon financial criteria tends to shorten the time horizons of decision-making, whereas a marketing orientation focuses management's attention upon the areas of a business which are critical to its future development and success. Therefore, it seems that inherently, there are rigidities in financial analysis that inhibit marketing creatively, which requires flexibility.

A great bounty can be harvested by a productive and focused relationship between the two disciplines. Marketing's credo, "Nothing Happens Until Someone Sells Something," must be supported by the fundamental tenet that, "Nothing Can Be Sold Until Finances Are in Place." Forecasting, for example, can be done in partnership, putting arenas into play for utilization of company resources (finance) to support sales of company output (marketing). Further, in identifying and targeting new prospective customers, the disciplines can interface in isolating potential accounts that both offer increase in sales/market share, but also can contribute in an effective manner to the firm's financial position. Not all these sales are profitable and valuable to the firm, and thus, finance professionals can be key in identifying the other side of this sales-driven matrix.

Excellent evidence to support the above argument comes from a study of successful American companies during the 20 years between 1961 and 1981, which concluded that the common theme in the most successful organizations was a clearly defined corporate philosophy and ethos towards their markets and the position of the company within those markets. Financial criteria were not irrelevant, but they played a much less significant role (Peters and Waterman 1982; Denison and Haaland 2004). A study conducted by Agus, Krishan and Kadir (2000) determined that a corporate philosophy that understands the

inseparability of customer needs and business goals is vital.

The organizations whose actions were governed more rigidly by financial criteria performed much less effectively over this 20-year period. Financial managers are accustomed to dealing primarily with tangible assets at the highest level of aggregation (e.g., organizational level), while marketers are frequently dealing with both tangible assets and intangible assets simultaneously at the micro level (e.g., brand level). Therefore, there may be an inherent conflict or opinion and interest which, in turn, ultimately may cause the creation of a focus on a communication gap between the two functions.

Additionally, by training, many of the individuals within the finance function may have very limited, or no, operational exposure to marketing, and in turn most marketing managers may not have much training in the financial dimensions of marketing management and other finance-related dimensions. Once associated with a financial or marketing unit, executives may grow further apart in outlook as they accept the norms and values of their entrenched colleagues. However, the reality of the business world reminds us that every company seeks certain financial objectives and, in turn, these financial objectives must be converted into marketing objectives. If these conceptual differences are not resolved, marketing and finance departments may definitively become rivals, whereas both are concerned with the performance of the whole company. Kotler and Keller (2008) also stress the need for marketing managers to wear not only a "marketing hat" but also a "financial hat" in their efforts to create profitable customers. This cooperative effort will be the key to achieve and maintain a sustainable competitive advantage.

Mission statements are utilized because of their inherent value to the focus of the organization, and thus its ultimate growth and profitability. As noted, oftentimes finance and marketing professionals "walk to the beat of a different

drum,” and a re-focus on the ultimate goal of the organization can thus bring the two disciplines into coordination and cooperation for a singular purpose. Research shows clearly those organizations with a mission statement that is accepted worked toward a return of higher profits, increased market share and greater employee satisfaction and morale than those without such a vision. The disciplines may hear a different drummer, but the cadence should be unifying.

### THE FIRM AS A SYSTEM

What is required is the conscious recognition of the organization as a “System.” According to Schoderbek, Schoderbek and Kefalas (1985), the following are the most fundamental hallmarks of General System Theory:

Interrelationship and interdependence of objects and their attributes: Unrelated and independent elements can never constitute a system.

Holism: The systems approach is not an analytical one where the whole is broken down into its constituent parts and then each of the decomposed elements is studied in isolation; rather, it is a Gestalt type of approach, attempting to view the whole and all its interrelated and interdependent parts in interaction.

Goal seeking: All systems embody components that interact, and interaction results in some goal or final state being reached or some equilibrium point being approached.

Hierarchy: Systems are generally complex wholes made up of smaller subsystems. The nesting of systems within other systems is what is implied by hierarchy. All of the sub-systems should work in harmony to reach the overall goal of the system.

The accommodation of the General System Theory has many advantages. It frees managers from viewing the task at hand from a narrow functional viewpoint. The General System Theory discards a manager’s blinders, enabling

the person to view the organization holistically. It permits a manager to view his or her goals as being related to a larger set of goals of the entire organization. Viewing the organization as a system emphasizes the fact that the goals of the subsystem must be designed to be compatible with overall systems goals. The General System Theory also allows the marketing department the ability to solve problems or aids in problem-solving approaches by the marketing individual (Choy and King 2005).

Considering the above arguments, it is imperative that a business firm be conceptualized in terms of three elements: the operating system, which includes the physical flow that goes on inside the company (e.g., people, materials, goods, etc.); the strategic design system, which directs the firm’s operating system, and includes the goals, environment information, developments that are taking place outside the firm, in the industry and in the economy, models indicating relationships that link the elements in the operating system; and a set of performance measures and standards. This component contains a series of important feedback loops that modify either the strategic design system or the operating system as needed.

The recognition of the organization as a system frees managers from viewing the task at hand from a narrow functional viewpoint. It also permits the managers to view their goals as being related to a larger set of goals of the organization. It is the task of managers to understand not only their own goals, but how these goals are integrated with broader goals which make the organization a system. Viewing goals in such a manner focuses attention on the interrelatedness of tasks that must be carried out by the different members of the organization. Areas where the financial managers can be of specific assistance to marketing managers include financial planning, performing financial evaluations of strategies, plans and programs before implementation (so as to identify their impact on profitability and other corporate objectives), to develop sound

short and long range profit plans, to assess the financial impact of all major marketing decisions, to provide financial reports used for assessing segmental contributions, and to use techniques that lead to the more efficient allocation of marketing effort.

A very promising area, for creating dialogue and cooperation between financial managers and marketing managers, is valuation of equity to a tangible, or intangible, product through a brand (e.g., brand equity) (Myers 2003; Keller and Lehmann 2006). Brand equity has been viewed from a variety of perspectives. The first perspective has used the concept of brand equity in the context of marketing decision-making, with the aim of improving the efficiency of the marketing process. Brand equity's importance is believed to lie in its ability to facilitate the effectiveness of brand introductions, as well as brand extensions, and the fact that it has a positive influence on firm's value and financial performance (Lassar, Mittal and Sharma 1995; Kim, Kim and An 2003; Delgado-Ballester and Munuera-Aleman 2005). The second perspective is financially based and views brand equity in terms of incremental discounted future cash flows that would result from branded product revenue, in comparison with the revenue that would occur if the same product did not have the brand name (Simon and Sullivan 1993; Yoo, Donthy and Lee 2000). The financial approaches estimate the overall value of a brand for investment purposes (e.g., merger, acquisition, or divesture).

### Marketing Perspective of Brand Equity

Aaker (2000) has provided the most comprehensive definition of brand equity to date:

“A set of brand assets (or liabilities) linked to a brand's name and symbol, that add to (or subtract from) a product or service” (pg. 17).

Aaker (1996) has also synthesized contemporary thinking about marketing and depicted a comprehensive yet parsimonious set

of factors that contribute to the development of brand equity. It is contemplated that, to a greater extent, the equity of a brand hinges on the number of people who purchase it regularly. Hence, the concept of brand loyalty, as well as the size and degree of this loyalty, is established as a vital component of brand equity. Strong effects of brand recognition on choice and market share are discussed and documented extensively in marketing. That is why Aaker regards the concept of brand awareness as a second component of brand equity. He discusses the content of brand awareness in terms of type of associations and is then related to traditional concepts of product positioning. Considering the PIMS findings (Buzzell 2004), perceived quality is included as another significant component. Other proprietary brand assets – such as patents, trademarks, and established channel relationships – constitute the fifth and final component.

One of Aaker's major contributions is identifying the sources of brand equity. However, Shocker (1993) has contended that the five components of brand equity are accepted largely on the basis of face validity and little attempt is made to demonstrate their relative importance or possible interrelation. A study of Baldauf, Cravens and Binder (2003) agreed with Shocker's findings. The impression left is that higher brand loyalty, awareness, and perceived quality are necessary for creating and maintaining brand equity. A review of the literature suggests that tradeoffs among five factors of the models are not discussed. Also lacking are substantial references to the financial or accounting aspects of brand equity, or even to the controversy that has characterized attempts to value brands as assets on balance sheets (Srinivasan, Pak and Chang 2005). Measuring a brand's value means identifying the sources of this value. Marketers, therefore, are interested in the process by which the value of a brand was created. Even though mergers and acquisitions capture the media's attention, they are comparatively rare. A brand should not be valued only for such occasions.

**Financial Perspective of Brand Equity**

Simon and Sullivan (1993), Srivastova, Fahey and Christensen (2001) and Sriran, Balachander and Kalwani (2007) have presented a financial-market-value-based technique for estimating a firm’s brand equity. The studies were important because they linked events (e.g., brand extensions, the development of new products, etc.) to firms’ changing stock prices and they helped to demonstrate the positive contribution a firm can glean from brand equity (Srivastova, Shervani and Fahey 1998; Srivastova, Fahey and Christensen 2001). The firms’ stock prices are used as a basis to evaluate the value of the brand equities. Brand equity is defined as “the incremental cash flows which accrue to branded products over unbranded products” (Srirdam, Balachandler and Kalwani 2007). The estimation technique extracts the value of brand equity from the value of the firm’s other assets. First, the macro approach assigns an objective value to a

company’s brands and relates this value to the determinants of brand equity. Second, “the micro approach isolates changes in brand equity at the individual brand level by measuring the response of brand equity to major marketing decisions” (Simon and Sullivan 1993, pg. 30). Simon and Sullivan also stated that financial markets do not ignore marketing factors and stock prices reflect marketing decisions.

The Financial World approach and the Interbrand Group approach, explained in Wentz and Martin (1989) and Kapferer (1992), are well-known and currently used (Ratnatunga and Ewing 2009), and use a brand-earnings multiplier or weights to calculate brand equity. The brand weights are based on both historical data such as brand share and advertising expenditures, and individuals’ judgments of other factors, such as the stability of product category, brand stability, and its international reputation. The brand equity is the product of the multiplier and the average of profits over

**Figure 1: Interrelationship Among Leading Conceptual Models of Brand Equity**

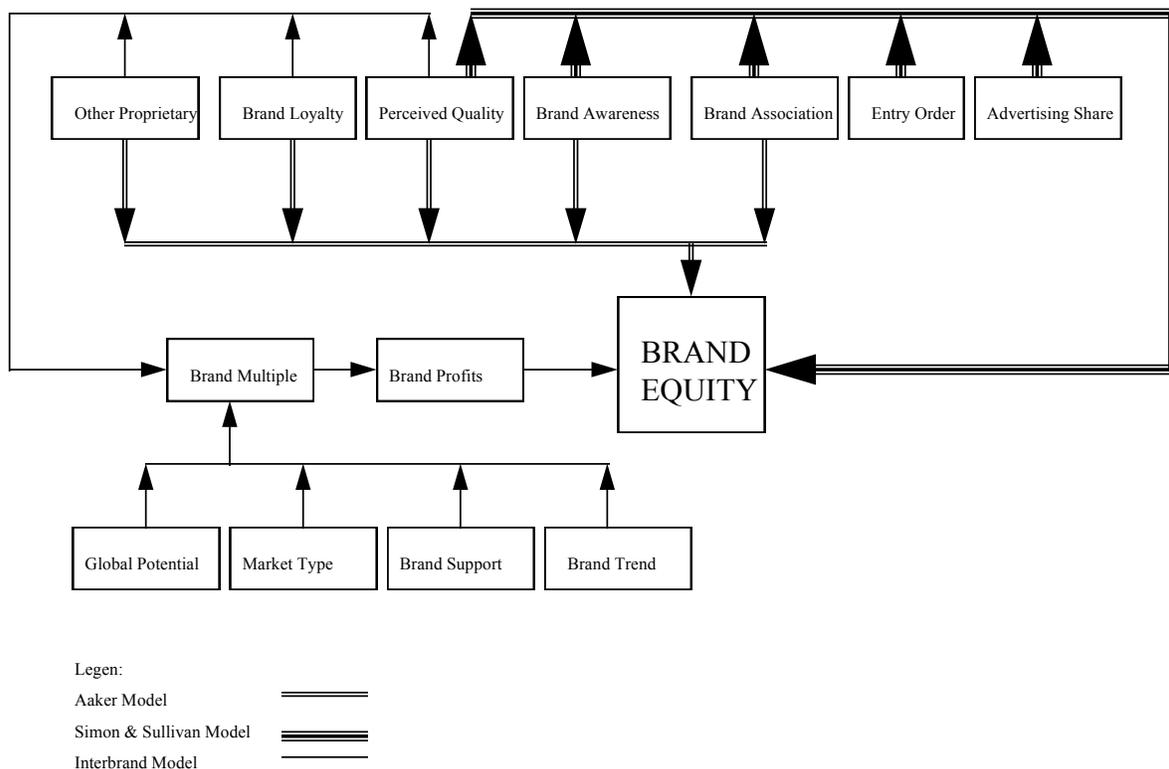
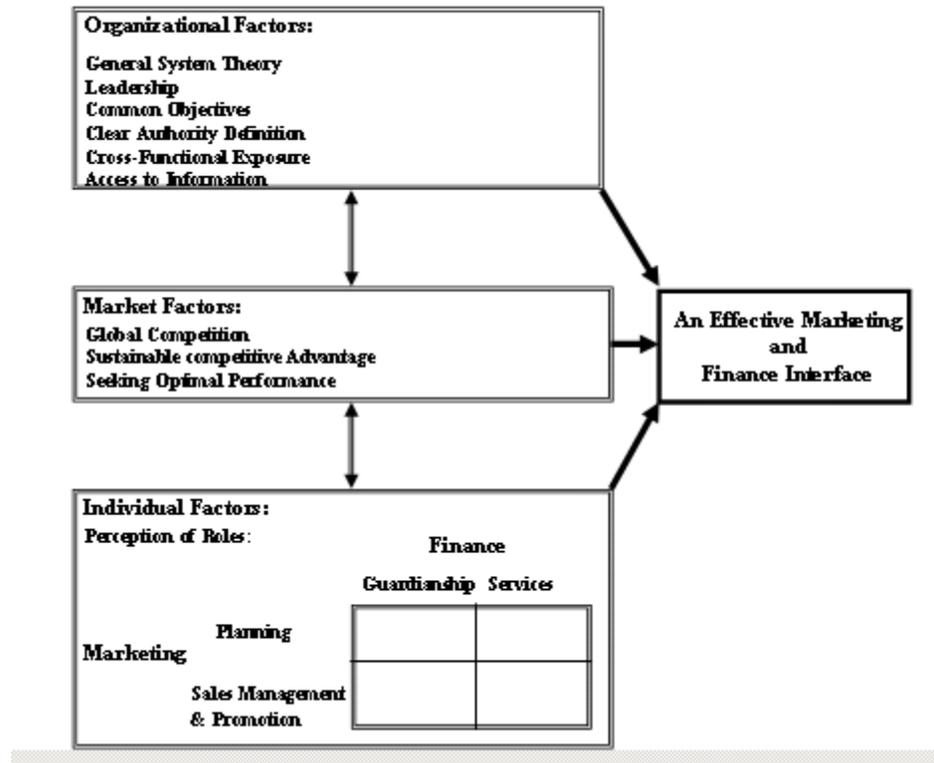


Figure 2: The Requirements for an Effective Finance and Marketing Interface



the past three years. This technique may product biased and inconsistent estimates of brand equity due to its use of historical data, which may not accurately translate into future earnings.

Each perspective takes a tunnel vision look at the brand equity concept. A combined approach can provide a more accurate estimate of brand equity and its sources. The diverse set of traditional subject areas in marketing and finance dealing with the concept of brand value should be integrated. Figure 1 depicts the interrelationship of all major brand equity models. The common denominator in all models is the utilization of one or more components of the Aaker model.

Within this realm of financial managers' interface with markets, marketers have thought of financial managers as "money people" or as "bean counters," rather than as professionals with valuable and essential skills necessary for overall success of the firm. The creativity and

market-mindedness of sales-focused professionals can easily overlook the realities of dollars and cents. Market-driven decisions which discounted important financial inputs are able to fill the obituary page of new product failures. Just because something in marketing's perspective will sell does not always parallel the effort that will product profitability and acceptance return on investment for the firm. It simply makes good managerial sense for the team concept to be implemented, wherein all key disciplines work together and thus, hopefully, create a balanced focused assessment of new marketplace alternatives.

**THE REQUIREMENTS FOR AN EFFECTIVE FINANCE AND MARKETING INTERFACE**

Trebus (1984) commented that a prerequisite for the development of an effective marketing-finance relationship must begin with the establishment of an environment conducive to cooperation. Figure 2 represents the

organizational factors, market factors and individual factors required for an effective interface.

The important factors which are operating to impede development of an effective interface between finance and marketing are cognitive, attitudinal and organizational factors. Cognitive factors may reflect lack of knowledge and full understanding of the nature and problems of marketing and the problems of finance. The adaptation of the General Systems Theory requires a very strong commitment of the CEO toward this line of thinking, clearly stating the expectations for cohesive efforts to accomplish an appropriate integration of the different orientations, and promote conflict resolution at the functional level by urging discussion and refusing the role of arbitrator. Commitment by both functions to clearly defined corporate objectives creates a common resolve, fostering cooperation and communication. The role and authority of each function must also be clearly defined and mutually accepted. Where role and authority have not been defined, each function will attempt to fill a role and exercise authority that it has defined for itself; in this case a struggle for predominance is almost inevitable. Many companies have used programs to introduce cross-functional exposure for both financial and marketing managers. In companies with an effective relationship, marketing has access to the information system in that it can obtain the information required in a relevant form through cooperation with finance. Such access, or cooperation, is usually limited or non-existent when marketing and finance have a less effective relationship.

Market factors can also play an important role for recognition of needs for cooperation. The increased attention to a financial and marketing interaction derives largely from the external pressures brought by the dynamic economic environment, which include the long-term pressure exerted on profits by inflation and recession, resulting in grater corporate emphasis on marketing profitability, the difficulty in increasing prices, requiring the

attention be paid to internal efficiency and seeking optimum performance for each marketing dollar spent.

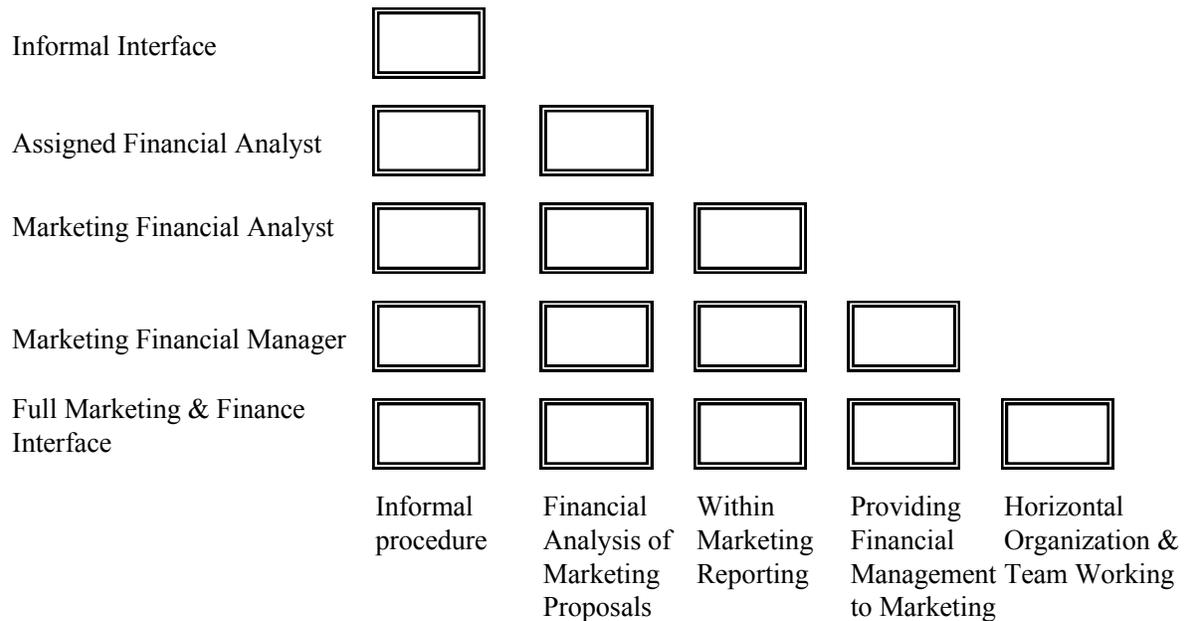
From an individual perspective, marketing managers primarily look at their roles as a combination of planning and sales management and promotion, while financial managers usually conceptualize their primary roles as financial service providers for other functions, and guardianship of corporate assets. In the absence of total integration of functions, of the four role combinations possible, the one offering the greatest potential for integration is in the area of planning and guardianship. This is a situation where pair of roles, in terms of objectives and responsibilities of the functions, is fully consistent with the concept of integration.

### **The Type of Interfaces: Organizational Structure Implications**

Once a reasonably cooperative marketing and finance relationship is developed, many companies find that a formal medium for integration is required to adequately integrate the specific activities of managers. Teamwork formation offers multiple rewards for its participants. Communication channels between marketing and finance emerge, giving rise to enhanced understanding of the differing perspectives of the team players. Additionally, common goals and perspectives are identified and the disciplines begin to intuitively realize and appreciate how each can afford the other quality ideas and inputs to help the other in its salient functions. Figure 3 presents the evolutionary path for creating a finance/marketing interface.

An informal interface has the advantage of simplicity. The potential disadvantage is that functions have no formal access to one another. A finance-based analyst assigned to marketing has the responsibility to financially analyze the marketing proposals. A marketing financial analyst position varies from the previous one in that it reports within the function it serves, and provides a link between marketing and financial

**Figure 3: The Evolutionary Path for Creating A Finance and Marketing Interface**



management. Its advantages include greater involvement of the analyst with marketing operations and personnel. The financial manager provides financial management to marketing; the responsibilities include financial input to marketing planning, provision of appropriate information for monitoring and analysis of performance, and coordination in planning and budgeting. The above traditional function organizational structures cannot very effectively accommodate the desired relationship between finance and marketing.

A promising and, to date, successful approach is the concept of the Horizontal Organization or Corporation. (Jacob 1995; Poynter and White 1990; Stough, Eom and Buckenmeyer 2000; Zhang 2002). Over the years the functional departments had grown to be strong and powerful, as they have in many organizations, often at the expense of the overall welfare of the company. The managers in the departments fight to protect and build turf, feeling loyalty and commitment to the functional fields and not to the overall corporation and its goals. The objective of the horizontal corporation is to change the narrow mind-sets of armies of corporate specialists who have spent their

careers climbing a vertical hierarchy to the top of a given function.

According to Chung (1994) and Lai (2002), the traditional approach to corporate structure and management viewed the organization as a collection of vertical departments or business units. The vertical organization created invisible departmental barriers that discouraged employees in different departments from interacting with each other, and departmental goals were typically set in a way that could cause conflicts among departments. In addition, this corporate structure was believed to be complex and inefficient (Bryan and Joyce 2005). More importantly, three key ingredients are missing from the vertical organization: the product, workflow and customer. Without a clear picture of such components, it would be difficult for management to effectively run a business. In contrast, instead of a multi-layer reporting structure, the pure form of horizontal organization consists of two core groups: a group of senior management responsible for strategic decisions, and a group of empowered employees working together in different process teams. The objective is to change the employee's focus from coordination and

reporting, to the flow and nature of work, and spend more time on activities that add value for customers. Team members are typically empowered personnel from the respective functions. Increased interaction of employees from different departments fosters close working relationships and better communication. The horizontal structure eliminates the need to devote resources to vertical communication and coordination. A payoff for horizontal organization goes beyond efficiency, improved work culture, and satisfied customers. Formulated correctly, it can become a strategic advantage for the company.

Already some of corporate America's biggest names, from American Telephone and Telegraph and DuPont to General Electric and Motorola, are redrawing their hierarchical organization charts that have defined corporate life since the Industrial Revolution. These changes are not new (Cacciatori and Jacobides 2005); rather, some of these changes have been under way for several years under the guise of "total quality management effort". The trend toward flatter organizations, in which managing across has become more critical than managing up and down in a top-heavy hierarchy. The change to this team-based organization structure was dramatic in nature (Pearce and Sims 2002), but it is believed that the horizontal structure will remain a major organizational strategy for another two decades (Lai 2002). The horizontal organization largely eliminates both hierarchy and functional or departmental boundaries and aids in the development of innovation and encourages cost savings, as well as more responsive decision-making (Lok, Hung, Walsh, Wang and Crawford 2005). In addition to a skeleton group of senior executives at the top, everyone else in the organization would work together in multi-disciplinary teams that perform core processes such as product development. Companies would organize around process instead of around narrow tasks such as forecasting market demand for a given new product (Byrne 1993). According to Mahmood, Mohammed, Misner, Yusof and Bakri (2006), the total quality management effort was thought to have "the

potential to improve business results, greater customer orientation and satisfaction, worker involvement and fulfillment, team working and better management of workers within companies" (pg. 1).

This interface can accomplish several valuable attributes. Among them is the ability to identify potentially profitable and return-on-investment based new product/services concepts early, and to develop marketing plans which are profit-based and market-driven rather than just the latter. The time required for new product development cycles will be shortened, as two disciplines work in tandem rather than marketing developing the concept solely based on market need, and then asking finance to review it ipso-facto. Both finance and marketing professionals' viewpoints are paramount in the decision-making process; having a teamwork approach allows each to garner the best from the other as the process evolves, rather than having each work in relative isolation from the other, and thus giving a one-way communication cycle the chance to create the problems discussed earlier.

Performance objectives would be linked to customer satisfaction rather than profitability or shareholder value, the assumption is that when customers are satisfied the profit will come and the stock value will rise, and that is the key to creating and maintaining a sustainable competitive advantage in the long run. The biggest challenge is to persuade people to cast off their old marketing, finance, or manufacturing hats and think more broadly. That dictates for broader thinking and can be the stumbling block in this recommended alliance. Stepping forward initially might be looked upon as a sign of functional weakness, i.e., asking for cooperation and interface due to problems within discipline. There is also the fear or rejection by the other professionals, giving rise to a do-nothing approach. The thinking stage thus must be followed by an action step.

That action can be accomplished by providing two critical elements requisite to developing

teamwork and successful interfaces: (1) incentives for all associates by buy into the association; and (2) recognition for efforts which help accomplish organizational goals. Both finance and marketing professionals can be rewarded by bonus and incentive pay systems; there is no reason why only sales representatives should be given bonus money. As teams develop with success, they should be rewarded financially for results. Recognition in the form of "President's Club," "Golden Circles," or "Company Heroes," programs give much needed psychologically-based rewards and recognition.

Finally, an absolute sense of commitment to a single vision is paramount for the successful interface; no one department, be it marketing, finance or production, can be highlighted as the key element. Each can work in its own arena with success, but the synergy of teamwork and accomplishment will be best forthcoming when all are working toward the vision of the mission of the organization. The salient term this is "we," as focus and the resultant rewards will be far greater than any one single entity could produce.

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