

MARKETING MANAGEMENT JOURNAL

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FROM THE EDITORS

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

Submissions to *Marketing Management Journal* are encouraged from those authors who possess interests in the many categories that are included in marketing management. Articles dealing with issues 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. Beginning in 2012, MMJ will feature a special section in the fall issue each year that focuses on specific topics of interest within the marketing discipline. However, the general approach of MMJ will continue to be the publication of articles appealing to a broad range of readership interests. Empirical and theoretical submissions of high quality are encouraged.

This issue marks a passing of the baton for *Marketing Management Journal*. Mike D'Amico (University of Akron) and Charles Pettijohn (Nova Southeastern University) gave of themselves tirelessly for twenty years to establish and maintain MMJ as a reputable outlet for the publication of scholarly research. It is very difficult to put into words the gratitude that the Marketing Management Association has for the contributions of these two scholars over the past two decades. So, Mike and Charlie, please accept a collective "thank you" from the MMA Publication Council, MMJ editorial team, and MMA membership. Special appreciation is expressed to Lynn Oyama of HEALTHCAREfirst, Inc. for her contributions to the journal. The editorial team looks forward to collaborating with you to continue producing a quality publication.

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MARKETING MANAGEMENT JOURNAL

January 2012

Scope and Mission

The mission of the Marketing Management Journal (MMJ) is to provide a forum for the sharing of the academic, theoretical, and practical research that may impact the development of the marketing management discipline. Manuscripts that 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.

Membership in the Marketing Management Association is required of at least one author of each manuscript accepted for publication in MMJ. A page fee is charged to support the development and publication of MMJ. Page fees are currently \$15 per page of the final manuscript.

Submission Guidelines

Manuscripts that do not conform to submission guidelines will not be distributed for review. Authors should submit manuscripts via email to mmjjournal@gmail.com. Each submission should consist of two files:

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2. A file containing the manuscript title, an abstract of no more than 150 words, keywords, and manuscript. Author identification or affiliation should not appear anywhere in this file.

Manuscripts should be submitted using 12-point Times Roman font and should not exceed 30 typewritten pages inclusive of body, tables and figures, and references. Margins must be one inch. Preparation of the manuscript should follow style guidelines in the most recent *APA Publication Manual* (6th edition). Tables and figures used in the manuscript should be included on a separate page and placed at the end of the manuscript. Authors should insert a location note within the body of the manuscript to identify appropriate placement. Tables and figures should be constructed in table mode of Microsoft Word.

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EXPLORING THE USE OF BUSINESS SOCIAL NETWORKING TOOLS IN SALES: CURRENT PERCEPTIONS AND FUTURE EXPECTATIONS

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Business organizations are readily exploring how to incorporate social networking in their business models. Business social networking tools such as Facebook and LinkedIn are being used by organizations to connect with customers and otherwise help market their products in both b2c and b2b environments. Gartner Inc. indicates that expectations surrounding the benefits of business social networking tools may be exceeding the benefits those tools actually deliver. This exploratory study examines the extent to which salespeople use business social networking tools and their perceptions of the effectiveness of those tools. The findings indicate usage of business social networking tools by salespeople is limited, and that improvements to productivity are limited. Despite the perceived limitations, salespeople believe that these tools will at some point be critical to sales success. The findings support Gartner Inc.'s contention that expectations may exceed perceived benefits.

INTRODUCTION

The past decade brought significant technological changes to the methods and tools available to salespeople. For example – sales force automation (SFA) tools of the late 1990s evolved into much more powerful and robust Customer Relationship Management (CRM) tools in the 2000s. Cell phones evolved into smartphones, capable of handling many of the tasks formerly requiring laptop computers. And, the growing acceptance of email as an appropriate method of communication has evolved to include as acceptable texting, tweeting, and social networking-based communication (Nail 2009). The evolution of these tools continues as we move to “cloud-based” computing and a tighter integration of social networking into “traditional” CRM tools (e.g., the integration of Facebook and LinkedIn with Salesforce.com; the development of Chatter for Salesforce.com).

As sales technology evolves (e.g., innovations in computer and communications technology), organizations seek to assess the strategic significance of the changes and, when appropriate, identify ways to incorporate the changes to remain competitive (Boujena et al. 2009). Because salespeople are still considered the primary relationship manager in most business-to-business buyer-seller relationships, they will need to adapt to these changes so that they may continue to play a strategic role in building and sustaining long-term customer relationships.

An area garnering the attention of the sales technology market is the incorporation of social networking into marketing (and sales). For purposes of the present study, business social networking (BSN) refers to the use of social networking for business purposes. One need only do a search of the web using the terms like “business social networking,” “social networking for business,” “social networking for marketing,” or “social networking in sales” to find a plethora of news, articles, blogs, advertisements, and related to BSN and its benefits. However, the Gartner Inc. (Gartner

Inc., www.gartner.com, is a highly respected and well established global information technology research company) indicates BSN can be characterized as technology for which expectations created by hype exceed the benefits actually realized by organizations employing these tools (Sarner, Drakos, and Prentice, 2008). The purpose of this exploratory study is to begin understanding if and how salespeople are employing BSN tools and the extent to which they are perceived as productive.

Background

It is not uncommon for adoption of new sales technology to be driven by “hype” rather than measures or evidence of results (let alone a positive R.O.I.) or met expectations (Duboff and Wilkerson, 2010; Fenn and Raskino, 2008). The Gartner Group refers to this phenomenon as the “Hype Cycle” (see Figure 01) and annually tracks emerging technology through the hype cycle. Generally speaking, the hype cycle “characterizes the typical progression of an emerging technology, from overenthusiasm through a period of disillusionment to an eventual understanding of the technology’s relevance and role in a market or domain” (Fenn, Gammage, and Raskino, 2010; Fenn and Raskino, 2008). The length of the hype cycle varies depending upon the type of technology and the predisposition of the market to respond to hype.

The “Technology Trigger” refers to the development and initial deployment of the new technology (e.g., through R&D). As the new technology is market tested and gains financial support (e.g., venture capital funding), publicity surrounding the new technology begins to spread. As the new technology gains acceptance in the market, hype begins and expectations rise despite demonstrable evidence of the technology’s ability to deliver as promised (i.e., as hyped). At the “Peak of Inflated Expectations,” trial and adoption are driven by media hype. Organizations invest in the new technology based primarily on hype, believing not adopting the new technology

represents a lost opportunity or will otherwise put the organization at a competitive disadvantage. As questions surrounding the new technology’s ability to deliver as promised begin to emerge, expectations and interest begin to fall. Publicity surrounding the new technology becomes less positive (sometimes negative) and expectations settle into the “Trough of Disillusionment.” Slowly (relatively), organizations utilizing the new technology begin to identify areas of strategic fit for the technology. During this “Slope of Enlightenment” expectations begin to rise again, but this time are based on actual usage and experience with the new technology. During this phase publicity surrounding the technology focuses on best-practices, and adoption rate increase. As expectations begin rising at a decreasing rate, the new technology enters the “Plateau of Productivity.” This final stage of the hype cycle reflects a more stable and realistic understanding of the new technology’s fit and ability to deliver value. During this stage, adoption rates increase significantly, moving beyond the 20% - 30% of the market adoption already established.

Social Networking

Computer-based social interaction has been around for 20 years or more. Appendix 01 shows excerpts from a public bulletin board hosted by Gateway (the computer company) in 1994 (before the word-wide-web). The interactions illustrate people communicating with the company and with each other – resolving issues and providing assistance. Although “archaic” by today’s web-based social networking technology standards, these early bulletin boards allowed people from around the world to communicate and share information. Social networking today is much more sophisticated, and includes rich interfaces, instant communication, audio, video, and a host of other capabilities.

Perhaps typified by Facebook, today’s version of social networking began appearing and taking root in the early 2000s. Between 2005 and today, social networking growth has

exploded and includes social networking apps for smartphones and other portable computing devices. For example, Facebook launched in early 2004, and today it reports (<http://www.facebook.com/press/info.php?statistics>, 2011) having more than 750 million active users with approximately half of its active user base logging-on to Facebook each day.

Business Social Networking (BSN)

The potential for social networking to benefit business organizations did not go unnoticed. Emerging technologies and the usage of social networking sites continue to grow in the business environment. For example, according to its website, LinkedIn currently has over 120 million members across 200 countries (<http://press.linkedin.com/about> - 2011). Further, Salesforce.com and Netsuite.com (on-line CRM tools) both include social networking components (e.g., LinkedIn) in their respective CRM modules, and Microsoft Outlook integrates social networking sites into its desktop client, making it easy for people to see what their contacts are “up to.”

Earlier technologies like sales force automation and customer relationships management required were expensive, required major changes information systems, and often failed to meet expectations (Ahearne, Srinivasan, and Weinstein, 2004; Inks and Morgan, 2001). New BSN technology is inexpensive (often free), integrates with existing information systems, and offers new ways of reaching markets and customers. For example, Facebook permits firms to create a business page that offers current or potential customers the opportunity to become “fans,” receiving immediate communication from the organization through postings (events, updates, promotions, information, etc.). As a result, firms build relationships with prospective customers and continue to develop relationship with current customers.

A recent study on the usage of social media in business found 25% of Inc. 500 companies reported using social media in their marketing strategy in 2007, one year later that number

jumped to 44% (Fisher, 2009). Social networking provides an innovative way to share information with customers (Barnes, 2010). These new communication tools do not replace traditional sales activities, but rather offer potential to make sales activities more efficient. For example, Luke (2009) found financial planners using social networking sites were able to connect with clients more often and in a shorter period than traditional communication methods (e.g., meetings, calls, emails, etc.).

Although it's difficult to determine when b2c organizations began using social networking, *interest* in its use has increased dramatically. As the hype grew, social networking tools such as Facebook, LinkedIn, Twitter, Plaxo, and others emerged to grab a share of the BSN market. The Gartner Group places BSN (during 2010 – 2011) in the “Peak of Inflated Expectations” portion of the hype cycle (Fenn, Gammage, and Raskino, 2010; Sarner, Drakos, and Prentice, 2008). This suggest the full adoption of BSN is limited to a small portion (<20%) of the potential market, and that expectations exceed results (Fenn, Gammage, Raskino, 2010; Fenn and Raskino, 2008).

As one would expect at the peak of the hype cycle (if that is where BSN resides), there is a lot of hype promoting the value of BSN, but very little (if any) empirical evidence to support the hype of BSN in a sales context. While prospecting (e.g., lead generation) is one of the primary uses of social networking (in a sales context) hyped by providers and users, other uses for these tools may exist. Given the rapid growth of social networking integration into the selling effort, it is appropriate and necessary for marketing researchers to begin empirically studying the uses and effects of such integration. Research provides managers and scholars with a better understanding of the purpose and importance of business social networking in helping salespeople develop relationships with business customers. To attain advantages of social networking in a business context, we first need to understand the specific purpose of these applications. Through this understanding, researchers may play a pivotal

role in moving BSN through the hype cycle; specifically, helping to move it from the “Peak of Inflated Expectations” to and through the “Slope of Enlightenment.”

Accordingly, the purpose of this study is to explore the extent to which salespeople adopt BSN tools. Specifically, we aim to identify BSN tools that sales professionals are using, if they are using these tools for common sales tasks (e.g., prospecting, types of networking, recruiting, marketing, customer communication, etc.), how often they are using these tools, and if they feel these tools are affecting their productivity. The result will be discussed in the context of the hype cycle, and used to develop a foundation for understanding the role and effectiveness of social networking in a sales context.

Method

Data was collected via paper-based and internet-based survey instruments. The survey instrument was developed to measure basic demographic information along with social networking usage, basic attitudes toward social networking, and extent to which these tools were used in a business context. The paper-based survey was collected during a sales symposium attended by approximately 200 sales professionals. Of the 153 questionnaires distributed at the event, 96 questionnaires were collected. Since the focus of this study is on how salespeople and sales managers use social networking, respondents not identifying themselves in sales were eliminated from further consideration. As a result, only 66 usable questionnaires were retained, for a response rate of 43 percent. An additional 200 paper-based surveys were distributed through local business connections. From that group 93 usable surveys were collected, representing a 47% response rate.

The internet-based survey was distributed to 140 salespeople and sales managers. An invitation email was sent out through the organization asking salespeople and sales managers to participate. Of those requests, 94

questionnaires were collected. Incomplete questionnaires were eliminated. This elimination resulted in 78 usable questionnaires, representing a 56% response rate for internet-based surveys. The overall response rate for the exploratory study was 48% (45% paper-based, 56% internet-based). Tables 1 and 2 present the basic demographic data from the usable surveys. Table 1 includes a breakdown of the type of position for which the respondent is employed (“Combination” refers to individuals who have both selling and sales management responsibilities) and the sex of the respondents. Table 2 shows the income and education distribution. Approximately 65 percent of the respondents earned \$60,000 per year or more and just over 60% had earned at least a bachelor’s degree.

To control for the potential effects of “position,” specifically use of BSN by sales managers being different than salespeople, five separate subsets of the data were created – each containing the 30 sales manager respondents and a random selection of 30 salespeople. The means of each group (position) on the variables of interest were compared for each of the five subsets. With the exception of Income and Years of Sales Experience, the difference in means between sales managers and salespeople on the variables of interest were not statistically significant. As a result, sales managers were retained in the total set of respondents analyzed. To gauge the extent to which respondents (salespeople and sales managers) were using BSN tools, respondents were asked to indicate how often they use one or more of the following BSN tools: LinkedIn, Xing, ecademy, Ryze, Facebook, Plaxo, Netwrkprof, Twitter, and Jigsaw. The response choices were: multiple times per day, 1-2 per day, 1-2 per week, 1-2 per month, and less than once per month. Of those, Xing, ecademy, and Ryze were used by fewer than 5% of respondents. Netwrkprof was used by roughly 18% of respondents, but less than 10% reported using it more than once per month. Given the relatively low usage of these particular BSN tool by the respondents, they were dropped from additional consideration.

**TABLE 1:
Frequency of Type of Position and Sex of Respondents**

Position	Frequency	Percent	Sex	Frequency	Percent
Salesperson	167	70.5	Male	170	71.7
Sales Manager	30	12.7	Female	66	27.8
Combination	40	16.9			
Non-Response	0	0.0	Non-Response	1	0.4
Total	237	100	Total	237	100

**TABLE 2:
Frequency of Income and Education of Respondents**

Income	Frequency	Percent	Education	Frequency	Percent
Rather Not Say (RNS)	25	10.5	High School	22	9.3
Under 20k	8	3.4	Vocational (2yr)	19	8.0
20k – 59k	51	21.5	Some College	50	21.1
60k – 99k	70	29.5	College Degree	132	55.7
100k – 149k	45	19.0	Master’s Degree	12	5.1
150k – 199k	26	11.0	Prof./Doct. Degree	0	0
200k and Over	10	4.2			
Non-Response	2	0.8	Non-Response	2	0.8
Total	237	100	Total	237	100

Table 3 below shows respondents’ usage rate of the remaining BSN tools. Respondents used Facebook and LinkedIn substantially more often than the Plaxo or Twitter. Indeed, over three-quarters of the respondents indicated they “never” used either Plaxo or Twitter. However, over 10% reported using Plaxo (18%) and Twitter (13%) at least 1-2 times per month. In contrast, respondents reported using LinkedIn (35.2%) and Facebook (51%) at least 1 – 2 *per week*.

One of the objectives of this study is to explore the extent to which BSN tools are being used in sales. Since we are interested in the use of BSN tools in general, and not simply one type of tool (e.g., LinkedIn), we classified each of the respondents into one of three groups based on combined LinkedIn, Facebook, Plaxo, and

Twitter usage. For each of those four BSN tools, respondents using the respective BSN tool 1-2 times per week or more were classified as “Frequent Users” and coded as a “1”. The remaining respondents were classified as “Infrequent Users” and coded as a “0”. A new variable called BSN Usage was created based on the summation of the coded scores. The distribution of those groups is presented in Table 7.

Cut-points for three equal groups were calculated based on the distribution of usage scores, and each respondent was categorized based on those cut-points. The resulting variable allowed each respondent to be classified as “Low Users” (summed scores of 0 to 1), “Moderate Users” (summed score of 2 to 4), or “Heavy Users” (summed score of 5 to 8).

TABLE 3: LinkedIn Usage Rate		
Usage Rate	Frequency	Valid Percent
Multiple Times per Day	8	2.9
1-2 per Day	21	7.7
1-2 per Week	67	24.6
1-2 per Month	41	15.1
< 1 per Month	38	14
Never	97	35.7
Total (21 non-responses)	272	100

TABLE 4: Facebook Usage Rate		
Usage Rate	Frequency	Valid Percent
Multiple Times per Day	32.0	11.7
1-2 per Day	46.0	16.8
1-2 per Week	62.0	22.6
1-2 per Month	21.0	7.7
< 1 per Month	17.0	6.2
Never	96.0	35.0
Total (19 non-responses)	274.0	100.0

TABLE 5; Plaxo Usage Rate		
Usage Rate	Frequency	Valid Percent
Multiple Times per Day	1.0	0.4
1-2 per Day	4.0	1.6
1-2 per Week	18.0	7.3
1-2 per Month	23.0	9.3
< 1 per Month	16.0	6.5
Never	186.0	75.0
Total (45 non-responses)	248.0	100

**TABLE 6:
Twitter Usage Rate**

Usage Rate	Frequency	Valid Percent
Multiple Times per Day	3.0	1.2
1-2 per Day	4.0	1.6
1-2 per Week	16.0	6.4
1-2 per Month	10.0	4.0
< 1 per Month	22.0	8.8
Never	195.0	78.0
Total (43 non-responses)	250.0	100.0

**TABLE 7:
BSN Usage (the higher the summed score, the more frequent the usage)**

Summed Score	Frequency	Valid %	Cumulative %
0.00	54.0	26.6	26.6
1.00	22.0	10.8	37.4
2.00	28.0	13.8	51.2
3.00	28.0	13.8	65.0
4.00	24.0	11.8	76.8
5.00	20.0	9.9	86.7
6.00	16.0	7.9	94.6
7.00	8.0	3.9	98.5
8.00	3.0	1.5	100.0
Total	203.0	100.0	
System	34.0		
Total	237.0		

Table 8 shows the number of respondents in each category.

To gain insight into differences among the three BSN Usage groups (other than usage rate), the means of each group on several independent variables were compared using a One-Way ANOVA. The independent variables include:

- Three demographic variables (sales experience, income, and education),
- Ease of use (In general, how easy is it to use business social networking sites . . . very easy, easy, neutral, difficult, very difficult),

Effectiveness of BSN for nine sales-related tasks (generating leads, qualifying leads, sales call planning, generating testimonials, establishing credibility, communicating with customers, communicating with the company, promoting products/services, and reconnecting with old contacts),

Impact of BSN on productivity (As a result of using business social networking sites, my productivity has: increased significantly, increased somewhat, not changed, decreased somewhat, decreased significantly), and

Category	Frequency	Valid %	Cumulative %
Low Users	76.0	37.4	37.4
Moderate Users	80.0	39.4	76.8
Heavy Users	47.0	23.2	100.0

Future importance of BSN to sales success (I believe the use of business social networking is currently or will one day soon be critical to the success of most salespeople: Strongly Agree, Somewhat Agree, Unsure, Somewhat Disagree, Strongly Disagree).

The results of the One-Way ANOVA are presented in Table 9. The table includes the means for each usage group on each item, along with the differences in means between Low and Moderate, Low and Heavy, and Moderate and Heavy. Differences that are statistically significant are noted (*<.05, **<.01).
Years in Sales

The mean Years in Sales for Low Users is 10 (9.95) years greater than that of Moderate Users and just over seven years greater than that of Heavy Users. Both of these differences are statistically significant at the .01 level. For this set of respondents, the mean Years in Sales for Moderate Users is 2.70 years fewer than for Heavy Users. However, the difference is not statistically significant which increases the risk associated with generalizing this result to the population.

Education

Respondents were asked to report the highest level of education they have completed. The response options included High School/GED, Vocational/Technical School (2yr), Some College, College Degree (4yr), Master's Degree, Doctoral Degree, and Professional Degree (JD, MD). Although this data is ordinal, for purposes of this analysis they were coded such that larger numbers indicated more

formal education (e.g., High School = 1, Vocational School = 2, and so forth). Differences on Education mean scores between the groups were not statistically significant.

Income

As part of the basic demographic data collected, respondents were asked to indicate their annual income by selecting one of six salary ranges, or they could opt to select "Rather Not Say (RSN)." The salary ranges options were Under 20k, 20k-59k, 60k-99k, 100k-149k, 150k-199k, and 200k or Greater. Twenty-five (13 from Low Users, 9 from Moderate Users, and 3 from Heavy Users) of the respondents replied "Rather Not Say" on the question of Income. Those cases were removed when the mean scores on Income (larger numbers indicating greater income) were compared across the three groups. The overall distribution of the Income responses (see Table 10) suggests incomes for Low Users are greater than that of Moderate Users, and that Income for Heavy Users is greater than that of Moderate Users. For example, the data shows 64.20% of the Low Users 17.1% of the Moderate Users, and 39.1% of Heavy Users earned \$100,000 or more. The One-Way ANOVA analysis also indicates Income for Low Users is greater than Income for Moderate Users (i.e., the difference in means is statistically significant). In addition, the Income for Moderate Users is lower than the Income of Heavy Users.

Ease of Use

Respondents were asked to how easy is it to use business social networking sites (such as the ones presented in the survey) using a 5-point

TABLE 9: Summary of One-Way ANOVA Results				
		Mean	Diff. from Low Users	Diff. from Moderate Users
Years in Sales	Low Users	20.53		
	Moderate Users	10.58	9.95**	
	Heavy Users	13.28	7.24**	-2.70
Income	Low Users	4.43		
	Moderate Users	3.39	1.04**	
	Heavy Users	4.23	0.20	-0.84**
Education	Low Users	3.36		
	Moderate Users	3.38	-0.02	
	Heavy Users	3.36	0.00	0.02
Ease of Use	Low Users	3.02		
	Moderate Users	2.27	0.75**	
	Heavy Users	2.13	0.89**	0.14
Generating Leads	Low Users	2.95		
	Moderate Users	2.91	0.04	
	Heavy Users	2.62	0.34	0.29
Qualifying Leads	Low Users	2.92		
	Moderate Users	2.97	-0.05	
	Heavy Users	2.66	0.26	0.32
Sales Call Planning	Low Users	2.95		
	Moderate Users	2.85	0.11	
	Heavy Users	2.49	0.46*	0.36
Testimonials	Low Users	2.94		
	Moderate Users	2.99	-0.05	
	Heavy Users	3.34	-0.40	-0.35
Credibility	Low Users	2.91		
	Moderate Users	2.95	-0.04	
	Heavy Users	2.76	0.15	0.19
Comm. w/Customers	Low Users	3.00		
	Moderate Users	3.00	0.00	
	Heavy Users	2.45	0.55**	0.55*
Comm. w/Company	Low Users	2.98		
	Moderate Users	3.13	-0.14	
	Heavy Users	2.96	0.03	0.17
Promoting	Low Users	3.00		
	Moderate Users	2.99	-0.13	
	Heavy Users	2.72	0.27	0.26
Reconnecting	Low Users	2.81		
	Moderate Users	2.37	0.44*	
	Heavy Users	2.55	0.26	-0.18

**TABLE 10:
Income Distribution**

BSU Usage Group	Income Range	Frequency	Valid Percent	Cumulative Percent
Low Users	Under 20k	1.0	1.5	1.5
	20k-59k	11.0	16.4	17.9
	60k-99k	12.0	17.9	35.8
	100k-149k	21.0	31.3	67.2
	150k-199k	14.0	20.9	88.1
	200k & Over	8.0	11.9	100.0
	Total	67.0	100.0	
Moderate Users	Under 20k	7.0	10.0	10.0
	20k-59k	25.0	35.7	45.7
	60k-99k	26.0	37.1	82.9
	100k-149k	7.0	10.0	92.9
	150k-199k	4.0	5.7	98.6
	200k & Over	1.0	1.4	100.0
	Total	70.0	100.0	
Heavy Users	Under 20k	0.0	0.00	0.0
	20k-59k	9.0	19.6	19.6
	60k-99k	19.0	41.3	60.9
	100k-149k	13.0	28.3	89.1
	150k-199k	5.0	10.9	100.0
	200k & Over	0.0	0.0	100.0
	Total	46.0	100.0	

Likert scale anchored by Very Easy (1) and Very Difficult (5). The mean on the Ease of Use item for Low Users is greater (the difference is statistically significant) than the respective means of both Moderate and Heavy Users. The difference between mean scores of Moderate and Heavy Users is not statistically significant. This suggests Moderate and Heavy Users perceived BSN tools as easier to use than did Low Users. However, the mean score for the Low Users is 3.02 (Neutral) indicating that most of members of this group (70.8%) do not perceive the use of BSN as either easy or difficult.

Sales-Related Task

Using a six-point Likert scale, respondents were asked to report the extent to which BSN tools are effective at Generating Leads, Qualifying Prospects, Sales Call Planning, Generating Testimonials, Establishing Credibility, Communicating with Customers, Communicating the Company (respondent’s company), Promoting Products/Services, and Reconnecting with old contacts. The scale response options included Very Effective, Effective, Ineffective, Very Ineffective, Indifferent, and Not Sure. For purposes of the present study, the Indifferent and Not Sure

responses were collapsed because both indicated a lack of either perceived effectiveness or ineffectiveness. Of the nine sales-related tasks, the difference between means is statistically significant for Sales Call Planning, Communication with Customers, and Reconnecting with Old Contacts. The results indicate Heavy Users found BSN more effective for Sales Call Planning and Communicating with Customers than did Low Users (i.e., the difference between means is statistically significant (at the .05 level). In addition, Heavy Users found BSN more effective for Communicating with Customers than did Moderate Users (the difference between means is statistically significant at the .01 level). Finally, Moderate Users perceived BSN tools as more effective at Reconnecting with Old Contacts than did Lower Users (.05 level).

Table 11 shows the frequency with which respondents, broken down by BSN Usage group, chose “Not Sure” or “Indifferent” to reflect their perception of BSN tools at the respective task. These results indicate roughly

90% of the Low Users are not Low Users because they perceive BSN as ineffective, rather they are uncertain as to the effectiveness of BSN. As usage increases from Low to Moderate to Heavy, uncertainty about relative effectiveness decreases.

Perceived effectiveness may not always translate into productivity. To assess usefulness of BSN, respondents were asked how the use of BSN has affected their productivity. A five-point Likert scale item was used with the following scale points: Increased Significantly, Increased Somewhat, Not Changed, Decreased Somewhat, and Decreased Significantly. Respondents were also asked about their perceptions of the importance of BSN (currently or in the future) to sales success. The item used was “I believe that BSN is currently or will one day soon be critical to the success of most salespeople,” and respondents were asked the extent to which they agreed with the statement (Strongly Agree, Somewhat Agree, Unsure, Somewhat Disagree, Strongly Disagree).

**TABLE 11:
Perceived Uncertainty as to the Benefits of Using BSN for Sales Related Tasks**

	Leads	Qualify	Planning	Testimoni- al	Credibility	Comm. w/Cust	Comm. w/Comp	Promoting	Reconnecting
Low Users	89.1	90.6	89.1	90.6	90.6	90.5	92.1	90.5	84.1
Moderate Users	46.8	45.6	41.8	49.4	46.8	38.5	41.8	48.1	26.6
Heavy Users	12.8	12.8	14.9	19.1	15.2	8.5	17	14.9	12.8

**TABLE 12:
Perceived Productivity Gain and Importance of BSN**

		Mean	Diff. from Low Users	Diff. from Mod- erate Users
SN Productivity	Low Users	2.98		
	Moderate Users	2.81	0.17*	
	Heavy Users	2.41	0.57**	0.40*
SN Critical	Low Users	2.43		
	Moderate Users	2.28	0.15	
	Heavy Users	1.79	0.63*	0.48

Again, a One-Way ANOVA was used to assess difference in means on Productivity and Criticalness among the three BSN Usage groups. The results are presented in Table 12.

The differences between the BSN Productivity mean scores of Low Users and Moderate Users, Low Users and Heavy Users, and Moderate Users and Heavy Users are statistically significant. These results indicate more frequent users are more likely to perceive productivity improvements from using BSN. The distribution of the scores on these two items is presented in Tables 13 and 14.

As one would expect, the distribution of scores shows that nearly all of the Low User respondents indicated their productivity hasn't changed. Just over 75% of the Moderate Users indicated their productivity has not changed, and only 20.7% indicated some productivity improvement. Approximately 56% of the Heavy User group indicated their productivity has increased (7.7% Significantly, 48.7% Somewhat). Interestingly, in the Heavy User group, just over 43% indicated no change in productivity (38.5%) or a decrease in productivity (5.1%).

**TABLE 13:
Distribution of Perceived Productivity Changes from BSN**

Group	Rating	Valid Percent	Cumulative Percent
Low Users	Increased Significantly	0.0	0.0
	Increased Somewhat	2.1	2.1
	Not Changed	97.9	100.0
	Decreased Somewhat	0.0	
	Decreased Significantly	0.0	
	Total	100.0	
Moderate Users	Increased Significantly	0.0	0.0
	Increased Somewhat	20.7	20.7
	Not Changed	77.6	98.3
	Decreased Somewhat	1.7	100.0
	Decreased Significantly		
	Total	100.0	
Heavy Users	Increased Significantly	7.7	7.7
	Increase Somewhat	48.7	56.4
	Not Changed	38.5	94.9
	Decreased Somewhat	5.1	100.0
	Decreased Significantly		
	Total	100.0	

The distribution of responses presented in Table 14 shows over 60% of the Low User and Moderate User respondents believe BSN is or will be critical to the success of most salespeople. This is particularly interesting given the perceptions of how BSN is impacting their productivity currently. Nearly 80% of the Heavy User group believes BSN is or will be critical to the success of most salespeople. This result isn't unexpected given the extent to which these respondents use BSN.

Discussion

The results from this exploratory study provide insight into the extent to which BSN tools are

being used in sales. First, the results suggest salespeople with approximately 20 years of experience (or more) are less likely to use BSN tools than salespeople with fewer years of experience. While they are less likely to use BSN tools, they tend to have higher incomes than salespeople with roughly half as much experience (not an unexpected finding). What is interesting about these results is the lack of a statistically significant difference in incomes between Low Users and Heavy Users despite the Low User group having an average of seven years (the mean difference is statistically significant) more sales experience than Heavy Users. This result supports the idea that the use of BSN tools, or other factors associated with

**TABLE 14:
BSN Critical to Success Now or in the Future**

Group	Rating	Valid Percent	Cumulative Percent
Low Users	Strongly Agree	21.4	21.4
	Somewhat Agree	42.9	64.3
	Unsure	17.9	82.1
	Somewhat Disagree	7.1	89.3
	Strongly Agree	10.7	100.0
	Total	100.0	
Moderate Users	Strongly Agree	32.8	32.8
	Somewhat Agree	27.6	60.3
	Unsure	27.6	87.9
	Somewhat Disagree	3.4	91.4
	Strongly Agree	8.6	100
	Total	100	
Heavy Users	Strongly Agree	43.6	43.6
	Somewhat Agree	35.9	79.5
	Unsure	17.9	97.4
	Somewhat Disagree	2.6	100.0
	Strongly Agree	0.0	
	Total	100.0	

the use of BSN tools (e.g., use of other technology like CRM and so forth), affects income. Additional research investigating the relationship between BSN usage and income is needed.

With respect to the hype cycle, these results are consistent with the Gartner group's placement of BSN as in the "Peak of Inflated Expectations" stage. First, overall adoption/incorporation of BSN tools is low. Roughly 28% of respondents reported using Facebook 1 – 2 times per day or more. If you add to that the 23% who use Facebook 1 – 2 times per week, the total is still just over half of respondents. And, while the context of the Facebook usage questions was business, it's difficult to know how much of the reported usage is for business vs. personal use. Usage of LinkedIn, a purely business oriented BSN tool, is substantially lower. Just over 10% of respondents reported using LinkedIn daily and another 25% reported using it weekly. While LinkedIn is arguably the most popular pure business BSN tool, only 35% of respondents use the tool regularly. That is the same percentage of respondents indicating they *never* use LinkedIn. The findings regarding perceived "ease of use" suggest that lack of usage is not a function of perceived difficulty with using the BSN tools. The means for all three groups on this item were 3.02 (neutral) or less, meaning respondents did not find BSN tools difficult to use.

Additional evidence of BSN's fit in the "Peak of Inflated Expectations" stage is the difference between expectation and performance. Specifically, with the exception of the Heavy User group, most of the respondents perceived no productivity gains resulting from using BSN tools. In the Heavy User group, 39% perceived no gain in productivity and 5% perceived a decrease in productivity. Despite the lack of perceived productivity improvements, an overwhelming majority of respondents (64% Low Users, 60% Moderate Users, and 80% Heavy Users group) expect BSN to be critical to the success of salespeople.

Effectiveness

Comparing user groups, Heavy Users found BSN more effective than the other user groups at Sales Call Planning and Communicating with Customers. Moderate Users found BSN more effective than Low Users for Reconnecting with Old Contacts. However, with few exceptions, the means for perceived effectiveness of BSN tools for common sales related tasks are 3 (uncertain) or less (some degree of effectiveness). What is striking about these findings is that even among Heavy Users there appears to be substantial uncertainty as to whether BSN is effective. The means for Generating and Qualifying Leads (often hyped the most as being improved by using BSN) are above 2.5 (2 = effective, 3 = Uncertain) across each user group, suggesting a lack of conviction that BSN is effective in these tasks.

Managerial Implications

This study provides additional empirical support for the notion that the hype surrounding the benefit of BSN may exceed the actual value being realized from BSN. If BSN continues through the hype cycle, managers should anticipate a period of deflated expectations before BSN's true value, if any, will be realized.

Given the rapid growth of BSN and its integration into contact management, CRM, and smartphone applications, it is likely BSN tools will be an integral part of sales technology moving forward. The objective of management should be to work with its sales force to 1) determine how BSN should be used and 2) develop performance metrics to gauge its effectiveness. Managers should resist the temptation to invest resources in BSN technology without a clear and demonstrable value-added use for these tools.

Limitations

The generalizability and otherwise usefulness of the study results should be tempered with the limitations associated with the research

methods utilized to conduct the study. First, the while taken from different sources, the samples for this study were convenience samples. As such, they may not be truly representative of the population of interest. Second, most of the measures used in this study were not previously tested. Third, some of the variables used were ordinal (e.g., those measuring effectiveness of BSN on sales tasks) and to the extent that gaps between scale points are different, drawing conclusions from a One-way ANOVA analysis can be problematic.

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Appendix 01 – Early Days of Social Networking: Selected Transcripts from Gateway's Bulletin Board in 1994

Issues Posted

"041" "94-10-04 21:17:17 EST"

"America Online I also hate Gateway's technical support and customer service The only response I get from Gateway is that "they are doing their best". Anyone knows how to get prompt response from them?"

Author Comment: This posting supports notion that people read the messages

"043" "94-11-26 22:17:35 EST"

"America Online I now have two Gateway 2000 Computer products **I'm particularly unhappy that new customers are having the same problems I had with your technical service a year ago!** Steven Goldstein (SGoldst293)"

Author Comment: Third party vouching for Gateway's good service and providing advice to other customer.

"063" "94-08-17 11:15:07 EST"

America Online Dear Mr. Imrey; I have four Gateway systems . . . **I have been using computer since CPM systems were the only personal systems. I am quite confident that**

they will fix your system. You may have to first send it in and let them try again to fix it not replace it. I do wish you luck Lee. Your fellow Gateway owner. PS Remember to always backup your drive, as you see you never know what will happen. Shipping could have even damaged the data on it.”

be bought with a three warranty. I never had this option when I bought mysystem. Any chance of being able to get it now??Doug Van TolNemesisVTRD #3 Box 1750Bristol, VT 05443(802) 453-3904O/N 1768336”

Author Comment: This post demonstrates people read and get ideas from the postings. This person wanted a 3 year warranty apparently after reading message “76”

“078” “94-07-31 15:20:54 EST”
“America Online would like to reg for warranty too... purchased myp5-60...march 1,1994...order no 2940187,also since i have your attention...my hard drive is buzzing a lot lately..didn’t do it til recently, and nothing new has been added recently either..also when im not using pc and screen saver is on..sometimes ill see ablank screen..no screncsaver ...no c prompt.. no windows program manager and the 3 lits are on all at the same time...it does not respond to clicking or return, not response to alt -ctrl-del only reset seems to do anything whats wrong with it?”

Author Comment: Shows bulletin board being used by one user to help another.

“113” “94-11-29 17:55:41 EST”
“America OnlineI have the exact same question. I posted a message today for them. I hope to receive an answer soon. But if you do first I would appreciate your contacting me. I will do the same. My name is Marchem. Thanks”

“129” “94-07-28 14:10:45 EST”
“America OnlineThis is none of my business but, if by any chance you used a credit card for your purchase and that card is a Gold whatever card, you may have an automatic warranty extension through the card company. Good Luck!Beete82”

“173” “94-07-30 05:02:19 EST”
“America OnlineTeri,Hello it’s me again. Any chance of me being able to purchase an extended warranty after the original 1 year expired. I’ve seen that new G2K systems can

ENVIRONMENTAL DYNAMICS AND FIRST-MOVER ADVANTAGES IN EMERGING MARKETS

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The study empirically analyzes the conditions under which first-mover advantages are enhanced or impaired for internationalizing service firms in emerging and developing markets. Drawing on the environmental dynamics theory of first-mover advantages (FMA), we posit that unstable and volatile emerging-market conditions hinder early entrants' ability to develop first-mover advantages. The framework is empirically analyzed using hierarchical linear modeling in the context of the recently opened Eastern European region as well as in the next frontier of Africa and the Middle East. The findings reveal that early entrants outperform later entrants in both geographic regions and the first-mover effect is moderated by environmental dynamics. Specifically, early entry is more likely to lead to sustainable competitive advantage in markets characterized by political stability and limited economic integration.

INTRODUCTION

How important have emerging and developing markets become in the global economy? According to Goldman Sachs, the combined gross national product (GNP) of the 15 leading emerging markets will overtake that of the leading developed economies (G7) by 2024 (Van Agtmael, 2009). General Motors and Coca-Cola have identified Asia, Russia, and Brazil as the regions where the majority of their growth will come from in the next decades (Olsen et al., 2005). Market analysts even suggest that for the first time ever, the recovery from the global recession of 2008 and 2009 is led by emerging market countries, including Brazil, India, and China (Miller, 2009). Effectively, emerging markets have established themselves as the engines of future global growth (Sheth, 2011).

Concurrent with the growth of emerging markets, a separate, but equally important business phenomenon is the shift toward a service-dominated economy (Goerzen &

Makino, 2007; Javalgi & Martin, 2007). The shift toward a service-dominated economy is also evident internationally. Service firm Foreign Direct Investment (FDI) now accounts for nearly two-thirds of total FDI compared with less than 50% in 1990 (UNCTAD, 2009) and services comprise the fastest growing sector of world trade for the past two decades (Pauwels & De Ruyter, 2004). Following these major shifts comes a need for a better understanding of the internationalization of service firms (e.g. Elg et al., 2008; Evans et al., 2008), particularly in emerging markets.

Emerging markets often pose challenges for service firms from industrialized countries because of resource scarcity, unstable demand, deficiencies in terms of institutions and infrastructure, and inadequately trained workers (Li & Scullion, 2010). Consequently, given the limited success Multinational Enterprises (MNEs) often have in emerging markets (Coleman & Marriott, 2008), additional research is needed to help understand how service firms establish and maintain competitive advantages in emerging markets (Peng et al., 2008).

Accordingly, the objective of this study is to examine the role of emerging-market conditions on the effects of first-mover advantages (FMA) for service firms in emerging markets. Timing of entry is an established predictor of firm performance with a long history of research in developed markets and for manufacturing firms (e.g. Carpenter & Nakamoto, 1989; Lieberman & Montgomery, 1988; Rodriguez-Pinto et al., 2011; Suarez & Lanzolla, 2007; Usero & Fernandez, 2009). The majority of research has shown that early entrants into new markets often enjoy first-mover advantages. The net result of these advantages is that “for mature consumer and industrial goods, market pioneers have sustainable market share advantages versus later entrants” (Kalyanaram et al., 1995: 214). However, services were not specifically addressed in this study.

Some recent research has also indicated the existence of FMAs in emerging markets. For example, Luo and Peng (1998), Pan et al., (1999), Isobe et al. (2000), and Cui and Lui (2005) all found evidence of significant entry-order effects, where early entrants outperformed later entrants in China. Indeed, Luo and Peng (1998, p. 155) conclude that “early investors have superior performance in profitability, sales growth, asset turnover, competitive position, and uncertainty reduction relative to late entrants.” Yet, all of these studies have focused on manufacturing firms and been confined to the specific environmental context of China.

In their review of the FMA literature, Kalyanaram et al. (1995) conclude that “research is still needed on pioneer market share advantages for *services*, retailers, and in *emerging markets*” (p. 218, italics added). While some studies have made conceptual contributions regarding FMAs and the specific environmental conditions of emerging markets (e.g. Nakata & Sivakumar, 1997), few have made empirical contributions. Given that existing research on FMAs in manufacturing firms in emerging markets has been focused primarily on China, the role of differing

environmental conditions on the creation of FMAs for service firms has not been sufficiently addressed. Thus, a fundamental research question remains: How does environmental conditions impact service firm performance in different emerging markets affect firms’ ability to secure first-mover advantages?

Theoretically, the study is based on Suarez and Lanzolla’s (2005; 2007) environmental dynamics theory of FMAs. Based on their theory, we develop a general proposition suggesting that a calmer and smoother environment enables the creation of FMAs, whereas a dynamic and rapidly changing environment inhibits the ability of early entrants to generate FMAs. To test the hypothesized framework, we examine the role of the environment on the creation of FMAs in the knowledge-intensive advertising industry.

We elect to examine the advertising industry for several reasons. First, it is a large industry with a global footprint. Several of the largest ad agencies (e.g. J.W.Thompson, Ogilvy & Mather, Young & Rubicam) have operations in nearly 100 countries. Thus, we can examine the role of entry order and environmental dynamics with the same set of firms in different markets. Second, the advertising industry is knowledge-intensive industry where the firm’s most important asset “walks out the door each night” (von Nordenflycht, 2011). It has commonly been assumed that FMAs may be confined to more capital-intensive manufacturing industries (Song et al. 1999). Thus, examining entry-order effects in a knowledge-intensive advertising industry is a heretofore underexplored context. Finally, the advertising industry has many similarities with other knowledge-intensive professional service industries (e.g. consulting, accounting, and law), which suggests that the findings of this study may be generalizable to other professional service firms (von Nordenflycht, 2011).

Theoretically, this study advances researchers’ understanding of FMAs by identifying the

contextual factors in emerging markets that affect firms' ability to gain FMAs. This study also provides valuable insights for managers to help determine which conditions favor early entrants and which favor late entrants and for emerging-market policy makers in their efforts to attract foreign direct investment and create a competitive market place.

We proceed by first briefly reviewing the literatures on FMAs and emerging-market environments. Then, we describe the internationalization process of service firms, particularly advertising agencies focusing upon traditional media. This leads to the delineation of several hypotheses on how emerging-market conditions are expected to affect the relationship between entry order and firm performance for service firms. This is followed by the empirical analysis and the study concludes with a discussion of the managerial implications.

LITERATURE REVIEW

The Relationship between Entry Order and Firm Performance

Performance effects as a result of timing of market entry have received abundant interest by researchers in management and marketing over the past several decades (e.g. Varadarajan et al., 2008; Suarez & Lanzolla, 2007; Lieberman & Montgomery, 1988; Kalyanaram et al., 1995). A general conclusion drawn from this stream of research is that early entrants into a new market enjoy advantages that later entrants do not, which result in a "significant market share penalty for later entrants" (Urban et al., 1986, p. 655).

Emerging markets present unique challenges that can inhibit the success of traditional marketing strategies (Baack & Boggs, 2008; Burgess & Steenkamp, 2006). For example, AstraZeneca, while undergoing a big push to take advantage of opportunities in emerging markets, is reluctant to solely sell the lowest-margin generic drugs as they would not help meet profitability goals (Whalen, 2010). Early

entrants into emerging markets are also faced with substantial market development efforts while coping with high demand uncertainty (Kalyanaram, 2008). Coupled with an uncertain political environment, economic crises, and changing societal attitudes, emerging markets success is a high-stakes game. This is especially so given the recent financial meltdown (Henisz & Zelner, 2010) and political instability in the Middle East and North Africa. Thus, the extent to which FMAs are achievable and sustainable in emerging markets is questionable, particularly with firms focusing on the sale of services.

Although the FMA literature has primarily dealt with firms operating in advanced economies (Rahman & Bhattacharyya, 2003), a limited body of research has found that FMAs may indeed transfer into emerging markets. In an examination of light manufacturing foreign direct investment into China, Luo and Peng (1998) found a strong competitive advantage for early entrants over late entrants in terms of returns on sales, returns on equity, sales growth, asset turnover, and competitive position. Not surprisingly, they also found that early entrants assume greater risk than later entrants. Pan et al. (1999) replicated their findings with a broader sample of almost 15,000 foreign direct investments in China, which also indicated that early entrants outperformed later entrants in terms of profitability and market share. Further support was provided by Isobe et al. (2000) who found that early entry was positively related to both profitability and market share for Japanese-Chinese international joint ventures in China. Cui and Lui (2005) also examined a large sample of investments into China and found that early entrants had larger market share than later entrants.

Although the nature of the advantage is somewhat different for service firms, we do expect that early service firm entrants will also be able to secure long-term advantages. Local market knowledge is essential for emerging-markets success (Inkpen & Ramaswamy, 2007) and the acquisition of emerging-market knowledge depends greatly on personal

relationships (Oliver & Hayward, 2007). Early entrants in emerging markets have the ability to preempt host-country human resources through acquisition of talent and establishment of influential local contacts (Frynas et al., 2006), which leads to human capital and relational capital advantages (Magnusson et al., 2009). Thus, we expect that entry order into emerging markets will be inversely related to performance, i.e. early entrants perform better than later entrants, which leads to our baseline main effect hypothesis.

H₁: Early service firm entrants in emerging markets will have higher market share than later entrants.

Environmental Dynamics Theory of First-Mover Advantages

Hunt and Morgan (1996) suggest that competitive processes are influenced by societal resources, societal institutions that frame the rules of the game (North, 1990), and public policy decisions. Thus, in addition to understanding how firm resources affect FMAs in emerging markets, it is also important to understand how environmental conditions affect FMAs in emerging markets.

Suarez and Lanzolla's (2007, 2005) environmental dynamics theory of FMAs provides a suitable theoretical foundation for our proposed framework. Suarez and Lanzolla (2007) suggest that most prior FMA research has focused on one of two areas. First, one stream has identified and classified the basic "isolating mechanisms" through which first movers' "entrepreneurial rent" can be protected from imitative competition. This includes technology leadership, consumer switching costs, and resource preemption (Lieberman & Montgomery, 1988). A second stream has described the firm-level enablers or resources and capabilities that allow organizations to exploit FMAs (e.g. Varadarajan et al., 2008).

To extend prior literature and build a comprehensive theory of FMA, Suarez and Lanzolla (2007, 2005) add "environmental enablers," which they suggest includes pace of

market evolution and pace of technology evolution. Suarez and Lanzolla (2007) limit their arguments of the role of market evolution to specific product market characteristics. Yet, we argue that their framework can be successfully expanded to encompass an emerging market's overall market evolution.

Suarez and Lanzolla (2007) suggest that market conditions which develop at a smooth and relatively slow pace enable first movers to grab a larger share of market resources and market space and make it more difficult for followers to break the early entrant's advantage. A slow, gradual pace of market development allows early entrants to keep their technology current and to organize production and supply chains to meet demand (Suarez & Lanzolla, 2005). A slow, gradual pace of market development also makes it difficult for competitors to provide a differentiated offering and slight competitive innovations can quickly be imitated by the first mover. Further, a stable environment promotes consumer learning (Polanyi, 1983), which is expected to increase switching costs in favor of the first mover.

In contrast, Suarez and Lanzolla (2007) argue that an unstable and rapidly changing environment creates uncertainty and makes sound decision making more difficult. A rapidly changing environment is also expected to create new market spaces and consumer segments that make it easier for later entrants to negate the first mover's advantages. For example, in the rapidly growing retail markets of Poland and the Czech Republic, there were recently 18 well-known, multinational retailers fighting it out for dominance (Dickinson, 2006). Thus, rapid market development is highly unfavorable for the development of FMAs and makes long-term dominance unlikely (Suarez & Lanzolla, 2005).

In sum, Suarez and Lanzolla (2005, 2007) have proposed an environmental dynamics theory of FMA. It explicitly incorporates the environment as an enabler (or disabler) of firms' ability to generate FMAs. They argue that a smooth and relatively stable environment is an important

enabling mechanism that allows early entrants to generate a sustainable competitive advantage. We suggest that their theoretical enhancement provides a useful lens to examine FMAs for advertising agencies in emerging markets.

Our conceptual framework, illustrated in Figure 1, examines three dimensions of the environment. Drawing on the traditional economic, political, and socio-cultural dimensions of the international business environment (e.g. Cavusgil et al., 2005), we examine 1) political instability, 2) economic openness, and 3) urbanization growth. We view these factors as representative and illustrative of the pace and stability of market evolution. All of our arguments are consistent with Suarez and Lanzolla’s (2005, 2007) environmental dynamics theory of FMAs and are consistent across environmental dimensions.

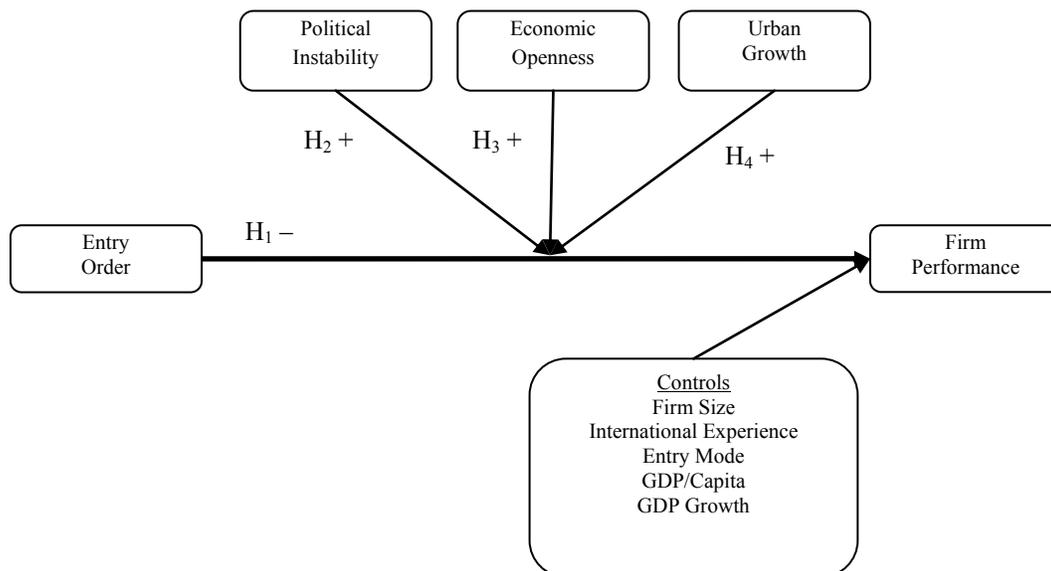
Political Instability

Specifically, we suggest that political instability will hinder the early entrant’s ability to secure FMAs. Sheth (2011) suggests that when competing in emerging markets, it is more important to attract, develop, and maintain

relationships with government institutions and their leaders than with customers or consumers. Thus, relational and informational capitals (Hunt, 2000) with institutional leaders are particularly important resources for success in emerging markets (Freeman & Sandwell, 2008). A stable political environment allows the development and maintenance of long-term relationships that can foster a sustainable competitive advantage for early entrants. However, political instability introduces uncertainty and volatility, e.g. changing economic institutions or regulations, and often leads to a change in powers, which may mean that key relational resources are now inaccessible or irrelevant. This may mean that the early entrants’ preemption of resources in the form of established relationships and networks may become obsolete in a politically volatile environment. In effect, what was once a favorable business environment may suddenly turn unfavorable, which may put later entrants at a more even footing and negate the early entrant’s advantage.

The ongoing quest for global domination between Coca-Cola and Pepsi can be used to illustrate the role of political instability. In 1972, Pepsi entered an agreement with the

**FIGURE1:
Conceptual Framework**



Soviet government, which gave Pepsi the right as the first Western brand to sell soft drinks in the Soviet Union. Thus, Pepsi had about a twenty year head start on Coca-Cola, which wasn't able to enter the country until shortly before the fall of the communist regime in the late 1980s. However, following political liberalization, Pepsi lost its preferred status, became a symbol of the old regime, and was quickly overtaken by Coca-Cola as the leading soft drink brand. In contrast, Coca-Cola was the first mover in the Indian market. Yet, when a new Indian government requested that Coke turn over its secret formula, Coke chose to exit the market in 1977. Although, Coke returned in 1993, India is one of few markets worldwide where Coke is trailing Pepsi in terms of market share (e.g. Chazan et al., 2010; Fairfield & Nguyen, 2007).

Similarly, McDonald's (Nakata & Sivakumar, 1997) and Starbucks (Roberts, 2007) have seen their leases of prime real estate in Beijing cancelled due to an abrupt change of mind of the city's leaders. This kind of "flexibility" in the rule of law is symptomatic of political uncertainty and challenges an early entrant's ability to secure long-term advantages. Accordingly, based on these theoretical arguments and anecdotal support, we advance the following hypothesis on the moderating effect of political instability:

H₂: Political instability negatively affects early entrants' ability to generate first-mover advantages.

Economic Openness

Economic openness relates to both the political and economic environment. A country's degree of integration with the global economy reflects the country's openness to international trade, which promotes the entry of foreign competition and a more competitive landscape in general. Thus, a country's degree of international economic integration serves as an indicator of entry barriers for foreign firms. Makadok (1998) found that low barriers to entry negatively affect market share advantages obtained by early entrants in the knowledge-

intensive mutual funds industry. The lack of entry barriers promotes entry of additional foreign competition and increased competition makes it more difficult for early entrants to capture higher economic rents (von Hippel, 1988).

In the context of advertising agencies, international expansion of professional service firms is often driven by the need to follow current clients into new geographies (Bouquet et al., 2004; Terpstra & Yu, 1988). Low entry barriers are important to allow the establishment of new advertising subsidiaries but also to allow entry of the network of clients that the advertising agency serves. This suggests that in an economically integrated market, late entrants may enter with an existing client base. Thus, economic integration potentially provides a late entrant with a more easily accessible customer segment, which should allow it to negate the early entrant's advantage. In contrast, limited economic integration suggests a lack of openness and protectionism. In this case, local governments may establish entry barriers limiting the amount of competition and enhancing FMAs for the firms that had been allowed to enter (Reardon et al., 1996).

Pan et al. (1999) illustrate the role of economic openness with an anecdote of Chrysler's experience in China in the mid 1990s. Although some foreign auto makers had gained access to the Chinese market, at this time, the Chinese government decided to not allow any new major foreign operations. Consequently, Chrysler was shut out and forced to wait for future opportunities. In the meantime, the early entrants had a near-monopolistic opportunity to develop customer loyalty and preempt local human talent. Accordingly, we suggest that economic openness will moderate the relationship between entry order and firm performance and we summarize these arguments in the following hypothesis.

H₃: Economic openness negatively affects early entrants' ability to generate first-mover advantages.

Urbanization Growth

Urbanization growth captures the dynamics of the socio-cultural environment, and particularly the demographic makeup of the country. As emerging markets develop, they often experience a tremendous flow of people moving from the rural country side to the urban centers. For example, in 1990, 74% of China's population lived in rural parts, but by 2008, almost half of China's population lived in urban centers (World Bank, 2008). Urbanization growth increases the attractiveness of the emerging market, making it more likely to increase the competitive pressure on the early entrant. By itself, greater competitive pressure is likely to reduce the early entrants' ability to secure FMAs (D'Aveni, 1995; Williams, 1992). Further, urbanization growth creates increased demand from new, previously untapped customers. Thus, new market spaces and customer opportunities that have not yet been exploited by incumbents emerge (Christensen, 1997). Consequently, high urbanization growth makes it easier for laggards to establish a foothold and reach a critical volume, which should allow the laggard to compete more effectively against early entrants.

Conversely, slower urbanization growth curtails demand and the availability of new customers. Lower urbanization may also indicate a more unequal society. Nakata and Sivakumar (1997) argue that the existence of high income inequality provides early entrants with a relatively narrow, yet clearly identifiable affluent market segment. The market elite is expected to produce the early entrant an important foothold, which can then be gradually exploited additional customer segments, while facing limited competitive rivalry (Nakata & Sivakumar, 1997).

In the B-to-B advertising industry, it should be noted that these arguments are somewhat indirect in that urbanization growth increases B-to-C opportunities, which then increases advertising agencies opportunity to add new accounts and to increase billings from existing accounts which serve the consumer markets

directly. We summarize these arguments in the following hypothesis on how urbanization growth is expected to moderate the relationship between entry order and firm performance.

H₄: Urbanization growth negatively affects early entrants' ability to generate first-mover advantages.

METHOD

Sample

The 1990s was a period of economic liberalization and regulatory relaxation in many emerging markets. Consequently, it presented opportunities for MNEs to enter new, previously unexplored markets. To test the proposed framework, the sample for this study comes from a database of the international operations of major advertising agencies. The advertising industry was chosen as a focal industry due to its high level of internationalization, with foreign subsidiaries in a large number of emerging markets.

An annual survey of advertising agencies' international operations was conducted by *Advertising Age* from 1986 to 2001. As these markets opened up to foreign investors in the end of the 1980s, a 15-year time frame is appropriate to examine long-term sustainable advantages stemming from entry order. The survey tracked operations in more than 100 different countries during that time period. We focus on the international operations of advertising agencies in two important emerging-markets regions: 1) Eastern Europe, and 2) Africa and the Middle East. The specific agencies and countries are listed in Tables 1 and 2.

The former Soviet-controlled countries in the Eastern bloc opened up for foreign direct investment shortly after the fall of the Berlin Wall in 1989. Until then, except for a few limited exceptions, these markets had been largely closed to foreign investors and the advertising industry in the countries can best be described as rudimentary (Church, 1992) or even prohibited (Springer & Czinkota, 1999).

Since, Eastern Europe has undergone an impressive transformation. Economic reforms, investor-friendly policies, and ambitious privatization programs (Reed, 2000) spurred strong growth. For example, Poland's and Slovakia's tripled their country's GDP during the 1990s (World Bank, 2011). Consequently, Eastern Europe also became important markets for the world's global advertising agencies in their battle for global domination. Thus, our Eastern Europe sample includes 178 advertising subsidiaries in 17 countries.

In contrast, Africa has been slower to develop economically. For example, Ivory Coast and Namibia experienced almost no economic growth during the 1990s. Many countries also continue to be plagued by political turmoil and civil strife. However, future forecasts are somewhat more optimistic. Economic growth rates in the 21st century have been more positive (World Bank, 2011), the AIDS epidemic has been slowed in many markets (The Economist, 2011), and Africa is now viewed as the next frontier (Hagerty & Connors, 2011). Annual growth often exceeds five percent in many African countries (Seria & McGregor, 2011) and the total African economy may approach \$3 trillion by 2020 (McKinsey, 2010). Our sample of Middle East and African markets includes 18 countries and 134 advertising subsidiaries.

Variables

The dependent variable in our study is market share, the most common performance variable used in the first-mover literature (VanderWerf & Mahon, 1997; Varadarajan et al., 2008). Market share is a particularly good performance indicator for studies that compare multiple international markets because market share is less affected than many other measures (e.g., return on assets, return on investment) by international issues, such as currency volatility and transfer pricing. We measured market share in 2001, the final year of the data set, 15 years after the first possible entry. This lag provides a good test of whether being an early entrant leads to a sustainable long-term advantage.

Market share is measured by the firm's revenue as a percentage of all the foreign advertising subsidiaries' revenues in each market in 2001. Because the database does not include information on local advertising agencies, each firm's market share may be slightly exaggerated compared with a measure that includes domestic competition. However, there is also evidence that the advertising industry in the sample countries was at a very rudimentary level before their markets opened to foreign investment from major multinational agencies (Wilson and Amine 2009). Regardless, the relative order would remain the same, and thus it still allows for a rigorous test of the theoretical framework. To correct for non-normality, the variable was log-transformed.

Consistent with Pan et al. (1999), we measured the effect of entry order as the lapse of time between the entry of the first firm in a particular market and the entry of a given firm. The lapse of time is in number of years after the first entrant. Firms that entered in the first year in a given market were coded as 0; firms that entered the following year were coded as 1, and so on.

The moderating environmental variables were drawn from major publicly available databases. Freedom House has been publishing its *Freedom in the World* report annually since 1973. To measure *political instability*, we calculated the standard deviation for each country on the political rights and civil liberties scales during the time period. A higher standard deviation suggests greater volatility and market uncertainty, whereas a lower standard deviation suggests greater stability. Economic openness is indicated by a country's degree of integration with the global economy and measured by the ratio of international trade to total GDP, provided by *Euromonitor*. Urbanization growth is measured by the year over year change in urban population, provided by the *World Development Indicators*. Economic integration and urbanization growth was averaged over the total time period.

TABLE 1: Advertising Agency Description			
	Home Country	Number of Subsidiaries in Eastern Europe	Number of Subsidiaries in Middle East and Africa
Bates	United States	10	7
BBDO	United States	14	5
DDB	United States	13	5
DMB&B	United States	5	---
Draft	United States	1	---
Euro RSCG	France	3	2
FCB	United States	8	14
GGK	Switzerland	5	---
Grey	United States	16	8
Intermarkets	Lebanon	---	4
JW Thompson	United States	12	9
Leo Burnett	United States	15	9
Lintas	United States	3	6
Lowe	United States	5	5
McCann	United States	15	17
Ogilvy & Mather	United States	12	14
Publicis	France	7	2
Rapp	United States	3	---
Saatchi & Saatchi	United Kingdom	11	15
TBWA	United States	13	3
TMP	United States	1	---
Young & Rubicam	United States	6	9
Total		178	134

In addition to the hypothesized variables, we also control for firm size (total firm sales), firm international experience (a combined construct based on the number of years of international experience and number of countries of international experience), firm entry mode (greater than 50% ownership = 1, less than 50% ownership = 0), GDP growth (real growth rate averaged over the time period), and GDP per capita (PPP averaged over the time period).

RESULTS

Because the variables in this study are at different levels (subsidiary, firm, and country), we chose to use Hierarchical Linear Modeling

(HLM) to analyze the proposed framework. Our model is a two-level cross-classified model, where lower-level variables (subsidiary) are cross-classified by variables from two higher levels (firm and country).

Table 2 presents the results of the hypothesized framework in the two separate samples. In support of H₁, late entrants have significantly lower market share than early entrants in Eastern Europe (EE) ($\beta = -.52, p < .001$) and Middle East and Africa (MEA) ($\beta = -.20, p < .05$). Furthermore, there is strong general support for the moderating effects of environmental conditions. H₂ predicts that political instability will reduce early entrants'

TABLE 2:
Emerging Markets Analyzed

<u>Eastern Europe</u>		<u>Middle East and Africa</u>	
Country	Number of Subsidiaries	Country	Number of Subsidiaries
Bosnia & Herzegovina	3	Bahrain	4
Bulgaria	11	Egypt	14
Croatia	11	Ghana	7
Czech Republic	12	Ivory Coast	7
Estonia	12	Kenya	11
Hungary	14	Kuwait	6
Kazakhstan	5	Lebanon	15
Latvia	10	Morocco	8
Lithuania	10	Mozambique	4
Macedonia	6	Namibia	4
Poland	16	Nigeria	7
Romania	15	Saudi Arabia	13
Russia	12	Syria	4
Serbia	8	Tanzania	4
Slovakia	11	Tunisia	4
Slovenia	9	Uganda	4
Ukraine	13	UAE	14
		Zambia	4
	178		134

ability to generate FMAs, which is supported in EE ($\beta = 1.03$, $p < .05$), but not in MEA. H_3 suggests that greater economic openness reduces FMAs, which is supported in both geographic regions (EE: $\beta = .01$, $p < .05$ / MEA: $\beta = .01$, $p < .05$). Urban growth rate does not significantly moderate the relationship between entry timing and performance in either sample, thus we must reject H_4 .

The firm control variables indicate significant effects for international experience. Consistent with the international experience literature (e.g. Evans et al., 2008), we find a positive relationship between international experience

and firm performance. Firm size is negatively related with performance in MEA. This suggests that a smaller, perhaps more nimble firm may be advantageous in this region. In addition, the results suggest a marginal negative relationship for entry mode. This should be interpreted as majority ownership stake (with limited partner involvement) is negatively related with firm performance. Further, GDP per capita is positively related with firm performance in the EE region.

Finally, we illustrate the significant interaction effects in Figure 2. The significant main effect is evident in the negative slopes for all lines.

TABLE 3:
Environmental Effects on FMAs for Service Firms in Emerging Markets

Variables	Eastern Europe				Middle East and Africa			
	Model 1		Model 2		Model 3		Model 4	
	B	s.e.	B	s.e.	B	s.e.	B	s.e.
Constant	-.54***	(.10)	-.53***	(.09)	-.62***	(.14)	-.58***	(.14)
Entry Order Lag	-.52***	(.12)	-.51***	(.12)	-.20*	(.09)	-.16*	(.09)
Firm Size	.13	(.17)	.08	(.17)	-.46*	(.26)	-.51*	(.26)
International Experience	.41**	(.11)	.37**	(.11)	.28*	(.16)	.28*	(.16)
Majority Ownership	-.21 [†]	(.15)	-.17	(.15)	-.21	(.20)	-.19	(.20)
GDP Growth	-.03	(.03)	-.04	(.03)	-.10*	(.06)	-.09	(.06)
GDP per Capita	.18*	(.11)	.20*	(.11)	-.01	(.09)	-.01	(.09)
Urban Growth	-.02	(.09)	.01	(.08)	.01	(.07)	-.03	(.08)
Economic Openness	-.00	(.00)	-.00	(.00)	.00	(.00)	.01	(.01)
Political Instability	.20	(.30)	.34	(.30)	-.06	.44	-.10	(.47)
Lag * Urban Growth			-.11	(.12)			.05	(.07)
Lag * Political Instability			1.03*	(.46)			-.18	(.33)
Lag * Economic Openness			.01*	(.00)			.01*	(.00)
Model fit								
Deviance statistic (χ^2 -difference)	36.62***		10.32*		15.51*		13.45**	
AIC	485.34		481.09		400.79		393.34	
Subsidiary-level n			178				134	
Country-level n			17				18	
Firm-level n			21				17	

[†] p < .10, * p < .05, ** p < .01, *** p < .001 (1-tailed)

However, the negative relationship is less severe in economies characterized by political instability and economic openness.

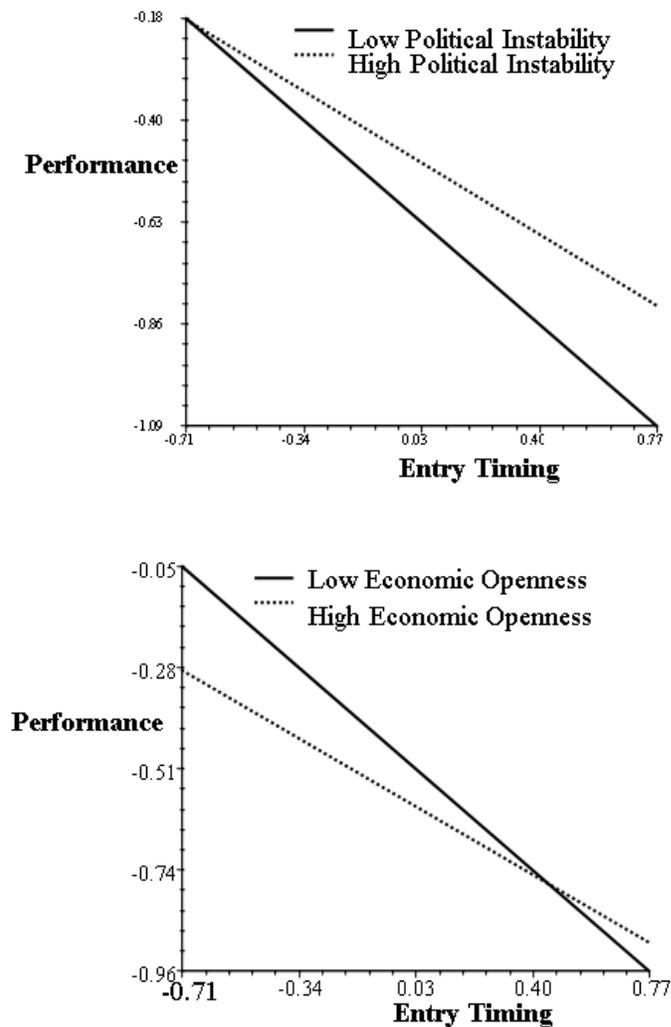
DISCUSSION

The growing importance of emerging and developing markets has compelled researchers to gain a better understanding of these new and different market environments that represent one of the best opportunities for firm growth. Of particular interest has been the question of whether or not FMAs are possible in emerging markets and under what environmental

conditions are they strengthened or weakened. Prior research has applied R-A theory (Hunt & Morgan, 1995) to help us understand the relationship between entry order and performance in emerging markets. This has led to important insights into how firm resource advantages translate into superior firm performance (e.g. Cui & Liu, 2005; Magnusson et al., 2009; Pan et al., 1999). However, largely absent from prior research has been the incorporation of the environment.

Considering the unique environment of emerging markets and its profound expected

FIGURE 2a:
The Effect of Environmental Conditions on First-Mover Advantages in Eastern Europe

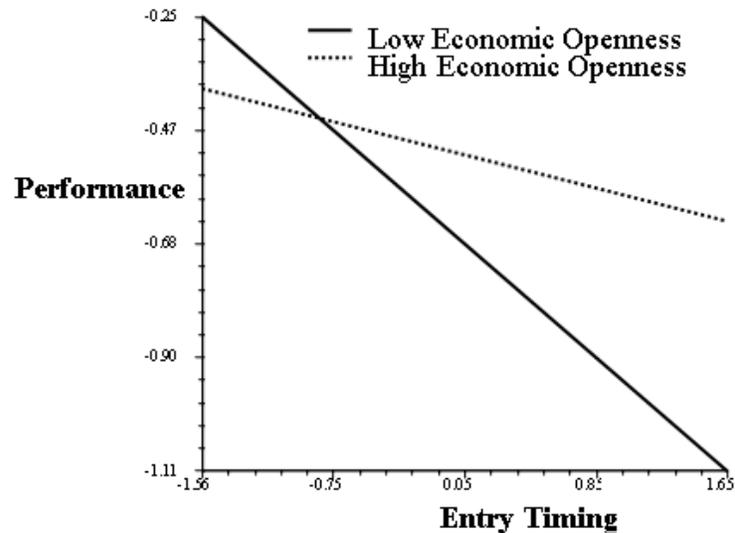


impact on marketing strategy (Sheth, 2011), a greater understanding of how environmental dynamics in emerging markets affect firm strategy and performance is valuable. The current study complements prior research on FMAs in emerging markets by analyzing the effect of environmental conditions, particularly those relevant to the stability and pace of development as suggested by environmental dynamics theory of FMAs (Suarez & Lanzolla, 2007). The results of this study confirm the ability of firms to establish FMAs in emerging and developing markets, and also shed light on what and how environmental factors enhance or

impair FMAs. These findings also remain consistent with the predictions of R-A theory, which suggest that the environment is expected to influence firm conduct and performance.

Concurrently, the findings present a complex picture as to what factors managers must consider when determining whether to enter a market as a pioneer or as a follower. Specifically, our findings suggest that markets characterized by political instability inhibit early entrants' ability to generate FMAs. This finding appears logical given the uncertainty and risk associated with political instability.

FIGURE 2b:
The Effect of Environmental Conditions on First-Mover Advantages in Middle East and Africa



Regulations governing business activity in the market can unexpectedly change, and possibly negate any competitive advantages a firm had thus far worked to achieve. As a result, later entrants, and new entrants, can gain relative competitiveness. In other words, it is possible that an unexpected change in the regulatory environment can level the playing field and reset the entire competitive landscape. Striving to be an early entrant into a market is less advantageous. Thus, political instability negates the disadvantage of lateness to the market.

The second environmental factor, degree of economic openness, also inhibits the generation of FMAs. Greater economic integration into the global economy suggests more openness to inward FDI and international trade. Thus, the market is more attractive to the establishment of new competitors limiting the ability of early entrants to establish FMAs.

The addition of an environmental dimension to FMA theory is an important extension. Suarez and Lanzolla (2007) lament that despite a rich history of research examining FMAs, the enabling (or disabling) role of a dynamic

environment has largely been absent from FMA research. This study provides significant empirical support in support of Suarez and Lanzolla's (2007) environmental dynamics theory of FMAs. Enhancing our understanding of FMAs, this study provides empirical support for a broad theoretical framework that incorporates 1) firm-level enablers, 2) isolating mechanisms, and 3) environmental enablers.

Implications for Managers

There appears to be strong consensus among nearly all constituents that economic growth in the 21st century will largely come from emerging and developing markets. Thus, it is imperative that managers have a better understanding of what it takes to succeed in emerging markets. The first general finding that is important for managers is that we found a significant main effect for entry order. This is particularly noteworthy considering that we divided our sample into two unique geographic regions. Despite Eastern Europe's commitment to reform and economic openness following the fall of the Berlin wall, transitioning from a closed, centralized economic system to an open,

competitive system is not without its challenges. The Russian economy almost shrank to half the size from 1990 to 2000 (World Bank, 2011), indicative of the challenges that come with economic liberalization. Further, economic liberalization also often brings corruption concerns. Still today, many countries in Eastern Europe, and most of the Middle East and Africa have significant corruption challenges (Transparency International, 2010).

It is perhaps even more noteworthy that there is also a significant advantage to being an early entrant in the Middle East and Africa. Many of the African markets have very low GDP per capita, weak infrastructure, and brittle institutions. The fundamental challenges and uniquely different environment have meant that many Western firms have been reluctant to enter these markets and chosen to wait with the hope that they would become more similar to Western markets. Yet, despite the challenges of operating in emerging markets and even in some least developed markets, it appears that early entrants have an advantage in securing relational, human, organizational, and informational resource advantages that have long-term benefits.

In addition, the significant environmental moderating factors also provide important insights to managers to aid in the strategic decision making relating to emerging markets. These environmental factors offer direction on when the market is more conducive to developing FMAs for early entrants, or conversely allows a later entrant to mitigate the early entrant's advantage. Our findings may be particularly useful for laggards trying to determine the best time to enter a new market to try to take away market share and profits from the incumbents. Mitigating a late-mover disadvantage may be "easiest" to do following a period of turmoil. The Jasmine revolution during spring of 2011 brought a great deal of political volatility in the Arab world, for example Egypt, Tunisia, Yemen, Libya, and with an ongoing violent conflict in Syria. However, once the political turmoil has

stabilized a little bit may be an opportune moment to enter these markets. Long-standing client and government relationships for the incumbent firms may now be obsolete or even disadvantageous and it provides a fresh opportunity for new entrants to develop relationships with the new powers. Political instability is also often followed by a period of high growth that presents opportunities for late entrants in the form of new consumer segments and increased demand, which reduces entry barriers and makes it easier for the late entrant to gain a foothold.

Limitations and Opportunities for Future Research

In this study, we identified and evaluated three environmental factors. Future research may want consider additional environmental factors whose effect has yet to be identified. An additional potential limitation that may affect the generalizability of this study include that only a single industry, advertising agencies, were analyzed. Therefore, the extension of this study into other industries and additional countries would benefit the generalizability of the findings. A replication using largely consumer services firms from the retailing, consumer banking, and hospitality industries would be interesting as the results could then be contrasted against the advertising industry, which is comprised of primarily business-to-business transactions. A comparison with manufacturing firms would also be particularly appropriate given the perceived differences between services and manufacturing industries.

Despite the limitations, the results of the study further our understanding of FMAs and emerging markets by empirically verifying Suarez and Lanzolla's (2007) conceptual environmental dynamics theory of FMAs. Consistent with expectations, environmental conditions shape the relationship between entry order and firm performance. In this investigation, political stability, low economic openness, and slow urbanization growth are all related with early entrants' ability to secure FMAs and sustainable competitive advantages.

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GILDING THE LIE: DEVELOPMENT OF THE ATTITUDE LEARNING THEORY USING INFORMATION PROCESSING THEORY AND FISHBEIN'S ATTITUDE TOWARD THE OBJECT TO CAPITALIZE ON FALSE, NEGATIVE RUMORS

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Two theories, information processing and the attitude towards the object model, make conflicting predictions about a rumor's marginal impact on attitude towards the object of a rumor in some circumstances. Recent implicit attitude conditioning work is applied to fill the theoretical gap and to guide specification of a more broadly applicable attitude learning theory. The theoretical concerns are explored within the realm of combating false, negative rumors, an area of interest for its tremendous negative financial impacts on companies. As rumors are spread from person to person, the authors advocate the use of brand ambassadors to disseminate corporate response strategies through personal networks.

INTRODUCTION

The President of Procter & Gamble appeared on the Phil Donahue Show on March 1, 1994. He announced that due to the openness of our society, he was coming out of the closet about his association with the church of Satan. He stated that a large portion of his profits from Procter & Gamble Products goes to support this satanic church. When asked by Donahue if stating this on T.V. would hurt his business, he replied, "There are not enough Christians in the United States to make a difference." ("Trademark of the Devil", 2011)

Versions of this Procter & Gamble (P&G) church of Satan rumor have been circulating since 1980 ("Trademark of the Devil," 2011). Three decades after the rumor's inception, and a quarter century after the company removed the associated logo from consumer products in an attempt to squelch it ("The Procter & Gamble Company," 2011), P&G is still dogged by this rumor. The company has continued to be concerned enough to have statements from talk show hosts and the National Catholic Register debunking several versions of the

rumor on its website (McGuire, 1999; "Supporting Statements from Talkshow Hosts," 1999, retrieved from P&G.com July 2007).

P&G reports that it fielded about 200,000 calls and letters about the rumor in its first fifteen years of circulation ("P&G files suit over false rumors," 1995). Some customers boycotted (Cekola, 2000). An economist hired by P&G calculated that the company lost an estimated \$49.5 million in sales of Tide, Crest and Pampers from March 1995 to August 1997 due to the Satan connection rumor ("P&G may now sue," 2001). P&G's unreported rumor-related legal expenses are believed to have tacked on several more tens of millions of dollars ("High court refuses," 2001). One of the several court cases was resolved in P&G's favor as recently as 2007 ("P&G wins US case," 2007). Despite the fervor with which P&G defends itself, the rumor persists and the associated costs mount.

The company's primary rumor response strategy has been typical: It has supplied facts to refute the false allegations. In a general sense, a refutation strategy seeks to weaken or eliminate the belief that the organization that is the rumor's target possesses the attribute or engages in the behavior in question. Press releases and web pages on PG.com have been primary outlets for combating the church of

Satan connection rumor in recent years (which seems appropriate given that e-mail appears to be a primary way this rumor is currently spread). Decades after the initial rumor, the website still included at least eight pages seeking to quash the rumor, and as recently as March 2011, the company continued to update rumor information on its website (Trademark Rumor, 2011). One page provided statements from three talk show hosts on whose shows the apocryphal interview has been said to take place, each stating that it never happened. Another page reprinted letters from religious leaders indicating that the rumor is false. A third talked about how the rumor may have developed from a historic P&G logo ("Internet Resources for Facts," 2003).

In sum, press releases, solicited statements from relevant parties, web pages and lawsuits demonstrate that the company is diligent in its efforts to clear its name and persuade the public that it is not engaged with the church of Satan. However, given the enormous costs incurred and continuing efforts over three decades later, it is clear that P&G's strategy for managing misinformation has not had the hoped for outcome.

Rumors have been a topic of academic study since 1902 (Stern, 1902). World War II era concern about the damage of menacing rumors to safety and morale motivated the seminal work on the psychology of rumor control in 1947 (Allport and Postman, 1947; Rosnow and Foster, 2005). During this century of study, various theories have been put forth, but our ability to mitigate the impact of false rumors is still very limited, as P&G's experience demonstrates. This work reviews the literature on how individuals process rumors and why they respond in the ways they do. We examine how rumors support attitude formation in order to specify more effective rumor mitigation strategies.

Information Processing Theory

While rumor definitions abound, this inquiry is limited to negative misinformation about an

organization distributed to or among its external stakeholder groups. Such rumors have been called "bogies," and they are considered to be the most likely type of rumor to harm a company from a marketing perspective (Iyer and Debevec, 1991). Information processing theory offers predictions for how false, negative rumors affect companies and how these effects may be mitigated. According to the theory, perceived information input is stored in working memory for only about half a minute before it is either lost or begins to be encoded into long-term memory through rehearsal or by drawing associations (Simon, 1969). During the brief working memory window, related ideas may be retrieved from long-term memory to help construct meaning for the new information (Schacter and Scarry, 2001). These ideas can determine how the new information is encoded into long-term memory.

Many of the people who hear the rumor about a P&G Satan worship connection remember it (storing the rumor in long-term memory) whether or not they believe it. Although a new model of rumor propagation suggests credulity and uncertainty are important drivers (Kimmel and Audrain-Pontevia, 2010), when subsequently evaluating the company or processing new information about P&G, even people who do not believe the rumor may retrieve thoughts relevant to the company, including the thought that P&G does not support Satan worship. Tybout, Calder and Sternthal (1981) posit that since thoughts related to negative rumors are less positive than those likely to have existed before the rumor was encoded, attitude towards the object of a negative rumor falls even when rumors are disbelieved. According to this line of reasoning, P&G's efforts to refute the Satan worship connection rumor paradoxically help consumers to encode it more thoroughly and increase the likelihood that the rumor is one of the thoughts retrieved when people think of P&G. Many strategies for refuting rumors have been proposed and tested, with attitude towards the target organization typically harmed in each case (Iyer and Debevec, 1991). *Not* refuting the rumor, ironically, should typically have a more

positive outcome on a rumor of unknown origin, and such has been measured (Iyer and Debevec, 1991; Tybout, Caulder and Sternthal, 1981)

In a laboratory experiment, Tybout, Caulder and Sternthal (1981), examined strategies to combat this effect. In most treatment conditions, a confederate posing as a research subject recalled a then circulating rumor that claimed that McDonald's used worm meat in its hamburgers. Predictably, in absence of another treatment manipulation, subjects hearing the rumor subsequently reported more negative attitudes toward McDonald's than those not hearing the rumor.

In one condition, the experimenter provided a direct refutation of the rumor. Treatment means for this group and the no response group were not significantly different. Direct refutation had no effect on combating the rumor. In another condition, the researchers provided research subjects with a second object which they associated with the content of the false, negative rumor: "That may sound funny to you," said the experimenter, "but last week my mother-in-law was in town and we took her to Chez Paul and had a really good sauce that was made out of worms." This redirection strategy avoided reinforcing the McDonald's-worms association and was intended to foster storage of the worms-as-food rumor with the second object, the French restaurant, instead of with the restaurant chain actually suffering from the negative, false rumor. While the subjects, regardless of treatment condition, indicated a strong disbelief of the rumor, subjects receiving the redirection treatment evaluated eating at McDonald's significantly more positively than those in the no rumor response condition. In fact, this group's attitude towards McDonald's was not significantly different from that of the group not exposed to the rumor. These same effects were observed when comparing subjects' intentions to eat at McDonald's.

Brand Ambassadors

Companies typically use figureheads and communications function employees to address false, negative rumors through media outlets (e.g. DiFonzo and Bordia, 2000). As rumors spread quite effectively person-to-person, it is intuitively appealing to use employees outside of the communications function and the executive ranks to tap into person-to-person networks.

Information theory's salience principle provides an explanation for why people afford greater importance to negative information about organizations: it is seen as more informative because it is less common (Kamins, Folkes and Pesser, 1997). Word of mouth information from another person about an organization is also more salient than ever-ubiquitous advertising. Word of mouth therefore has a greater potential effect on purchasing behavior.

When a rumor is in circulation, company employees at all levels may hear it from or be asked about it by friends and family whether or not these contacts are customers of the organization. To the extent that company employees are considered trustworthy and credible by the friends and family who inquire of them, they may be effective mitigators of the harm caused by false, negative rumors (Iyer and Debevec, 1991). Even when these relationships do not provide direct links to customers, the ties can be far reaching. Milgram's 1967 six degrees of separation study found that, on average, just six steps connected midwestern study participants to a Boston stockbroker (Gladwell, 2000). In replications with other subjects and targets in various occupations from various countries, similar results were found (Saxbe, 2003). Employee supporters have the potential to reach a broad customer base when serving as brand ambassadors for their organizations. When e-mail networks are considered, a great many chains of links can be easily initiated, with the ease of e-mail forwarding promoting promulgation of the information, even information that is partially directed by corporate marketing

communications professionals. Intrusive web-based marketing communications may be effective at influencing implicit brand attitudes, but as paid communications, they may not instill trust (Madhavaram and Appan, 2010). Employees appear to be a key component in building company trustworthiness (Morsing, Schultz and Nielsen, 2008). When applied to combating rumors, relying on employees to disseminate word-of-mouth communications is using good fire to fight bad.

Attitude Theory

Two prominent attitude theories explain the role of various beliefs in forming attitudes prior to making purchase decisions: Rosenberg’s (1960) Affective-Cognitive Consistency Theory and Fishbein’s (1963) attitude toward the object model states that one’s attitude towards an object is a function of the sum of the product of the valenced strength of the belief about whether the object possesses a particular attribute (b_i), and the valenced evaluation of the

**FIGURE 1:
Fishbein’s Attitude Toward the Object Model**

$$\text{Attitude} = f\left(\sum_{i=1}^n b_i e_i\right)$$

Where n is the number of attributes an object possesses
 b_i is the belief strength that the object possesses the i th attribute, and
 e_i is the evaluation of the i th attribute

Source: *The Role of Attitude Theory in Marketing* (Lutz, 1991).

**TABLE 1:
Belief Strength and Evaluative Aspect Scales for Fishbein’s Attitude Toward the Object Model**

Belief strength (b_i)

McDonald’s hamburgers contain worm meat

Very likely +3 +2 +1 0 -1 -2 -3 Very unlikely

Evaluative aspect (e_i)

Worm meat in hamburgers is

Very good +3 +2 +1 0 -1 -2 -3 Very bad

Source: Adapted from scales presented in *The Role of Attitude Theory in Marketing* (Lutz, 1991).

attribute (e_i), for all n attributes (see formula in Figure 1). Per this formula, Fishbein would measure the marginal effect of the rumor that McDonald's hamburgers contain worm meat as the product of bipolar ratings on 7-point scales (see Table 1).

Fishbein's formula leads to the conclusion that if the valence of evaluation of an object's attribute is negative but that the object possesses the attribute is thought to be more unlikely than likely, the multiplicative marginal effect on attitude is positive. The Tybout, Caulder and Sternthal (1981) study offers a case in point. Two days after the initial experiment, 47 subjects in the study were asked to rate how likely was it that the worm rumor was true on a 7-point scale. Their average rating corresponds to $b_1 = -2.53$ on the Fishbein-type scale. Although the study did not measure the evaluative aspect associated with this belief, it might be assumed that most subjects would prefer not to have worms in their hamburgers, particularly the 83% of subjects who were not in the displacement treatment group. In this case, the average evaluative aspect rating would have been in the $-3 \leq e_1 \leq -1$ range. The Fishbein formula provides that $b_1 e_1$, the average marginal average effect of the rumor on the subjects' evaluation of McDonalds, is expected to fall into the 2.53-7.59 range. The specific value is not of importance, but worth noting is that subjects' attitude should be *more positive* than before hearing the disbelieved negative rumor. However, Tybout, Caulder and Sternthal (1981) measured *lower* attitudes and purchase intentions for people exposed to the rumor, which is consistent with P&G's findings of depressed sales following a false, negative rumor.

Refining the Theory

Intuitively, it might be expected that a negative evaluation on an attribute not believed to be possessed by the attitude object would cause the belief to be disassociated with the attitude object, causing the $b_i e_i$ term to drop from the evaluation equation for that object, rather than

to enhance the evaluation. While the Fishbein model does distinguish between salient and nonsalient beliefs (Lutz, 1991), it does not provide for dropping salient negative "disbeliefs." The rumor attitude pattern observed suggests the need for a relevance dummy variable equal to zero when both belief and evaluation are negative, or when a salient belief is not considered for other reasons, one of which is discussed herein, and to 1 at other times. This refinement helps the model considerably by not predicting a positive marginal effect on attitude when a salient negative rumor is disbelieved, but it does not account for the *negative* marginal effect of a disbelieved negative rumor as measured by Tybout, Caulder and Sternthal (1981).

Recent work by Olson and Fazio (2001, 2002, 2004) and Han, Olson and Fazio (2006) offers a path for closing the gap between Tybout, Caulder and Sternthal's (1981) measurement of prototypical practitioner observations and attitude learning theory. The new work explores implicit and subliminal attitude priming. Implicit learning, in which people demonstrate learning of an association or behavior although they are unable to articulate any explicit, conscious basis for it, has been demonstrated across several visual and verbal learning tasks (Chun & Jiang, 1999; Lewicki, 1986; Reber, 1967). Olson and Fazio (2001) employed an implicit learning paradigm to prime attitudes toward neutral stimuli. Like Tybout, Caulder and Sternthal (1981), Olson and Fazio (2001, 2002, 2004) find attitude changes inconsistent with the predictions of Fishbein's attitude toward the object model. These researchers specifically sought to replicate the marketing environment's tendency to present attitude objects and valenced information together to influence behavior even when consumers' attention is focused or directed elsewhere. In three studies, Olson and Fazio (2001, 2002, 2004) showed that attitudes can be both implicitly and subliminally conditioned. The studies carefully control for potential confounds of previous implicit and subliminal conditioning studies, providing a strong demonstration of the effects.

Implicit attitude conditioning explains how natural covariations of valenced objects with the attitude object result in attitude changes without explicit evaluation of related attributes. This effect suggests an additional model term c_j , where each c represents a valenced covariate that is implicitly evaluated as a component of attitude towards the object. Unfortunately, since people cannot report implicit processing, this effect is impossible to measure in a field setting. However, it is implied by predictable, systematic variances in attitudes from the levels predicted by beliefs and evaluations of all salient attributes alone. In a lab setting, the Implicit Association Test may confirm the operation of this term. Figure 2 represents this new model algebraically.

The Theory in Action

The worm rumor study suggests that the negative impact of a rumor can be mitigated through a redirection strategy. The strategy requires associating one or more aspects of the rumor with another object with the intent of removing it from the retrieval set for the negatively impacted organization. In this case, the relevance term, r_i , is zero, operating like Fishbein's salience criterion. The term will prove more useful in other cases, as will be shown.

The worm rumor study (Tybout, Caulder and Sternthal, 1981) also found that when the rumor was disregarded (in which case no model terms are actively manipulated), or rebutted by the experimenter (in which case an attempt is made to attach a strong, negative valence to b_i), the marginal attitude effect of a disbelieved negative rumor was negative. Per the new model, when b_i and e_i are both negative, r_i is zero, causing the rumor-related $b_i e_i r_i$ term arising from explicit evaluation of the rumor to fall to zero. The negative impact on attitude suggests an implicit negative evaluative element related to the rumor, which is now captured in the covariate term.

The evaluative term, e_i , provides an additional lever for effecting attitude change. For instance, redefining the implication of a belief could change the valence of its evaluation. A strategy to replace a negative evaluation with a positive connotation could have a positive impact on attitudes. The strategy may also give rise to additional positive $b_i e_i r_i$ terms associated with the way in which the implication is redefined. When applied to rumors, this strategy entails attaching the target to a positive story that redefines the implication of the rumor, changing the connotation. Instead of avoiding the rumor, the organization can rally around it, using the opportunity to disseminate positive information about itself.

FIGURE 2
Proposed Attitude Learning Theory

$$\text{Attitude} = f \left(\sum_{i=1}^n b_i e_i r_i + \sum_{j=1}^m c_j \right)$$

Where n is the number of attributes an object possesses

b_i is the belief strength that the object possesses the i th attribute

e_i is the evaluation of the i th attribute

r_i is the relevance of the i th attribute, a dummy variable which takes on values of 0 and 1

m is the number of valenced covariates implicitly considered

c_j is the valenced strength of the j th covariate

Based on the new attitude learning theory and consistent with the work by Olson and Fazio (2001, 2002) and Tybout, Calder and Sternthal (1981), both redirection and rallying strategies are expected to work whether or not subjects believe the negative rumors to which the strategies are applied. Rallying has the potential to be more effective than redirection. While rumor redirection seeks to block the effect of a negative rumor, a rallying strategy goes a step further by taking advantage of the rumor to disseminate positive messages about the target organization.

A sample of each strategy may clarify the discussion. Consider the case of a college undergoing accreditation review. Perhaps parties found ill-qualified to teach in the adjunct assignments they enjoy have put a spin on their impending departures, suggesting that the accreditation authority may close the school. Four rumor response strategies allow examination of the operation of the proposed attitude learning theory.

Refuse to Engage

With this strategy, the college chooses not to respond to the allegations, perhaps considering that doing so will only lend credence to the rumors. To the extent that the rumors are prevalent and believed by students, students' attitudes towards the college may be depressed both by beliefs, b_i , about the likelihood of closure, and negative evaluations, e_i , of closure which could prohibit or delay degree completion. In addition, the covariate of critical accreditation discussions may have an implicit impact through the addition of a negative c_j term even for people who do not believe the rumor. A variation of this strategy is one in which companies refuse to engage currently, but promise to respond later (DiFonzo and Bordia, 2000).

Proposition 1:

In absence of an immediate organizational response, external stakeholders exposed to a false negative rumor will evaluate the target

organization more negatively than before the rumor circulated.

Rebut

Following a rebuttal strategy, the hypothetical college responds that the accrediting body doesn't have the authority to close it or any other college or university, and explains that the accrediting body's evaluation was more positive than reported by the adjunct professors in the rumor. If the rumor was previously believed and the rebuttal strategy is successful, the college may succeed in changing a positive belief that the college is likely to be facing closure, b_i , to a negative term, indicating belief that closure is unlikely. With closure already evaluated negatively through e_i by the stakeholders of the college, the conditions for r_i to change from 1 to 0 are met, causing the $b_i e_i r_i$ term to drop from the model. However during rebuttal, covariation of the presentation of the object of the negative rumor and the negative information itself increases the probability that a negative c_j term will operate, depressing the external stakeholders' attitude towards the college.

Proposition 2:

External stakeholders exposed to rebuttal of a false, negative rumor by the target organization will evaluate that organization more negatively than before the rumor circulated.

Given the competing effects of falling belief strength and increasing negatively evaluated covariation with the rebuttal strategy as compared to the refuse to engage strategy, no general proposition on their relative efficacy is offered.

Redirect

The college could alternatively respond by redirecting the rumor's association with a story such as this one: "Remember when the Florida Female College closed? It had limited facilities and limited educational opportunities, but today it's been reborn as Florida State University.

Sometimes change is very, very positive for a college.” If successful, this strategy would cause the topic of the rumor, college closure, to be associated with another attitude object, Florida State University, causing r_i to change from 1 to 0 and the $b_i e_i r_i$ term to drop from the model. By avoiding reinforcing a negatively evaluated c_j term, the strength of this term is expected to be lower than with a rebuttal strategy. If the story causes the information in the rumor to be evaluated positively, even if it is not considered directly relevant and therefore not explicitly considered as a component of attitude, it could potentially change valence of the implicit impact of the rumor through c_j , although any positive impact is expected to be minimal. In this way, a redirection strategy has the potential to mitigate the impact of a false, negative rumor. Less likely, the story might be perceived to have literal application, in which case it might change the valence and strength of the evaluation of potential closure, e_i .

Proposition 3:

External stakeholders exposed to a false, negative rumor redirection strategy will evaluate the target organization more positively than those exposed to a refuse to engage or rebuttal strategy.

Rally

A fourth option is to associate the rumor with a positive story around which people can rally. For instance, the college might respond, “Our college has survived stronger hurricanes than this accrediting body. Remember Hurricane Andrew in 1992? We offered a safe haven for students without sufficient shelter, and we were praised in the community for closing well in advance of the storm to give students and employees sufficient time to stock up on essentials and prepare their homes. We even had a contact chain in place to identify students, faculty and staff who needed assistance when the storm had passed, and we quickly mobilized to help out those hardest hit in the local community. Challenges bring out the best in us.” In the college context, this strategy can be likened to building team spirit in the face of a

rival team. The rallying strategy has the potential to change the valence of the evaluative aspect of the accreditation challenge, e_i , without removing the $b_i e_i r_i$ term. In this way, the term’s net impact is changed from negative to positive. In addition, the discussion may give rise to new, positive $b_i e_i r_i$ terms related to the college’s protection of its students, its service to the community, its campus, and/or its history. In addition to, or even in absence of explicit belief changes, the story could serve to implicitly improve attitude through one or more covariate terms, c_j . For its potential to capitalize on otherwise damaging misinformation, the rallying strategy can be considered gilding the lie. Of the strategies presented, this one has the best chance of improving attitudes toward the maligned organization, even taking it to higher than pre-rumor levels. Since rumors are thought to have as a primary function entertaining or keeping the listener’s attention, rallying may be an especially effective strategy (Guerin and Miyazaki, 2006). To the extent that a rallying strategy can be crafted to motivate and engage cognitive effort, it may further block a rumor’s effect (Fazio and Olson, 2003).

Proposition 4:

External stakeholders exposed to a false, negative rumor rallying strategy will evaluate the target organization more positively than before the false, negative rumor circulated.

Boundary Conditions

The four rumor response strategies are not equally appropriate in all conditions. While the proposed redirection and rallying approaches to rumor response may be effective with non-trivial, damaging rumors, they should not be used indiscriminately. For instance, in matters of life and death, these strategies are entirely inappropriate and could backfire in ways which are damaging to both outside stakeholders and the organization.

Many false rumors circulated via Twitter, Facebook, email and other means following the

catastrophic earthquake that devastated Japan on March 11, 2011. One of the more prominent was that,

“The weather forecast says it will rain from Monday. People living around Chiba, please be careful. The explosion at the Cosmo oil refinery will cause harmful substances to rise to clouds and become toxic rain. So when you go out, take your umbrella or raincoat, and make sure the rain doesn’t touch your body!” (Anonymous, as reported in Sasaki, 2011)

While the new strategies presented herein may be appropriate for many of the false, negative rumors that target organizations, it would be inappropriate and irresponsible for Cosmo Oil Co. to employ a rallying strategy and risk being perceived as making light of the true suffering, real threats, and justified fear that many in Japan continue to experience. It would be ludicrous to try to redirect national attention to any other topic in the week after the catastrophe. A rebuttal strategy might seem appropriate, and in fact Cosmo Oil chose to make very light use of this strategy, issuing a statement even shorter than the rumor text itself (“In Regards to Emails About the Chiba Oil Factory,” 2011) which it chose not to place on its press releases webpage (Cosmo Oil Co. Press Releases, 2011). The brief statement seeks to allay fears while also apologizing for causing anxiety. In light of the life or death fears of the Japanese public, any substantial public relations push could be perceived as inappropriately focusing attention away from issues that matter.

We examine additional real world strategies and outcomes for several well-known rumors in Table 2.

Managerial Implications

Rumors about corporations are widely spread and have drastic consequences. Brand associations drive consumer behavior (Fitzsimons, Chartrand and Fitzsimons, 2008), and negative corporate rumors swing stock prices, result in lost sales, undermine trust

among customers, harm brand image, lower employee morale, and increase workplace stress (DiFonzo and Bordia, 2000; Kimmel and Audrain-Pontevia, 2010, Pound and Zeckhauser, 1990).

Most typically, companies provide correct information when rumors swell (DiFonzo and Bordia, 2000), which entails refuting false rumors. Academics recommend this strategy, suggesting, for instance, “When an investigation determines that the rumor is not true, then a plan for correcting the error should be initiated. The success of this plan depends upon the credibility of the intermediaries and their ability to communicate widely, effectively, and quickly. The media often plays an important role in rumor control. They can correct misinformation and publicize information coming from the rumor-control effort (Burgess and Maiese, 2004).”

This is exactly the strategy that P&G followed. The company rebutted with information about the origins of the logo, with statements from talk show hosts, by publicizing the support of the publishers of the National Catholic Register, and by issuing press releases. Even so, the company estimated just a few years into the enduring rumor saga that it was losing tens of millions of dollars per year in sales, a figure that excludes the costs of rumor management (which ultimately included a logo change) and ongoing legal expenses.

Sometimes organizations take a “nobler” approach, avoiding addressing the rumor, as if doing so requires one to come down to the level of the one issuing the false accusation. This is P&G’s current approach. In 1985, just five years into the rumor’s long history, P&G removed the troublesome logo from consumer packaging, adding to the high costs associated with the rumor. While in December 2011, documents referencing the rumor can still be found on the P&G website through layers of links by a determined visitor (“Trademark Rumor,” 2011) they are not returned by site searches. However, this refuse to engage strategy obviously does not extend to other

TABLE 2:
Sample Responses to Well-known Rumors

Rumor	Strategies observed	Outcomes observed	Sample alternative strategies
<p><i>“Vans shoes are adorned with the Star of David so that wearers will “stomp all Jews.” (“Star Quality,” 2011)</i></p>	<p>REBUT: Since the product’s creation, the company has sought to reassure inquirers that the trademarked pattern is just a pattern that dated from the founding of the company. There was no intent that it be an anti-Jewish message. (“Star Quality,” 2011)</p>	<p>Despite this rebuttal, the rumor persists. It can now be found on Facebook (“Makers of Vans hate Jews?”, 2011), and video “evidence” has been posted to YouTube of Van’s alleged discrimination not only from the sole imprint but also from a “hidden swastika” symbol in the shoe’s construction in June 2011 (“Proof Vans Shoe”, 2011).</p>	<p>REFUSE TO ENGAGE: The company could have ignored the rumor instead of responding to inquiries. While this strategy avoids reinforcing the rumor, it also fails to combat it so those with the false impression may perpetuate it.</p> <p>REDIRECT: Vans might give new symbolism for the shoe pattern consistent with the current slogan, “Off the Wall.” An ad campaign can focus on customers leaving their mark by showing the tread on a multitude of surfaces (e.g. on a skatepark wall, on a full/half pipe, on a rail or ramp). This strategy might give the shoe tread a positive connotation to displace the negative one promoted by the rumor.</p> <p>RALLY: Given the charged nature of the rumor, it is risky to acknowledge it, even to disseminate positive information about the company, thus no rally strategy is proposed.</p>
<p><i>“Diet Coke contains more calories than claimed, but the company gets away with the deception by paying a yearly fine.” (“Diet Riot,” 2011)</i></p>	<p>REFUSE TO ENGAGE: The company did not respond to the rumor.</p>	<p>Without a response, the rumor has morphed to include newer beverages such as the Zero line of diet soft drinks and has moved from traditional channels to blogs and the like (“How Many Calories,” 2006).</p>	<p>REBUT: Diet Coke could have informed consumers that the Federal Trade Commission Act prohibits corporations from making false or misleading nutritional claims about their products, and does not allow payment of a fine to exempt a company from the FDA’s regulations, and that the Lanham Act provides legal remedy to consumers for these deceptive practices. Although this strategy might cause the false rumor to be disbelieved, the content of the rumor would still be associated with Diet Coke, which could be expected to damage attitudes towards the beverage and discourage some sales of the product.</p> <p>REDIRECT: The company could promote Glacéau vitamin-water as 50 delicious calories of health. This strategy seeks to replace the association of the inflated calorie count with Diet Coke, tying it to another product line for which the connotation would not be negative or indicate deception on the company’s part.</p> <p>RALLY: Coca-Cola could create a marketing campaign where scientists and consumers are at odds, with consumers saying “Tastes too good to be calorie free” and the scientists responding “Maybe we made it too good?” This strategy offers a helpful explanation for the false calorie perception, encouraging a positive taste association with Diet Coke in place of a damaging perceived deception by the company.</p>

(continued)

TABLE 2 (continued)

Rumor	Strategies observed	Outcomes observed	Sample alternative strategies
<p>"A Tootsie Pop wrapper with a picture of an Indian shooting an arrow at a star on it can be redeemed with Tootsie Roll Industries for a free bag of candy." ("Shooting Star," 2011)</p>	<p>REBUT: Since 1931, the company has responded to about 150 letters per week by sending special letters expressing their regrets to prize-seekers. In 1982, the company created a story titled "Legend of the Indian Wrapper" to accompany the regrets letter. ("Shooting Star," 2011)</p>	<p>At least 15 years after the legend explanation, some children were still collecting wrappers in hopes of an apocryphal for reward.</p>	<p>REFUSE TO ENGAGE: The company could have ignored all letters sent by prize-seekers, potentially causing them to feel cheated.</p> <p>REDIRECT: The company might add a QR code labeled "Use this wrapper" to Tootsie Pop wrappers to load a page on candy wrapper crafts, featuring wrappers from this brand. In this way, saving wrappers might become associated with making something, rather than receiving something from the manufacturer. (Candy wrappers have been made into or adorned jewelry, hair bands and barrettes, bags, light switch covers, tables, shoes, clothing, and more.)</p> <p>RALLY: The company could create an "Aim for the Stars" program to be distributed through schools (as children are the primary target of the rumor) that gives alternate meaning to the wrapper image. This could be in conjunction with Junior Achievement or another trusted external provider. In this way, problematic Indian emblem might come to represent the company's support for children's education.</p>
<p>"You can get a new pair of shoes from Nike by just mailing them any old, worn-out pair of sneakers." ("Free Shoes from Nike," 2011)</p>	<p>REBUT: A statement on Nike's website for about two years apparently explained that the company doesn't send unsolicited offers by email. The company also contacted customers who provided shoes in response to the rumor to inquire whether they'd like them returned or recycled. This communications strategy is a brief adjunct to a more forceful rally strategy. ("Internet Hoax," 2003)</p> <p>RALLY: The company promotes its shoe recycling program, which turns old shoes received into track, tennis court and other sports surfaces, and has fans participate in this promotion through Facebook and by holding shoe recycling events. In this way, Nike's reputation for supporting sports is reinforced when returning shoes to Nike is referenced, and a connection between the company and environmental responsibility is reaffirmed.</p> <p>REDIRECT: Nike has since launched the Free line of running shoes. Those searching for information on receiving free running shoes are likely, in effect, to be redirected to this successful line.</p>	<p>Initially, shoes arrived at the company's headquarters at a rate of 100-150 pairs per day. No references to the rumor following the year of its inception were located. In contrast, the recycling program described in the rally strategy has received over 25 million pairs of shoes. ("ReUSE A Shoe," 2011)</p>	<p>REFUSE TO ENGAGE: The company could have chosen not to respond to make a website announcement or respond to those from whom used shoes were received. Some consumers might have felt cheated for having "upheld their end of the bargain" with no response from Nike.</p> <p>REDIRECT: While some companies do have used shoe trade-in or rebate programs to which Nike could redirect consumers, potentially associating the rumor with other companies, redirecting customers to these competitors' programs could hurt Nike sales. (No such programs were found for shoe types not also carried by Nike.)</p>

sources of information. A Google search on “P&G satan” instantly produces about 374,000 hits, a number that has nearly quadrupled during this research inquiry.

To our knowledge, companies are not typically undertaking redirection or rallying strategies. Existing preferences for the refute and refuse to engage strategies are ironic: it is the refutation strategy which is expected to do the company additional damage, while the refusing to engage strategy fails to counter the harm done by the rumor. The two unused strategies are expected to be as effective as if the rumor had not circulated, in the case of redirection (shown empirically with the McDonalds’ worm meat rumor by Tybout, Caulder and Sternthal (1981)), or more positive, in the case of the rallying strategy.

P&G Had Other Options

P&G could have both redirected and rallied with a Reaching for the Stars sweepstakes full of wholesome images along with the historic moon and stars logo. This strategy would serve to redirect by presenting stars as images of hope, dreams, promise, and success. It could rally if the company were to use the sweepstakes to show P&G makes products and services, “of superior quality and value that improve the lives of the world’s consumers,” as the company states on its public statement of purpose (“Purpose, Values and Principles,” 2011). Employees could also be encouraged to respond to receipt of the now e-mailed rumor or questions about it by forwarding sweepstakes information with a personal note. Further, employees might be asked to forward sweepstakes information to people they think would be interested (avoiding those likely to see such a message as spam) even without contact about the rumor.

Future Research

This discussion suggests a number of research directions. First and foremost, the rumor response strategies should be tested with

various audiences (ages, occupations, cultural groups) and in many contexts. Little is known about the differences in rumor propagation behaviors by industry, function and specialty. Identifying significant differences holds promise for further refining the proposed strategies. Additional studies could assess the appearance and disappearance of particular terms of the proposed learning theory and behavioral impacts of the rumor response strategies. A number of instruments are available to test the theory both within the domain of brand attitudes, e.g. the Go/No-Go Association Task, and beyond it, e.g. the Implicit Association Test, the Breadth-based Adjective Rating Task, and others (Dimofte, 2010).

The brand ambassador concept holds promise as a standard element of integrated marketing communications plans. Research is needed to determine how companies might cultivate brand ambassadors, under what circumstances employees are willing to take this role, what elements of the request most positively influence response to a particular external communication request, whether hearing the same message more than once from different sources may lessen the credibility of a marketing communications strategy by correctly suggesting employees are repeating messages disseminated by a company authority, and other related issues. The effectiveness of using brand ambassadors to fight rumors should be tested against traditional mass media responses within rumor response strategy categories.

Finally, the revised attitude learning theory should be tested in a wide variety of situations in which attitudes are learned, and in particular, its covariate term should be tested with laboratory experimentation.

CONCLUSION

The proposed attitude learning theory bridges the gap between Fishbein’s attitude toward the object model, predictions from information

processing theory and associated observations in the field (such as with the P&G rumor) and laboratory (as in the 1981 Tybout, Calder and Sternthal worms study). The potential domain for the new theory is extremely broad, encompassing all situations in which attitudes are learned.

Since people form beliefs and attitudes based on rumors, rumor response strategies would provide an excellent first test for the theory. The propositions provided for the study of rumor response strategies based on the new theory show promise for guiding the creation of false, negative rumor response strategies to minimize the potentially enormous negative impact and to promote attitude gains that are predictive of purchase behavior. Using brand ambassadors in this regard offers hope for more pervasively and credibly disseminating rumor response messages through the same person to person networks that promulgate rumors.

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- ¹Rumors known by those hearing them to have been started by positive stakeholders thought not to have malicious intent are a special case in which refutation in a conciliatory tone may sometimes be effective (Iyer and Debevec, 1991). However, rumors are typically passed person to person without reference to an original source. In fact, the details passed along are chosen to make for good storytelling (Guerin and Miyazaki, 2006), and many modern examples show that reliable source information is not usually one of these details (c.f. snopes.com).
- ²With apologies to Florida State. Slight liberties have been taken for the purpose of illustration.

WHAT TATTOOS TELL CUSTOMERS ABOUT SALESPEOPLE: THE ROLE OF GENDER NORMS

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This study looks at how the meaning of visible tattoos impacts customer ratings of salespeople. Given the prevalence of tattoos, sales managers can no longer have a “no tattoo” policy. As such, they must understand how customers view different types of tattoos on salespeople. To this end, we examine the meaning and appropriateness of highly masculine and highly feminine tattoos on salespeople in two industries, real estate and automobile sales. Overall, people with tattoos trust and are more willing to work with tattooed salespeople than people who do not have tattoos. Furthermore, salespeople with masculine tattoos are considered more masculine than salespeople with feminine tattoos. People view feminine tattoos more positively than masculine tattoos. As such, customers trust and are more willing to work with saleswomen who have feminine tattoos. These effects are diminished for salesmen because feminine tattoos are gender inconsistent.

INTRODUCTION

In the United States, tattoos have traditionally been viewed negatively (Laumann & Derrick, 2006). As evidence shows that people with tattoos tend to be more non-conforming and risk-taking (Laumann & Derrick, 2006; Koch, Roberts, Armstrong, & Owen, 2005; Koch, Roberts, Armstrong, & Owen, 2010), it is not surprising that many managers do not hire tattooed salespeople. Ligos (2001) reported that an overwhelming majority of executives would not hire a salesperson with body art. A study by Miller, Nicols, and Eure (2009) found that even those with tattoos would rather not have co-workers with body art when working in a face-to-face customer contact job.

Today, however, tattoos are becoming increasingly common, especially among younger generations (Whelan, 2001; Laumann & Derrick, 2006), which we argue is making people more discerning about tattoo meaning and appropriateness. For example, Burgess and Clark (2010) found that people categorize tattoos as either “cute” or “tribal” each having a different meaning. Similarly, Goulding,

Follett, Saren, and MacLaren (2004) categorized tattoo wearers as “aesthetics,” “committed,” and “life-style,” and proposed that each engages in different life-style choices. Furthermore, as tattoos become fashion items, they are increasingly subjected to gender norms (Atkinson, 2003); hence, people evaluate tattoos on men and women differently (Totten, Lipscomb, & Jones, 2009).

We contend that the increasing prevalence of tattoos makes it less and less practical to avoid hiring tattooed salespeople. This prevalence also means that customers are more likely to distinguish between tattoo meanings and a tattoo’s gender appropriateness when evaluating a salesperson’s trustworthiness and deciding whether to work with that salesperson. Therefore, to make good hiring decisions, sales managers must understand the impact of these two variables on customer reactions to salespeople. To that end, we examine tattoo meaning and gender norms about tattoos and how they impact the consumer’s trust in and willingness to work with salespeople who have different types of tattoos.

**Literature Review
Prevalence of Tattoos**

Recently, it was estimated that 24% of Americans have a tattoo (Laumann & Derick, 2006), up from 1% in the 1970’s (Org, 2003). As might be expected, tattoo prevalence varies by age. While only approximately 15% born between 1953 and 1963 have tattoos, 36% born between 1975 and 1986 have them (Laumann & Derick, 2006). In a recent study of 496 college students taking introductory marketing classes at 14 U.S. colleges and universities, 40.5% indicated having a tattoo (Totten et al., 2009). Some estimate that 60% of college students have tattoos (Forbes, 2001). Today, tattoos are generally accepted as part of popular, mainstream culture as evidenced by the number of celebrities wearing them (Goulding et al., 2004). With mainstream acceptance has come an increased demand for variety in design, meaning, and quality (Vail, 1999).

Tattoo Wearer Gender and Stereotypes

Men and women view tattoos differently and are viewed differently if displaying a tattoo. Table 1 shows Totten’s et al. (2009) findings from a study of 496 students where 48.2% had tattoos:

These findings suggest that different characteristics are attributed to men versus women with tattoos.

Gender Norms and Stereotyping

A large body of literature examines gender stereotyping (Schneider, 2004). People tend to attribute certain traits to males versus females (Spence & Helmreich, 1978). For example, females are considered to have more communal traits, such as being more affectionate, emotional, and sensitive, while males are considered to have more agentic traits, such as being more adventuresome, independent, and tough (De Lisi & Soundranayagam, 1990). People who act contrary to gender-expected traits are rated differently than those who conform. For example, female attorneys are often seen as more competent than their male counterparts, perhaps because they are viewed as having overcome more obstacles (Abramson, Goldberg, Greenberg, & Abramson, 1978) or alternatively, since female lawyers are less common, they are seen as being highly motivated (Schneider, 2004). Similarly, females are viewed as smiling more so unsmiling females are seen as less happy than unsmiling males (Deutsch, Lebaron, & Fryer, 1987).

As mentioned, tattoos are now common on both males and females in the USA. However, we expect that similar to clothes, cosmetics, and hairstyle, certain tattoo designs are considered more appropriate for one gender than the other. Therefore, people with designs considered cross-gendered will be rated differently than those with gender congruent designs.

**TABLE 1:
Findings from Totten, Lipscomb, and Jones (2009)**

<i>Statement</i>	<i>Female Respondents</i>	<i>Male Respondents</i>
“Tattoos on men are attractive”	51.3% strongly agreed or agreed with statement	24.9% strongly agreed or agreed with statement
“Tattoos on women are attractive”	32.4% strongly agreed or agreed with statement	49.4% strongly agreed or agreed with statement
“A person with a tattoo has a bad image”	73.7% strongly disagreed or disagreed with statement	56.9% strongly disagreed or disagreed with statement
“Tattoos indicate that the a person abuses alcohol or drugs”	84.1% strongly disagreed or disagreed with statement	71.8% strongly disagreed or disagreed with statement

**Hypothesis Development
Tattoo In-group/Out-group**

Studies show that people with and without tattoos are viewed differently (e. g., Totten et al., 2009). Therefore, we opine that tattoos are salient symbols which consumers may use to stereotype salespeople. Furthermore, we expect that consumers who have tattoos will have different views of salespeople with tattoos than do customers without them based on in-group/out-group theory.

Groups are important sources of identity (Tajfel, 1969). To enhance self-image, people often join groups they feel have positive traits or emphasize the positive traits of groups to which they already belong (Schneider, 2004). Furthermore, people are more likely to ascribe stereotypic (and often negative) traits to members of out-groups (groups to which they do not belong) rather than in-groups (groups to which they belong) (Park, Ryan, & Judd, 1992; Ryan & Bogart, 1997). Accordingly, people with tattoos should accept other people who have a tattoo more than people without tattoos. Therefore, we argue that consumers without tattoos are more like to feel negatively towards tattooed salespeople.

- H_{1a}*: People with tattoos will trust salespeople who have tattoos more than people who do not have tattoos.
- H_{1b}*: People with tattoos will have a greater intention to work with salespeople who have tattoos than people who do not have tattoos.

Tattoo Meaning and Gender Traits

To better understand tattoo meanings, Burgess and Clark (2010) asked participants to group 15 different tattoos. The designs included suns, dolphins, bright colored shapes, black Celtic patterns, black artistic designs, tigers, barbed wire, and snakes. Suns, dolphins, and small brightly colored shapes were always grouped together. Participants described them as “modern, friendly, cute, happy, and peaceful” and were labeled “cute.” Black Celtic and black artistic designs were considered “aggressive, tribal, bold, and bad” and were labeled “tribal.” Comparing these traits with Schneider’s (2004) list of stereotypical gender traits (shown below in Table 2), it appears that females stereotypically have many of the traits attributed to “cute” tattoos and men stereotypically have many traits attributed to “tribal” tattoos.

**TABLE 2:
Male and Female Traits**

Female traits	Male traits
Affectionate	Adventuresome
Dependent	Achievement-oriented
Emotional	Active
Friendly	Ambitious
Kind	Coarse
Mild	Independent
Pleasant	Loud
Prudish	Robust
Sensitive	Self-confident
Sentimental	Stable
Warm	Tough
Whiny	Unemotional

Table from Schneider (2004)

Hence, we argue that tattoos express gender traits. As such, people should select tattoo designs expressing image-consistent characteristics. Schneider (2004) explains that people make inferences about others based on their clothes, hairstyle, cosmetics, and other fashion items. Therefore, the more strongly a tattoo is associated with masculine or feminine traits, the more the wearer will be viewed as having those traits. Thus, a salesperson with a highly masculine or feminine tattoo would appear to customers as being more or less masculine based upon the tattoo design.

H_{2a}: Male salespeople who have masculine tattoos will be considered more masculine than male salespeople who have feminine tattoos.

H_{2b}: Female salespeople who have masculine tattoos will be considered more masculine than female salespeople who have feminine tattoos.

Similar to fashion and cosmetics, we contend that certain tattoo styles are considered more “typical” for one gender than the other. Not unexpectedly, both males and females exhibiting cross-gendered behavior are viewed negatively (Lindsey & Zakahi, 1996; Rojahn & Willemsen, 1994). Rudman and Glick (2001) found that females with agentic (masculine) traits were rated lower on interpersonal skills, and Rudman (1998) discovered that women who use self-promotion, a tactic often encouraged and valued in men, are often rated negatively. Likewise, male homemakers are viewed more negatively than females in the same role (Rosenwasser, Gonzales, & Adams, 1985). Furthermore, people exhibiting cross-gendered traits are likely to be seen as homosexuals (Kite & Deaux, 1987), who are also frequently stereotyped negatively (Schneider, 2004). Hence, males with highly feminine tattoos and females with highly masculine tattoos will likely be viewed more negatively than those with gender-congruent tattoos. Therefore, in a selling context, we propose that people will have lower trust in and intention to work with salespeople who have

gender-incongruent tattoos than salespeople who have gender-congruent tattoos.

H_{3a}: People will trust male salespeople who have masculine tattoos more than they will trust male salespeople who have feminine tattoos.

H_{3b}: People will have a greater intention to work with male salespeople who have masculine tattoos than male salespeople who have feminine tattoos.

H_{3c}: People will trust female salespeople who have feminine tattoos more than they will trust female salespeople who have masculine tattoos.

H_{3d}: People will have a greater intention to work with female salespeople who have feminine tattoos than female salespeople who have masculine tattoos.

Method

Pilot Study

We began with a pilot study using 114 undergraduate students, 59 males and 55 females, taking a junior-level introductory marketing class at a public university in the Mid-Atlantic region of the USA. The purpose was to select very masculine and very feminine tattoo designs and learn more about respondent feelings toward the wearers of these tattoos. From a popular temporary-tattoo website, we selected tattoos resembling commonly-worn permanent tattoos. After eliminating similar designs, 21 remained. Pilot study participants then completed a two-part questionnaire. In the first section, students rated the 21 tattoo designs based on each tattoo’s masculinity/femininity using a 7-point, bipolar adjective scale (most feminine = 1 to most masculine = 7). In the second section, students chose the most masculine and the most feminine tattoo and then answered several questions about each. Based upon the pilot study, we selected the tattoo participants rated as the most masculine and the tattoo rated as the most feminine (See Figure 1).

FIGURE 1:
Tattoo Designs
Most Masculine Tattoo (mean = 6.2)



Most Feminine Tattoo (mean = 1.3)



(1= very feminine and 7 = very masculine)

Participants

To obtain our sample for the main study, we included an invitation to participate in the study in the “University Announcement” daily email sent to all people affiliated with the same university where the pilot study data were collected. Participants could enter a drawing for one of two \$100 cash prizes. The total sample size was 257, consisting of 97 undergraduates, 32 graduate students, 54 faculty, 66 staff, and 11 saying they had multiple roles. The mean age for respondents was 34.49 years (SD of 13.99). The number of respondents with tattoos by gender is shown below in Table 3.

Procedure

We used a 2x2x2 between-group design in which respondents were randomly assigned to one of eight condition groups: salesperson gender (male salesperson or female salesperson), tattoo gender trait (masculine or feminine), and industry (automobile sales or real estate sales). We chose automobile sales and real estate sales because both are major purchases where salesperson trust should be relevant to customers. In addition, the automobile sales industry has traditionally been

male-dominated (Sawyers, 2000), while the real estate sales industry is more gender-balanced (e.g., Cole, 2003). By comparing a gender-imbalanced industry with a gender-balanced industry, we hope to increase the generalizability of our findings.

Participants were asked to imagine a scenario corresponding to one of the eight experimental conditions. For example, subjects in the condition representing a saleswoman at a car dealership with a feminine tattoo were told, “Imagine that you were interested in purchasing a new car or truck. You go to a car dealership and a salesperson, a woman in her mid-twenties with the tattoo shown below on her wrist, approaches you. [Feminine tattoo shown here]. Visualize this saleswoman. Please answer the following questions based on your first

TABLE 3:
Gender Ratio of Study Sample

		Tattoo		Total
		No	Yes	
Gender	Male	39	25	64
	Female	98	95	193
Total		137	120	257

impression of her.” The salesperson’s age, mid-twenties, was selected because tattoos are more common and varied among younger generations.

Measures

Intention to work with salesperson was measured using a 4-item, 7-point Likert scale adapted from Sharma’s (1999) “behavioral intention” scale and modified based on the gender and industry of the experimental scenario. *Salesperson Trust* was measured using Ramsey and Sohi’s (1997) 5-item, 7-point Likert scale adapted to a retail context with the double-barreled item “This salesperson was friendly and approachable” made into two separate questions. Consistent with DeBruine, Jones, Smith, and Little (2010); Munoz Sastre, Fouquereau, Igier, Salvatore, and Mullet (2000); Koch, Luft, and Kruse (2005), and Gatton, Cathy, Dubois, and Faley (1999), *salesperson masculinity/femininity* was measured using a single item 7-point, bipolar adjective scale with 1 being very feminine and 7 being very masculine. Control variables included in the analyses include respondent gender, whether or not the respondent had a tattoo, and whether the respondent was an undergraduate student.

Results

Purification of Measurement Model on the Estimation Sample Data

To evaluate the strength of our measurement scales, the sample was split into an estimation sample consisting of automobile salespeople (N = 131) and a holdout sample consisting of real estate salespeople (N = 126). Given that 10 items were measured, the sample size allowed for the recommended ratio of five observations per item (Ford, MacCallum, & Tait, 1986). We used a principle components factor analysis and, since the factors were related, an oblique rotation. Based upon the proposed model, eigenvalues over 1, the screeplot, and the maximum-likelihood goodness of fit test, three factors (including the single item for

masculinity/femininity) were extracted, capturing a total of 82.1% of the variance. With one exception, each item had a factor loading over 0.7 on its appropriate factor while not loading on any other factor. The salesperson trust item “I feel there is very little risk involved in dealing with this salesperson,” did not load sufficiently and was dropped.

Test of Scales on the Holdout Sample Data

A confirmatory factor analysis was conducted on the nine remaining items (4 measuring intention, 4 measuring trust, and 1 measuring masculinity/femininity) using the holdout sample to determine the robustness and reliability of the modified scales. The Chi-square value for the sample was 26.56 and was not significant, RMSEA was .049, NFI was 0.983, CFI was .996, RFI was 0.969, and GFI was 0.956. As the model is not significant, RMSEA was below the recommended value of .08, and NFI, CFI, RFI, and GFI were all above the recommended value of 0.9, the model provided an acceptable fit. The discriminant validity was examined and supported using the procedure recommended by Bagozzi, Yi, and Phillips (1991) where discriminant validity is supported if a two-factor model fits significantly better than a one-factor model for each pair of factors. The two-factor model provided a superior fit in all cases, supporting the discriminant validity of the scales.

The composite reliabilities and coefficient alpha’s were at or over the recommended 0.7 for each construct and the average variance explained was over 50% (see Appendix A). The Cronbach’s Alpha for *Intention to work with salesperson* was 0.921 for real estate sales and 0.937 for automobile sales and for *Trust* the figures were 0.930 for real estate sales and 0.904 for automobile sales. The evidence (i.e., the split sample analysis, Cronbach’s alpha, composite reliability scores, and average variance explained) indicates scale reliability. A correlation matrix is shown in Table 4.

TABLE 4:
Correlation Matrix

	1	2	3	4	5	6	7	8	9
1 Trust ^a	.930/.904	0.565 ^{***}	-0.167	-0.005	0.232 ^{***}	0.062	-0.175 [*]	-0.015	0.051
2 Intention ^a	0.671 ^{***}	.921/.937	-0.048	-0.064	0.316 ^{***}	0.266 ^{***}	-0.076	0.031	0.021
3 Sales Masc ^a	-0.288 ^{***}	-0.127		0.136	0.100	0.103	0.764 ^{***}	0.257 ^{**}	0.200 [*]
4 Resp Age ^a	-0.185 [*]	-0.180 [*]	0.245 ^{***}		-0.116	0.000	0.078	0.100	0.682 ^{***}
5 Resp Tattoo ^b	0.234 ^{***}	0.326 ^{***}	0.085	-0.201 [*]		0.066	0.103	0.020	0.007
6 Resp Gender ^b	0.118	0.196 [*]	0.191 [*]	-0.007	0.100		-0.004	0.023	0.058
7 Tattoo Masc ^b	-0.301 ^{***}	-0.160	0.772 ^{***}	0.169	0.096	0.052		-0.039	0.180 [*]
8 Sales Gender ^b	0.036	-0.081	0.188 [*]	0.033	0.080	0.012	-0.106		0.087
9 Resp Status ^b	0.063	0.007	0.173	0.533 ^{***}	0.017	0.054	0.218 [*]	-0.043	

Top half of table represents automobile sample and bottom half represents real estate sales

Diagonal values represent Cronbach's alpha, the order is: real estate/automobile sales

^a Pearson's Correlation; ^b Spearman's Rho;

Masc = Masculinity, intention = intention to work with, Resp = respondent

* p < .05, ** p < .01, *** p < .001

Hypothesis Testing

Hypotheses were tested using a MANOVA followed by a series of step-down tests using GLM. The step-down test for each hypothesis was tested separately for automobile salespeople and real estate salespeople.

H_{1a} states that tattooed participants will trust tattooed salespeople more than will non-tattooed participants, and H_{1b} states that tattooed participants will have a greater intention to work with tattooed salespeople than will non-tattooed participants. The omnibus model for testing the effect of the participant's tattoo status on salesperson trust and intention to work with the salesperson (H_{1a} and H_{1b}) was significant (Pillai's Trace, Wilks' Lambda, Hotelling's Trace, and Roy's Largest Root were all significant at p < .001, see Table 5). Participant tattoo status significantly impacted both trust (F = 18.95, p < .001) and intention to work with the salesperson (F = 7.402, p < .001).

As shown in Table 6, tattooed participants trusted both automobile and real estate salespeople significantly more than participants

without tattoos. For tattooed participants, the mean trust score for automobile sales people was 5.03 versus 4.34 (p < .01) for non-tattooed participants. For real estate sales people, the mean trust score was 5.05 for tattooed participants versus 4.47 (p < .05) for non-tattooed participants. Therefore, H_{1a} was supported. People with tattoos also had a significantly greater intention to work with tattooed auto and real estate sales people. For people with tattoos, the average intention-to-work-with score was 5.29 versus 4.33 (p < .001) for non-tattooed participants and for real estate salespeople the scores were 5.17 for tattooed participants and 4.27 (p < .01) for non-tattooed participants, supporting H_{1b}.

The omnibus model examining masculinity, trust, and intention by tattoo type (H₂ and H₃) was also significant (Pillai's Trace, Wilks' Lambda, Hotelling's Trace, and Roy's Largest Root were all significant at p < .001, see Table 7). The nature of the salesperson's tattoo significantly impacted ascribed masculinity (F = 488.75, p < .001), trust (F = 25.96, p < .001), and intention to work with the salesperson (F = 13.478, p < .001).

TABLE 5:
Multivariate Test for Respondent Tattoo

Respondent Tattoo					
<i>Multivariate test</i>	<i>Value</i>		<i>DV</i>	<i>F-value</i>	
Pillai's Trace	0.096	***	Intention	25.960	***
Wilks' Lambda	0.904	***	Trust	13.478	***
Hotelling's Trace	0.106	***			
Roy's Largest Root	0.106	***			

Controls include respondent gender and university status
* p < .05, ** p < .01, *** p < .001

TABLE 6:
General Linear Model Test for H1 by Industry

Automobile sales							
	<i>Tat</i>	<i>N</i>	<i>Mean</i>	<i>SD</i>	<i>Diff</i>	<i>F-value</i>	
Trust	No	7	4.34	1.16	-0.69	7.01	**
	Yes	5	5.03	1.17			
Intent	No	7	4.33	1.48	-0.96	13.11	***
	Yes	5	5.29	1.41			

Real estate							
	<i>Tat</i>	<i>N</i>	<i>Mean</i>	<i>SD</i>	<i>Diff</i>	<i>F-value</i>	
Trust	No	6	4.47	1.13	-0.58	6.27	*
	Yes	6	5.05	1.33			
Intent	No	6	4.27	1.28	-0.9	12.76	**
	Yes	6	5.17	1.43			

Controls include respondent gender and university status
* p < .05, ** p < .01, *** p < .001

H_{2a} states that salesmen with masculine tattoos will be considered more masculine than salesmen with feminine tattoos, and H_{2b} states that saleswomen with masculine tattoos will be considered more masculine than saleswomen with feminine tattoos. As shown in Table 8, salesmen with masculine tattoos were considered to be significantly more masculine than salesmen with feminine tattoos for both

automobile sales (masculine tattoo mean = 6.28, feminine tattoo mean = 2.25, p < .001) and real estate sales (masculine tattoo mean = 6.06, feminine tattoo mean = 2.78, p < .001). Similarly, saleswomen with masculine tattoos were also considered significantly more masculine than saleswomen with feminine tattoos for both automobile sales (masculine tattoo mean = 4.80, feminine tattoo mean =

TABLE 7:
Multivariate Test for Tattoo Masculinity

Multivariate test	Tattoo Masculinity		
	Value	DV	F-value
Pillai's Trace	0.66*** 7	Intention	7.402***
Wilks' Lambda	0.33*** 3	Trust	18.946***
Hotelling's Trace	2.00*** 2	Masculinity	488.749***
Roy's Largest Root	2.00*** 2		

Controls include respondent tattoo, respondent gender, and university status
* p < .05, ** p < .01, *** p < .001

TABLE 8:
General Linear Model Tests for Hypotheses 2 & 3 by Industry

Sales-person		Automobile sales																
		Masculinity				Trust				Intent to work with								
gender	Tattoo	N	Mean	SD	Diff.	F	Mean	SD	Diff.	F	Mean	SD	Diff.	F				
Male	Masculine	36	H _{2a}	6.28	1.00	4.03	257.9 6	***	H _{3a}	4.47	1.50	-0.18	0.28	H _{3b}	4.79	1.81	0.02	0.00
	Feminine	20		2.25	0.97					4.65	0.75				4.78	1.60		
Female	Masculine	51	H _{2b}	4.80	1.33	2.89	72.56	***	H _{3c}	4.44	1.28	-0.61	5.06*	H _{3d}	4.57	1.38	-0.47	4.22*
	Feminine	24		1.92	0.97					5.04	0.90				5.04	1.33		

Sales-person		Real estate																	
		Masculinity				Trust				Intent to work with									
gender	Tattoo	N	Mean	SD	Diff.	F	Mean	SD	Diff.	F	Mean	SD	Diff.	F					
Male	Masculine	35	H _{2a}	6.06	1.03	3.28	133.4	***	H _{3a}	4.57	1.33	-0.52	4.57*	H _{3b}	4.58	1.49	0.02	0.23	
	Feminine	32		2.78	1.21					5.09	1.07				4.62	1.47			
Female	Masculine	37	H _{2c}	4.95	1.33	3.18	98.68	***	H _{3c}	4.32	1.35	-0.99	16.49	***	H _{3d}	4.49	1.44	-0.99	14.6
	Feminine	22		1.77	0.87					5.31	0.96				5.48	0.99		2	

Controls include respondent tattoo, respondent gender, and university status
* p < .05, ** p < .01, *** p < .001

1.92, p < .001) and real estate sales (masculine tattoo mean = 4.95, feminine tattoo mean = 1.77, p < .001). Therefore, H_{2a} and H_{2b} were supported.

H_{3a} states that people will trust salesmen with masculine tattoos more than they will trust salesmen with feminine tattoos, and H_{3b} states

that people will have a greater intention to work with salesmen with masculine tattoos than salesmen with feminine tattoos. The trust in auto salesmen with masculine tattoos was not significantly higher than the trust in auto salesmen with feminine tattoos (masculine tattoo mean = 4.47, feminine tattoo mean = 4.65). Surprisingly, for real estate sales, trust

was significantly higher for salesmen with feminine tattoos (masculine tattoo mean = 4.57, feminine tattoo mean = 5.09, $p < .05$). Intention to work with salesmen with masculine tattoos was not significantly higher than intention to work with salesmen with feminine tattoos for either automobile sales (masculine tattoo mean = 4.79, feminine tattoo mean = 4.78) or for real estate sales (masculine tattoo mean = 4.58, feminine tattoo mean = 4.62). Therefore, H_{3a} and H_{3b} were not supported; indeed, for real estate sales, people trust salesmen who have feminine tattoos more than salesmen with masculine tattoos, despite the gender-incongruence.

H_{3c} states that people will trust saleswomen with feminine tattoos more than saleswomen with masculine tattoos, and H_{3d} states that people will have a greater intention to work with saleswomen with feminine tattoos than saleswomen with masculine tattoos. Saleswomen with feminine tattoos were seen as significantly more trustworthy than saleswomen with masculine tattoos for both automotive sales (masculine tattoo mean = 4.44, feminine tattoo mean = 5.04, $p < .05$) and real estate sales (masculine tattoo mean = 4.32, feminine

tattoo mean = 5.31, $p < .001$). Therefore, H_{3c} was supported for both industries. The mean intention to work with saleswomen with feminine tattoos was significantly higher than that of saleswomen with masculine tattoos for automobile sales (masculine tattoo mean = 4.57, feminine tattoo mean = 5.04, $p < .05$) and for real estate sales (masculine tattoo mean = 4.49, feminine tattoo mean = 5.48, $p < .001$), supporting H_{3d} .

A summary of the results for each hypothesis is presented in Table 9. As expected, people were more inclined to work with and trust saleswomen with feminine tattoos than saleswomen with masculine tattoos. However, despite rating salesmen with feminine tattoos as significantly less masculine, people did not trust or have higher intention to work with salesmen with masculine tattoos. Contrary to our expectations, real estate salesmen with feminine tattoos were actually trusted more than salesmen with masculine tattoos.

Post Hoc Analysis

It is important to understand the preference for feminine tattoos. One explanation is that

TABLE 9:
Summary of Hypotheses

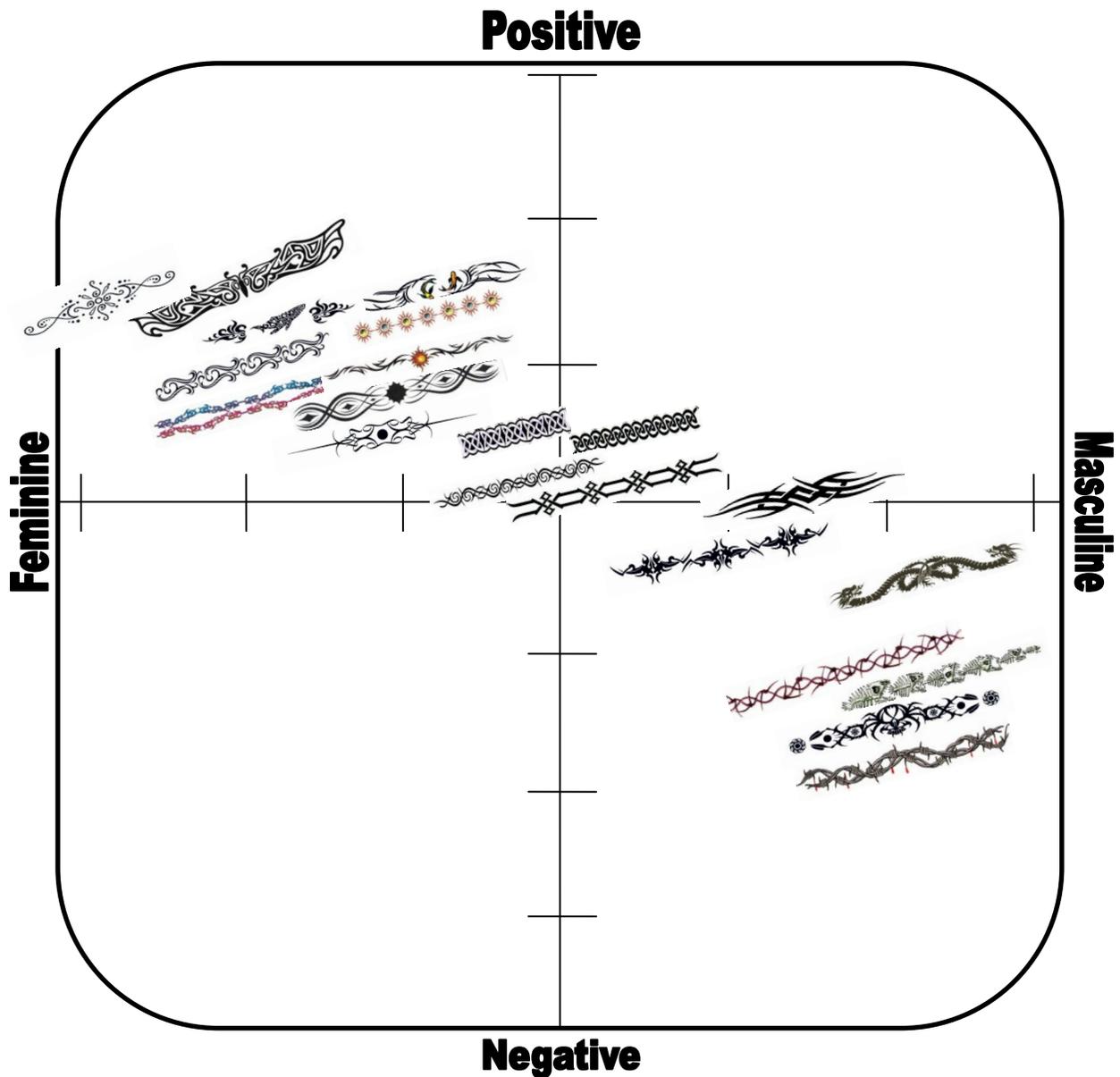
<i>Hypotheses</i>		<i>RE</i>	<i>Car</i>
H_{1a}	People with tattoos will trust salespeople who have tattoos more than people who do not have tattoos.	Supported	Supported
H_{1b}	People with tattoos will have a greater intention to work with salespeople who have tattoos than people who do not have tattoos.	Supported	Supported
H_{2a}	Male salespeople who have masculine tattoos will be considered more masculine than male salespeople who have feminine tattoos.	Supported	Supported
H_{2b}	Female salespeople who have masculine tattoos will be considered more masculine than female salespeople who have feminine tattoos.	Supported	Supported
H_{3a}	People will trust male salespeople who have masculine tattoos more than they will trust male salespeople who have feminine tattoos.	Opposite	Not significant
H_{3b}	People will have a greater intention to work with male salespeople who have masculine tattoos than male salespeople who have feminine tattoos.	Not significant	Not significant
H_{3c}	People will trust female salespeople who have feminine tattoos more than they will trust female salespeople who have masculine tattoos.	Supported	Supported
H_{3d}	People will have a greater intention to work with female salespeople who have feminine tattoos than female salespeople who have masculine tattoos.	Supported	Supported

masculine tattoos have a negative meaning. To investigate this, we examined the correlation between tattoo masculinity/femininity and attitude (positive/negative) toward the tattoo.

In addition to rating the tattoos on femininity/masculinity, pilot study participants also rated the 21 tattoos on a seven-point, bipolar

adjective scale where -3 was very negative and +3 was very positive. For each of the 21 tattoos, we created an average femininity/masculinity score and an average positive/negative score and looked at the correlation between these variables. The correlation was significant and negative ($r = -0.893, P < .001$); masculine tattoos have a negative meaning. Each tattoo is plotted on these attributes in Figure 2.

FIGURE 2:
Post Hoc Plot



DISCUSSION

Tattoo Meaning

Customers actively pursue buying goals (Kirmani & Campbell, 2004). As such, one explanation for the negative rating of masculine tattoos is that the traits attributed to highly masculine tattoos, such as ambition, toughness, and competitiveness (Schneider, 2004) were seen as being inconsistent with customer buying goals. This explanation reflects comments made by participants during the pilot study about each salesperson. Participants were randomly selected to provide their opinions about either two male or two female car salespeople, one having the respondent's choice for the most masculine tattoo and the other for the most feminine tattoo. Participants were told the tattoos were located on the salesperson's wrist. Participants were then asked the following: "If you were going to buy a new car and saw a *salesman* [*saleswoman*] in his [her] early 20's with this tattoo on his [her] wrist, what would go through your mind?" Comments about salesmen with highly masculine tattoos include, "I would think he is competitive and that he has a dominant personality," "He listens to rock, does not like women and is scary," and "He is trying to be tough." Comments about saleswomen with highly masculine tattoos include, "Unprofessional, harsh, and unwilling to listen to my needs," "Whoa—be careful," "Who is she trying to intimidate," "She is ambitious and egocentric," and "That's an ugly tattoo." There were no overtly positive comments about these salespeople, though a number of respondents commented they would not use the tattoo to judge the salesperson. These comments suggest that participants feel salespeople who have visible highly masculine tattoos do not have the desirable characteristics necessary for goal attainment.

Conversely, positive characteristics such as friendliness and sensitivity were attributed to salespeople with highly feminine tattoos. Therefore, participants may believe that salespeople with visible highly feminine tattoos

will help with goal attainment. Sample comments include, "It's cute!" "This girl is sweet and loves her life," "She is approachable and nice," "That she enjoys a deep meaningful relationship," "That's a pretty tattoo," and "She is sensitive, imperfect and relatable, trustworthy, not someone who would push me into a sale, someone who would take a softer sales approach." Comments about salesmen with feminine tattoos focused on the tattoo's gender inconsistency, though it is interesting that respondents were not less inclined to work with or trust salesmen with feminine tattoos versus saleswomen with feminine tattoos.

Not all comments about feminine tattoos were positive. For example, about automobile saleswomen with highly feminine tattoos, some respondents wrote, "Maybe this girl is more prone to peer pressures so she would not go against her company to get me a deal on a car," "I would think she probably is a bit too girly and wonder if she would know much about cars," and "Someone who unabashedly displays their preferred identity probably harbors some deep prejudices. She is not a well-balanced character."

Gender Appropriateness

Our original hypotheses regarding gender appropriateness were that people would be less inclined to work with and trust salespeople with cross-gendered tattoos than salespeople with gender-congruent tattoos. Although these hypotheses were not supported for salesmen, there is evidence that gender appropriateness is important. The post hoc analysis showed that masculine tattoos had a negative connotation, while female tattoos had a positive connotation. Yet, while people clearly prefer to work with saleswomen with feminine tattoos over saleswomen with masculine tattoos, they did not clearly prefer salesmen with feminine tattoos. We contend that the positive meaning of feminine tattoos is masked for salesmen by negative cross-gendered effects.

Comments from participants in the pilot study help explain how people feel about cross-

gendered tattoos. Twelve respondents commented about the gender inconsistency when a saleswoman had a highly masculine tattoo, for example, saying, "This woman wishes she were male," "She is a tomboy," and "I would think she is a lesbian." Thirty-one respondents commented about gender inconsistency when a salesman had a highly feminine tattoo, commenting, "He is weird, possibly gay." "Well, considering it's a very bright colorful tattoo on a 'him' I would believe he was a homosexual," "If the salesperson was a woman, it wouldn't be as weird, but if it were a man I would be scared and confused," and "I would think he was very feminine and possibly gay. However, it would not make me think any negative thoughts towards him." However, several respondents also noted that salesmen with a feminine tattoo have an advantage, saying, "He may be gay. But that's okay because some of the gayest men have the best taste in clothing and picking the right color and style car. I would probably feel good about buying a car from him," "He has a softer side," and "He must be very self-confident and in touch with this feminine side." Hence, respondents were aware of gender norms regarding a tattoo's style, but having a visible cross-gendered tattoo was not a clear disadvantage and, in some cases such as real estate sales, may even be an advantage.

General Implications

Our study found that: 1) people with tattoos are more likely to trust and intend to work with tattooed salespeople, 2) people make nuanced evaluations about tattoo meaning and gender appropriateness, and 3) tattoo meaning and gender appropriateness are sometimes at odds with one another.

First, people with tattoos trust and intend to work with tattooed salespeople more than people without tattoos. In the absence of other cues, customers likely make an initial stereotypical in-group/out-group judgment about the salesperson based on the presence or absence of a tattoo. This has important implications for whether salespeople should

cover their tattoos. When selling to a market segment where tattoos are prevalent (or, at least, not indicative of out-group status), an appropriate visible tattoo is not a liability.

Second, this study examined the degree to which there are gender norms regarding tattoos and how these gender norms toward tattoos impacted salesperson evaluations. We found that salespeople, regardless of gender, who have highly feminine tattoos are rated as more feminine, and salespeople who have highly masculine tattoos are rated as more masculine. This suggests that customers, whether tattooed or not, seem to make nuanced evaluations of tattoo appropriateness based on gender norms. Thus, while tattoos, in general, have in-group/out-group implications, customers also consider whether a tattoo is suitable for a salesperson based on his/her gender. Furthermore, people were less likely to trust or intend to work with salespeople who have a highly masculine tattoo than salespeople who have a highly feminine tattoo, particularly for saleswomen. In the post hoc analysis, we found a relationship between a tattoo's masculinity and negativity. People commented that both male and female salespeople with highly masculine tattoos were likely to be more aggressive, ambitious, and dominant. Perhaps, people felt threatened by these traits and did not want to work with salespeople displaying them. Therefore, we contend that consumers believe the traits conveyed by a visible highly masculine tattoo are undesirable. This is important because salespeople who wear or display other symbols of hyper-masculinity, for example a poster of a heavy metal band hung at a salesperson's desk, might also be viewed negatively.

Finally, tattoo meaning and appropriateness may be at odds with one another and, accordingly, can mask one another's effects. In this case, while feminine tattoos were rated more positively than masculine tattoos, feminine tattoos were also not considered appropriate for salesmen. Customers must then weigh the tattoo's meaning versus its appropriateness. In some contexts, tattoo meaning is more relevant than tattoo

appropriateness. In our study, real estate salesmen with feminine tattoos were evaluated as more trustworthy than salesmen with masculine tattoos. Yet, in other contexts, tattoo appropriateness counterbalances or outweighs the effects of tattoo meaning. To illustrate, we found that automobile salesmen with feminine tattoos were not rated differently than salesmen with masculine tattoos.

Managerial Implications

This study has a number of implications for managers hiring salespeople. Our results suggest that salespeople with tattoos are not automatically viewed negatively by customers. First, customers with tattoos do not judge tattooed salespeople as harshly as non-tattooed customers. This suggests that when selling to customer segments where tattoos do not indicate out-group membership, the presence of a tattoo should not affect the hiring decision. Furthermore, we speculate that as older people become more accustomed to seeing tattoos on their children and grandchildren, coworkers, and neighbors they will temper their automatic negative reactions, so the mere presence of a tattoo will become less-and-less an indicator of out-group status.

As stated above, female tattoos are rated more positively. However, the appropriateness of having a visible feminine tattoo depends on industry context. Contrary to our expectations (and most likely those of many sales managers), in real estate, people trust salesmen with feminine tattoos more than salesmen with masculine tattoos. Yet in automobile sales, salesmen with feminine tattoos were not trusted more than salesmen with masculine tattoos. One possible explanation for the industry difference is that, unlike real estate sales, automobile sales is traditionally male-dominated (Sawyers, 2000); as such, customers accustomed to the traditional dealership culture may be wary of salesmen displaying female traits. Conversely, in the real estate industry, women are more common and so female traits are better accepted. Accordingly, we recommend that visible feminine tattoos are

better suited in gender-balanced or female-oriented industries than in male-oriented industries. Thus, a feminine tattoo will almost certainly be a disadvantage for salespeople selling “muscle cars.” So, rather than focusing solely on the presence or absence of a tattoo, the sales manager can enlarge the pool of qualified applicants by including those with a tattoo that conveys the appropriate meaning to the target audience.

Furthermore, it should be noted that some pilot study comments indicate that some customers are biased against salespeople showing cross-gendered traits. Despite rating real estate salesmen as more trustworthy, people did not indicate a greater intention to work with salesmen who had a feminine tattoo than salesmen with a masculine tattoo. We argue that this indicates that many people do not feel comfortable working with salespeople who have cross-gendered attributes, even when the salesperson is ascribed positive characteristics. Thus, having a visible highly feminine tattoo may be a high risk strategy for a man because of cross gender issues.

Limitations

We were not able to compare salespeople without a tattoo to salespeople with a tattoo. Hence, while we know that people prefer feminine to masculine tattoos in general, it is impossible to tell whether salespeople with tattoos are rated more or less positively than salespeople without tattoos. However, we do not see this as a significant limitation because it will be increasingly difficult to shun tattooed applicants as tattoos become more common. According to Laumann and Derick (2006), 24% of Americans currently have tattoos. Among undergraduate students, the rates are even higher. Totten et al. (2009) found 40.5% of undergraduate respondents were tattooed, and we found 45.4% of our undergraduate respondents were tattooed. Indeed, further research should examine whether there are selling contexts in which certain tattoos are an advantage for salespeople.

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APPENDIX A
Factor Loadings and Scale Items

Measurement scales and items		Std. loadings	CR	AVE	SQ root AVE
<i>Intention (strongly agree/strongly disagree)</i>					
1	If this salesperson offered to assist me, I would definitely be willing to work with (him/her) to help me find [an automobile/a home].	0.837	0.912	0.578	0.760
2	I would definitely consider using this salesperson to find [an automobile/a home].	0.851			
3	The likelihood of finding [an automobile/a home] using this salesperson is very high.	0.772			
4	If I was purchasing this [car/home] jointly (with my significant other or another person), I would recommend we use this salesperson.	0.933			
<i>Trust (strongly agree/strongly disagree)</i>					
1	This salesperson is likely to be friendly.	0.836	0.910	0.574	0.757
2	This salesperson is likely to be approachable.	0.834			
3	This salesperson is likely to be sincere.	0.881			
4	This salesperson is likely to be honest.	0.835			

TRUST RE-DEFINED IN A REGIONAL CONTEXT

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“Union gives strength.”

-- Aesop, *The Bundle of Sticks* (“Quotations”, 2009)

Many forms of business relationships have been researched. Two examples of relationship structures are business clusters consisting of geographically proximate competitors and networks comprised of interdependent firms cooperating to efficiently deliver products and services to end customers. Research indicates that a key factor for successful business relationships is the existence of trust among the firms to work in a combined effort to meet specific business objectives. A qualitative, single-case study of the Central Otago Wine Region in the South Island of New Zealand revealed how the constituents of the region collaborated to attain global recognition of the wines produced there. A key finding was how the members developed their own meaning of trust in their collaborative efforts contradicting previous research.

INTRODUCTION

Firms are developing closer relationships with other companies to achieve market growth, take advantage of new opportunities, or reduce costs (Anderson & Narus, 1990; Dyer, 1997; Möller, Rajala, & Svahn 2005; Ritter, Wilkinson, & Johnston 2004; Rosenfeld, 1996). Rosenfeld (1996, p.247) explains the concept of collaboration this way: “They [firms] engage, both formally and informally, in joint activities such as co-marketing, co-production, shared resources, and joint product development.” Because of the advantages of collaboration, academics and practitioners have quite recently found new relevance in studying interaction, relationships, and trust among competitors, buyers and sellers, end-users, and supporting institutions to understand how they operate (Ritter, Wilkinson, & Johnston, 2004).

One such relationship structure relevant to this study is that of a *business cluster*. A business cluster comprises firms of a like industry whose relationships are place-governed, that is, they are geographically proximate to each other. Such clusters include competitors, suppliers, buyers, and supporting organizations. The member firms of a cluster may collaborate to

present a positive image of their products and services to the world, or become innovative when they share information and resources. Porter (1990) was one of the first to indicate that geographic proximity in firms of a like industry provides a foundation for open communication and the continuous development of industries and ultimately, a nation. A gap in the literature is the nature of trust in long-term relationships among the firms purportedly necessary to facilitate collaboration.

Another extensively researched relationship structure is a *network*. Business networks are comprised of suppliers, buyers, and other institutional stakeholders that are not necessarily geographically proximate. One identifiable activity is the production and delivery of products and services through their interdependent relationships (Achrol & Kotler, 1999; Dyer & Nobeoka, 2000; Ritter, Wilkinson, & Johnston, 2004; Wilkinson, 2001; Wilkinson & Young, 1996). Research on networks has captured the interest of marketing academics and practitioners over the past thirty years, evidenced by the number of journal articles published in a broad range of literature.

One approach to the study of networks is derived from the work of the Industrial Marketing and Purchasing Group (IMP) in Europe. IMP theories are pertinent to this study

as their major research finding is the connection between business interaction, resources, and relational bonds (Håkansson & Snehota, 1995). It is puzzling why business clusters have not been studied from a network viewpoint, as relationships facilitating the exchange of knowledge and resources is central to the success of business clusters. This research adopted the approach that a business cluster is a type of business network, although the members of a cluster are geographically proximate and achieve specific benefits as a consequence. As such, a particular business cluster was studied from a network, interaction approach using a case-study inquiry and in-depth interviews. An emerging result of the research was the understanding of the role of trust in regional collaborative relationships.

The Importance of Trust in Clusters

The business cluster concept involves the cooperation of geographically proximate horizontal (like kind) and vertical firms (supplier-buyer) firms to enhance their market position. Clustered or localized trading arrangements can be traced to early periods of civilization in ancient caravansaries in Asia and medieval marketplaces in Europe. Marshall (1910, p. 268) referred to “localized industries” as a straightforward historical progression, because original groupings of businesses were formed around favorable attributes such as fertile soil, metal reserves, and natural transportation accessibility.

Advancing Marshall’s theory of industrial community to the 20th century, Porter (1990) noted that business clusters were able to attain and sustain competitive advantage. Through proximity, competitors had constant contact with each other and were able to collaborate, providing channels for diffusion of information resulting in continuous business improvements.

A business cluster is delimited by several characteristics. First, although there are no physical boundaries on a business cluster or region, the firms are concentrated in a geographic area and they are *interconnected* in

some manner in the same industry. Firms are not only linked within cluster-specific industries, clusters within different industries can be connected through shared raw materials, technology requirements, and trade associations.

Because of physical proximity and frequent personal contacts, firms in a cluster tend to develop long-term trust in each other. Trust could be defined in a cluster context as dependability upon members behaving in predictable ways and acting with integrity. Trust is important in collaborative relationships because firms are reliant upon each others’ abilities and truthfulness to obtain favorable results. The concept would seem to be an aberration between firms in a competitive environment, however, trust facilitates inter-firm information exchange and dissuades firms’ selfish, short-term fiscal behavior in a thriving cluster (Porter 1990). The facilitation of information flow through trust, and also goal congruence (working together for a unified goal), are two defining categories in Porter’s delineation of key factors that facilitate information exchange within clusters.

It is notable that universities represent a type of cluster distinct from the business discipline. Typically, universities within geographic areas share resources such as equipment, space, instructors, curricula, and collaborate on research to enhance deliverables to students and to elevate the images of the participating institutions.

Other cluster research supported the concept of trust. Powell (1987) emphasized the important aspect of this closeness or proximity in clusters because it facilitated face-to-face communication. Lives of people in cluster firms become entwined through many years of communication, adaptation, and sharing, therefore exchanges are established on reciprocity and reliability. Corno, Reinmoeller, and Nonaka (1999, p. 386) indicated “common languages, experiences, and culture within districts favor the development of relationships at the intimacy level.” Individuals’ interactions

can fluidly expand from business to social contexts resulting in what Keeble and Wilkinson (1999) called embedded relationships. Also, individuals within the firms avoid sub-optimal behavior by providing correct information, respecting agreements, and not passing on defective products or establishing barriers to progress (Maskell, 2001). Knowledge transfer is facilitated by trust and the resultant collective learning process among cluster companies therefore abates uncertainty and augments innovation (Bramanti & Ratti, 1997). According to the literature, trust among the people in a cluster is the critical underlying factor in its thriving existence.

The Importance of Trust in a Network

The term 'network' applied to the business environment is the connections between businesses and other institutions (Achrol & Kotler, 1999; Håkansson & Snehota, 1995). It could be argued that an early modern form of business network was the distribution channel. The 'channel' metaphor suggests a linear rigidity which is sometimes useful in understanding primary linkages between firms and their markets, but is a theoretical simplification.

Researchers in the 1950s and 60s built upon behavioral rather than competitive theories (Alderson, 1965). In the United States, Interorganizational Theory gained support, delving into the manner in which a selling firm dealt with conflict, cooperation, and control within a distribution channel. As channel studies began to move away from the isolated dyadic perspective and to involve many more relationships, theories became more complex (Anderson & Narus, 1990; Dwyer, Shurr, & Oh, 1987). In Europe and Australasia, the Industrial Marketing and Purchasing Group (IMP) developed the Interaction Approach (Håkansson, 1982). In contrast to Interorganizational Theory, the IMP Group in Europe was conducting research between firms with an emphasis on interaction, relationships, and trust (Ford, 1980; Ford, Håkansson, & Johanson, 1986). The Interaction Approach is

concerned with business relationships and how interaction between members aided the formation of a network (Ford, Håkansson, & Johanson, 1986). Social exchange may occur in which mutual trust is established in personal interaction after successful exchanges. Partners assume their requirements will be met, open communication among various levels in each organization occur, and each company adapts to the other concerning products, information, financial terms, and in social exchanges (Ford, Håkansson, & Johanson, 1986).

In networks, similar to business clusters, relationships are developed over time and partners trust in each other to perform required tasks. For both clusters and network, an underlying factor is trust between constituents. Much of the research on networks has been performed within the marketing discipline with an interaction or relationship viewpoint. Paradoxically, much of cluster research has been conducted from an economic perspective with little in-depth study of relationships. In contrast, network research in marketing concentrates on the formation and maintenance of relationships involving trust, therefore for purposes of this study, a regional cluster was considered a type of network and was researched from a *network* viewpoint, contributing to both network and cluster literature and managerial practices. Because of the extensive support in the literature of the existence of trust to facilitate collaboration in a network environment, that issue was expected to emerge as a common key factor in this study.

Additional Business Relationship Structures and Trust

It is recognized in this paper that the body of research on business relationships is immense. Morgan and Hunt (1994), for example, describe relationships between suppliers and manufacturers, service providers and clients, strategic alliances between firms and competitors, partnerships between non-profit and for-profit companies, alliances for research, within channels of distribution, between buyers and sellers, functional departments within a

company, employee and firm, and within strategic business units. Brinberg (1998) expands strategic alliance research by discussing the factor of control in co-operative relationships such as marketing and technology links, sole-source providers, and joint ventures. Sole-source supplier alliances, such as Kieritsu in the Japanese auto industry are discussed (Nonaka & Takeuchi, 1995). Guanxi is a Chinese structure of relationships in which long-term relationships connected to business has deeply embedded social and cultural aspects (Park & Luo, 2001). Additionally, Brandenburger and Nalbuff (1996) introduced the idea of co-opetition relating to the simultaneous occurrence of competition and cooperation among network players incorporating a management perspective of game theory. Batenan, Edwards, and Levay (1979) began examining the idea of cooperatives in which firms in the same industry, such as agriculture, cooperate to share costs and develop awareness of a particular product category.

Several comments are noteworthy concerning business-relationship research. First, the plethora of overlapping business relationship and network literature would seem to assist in the explanation and clarification of relationship structures. Instead the different veins of literature make delineations and definitions more perplexing. However, it is not the purpose of this paper to investigate and untangle network and relationship literature. What is significant in this study is that the factor of trust is embraced in literature on business relationships, clusters, and networks. Academics agree that the level of trust or reliability on partners is a key determinant factor in the long-term stability and richness of relationships.

Context of the Study – The Central Otago Wine Region

From modest beginnings, the wine industry has grown into a global marketing entity. In recent years, the industry world-wide has realized moderate growth, however, it exceeded \$107

billion in 1995, increased to \$263.8 billion in 2009, and is expected to grow to \$291.5 billion by 2014 (“Wine Global”, 2010). One of the New World producers is New Zealand, whose wines have risen to the forefront of global wine popularity in the last 25 years. The wine industry contributed \$. 98 billion to New Zealand’s total GDP of \$126,679 billion in 2009 (“Gross Domestic Product”, 2010). Although the impact of the wine industry on the New Zealand economy seems small, there is more to the story. The New Zealand wine industry has a unique niche in the premium-wine marketplace with excellent quality and distinctive wines.

The Central Otago Wine Region in the South Island of New Zealand is one of 10 wine-producing areas in New Zealand and is the empirical research setting for this study. This region is contributing to the international recognition of New Zealand wines through the distinctive, premium Pinot Noir produced there. Decanter, a respected UK wine magazine, indicated that Central Otago “has made a name for itself producing consistently good Pinot Noir to rival Burgundy and Oregon” (“Top Ten”, 2009, p. 16).

At 45° south, this is the world’s southernmost winemaking region and also New Zealand’s highest as it is a mountainous area. With over 100 wineries, this wine region began seriously producing premium Pinot Noir and Riesling in the 1990s. However, production is not substantial with hot, dry summers and snowy winters and limited desirable land, resulting in a precarious grape-growing environment (“Wine Regions”, 2008). The region consists of six sub-regions: Alexandra/Clyde, Bannockburn, Gibbston Valley, Bendigo, Cromwell, and Wanaka.

A typical profile of wine-growers today in Central Otago resembles the characteristics portrayed by the early wine pioneers who struggled to grow grapes. Although many have recently moved to Central Otago specifically to produce wine, few have inordinate experience in the wine industry (Buchan et al., 2000).

Because of its embryonic stage of growth, the region is lacking professional wine business management, viticultural (vineyard management), and vintner (winemaker) experience. The scarcity of experience would seem to be a critical weakness in a region considered especially onerous for grape production. The apparent deficiency in expertise added to the need for the wineries to collaborate and exchange knowledge, has been discussed in previous business cluster research. The profile of this wine region, therefore, was deemed ideal for this type of study.

Several wineries formed the Central Otago Winegrowers Association (COWA) in 1984, a volunteer-membership association. COWA's purpose is to provide assistance and training in quality vineyard management. Central Otago Pinot Noir Ltd. (COPNL) was added in 2002 under the umbrella of COWA and was formed exclusively to provide marketing assistance with exporting. Together, the wineries have agreed to a self-imposed, wine production standards including quality and growth restrictions ("COWA", 2007).

COPNL's marketing strategy relies greatly on the region accepting a unified market positioning for the region. The mission statement was written in early 2003: "To promote Central Otago as a premium international wine growing region through its commitment to quality and distinctive wines." (Harmon, 2005, p. 3)

The formal functions of COWA and COPNL and the activities they promote are visible and easily identifiable. However, there seemingly would be other forms of interaction and collaboration supporting the unified idea of the regional image of Central Otago. This study endeavored to determine how the less obvious and discernable means of collaboration occurred between winery personnel. An important factor emerging from the study was the role of trust in the relationships of the regional constituents.

Methodology

Because the Central Otago Wine Region exemplified many cluster characteristics, such as geographically proximate competitors seemingly collaborating to enhance the global image of the products produced in the region, it was an ideal context for this research. The method of research was a qualitative, single-case study involving understanding the individual views of the actor firms through interviews with the vintners, viticulturalists, and owners/managers about how and why they collaborated. Qualitative case research is often used when the research problem addresses a 'how' and 'why' question. This is because case research can be used to explain phenomena rather than quantify them (Perry, 2001). In this research, emphasis was on the process and nature of collaboration, or *how* winery personnel collaborate, therefore the case study approach was appropriate. It was important to gain individual input from the participants to determine similar or contrasting data about how collaboration did or did not occur for the purpose of determining a regional perspective.

A primary concern in network research is delimiting the boundaries of the network for case study. Halinen and Törnroos (2005) propose a useful *focal net* framework to assist in the design of a case study of business networks. A focal net includes those actor firms and their representatives who are chosen as key informants because they are able to respond knowledgeably to the central questions of the study. In the study, actor firms were represented by the vintners, viticulturalists, and owners/managers. These winery personnel were chosen as participants as they are at the center of wine production and marketing within their wineries and the region.

The importance and meaning of trust linked to relationships and collaboration in the region emerged through interpretation of the data. Twenty-four owners, vintners, and viticulturalists were interviewed with a final interview with one of the wine-producing

founders of the region. The participants were chosen based on several criteria:

1. Experience and expertise in the region.
2. Represented a continuum of new to old wineries, which typically aligned with smaller to larger production.
3. Represented all of the six sub-regions of Central Otago
4. Primarily produce Pinot Noir as that wine varietal is tightly linked to regional recognition
5. Produce their own wine and bottle single-vineyard (bottled wines come from one specific vineyard) wines, so they employed vintners who were important respondents in the study.
6. Were members and non-members of COPNL (the regional association formed to promote regional wines) because the concept of collaboration could differ among them.

Open-ended interviewing was used, although an interview protocol was developed.

EXHIBIT ONE: Interview Protocol

General Background

1. Describe the background of your winery (CO tradition)
2. Tell me about your personal background in relationship to the wine industry (where were you before _____?).
3. What do you see for the future? (Sub-regions, environment, organic) (end of interview)?
4. What are your individual philosophies of winemaking/viticulture? (ex. Organic, non-interference, experimentation)

Primary Objective

The main aim of this study is to evaluate the nature, process, and role of collaboration among competing firms in a region.

1. Who (winery personnel) was important to you in the beginning – now? (Actors)
2. What sorts of things did you rely on other people for – equipment, advice, contacts, etc.? (Resources)
3. How are new wineries accepted by the established wineries? (Actors, activities)
4. What formal associations do you participate in about winemaking/viticulture? (Activities)
5. What other regular or formal activities are you involved in that would somehow help the region as a whole? (Activities)
6. Informal activities? (Activities)
7. How do you individually contribute to the region's success? (Activities)
8. It strikes me that the wine people in CO must have great social lives in that you are close to each other and wine is involved! Would you care to share information about that? (Activities)
9. What impact has isolation had on the region?
10. What role, if any, does your constant struggle of “wines on the edge” have in collaboration between the wineries?
11. How do you feel about the movement of personnel from winery to winery? About producing wine for each other?
12. What importance would you place on having young people moving into the CO wine industry?

Information gathered included a description of their responsibilities, who they relied on for know-how and working knowledge to develop competencies and capabilities, all formal and informal associations, and their descriptions of and reasons for collaboration or no collaboration within the region.

After the interviews were transcribed, content analysis was used because this method has been generally accepted as a useful means of textual analysis by researchers (Silverman, 2001). The purpose of analysis was to reduce the overwhelming amount of data to enable the identification of useful themes (Weber, 1990). The interviews were transcribed by an outside professional, then read in detail and significant statements were coded descriptively. Because the main purpose of the research was to determine how collaboration occurred in the region, several codes emerged connected to the concept of working together to produce quality wine. The descriptive codes or categories across all the interviews were reviewed to see how they linked together, and to identify ideas which do not seem to fit. A qualitative data analysis software tool, NVivo7®, was chosen for this study as it provides advanced coding and data manipulation. NVivo7® assisted in sorting through enormous amounts of text and associating codes with text (quotations) sections and developing patterns. The software proved invaluable for interpretation of the text, coding, and searching text in the study and provided the means to move between the data coded and original transcripts as described by Gilbert (2002).

Findings and Discussion

Several key areas about trust emerged from the analysis of collaboration among the regional wineries. First, it was determined that there was a significant presence of outside (of the region) experience. This implied that most people were not from Central Otago and were relatively new residents. This is understandable because the region as a wine-producing area is new, therefore, people attracted by opportunities and challenges have re-located to the region.

Therefore, long-term relationships were not dominant in the region. The idea of long-term relationships is significant in cluster research because interaction occurs easily within these relationships (Dayasindhu, 2002; Porter, 1990). These long-term relationships in regional settings facilitate a level of trust established over time among the people living there (Lawson & Lorenz, 1999; Maskell, 2001; Porter, 1990). Trust is identified in the literature as having a positive impact on interaction, learning, and collaboration leading to innovation (Porter, 1998). However, in this participant context, only two people (the owner/vintner of one winery vintner of another winery) were second generation Central Otago wine people and they did not socially interact. The limited number of long-term relationships among the participants in Central Otago, therefore, is a departure from business cluster literature.

Knowledge is the most dominant form of resource sharing in the region, a common characteristic of business clusters (Bramanti & Ratti, 1997; Camagni, 1991; Wilk & Fensterseifer, 2003). In this case, the process of collaboration first involves knowledge from outside the region coming into Central Otago through the international experience and travel of the vintners and owners. Additionally, other external information from vineyards in New Zealand is brought in by vintners, owners, and viticulturalists. Inside the region, COWA and COPNL are formal associations within which knowledge is disseminated in a face-to-face manner, discussed among members, trialed by the wineries, and continually circulated throughout the region. Knowledge is further transferred through interaction with neighbors, friends, contractors, casual laborers, and educational institutions. Sub-regional (the six sub-regions mentioned previously) relationships, special interest groups (such as those interested in organic viticulture), and newcomers to the region are other levels of interaction. The levels of interaction among members of the region are not physically or socially bounded, but can be depicted this way:

TABLE 1:
Levels of Collaboration

Outside the region	Inside the region	Sub-groups
International experience (vintners)	COWA	Sub-regional groups
New Zealand and Central Otago experience (vintners, viticulturalists)	COPNL	Special interest groups
Other business experience (owners)	Long-term relationships	Newcomers
Contractors	Short-term relationships	
	Contractors	
	Casual labor	
	Educational institutions	

Trust associated with long-term relationships is often credited with a smooth transfer of knowledge within clusters (Porter, 1990). The participants had open interaction and knowledge transfer in which the concept of long-term relationships and trust did not play a significant role, representing a departure from previous findings in research.

Of interest in this study is that only five of the 25 participants indicated that trust was an important element in the exchange of information. Trust, or the notion that the participants could rely on each other for information and other resources, seemed to be an intrinsic 'given' among people in the region and was tied to their survival, therefore they did not give it much thought. Linked to this is the idea that all of the respondents did not think of the wineries as competing against each other. As the owner of an Alexandra winery stated, "I guess we are competitors, but we don't think of ourselves that way." A major factor for this is because any information exchanged has to be adapted to individual environments to become tacit knowledge particular to that winery. As a Bendigo vintner indicated, "We all have our own distinctive wines." Information is not taken from one individual winery and directly

applied to another environment. Therefore, different winemaking contexts at different wineries mean that the knowledge adaptations trialed by each vintner or viticulturalist actually protect the knowledge-giver from loss of competitive advantage. Somewhat paradoxically, this knowledge contextualization changes the level of trust needed for such information exchanges in the first place. This risk reduction helps the expansion of wine knowledge and its circulation through the region, elevating regional knowledge over time. Again, this erodes the supposition of trust extolled in the literature.

Another important finding aligned with the idea that each participant using knowledge differently, is that wineries have individual marketing strategies. One of the purposes of the regional cluster is to raise global awareness of Central Otago wines to assist in exportation (Aylward, 2004; Dayasindhu, 2002; Schmitz, 1999; Streb, 2003; Tambunan, 2005). Some of the wineries subscribe to formal co-marketing through COPNL to help support the exportation effort. Also, they help each other by representing and discussing other wineries' wines at events, or referring visitors to many Central Otago wineries for wine tastings.

None of these marketing strategy concepts are new to cluster literature, but there was one notable difference in their co-marketing activities in comparison to other research. An important note is that COPNL was not named in the study as the main facilitator of marketing information exchange. Three owners interviewed were not members of COPNL and chose to emphasize their individual brands rather than support the direct marketing of the region through COPNL. The owners indicated:

Gibbston Valley Winery: I had a falling out with COPNL in the early days in London. There were eight wines that were chosen for a dinner and they were all COPNL Board Members, so I said, “That’s it, I’m going it alone.” I’m not a member of COPNL. I’m very tied into the tourism trade and that’s what works for me.

We have a large operation and saw about 150,000 people last year at our winery. 40,000 people dined here. The people really could not care less about what they are drinking, although we produce high quality wine.

Bannockburn Winery: The wine speaks for itself, however it has to be positioned appropriately, it has to be shown, has to win [awards] occasionally. Having won big [awards], it’s going to make it a lot easier to continue to position and develop the brand.

The more of those we get the more positive reinforcement there is of the variety in Central Otago, New Zealand. So having said that, what I’m saying is the fact we’re not in COPNL doesn’t mean that we’re not advocating New Zealand and Central product – we’re doing that anyway.

I have no – I have absolutely no guilt feeling about not paying my way. We’re paying our way in a different way. We’re paying our way in a much more practical, direct, clear way.

You’ve asked me why we’re not in COPNL and I’ll sort of talk about that. We were, earlier on, and we were dissatisfied with – and I’ll put it very broadly and very generally – dissatisfied with the level of representation for the small people, and we defined ourselves as small people.

Gibbston Valley Winery: What they do is what they do. I’m not here to tell them what they should be doing. All I want to do is, what I think the best I can do is...I think – and you do some people around here trying to tell other people what they should be doing and I have a problem with that.

On the face of it, these contrary marketing actions would seemingly erode the concept of a unified regional position and regional promotion and trust, but that does not occur.

A business cluster is a paradox as independent firms in a geographically-limited space strive to achieve united goals, yet they all have separate business aims (Porter, 1990). This study specifically identified the participants’ disparate marketing strategies which seemed to contradict the idea of collaboration to develop and support a regional image. However, these three wineries do not use COPNL, yet the various marketing strategies all raise the level of each winery’s reputation, therefore ultimately enhanced the regional reputation by association. They are also willing to help other wineries and are involved formally and informally with regional events supporting the idea of trusting each other. As the owner from a Bannockburn winery stated, “We – I mean any time that you’re doing any of that,...referral to other places [referring visitors to other wineries], you’re surely consolidating the brand Central.”

The interpretation is that these wineries do contribute to the prestige and reputation of the region, through different forms of collaboration. By building their individual brands’ reputations, the wineries not joining COPNL elevate the stature of the region, thus support the regional brand. These individual

strategies also support the participants' own definition of trust. They rely on each other in the exchange of information to support the quality of regional wines, yet they understand that they will differentiate and market their individual wines on their own. This lessens the need for trust as delineated in other cluster and network research. Exactly how wineries with disparate marketing explicitly promote their own wines, yet implicitly support a regional image has not been identified previously in the literature and expands business cluster research.

An important idea interpreted in this study is that Central Otago has defined its own meaning and of trust. First, winery personnel enter the region with established reputations from other prestigious wine regions, therefore an automatic level of trust or respect exists for their experience and knowledge. This aspect of wine expertise in the region has replaced the long-term relationships emphasized as a characteristic for successful business clusters and networks. Secondly, knowledge exchange occurs more easily between people because of how knowledge is used in the particular context of each winery and vineyard. Another overriding factor was the identification by the wineries early in the development of the region that the wineries needed each other to survive and produce premium wine. This included the need to share marketing, physical (labor, tools, and equipment), and information resources.

As the owner from a Bannockburn winery stated, "But the exchange of information is quite amazing, really. People with Pinot are willing to give that information because they realize what works from their side may not work for someone else."

Also indicated by the viticulturalist from an Alexandra winery:

Central Otago, it's more like we all band together. We don't really keep secrets from other vineyards or anything like that. It's – and marketing, it all sort of goes hand in hand. I think it's more of, a big pool of

growers that are all exploring new options because it is relatively new here, so that everybody's asking the question to other vineyards, like how do we market, how do we grow?

Finally, and perhaps one of the most important factors in Central Otago's connotation of trust interpreted from the data is the deeply-embedded factors of pride and passion. They had a fundamental love of the place in which they lived which allowed them to grow premium wine, as indicated by a vintner in Cromwell, "I think it happens quite easily because people are just gobsmacked by the beauty of the region, the mountains, all the lakes and rivers, in the summer time." And, an owner in Bannockburn stated, "and so we actually knew – we liked wine, we knew a bit about wine, we LOVED Central Otago." Another owner in Bannockburn added:

So, Central Otago is in our blood, and having travelled around New Zealand and the world, we always wanted to come back because we love the climate and the dramatic ruggedness, peace, and isolation of the landscape. A love of the land, of Central Otago, and of wine has shaped our thinking.

They felt privileged to live in a place they loved and were still incredulous that they had achieved global recognition for their Pinot Noir so quickly. Recognition of their wines both domestically and internationally by consumers, wine critics, and international Pinot Noir producers continues to motivate the producers to produce the best wine. They also share the same fight against the odds every year because of the challenging climate which creates a cohesive environment. Because all participants had these strong feelings about their own vineyards and the region and overcoming constant threats, it would follow that collaborative efforts within the region would ameliorate their operations to ensure wine quality and maintain the prestige of the region. An owner in Wanaka said, "I've mentioned passion a few times – but it really is an absolute

sort of focus on making great Pinot Noir. And that, that's different from other areas." The regional founder summarized,

That sort of passion - the striving to make the best wine and to look at what your raw materials are, the sun, the light, the soils etc, I think that does, to some extent, actually sets Central Otago aside from other regions in the world. Because there has been that real, genuine support and interest and knowledge sharing. It's been that way from the beginning and is part of our history.

While these 'emotional ties' may appear to be quite delicate and unsustainable in the business world, the analysis determined that they provide the cohesiveness and trust necessary to ensure that winery personnel adhere to their focus on wine quality. Their definition of trust or reliance upon each other does not depend on long-term relationships. Their trust is derived from the respect for the expertise of the individuals coming into the region, their immense pride in the region and its wines, and knowing that the only way the regional reputation will be maintained is through the sharing of knowledge.

Contribution to Academia and Management

This research contributed to academic marketing theory by supplying an in-depth understanding of the role of trust in inter-firm collaboration and process of knowledge exchange. Gaps had been identified in the literature within areas that appear to be logically connected but had not been studied holistically. First, clusters had not been studied from the B2B interaction approach examining interaction among actors, with shared activities and resources. Secondly, how competitive firms work together when long-term relationships and a traditional sense of trust are not evident significantly expands network and cluster literature.

From a managerial perspective, firms in a regional environment can benefit from this

research by seeing how regional awareness can be accelerated through a particular nature and process of collaboration among competitors. Although previous research emphasizes how important long-term relationships are in developing trust to facilitate collaboration, this study demonstrated that a region could develop its own meaning of trust in the absence of long-term relationships. The trust in this region was founded on the high level of expertise and reputations of vintners and viticulturalists attracted to the region. Additionally, trust in this region was based on a will to meet the specific physical challenges of growing grapes in a precarious environment through knowledge transfer, which all the participants shared. This knowledge is critical for embryonic regions striving to achieve global recognition for their products and services.

Recommendations for Additional Research

This study specifically identified the nature and process of collaboration and evidence of trust within the Central Otago Wine Region. The findings were very specific to Central Otago and they would probably differ in other contexts. Premium wine producers could be unique in business cluster research because Pinot Noir (in this case) is not a commodity and each winery around the world offers a unique product. Likewise, it would be interesting to conduct this study in a different context, perhaps in a more mature wine region or one not so isolated. Using the findings in this study to compare to results in a different context would test their relevance and utility. In addition to conducting the study in a different wine region, it could be beneficial to test the results in another industry. These studies, particularly if conducted in different countries, could be compared to identify similar or disparate results. This could add significantly to business cluster and network research.

Outside information coming into the region was deemed critical. There also appeared to be a collaborative atmosphere among Pinot Noir producers worldwide. A study providing an in-depth analysis of global collaboration could

expand the literature. Global collaboration research in other business cluster contexts would be merited. It would be of interest to determine if this type of collaboration only occurs in the Pinor Noir producing areas, or if it occurs in other wine or industry contexts.

Each winery in Central Otago receives information and re-engineers it to fit their environments. Therefore, the provider of information does not feel that s/he is relinquishing a competitive advantage and decreases the need for trust. As this contradicts other business cluster research highlighting trust, it would be interesting to conduct an in-depth study of the concept of trust in other business cluster or collaborative network environments.

Conclusion

In summary, this study determined that the trust exhibited by the participants was determined and defined by them and was different than the 'trust' discussed in the literature based on long-term relationships. Because of the boutique environment of Central Otago, the wineries realized from their initial grape-growing ventures that they had to work together to continue to enhance the quality of their wines and develop regional recognition. Therefore, even though they did not have long-term relationships so frequently espoused in cluster and network literature, they did trust each other in information sharing for the betterment of the region. Although there are disparate marketing strategies among the wineries, they all support the region in their own way. These are new findings in the field of business interaction and relationships.

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¹ New World producers are located in the Americas, Africa, Australia, New Zealand, and now emerging China and India in contrast with Old World producers in Europe.

THE RELATIONSHIP BETWEEN COGNITIVE AGE AND STATUS CONSUMPTION: AN EXPLORATORY LOOK

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This paper looks at the cognitive age of the consumers and how that impacts status consumption. The findings reveal that there is a strong negative relationship between cognitive age and status consumption. Additionally, this relationship between cognitive age and status consumption is moderated by consumer perceptions of price consciousness and brand consciousness. These results suggests that consumers who feel cognitively young will be more motivated to consume for status and that this relationship is moderated by both price consciousness (stronger for those who are less price conscious) and brand consciousness (stronger for those who are more brand conscious).

INTRODUCTION

The luxury market is thriving (Han, Nunes, and Dreze, 2010; Husic and Cicic, 2009; Truong, Simmons, McColl, and Kitchen, 2008) as luxury consumers are motivated and behave similarly throughout the world (Eastman, Fredenberger, Campbell, and Calvert, 1997; Husic and Cicic, 2009; and Shukla, 2010). Status consumers come from all different social and income classes and use prestige products because it makes them feel confident and they enjoy wearing well-known brands (Husic and Cicic, 2009). Truong et al. (2008) and Gardyn (2002) note that luxury goods have become more accessible and therefore more consumers are willing and able to pay a price premium for status goods.

While the literature has not demonstrated a strong relationship between status consumption and demographic variables (Eastman et al., 1999; Eastman and Liu, 2012; Heaney et al., 2005; O’Cass and McEwen, 2004), it has discussed the difficulty identifying luxury consumers and marketing luxury products (Heine, 2010; Vickers and Renard, 2003). It is critical for managers to understand what consumers are looking for luxury products and services (Gardyn 2002, 32) as conspicuous

consumption has significant strategic implications for firms (Shukla, 2008). Thus, there is renewed interest and need for luxury consumption research (Truong et al., 2008) and empirical analysis of status consumption (Shukla, 2010). One area that has not been examined in terms of status consumption is cognitive age.

In terms of cognitive age, cognitive age can impact as well as be impacted by attitudes and activities (Iyer, Reisenwitz, and Eastman, 2008). Mathur and Moschis (2005) found that differences in cognitive age did not merely reflect differences in chronological age and that a person’s cognitive age was influenced by life events. The literature suggests that cognitive age is superior to chronological age as a basis for segmentation since it better reflects an individual’s identity and behavior (Barak and Schiffman, 1981; Chua, Cote, and Leong, 1990). There is a gap though in the literature related to the impact of cognitive age on status consumption that we plan to address in this research.

The purpose of this paper is to examine status consumption in relation to cognitive age. This paper contributes to the literature by relating consumers’ level of status consumption to their cognitive age and examining which variables moderate that relationship. We first look at if there is a relationship between cognitive age and status consumption. Then we examine

variables such as price sensitivity and brand consciousness that could impact or moderate that relationship and the managerial implications.

RELEVANT LITERATURE AND HYPOTHESES DEVELOPMENT

The research suggests that there has been spectacular growth in the market for luxury good products (Vickers and Renand, 2003) as luxury marketers have diffused their status brands to make their products more accessible to a wider audience (Dubois and Laurent, 1996; Silverstein and Fisk, 2003) Dubois and Duquesne (1993) suggest that luxury consumption is explained to a large extent by value preferences rather than earning levels. Thus, it is critical to determine if there are differences in the propensity to consume for status and what impacts that. With our literature review, we first discuss status consumption and then price consciousness, brand consciousness, and cognitive age.

Status Consumption

Status consumption is “the motivational process by which individuals strive to improve their social standing through the conspicuous consumption of consumer products that confer and symbolize status both for the individual and surrounding significant others (Eastman, Goldsmith, and Flynn, 1999, 41).” It is an individual difference variable that addresses a person’s motivation to consume for status (Kilshheimer, 1993). This consumption-related need for status is the “tendency to purchase goods and services for the status or social prestige value that they confer on their owners” regardless of income or social class level (Eastman, et al., 1999, p. 41). This is similar to O’Cass and Frost’s (2002, p. 68) definition of status consumption as “the process of gaining status or social prestige from the acquisition and consumption of goods that the individual and significant others perceive to be high in status.” Chao and Schor (1998) define status consumption as purchases made by individuals who desire status products and brands with the

consumption of these products being socially or publicly visible. Shukla (2008; 2010) stresses that status consumption is irrational in its expression and motivation and that status consumption is significantly influenced by consumers’ ostentation behaviors.

Status is derived from the evidence of wealth provided by conspicuous consumption and the power that results from the respect, consideration and envy of others (Veblen 1899; Eastman et al., 1999). The conspicuous consumption of luxury goods provides the consumer with satisfaction from others’ reactions to the wealth displayed rather than from the value of the product itself (Mason, 2001). This relates to Packard’s (1959, p. 5) view of status seekers as “people who are continually straining to surround themselves with visible evidence of the superior rank they are claiming.” Per Husic and Cicic (2009, p. 234), “by using status goods as symbols, individuals communicate meaning about themselves to their reference groups.” Luxury consumption attitudes are linked to the display of wealth and the symbolic meanings from one’s social position and identity, along with fulfilling hedonic needs (Eng and Bogaert, 2010), however, old-money consumers prefer status goods that are not flashy and are noticeable only to others in their group, such as with smaller logos (Husic and Cicic, 2009; Han, et al., 2010). Finally, status consumption is positively related to materialism (Eastman et al., 1997; Heaney et al., 2005, Roberts, 2000) and to attention-to-social-comparison-information, (Heaney, et al, 2005).

More recently, the definition of status consumption has expanded beyond the idea of conspicuous consumption (Truong et al., 2008). O’Cass and McEwen (2004) describe status consumption as the personal nature of owning status products either for internal reasons (self-reward, with no public display of the products) and/or external reasons (to signal wealth through public display). Vickers and Renand (2003) describe that the luxury goods are symbols of both personal and social identity as purchasing luxury products is a means of

expressing one's values; thus, the consumption of luxury products is dependent on personal, social, and individual cues.

While some in the literature offer that status and conspicuousness is one and the same (Eastman et al., 1997; Eastman et al., 1999; Kilsheimer, 1993; Vigneron and Johnson, 2004), others describe status and conspicuousness as two separate but related constructs (O'Cass and McEwen, 2004; Truong et al., 2008). Phau and Cheong (2009, 110) notes "how status consumption is demonstrated through the act of conspicuous consumption." O'Cass and McEwen (2004, p. 27) define status consumption as consumers' desire to gain prestige from the acquisition of status-laden products, while conspicuous consumption is the overt usage of products in the presence of others. Truong et al. (2008) offer that status relates to consumers being motivated for internal reasons (self-esteem and self-respect) and/or external reasons (others' approval and envy), while conspicuousness relates to consumers being motivated by image and appearance. Per Shukla (2008, p. 27) "Conspicuous consumption provides that symbolic representation of prestigious position within the social network providing the psychological advantage to the individual in the process of consumption." Per Shukla (2008), conspicuous consumption has both psychological antecedents (gain respect, popularity, noticed by others, show who I am, symbol of success, symbol of prestige, indicates wealth, indicates achievement, interested in status, and enhances my image) as well as brand antecedents (brand symbolism, self-concept and brand image congruency, brand familiarity, and brand aroused feelings). Thus, there are both internal and external factors impacting status consumption.

Finally, Dubois and Laurent (1996) in discussing luxury consumption, notes that the market can be segmented into three groups: (1) Excluded (those consumers with no access to luxury products), (2) Affluent (those consumers with both the desire and financial ability to consume luxury products on a permanent

basis), and (3) Excursionists (those consumers who buy and consume luxury products only in specific circumstances and for who buying and consuming luxury products is not part of their daily life style). They further discuss the difficulty in profiling and analyzing these types of consumers as situational determinants (social and task environments) and the particular function of the luxury product may have a significant impact. Vickers and Renand (2003) segment consumers' need for luxury goods based on the dimensions of Functionalism (efficacy, rationalism, and problem solving), Experientialism (emotional, sensory pleasure, and variety), and Symbolic Interactionism (self-enhancement and a desire for membership). Thus, there are different motives and situations that can impact status consumption.

Cognitive Age

Researchers have noted (see Barak and Schiffman 1981; Mathur and Moschis, 2005; Van Auken, Barry, and Bagozzi 2006; Wilkes 1992) that cognitive age may contribute more than chronological age in understanding how older consumers view themselves and how they consume (Sherman, Schiffman, and Mathur, 2001). As consistently shown in the research, older persons frequently see themselves as perceptually younger, perhaps ten or more years younger, than their chronological age (Catterall and Maclaran 2001; Chua et al., 1990; Leventhal 1997; Van Auken, Barry and Anderson 1993). Some may act and even look far younger than any age cohorts before them (Barak and Schiffman 1981; Eastman and Iyer 2005; Leventhal 1997; Schewe and Meredith 1994; Wilkes 1992). Barak and Schiffman (1981) noted the problems with the use of chronological age as a predictor of attitudes and behaviors and defined cognitive age in terms of four dimensions (feel-age, look-age, do-age, and interest-age) and found that cognitive age captured different and separate aspects of age better than chronological age.

Per Szmigin and Carrigan (2006, p. 292), "ageing is interpreted from the perspective of the social world and acquires meaning from the

norms, mores, culture and social settings of society.” Van Auken and Barry (2004) and Van Auken, Barry and Bagozzi (2006) found clear evidence of the universality of cognitive age comparing seniors in Japan and the United States. Chua et al. (1990) found that younger cognitive age was related to greater life satisfaction, activity and social involvement, while Iyer et al. (2008) found that younger cognitive age was related to greater participation in cultural-related activities and greater fashion interest while older cognitive age was related to brand loyalty. Others (Eastman and Iyer, 2005; Iyer et al., 2008; Wei, 2005) found that seniors with a younger cognitive age used the Internet more, were more likely to adopt behaviors of high-tech products, and were more likely to be innovative in terms of online shopping. Wilkes (1992) found for senior females that a younger cognitive age led to higher self-confidence, greater fashion interest, a greater work-orientation, and more participation in entertainment and cultural activities. Finally, Wei and Talpade (2009) found cognitive age to be positively related to materialism for both Chinese and American mature consumers.

In looking at baby boomers, Iyer and Reisenwitz (2010) found that baby boomers with a younger cognitive age have a higher level of fashion interest, innovativeness and are more socially involved. Shukla (2008) suggests that middle-age consumers feel eight to nine years younger than their chronological age and they are more likely to consume big-ticket status products, while younger consumers are more likely to consume for status the in areas of clothing, internet, and mobile phones.

Schiffman and Sherman (1991) describe what they call the new-age elderly, who see themselves as younger in age and outlook, who feel more self-confident and are less concerned with the accumulation of possessions and more involved in seeking new experiences, challenges, and adventures. The idea of the new-age elderly augments the concept of cognitive age and illustrates two distinct differences from traditional elderly: (1) greater self-confidence

in making consumer decisions, and (2) greater ability to change and to accept new products that make them feel more in control of their lives (Sherman et al. 2001). New-age elderly, compared to traditional elderly, are more decisive consumers, more individual decision makers, feel more in control of their lives, report greater satisfaction with their health and social life, and have a greater interest in outdoor activities, travel, financial markets, volunteer work/self-enrichment, learning new things, and computers (Mathur et al., 1998) as well as are more responsive to gathering lots of information (Sherman et al., 2001).

Gwinner and Stephens (2001) state that cognitive age may explain some consumer behaviors as well or better than variables, such as income, education, health, attitude toward seniors, and social contacts. Given the social influence on aging (Szmigin and Carrigan, 2006) as well as the social aspects of status consumption (Chao and Schor, 1998; O’Cass and Frost, 2002), we perceive that cognitive age will have an impact on adults. The literature clearly illustrates the usefulness of cognitive age as a segmentation variable. Additionally, it notes that there is a need in the literature for cognitive age research that looks at other age groups beyond the elderly (Barak and Schiffman, 1981; Iyer and Reisenwitz, 2010). What the literature has not examined is the impact of cognitive age on status consumption, the motivation to consume for status. This paper makes a unique contribution to cognitive age theory by examining its impact on status consumption. Thus, we propose the following hypothesis:

H₁: The cognitive age of consumers will be negatively related to their status consumption.

Price Consciousness

Yasin (2009) describes price conscious consumers as those that follow sales campaigns and price discounts. These consumers tend to choose lower-price products and prefer to shop at sales times. Price consciousness can be described as the degree to which consumers

focus solely on paying low prices as consumers vary in intensity of how conscious they are of the prices they pay for products (Lichtenstein, Ridgeway, and Netemeyer, 1993; Sinha and Batra, 1999). Price consciousness is also positively related to the concept of frugality (Shoham and Brencic, 2004). It is suggested that price-conscious consumers are concerned about finding low prices and derive emotional and entertainment value from doing so (Alford and Biswas, 2002). Finally, Palazon and Delgado (2009) suggest price consciousness can moderate the effectiveness of marketers' price discounts/premiums at moderate or high benefit levels.

The literature suggests that high price is important for status products, since: (1) status consumers are motivated to impress others, and the ability to pay a high price to consume luxury goods is a display of wealth (Eastman et al., 1999; Husic and Cicic, 2009); and (2) price is used to position a brand as a prestige product (Truong et al, 2008; Vigneron and Johnson, 2004). O'Cass and Frost (2002) noted that status consumption will often involve high price products. High brand status is used to justify a high price as both consumers and managers expect to pay more for status brands (Goldsmith, et al., 2010). Price alone though is not enough to determine the desirability of a status brand (Han et al., 2010). Wakefield and Inman (2003) describe how price sensitivity is situation specific and impacted by both hedonic and social consumption situations with income moderating these effects. Goldsmith, et al. (2010) suggest that social prestige motivates people to pay higher prices for status products and that status consumption is negatively related to price sensitivity in the domain of clothing. Goldsmith et al. (2010) found that the relationship between status consumption and price consciousness is largely mediated by involvement, innovativeness, and brand loyalty as status consumption increases consumers' levels of involvement, innovativeness, and brand loyalty which then lead to lower price sensitivity.

Finally, the literature suggests that subjective age is associated with price sensitivity as the older a female consumer considers herself to be, the more price sensitive she is (Barak and Gould, 1985; Barak and Stern, 1986). Sherman et al. (2001) found that traditionally elderly women compared to traditionally older men, are more price consciousness, have more market knowledge (i.e. which stores have the best prices), are more likely to seek out discounts and are more deal prone, but less likely to equate wealth with happiness or success. Thus, we recognize the importance of price consciousness, but propose that cognitive age can also have an impact on status consumption as we propose the following:

H₂: The relationship between cognitive age and status consumption is stronger for people with a low level of price consciousness than for people with a higher level of price consciousness.

Brand Consciousness

Yasin (2009) describes brand-conscious consumers as those who pay attention to brand names and are interested in buying well-known brand names. These consumers also see high prices as a signal of high quality. Dawar and Parker (1994) find that "brand-prone" people are more price inelastic; furthermore, brand name signals, universally across cultures, are relied on more heavily than price or physical appearance or retailer reputation for judging product quality. Sproles and Kendall (1986) consider brand consciousness to be a psychological construct addressing people's mental orientation to choose brand-name products that are well known and heavily advertised. Liao and Wang (2009, p. 991) offer that people consume brand name products not just for material possession purposes, but also for social needs as an important way to keep, save, and gain face; "consumers with high levels of brand consciousness believe that brands are symbols of status and prestige, and thus prefer purchasing expensive and well-known brand-name products." Bao and Carter (2004) found that prestige sensitivity is negatively related to purchase of store brands

and that the relationship between value consciousness and purchase of store brands was stronger for low prestige sensitivity consumers than for high prestige sensitivity consumers. This suggests that consumers who are prestige sensitive will be more likely to buy brand name items than store brands and are less impacted by value consciousness.

Per Husic and Cicic (2009), for luxury consumers, their identity and self-worth are determined by the visible brands they wear and the image and lifestyle projected by those brands. Monga and John (2008, p. 680) note that prestige-oriented brands are “viewed as expressive of self-concepts or images.” Furthermore, prestige-oriented brands are more abstract in terms of brand concepts than functional brand concepts; this allows prestige brands to more easily launch dissimilar brand extensions, and that cultural differences (Eastern versus Western) in extension evaluations are much smaller for prestige brands compared to functional brands (Monga and John, 2008). Thus, brands are important in creating an identity, a sense of achievement and identification for consumers (O’Cass and McEwen, 2004, p. 25) and it is important for managers to understand consumers’ concern for status (Heaney et al., 2005).

O’Cass and Frost (2002, p. 82), in a study of young status-conscious consumers, found they “are more likely to be affected by a status brand’s symbolic characteristics, by feelings evoked by the brand and by the degree of congruency between the brand-user’s self-image and the brand image.” The characteristics of a product that make it a luxury brand include quality, perceived status, and brand image/recognition (Husic and Cicic, 2009). Eng and Bogaert (2010) suggest that the idea of quality is more assumed, rather than overtly stated as a reason for purchase. Per Shukla (2008, 2010), embedding an appropriate status image can enhance brand recognition and that people don’t have to be familiar with a brand in order to identify it as a status brand, they just need to recognize the brand name and image associations. Finally, status consumers

learn which brands provide status and are loyal to these brands as long as they provide status (Fornier, 1998; Goldsmith, Flynn, and Kim, 2010).

Chau and Schor (1998) suggest that younger consumers spend more on branded products including status products. Phau and Cheong (2009) found that young status consumers may be willing to substitute sub-brands or nested brands for luxury-brand items. Per Phau and Teah (2009), ones’ level of status consumption is the most significant factor for who is most likely to purchase counterfeit luxury brands (i.e., status consumers may be willing to buy counterfeits to meet their status needs).

Silverstein and Fiske (2003, p. 48) describe “new-luxury goods” as those that “evoke and engage consumers’ emotions while feeding their aspirations for a better life.” These new-luxury goods are significantly profitable for marketers as they generate high volumes despite their higher prices and are estimated to be \$350 billion market per Silverstein and Fiske (2003). Silverstein and Fiske (2003) offer that there are three categories of these new-luxury goods: (1) Accessible Superpremium which are high-end, but low-ticket items so they are affordable to middle-market consumers (such as Starbucks), (2) Old-Luxury Brand Extensions which are lower-priced versions of traditional luxury products (such as the BMW 325), and (3) Mass Prestige or “Masstige” products which are in between mass and class with a premium price over conventional products but a much lower price over old-luxury goods (such as Coach). With these new-luxury products, consumers’ buying habits no longer are constrained by income level (Silverstein and Fiske, 2003). Thus, status consumption can occur at any income level.

Han, et al. (2010) introduce the concept of brand prominence (the conspicuousness of a brand’s mark or logo on a product) and status-signaling using brand prominence. They classified consumers into one of four groups based on their level of wealth and need for status: (1) patricians, or wealthy consumers

who are low in need for status but want premium, quiet goods, that only those in their group can recognize; (2) parvenus, or wealthy consumers high in need for status who want loud luxury goods to signal to the less affluent that they are not one of them; (3) poseurs, who have low wealth but high status needs and use loud counterfeit status goods to emulate the wealthy; and (4) proletarians, who have both low wealth and low need for status and thus do not engage in signaling (Han et al. 2010).

The literature suggests that branding is a key element of status products, particularly for younger consumers who are more likely to spend on status products (Chao and Schor, 1998; O’Cass and Frost, 2002). There are a wide variety of status brands available, both in terms of traditional status products as well as new-luxury products (Silverstein and Fiske, 2003) and sub-brands and nested brands (Phau and Cheong, 2009) to meet consumers’ need for status, but that there is a need for empirical research (O’Cass and Frost, 2002; Shukla, 2008; Shukla, 2010). Thus, we propose the following hypothesis:

H₃: The relationship between cognitive age and status consumption is stronger for people with a higher level of brand consciousness than for people with a lower level of brand consciousness.

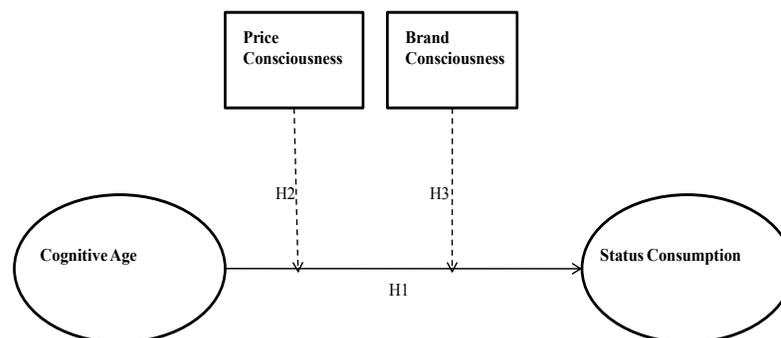
METHODOLOGY

Data Collection

A nonprobability sampling technique utilized trained marketing researchers to recruit adults living in the Southeast United States to be part of an email list. This type of survey procedure was recommended (Heine, 2010) for luxury consumption research as it incorporates a variety of personality types and enhances the motivation to participate. The list of 732 adults was first emailed to ensure that the recipients wanted to be included in the survey. A few weeks later, they were emailed with a link to the survey on the Internet. The response rate was approximately 30% with 220 respondents. This convenience sample was considered appropriate, as the purpose of the study was not to provide point estimates of the variables, but to test the relationships (Calder, Phillips, and Tybout, 1981).

As shown in Table 1, the sample had a good representation of both males and females. The median age category was 36 to 45 years old, with relatively few elderly persons in the sample (perhaps due to using email as the survey method). A non-elderly, adult sample to measure status was also used by Truong et al. (2008). In terms of ethnic group, the majority of the sample was white at 85.5%. Approximately half the sample was married, but relatively few

**FIGURE 1:
Proposal Model and Hypotheses**



had children living at home. More specifically, 70.9 percent had no children under 18 living at home, 14.1 percent had one child under 18, and 13.6% had two children under 18 living at home. The sample was highly educated, with the median having a college degree and almost 24 percent having a graduate degree (another result that may be due in part to the use of email as the survey method). Finally, all

income categories were represented, with the median income between the \$50,001 to \$75,000 and \$75,001 to \$100,000 categories.

Measures

Established scales were utilized to measure the constructs (price consciousness, brand quality consciousness, brand name consciousness,

**TABLE 1:
Sample**

Gender		
Male		41.4%
Female		58.6%
Age		Median: 36-45 years old
18-25 years old		22.3%
26-35 years old		20.5%
36-45 years old		15.9%
46-55 years old		27.7%
56-65 years old		10.0%
Over 65 years old		3.6%
Ethnic		
White		85.5%
African American		8.2%
Other		6.3%
Current Marital Status		
Married		50%
Divorced		14.5%
Widowed		.9%
Separated		.5%
Never Married		28.6%
A Member of an Unmarried Couple		5.5%
How many children under 18 years old in household?	Mean .46	SD .80
Education		Median: College graduate
High School or Less		8.2%
College 1-3 years		30.9%
College Graduate		37.3%
Graduate Degree		23.6%
Income		Median: \$50,001-\$100,000
Less than \$25,000		15.3%
\$25,001-\$50,000		18.1%
\$50,001-\$75,000		16.7%
\$75,001-\$100,000		19.0%
\$100,001-\$150,000		15.3%
\$150,001-\$200,000		7.4%
Over \$200,000		8.3%

cognitive age and status consumption). The items and related descriptive statistics are provided in Table 2.

Eastman et al.'s (1999) measure was used to measure the motivation to consume for status. On average, the sample somewhat disagreed with the status items, suggesting that the majority of the sample was not motivated to consume for status. For cognitive age, we utilized Barak and Schiffman's (1981) measure that defined cognitive age in terms of four dimensions (feel-age, look-age, do-age, and interest-age). The reliability and validity of this cognitive age measure has been well

established both in the United States and abroad (Van Auken, Barry and Anderson 1993; Van Auken, Barry and Bagozzi 2003; Wilkes 1992). For brand consciousness, we utilized items from Yasin (2009). The sample was, on average, neutral about brand consciousness. Donthu and Garcia's (1999) scale was used to measure price consciousness and showed that, on average, the sample was somewhat price conscious.

All the scales were unidimensional (as demonstrated with exploratory factor analysis utilizing Principal Component analysis) and reliable (with Cronbach's alpha above 0.60

TABLE 2:
Descriptive Statistics for Scales and Individual Items

Topic(Item)/How Scaled/Cronbach 's Alpha	Mean	SD	Source
Brand Consciousness (scaled 1-5) r=.89	3.08	.82	
The more known the brand of a product, the more confident I feel when purchasing.	3.53	.97	Yasin (2009)
I prefer to buy best-known brands, even though they are sometimes more expensive.	2.88	1.00	Yasin (2009)
Among similar products, I tend to choose famous brands.	3.01	1.03	Yasin (2009)
The well-known brands are best for me.	2.68	.93	Yasin (2009)
Cognitive Age r=.94	2.32	1.09	Barak and Schiffman (1981)
Most of the time... (scaled 1=20's, 2=30's, 3=40's, 4=50's, 5=60's, 6=70's, 7=80's)			
I feel like I'm in my:	2.21	1.15	
I look like I'm in my:	2.27	1.26	
My interests are those of a person in his/her:	2.37	1.12	
I do the things a person does in his/her:	2.27	1.09	
Price Consciousness (scaled 1-5) r= .66	3.59	.64	Donthu & Garcia (1999)
I usually purchase the least expensive item.	2.81	.98	
I usually purchase items on sale only.	2.91	1.06	
I often find myself checking prices.	4.27	.85	
A person can save a lot by shopping for bargains.	4.36	.70	
Status Consumption Overall (scaled 1-5) r=.83	2.30	.74	Eastman et al. (1999)
I would buy a product just because it has status.	2.09	.85	
I am interested in new products with status.	2.52	.99	
I would pay more for a product if it had status.	2.35	.99	
The status of a product is irrelevant to me. (r)	3.46	1.00	
A product is more valuable to me if it has some snob appeal.	2.00	.97	

which is acceptable for exploratory research per Hair, Black, Babin, Anderson, and Tatham, 2006). For the first hypothesis, we examined the relationship between cognitive age and status consumption. This was done through correlation analysis. For the next two hypotheses, we tested the moderating effects of price consciousness and brand consciousness as variables that impact the strength of the relationship between cognitive age and status consumption. The moderating effects of price consciousness and brand consciousness were tested by subgroup analysis (cf. Arnold 1982; Baron and Kenny, 1986). The sample first was sorted in ascending order of a hypothesized moderator (e.g. price consciousness; brand consciousness). Next, consistent with standard econometric conventions (e.g. Goldfeld and Quandt 1965), the top and bottom 35% of the cases were selected so as to obtain two subgroups reflecting low and high scores of the moderator (Kohli 1989, Hair et. al, 2006). The middle 30% of the cases were omitted to improve the contrast between the subgroups

and hence the power of the subsequent statistical tests. For a detailed discussion of this procedure see Johnston (1972, p. 219).

Status consumption was next regressed on cognitive age using all cases in the two subgroups (restricted run). A second regression was performed, this time allowing the regression coefficient estimates to take on different values across the different subgroups (unrestricted run). The difference in the sums of squared residuals from the restricted and unrestricted regression runs was incorporated in the Chow test to assess the statistical significance of the difference in the regression coefficients of status consumption across the high or low subgroups.

RESULTS

For Hypothesis One, we examined the relationship between cognitive age and status consumption. This was done through correlation analysis. The correlation between

**TABLE 3:
Regression Coefficients Across Low and High Levels of Moderator Variables**

Dependent Variable	Moderator Variable	S.D Level	R ²	<u>Independent Variable</u>	
				Cognitive Age	Chow Test
Status Consumption	Price Consciousness	Low	0.038	-0.140	7.42*
		High	0.083	-0.205	
Dependent Variable	Moderator Variable	S.D Level	R ²	<u>Independent Variable</u>	
				Cognitive Age	Chow Test
Status Consumption	Brand Consciousness	Low	0.01	-0.049	8.25*
		High	0.09	-0.241	

* p < .01

cognitive age and status consumption was -0.208 ($p < 0.01$). This indicates that there is a strong negative relationship between cognitive age and status consumption. In other words, consumers who feel cognitively young will engage in more status consumption. Thus, Hypothesis One was supported.

Table 3 presents the results of Hypotheses Two and Three. Both the hypotheses received strong empirical support. Overall these findings support that the relationship between cognitive age and status consumption is impacted by the levels of price consciousness and brand consciousness among respondents, leading them to respond differently to status consumption.

For Hypothesis Two, when status consumption is the dependent variable and cognitive age is the independent variable, the difference in the regression coefficients across the two subgroups reflecting low and high price consciousness is statistically significant ($F = 7.42, p < 0.01$). The regression coefficient for cognitive age is -0.140 in the low price consciousness subgroup versus -0.205 in the high price consciousness sample (see Table 3). This finding supports Hypothesis Two that price consciousness moderates the effect of cognitive age on status consumption. This finding suggests that a unit change in cognitive age has a stronger impact on status consumption with low price consciousness perceptions than when high price consciousness exists. This result suggests that cognitively young consumers will have a higher motivation to consume for status if they are less price conscious.

For Hypothesis Three, when status consumption is the dependent variable and cognitive age is the independent variable, the difference in the regression coefficients across the two subgroups reflecting low and high brand consciousness is statistically significant ($F = 8.25, p < 0.01$). The regression coefficient for cognitive age is -0.049 in the low price consciousness subgroup versus -0.241 in the high brand consciousness sample (see Table 3). This finding supports Hypothesis Three that

brand consciousness moderates the effect of cognitive age on status consumption. This finding suggests that a unit change in cognitive age has a stronger impact on status consumption with higher brand consciousness perceptions than when low brand consciousness exists. This suggests that cognitively young consumers will be more motivated to consume for status if they are more brand conscious.

DISCUSSION

In this study we found support for all of our hypotheses. Our results illustrate that there is a significant negative relationship between a consumer's cognitive age and the motivation to consume for status. Those consumers who feel younger are more likely to be status consumers. Sherman et al. (2001, p. 1087) stress that a "major ingredient in being successful in marketing to older consumers is securing an understanding or an appreciation of their needs, rather than being driven by narrow and inaccurate stereotypical pictures of what marketers feel is right for them." Szmigin and Carrigan (2006) in studying women over 40, stress that marketers need to understand how women feel about themselves as they age, but that marketers need to recognize that not all women want to be chronologically younger. For marketers of culturally-related, fashion, and/or technological products, the literature suggests that they can attract some consumers in the senior market to these types of products, but they need to consider cognitive age rather than chronological age (Eastman and Iyer 2005). Based on our results, we suggest that status marketers can attract cognitively younger consumer, but that they need to also consider the variables of price and brand consciousness in segmenting the status market.

Managerial Implications

These results suggest lifestyles can vary significantly based on cognitive age and cognitive age may be a better segmentation variable for marketers to use than all the other demographic variables (Wei 2005), but that cognitive age only is not enough to segment the

status consumer. In our study, we found that in terms of cognitive age, those who are younger in terms of cognitive age are more motivated to consume for status, but this relationship is moderated by consumers' level of price consciousness and brand consciousness. Thus, it is not enough for marketers to target cognitively younger consumers, they must also keep in mind those consumers' level of price and brand consciousness. Egol et al. (2010) stresses the need for better understanding different consumer segments, differentiation of marketing efforts, and engaging shoppers.

In terms of price consciousness, the relationship between cognitive age and status consumption is stronger for consumers with low price consciousness perceptions than for consumers with high price consciousness perceptions. For managers, this suggests that cognitively younger consumers (if they are less price conscious) will be more motivated to purchase status products, buying prestige brand/products and engage in purchasing behavior that will give them more visibility to engage in status consumption.

Similarly, the relationship between cognitive age and status consumption is stronger for consumers with high brand consciousness perceptions than for consumer low brand consciousness perceptions. For managers, this would mean the cognitively younger consumers (if they are more brand conscious) will be more motivated to engage in more brand-related purchases, will go out more, buying prestige brand/products and engage in purchasing behavior that will give them more visibility to engage in status consumption. Phau and Cheong (2009) recommend that marketers of luxury products may want to consider the use of nested brands and subbrands as a means to reach young, status brand loyal consumers who may not be able to afford the parent status brand. Likewise, Silverstein and Fiske (2003) recommend the use of new-luxury products to reach the middle market's need for status products. Based on our results, we would recommend that marketers not just consider biologically younger consumers, but also those

who are younger in terms of cognitive age to target these types of status products.

Per O'Cass and Frost (2002, p. 69), "status products provide benefits to both consumer (e.g. hedonistic benefit, increase in perceived status level by others) and producer (e.g. increase in niche market share and profits). The importance and benefits of status cannot be overemphasized; with the significant price premiums achieved and economic value of status goods it is important for marketers to understand how consumers create brand symbols and brand images that are status-oriented." Thus, it is critical for marketing managers to gain a deeper understanding of what impacts status consumption. In this paper we illustrate that the relationship between cognitive age and status consumption is stronger for those consumers who have lower level of price consciousness and higher levels of brand consciousness, than it is for consumers who are more price consciousness and less brand consciousness.

The literature offers suggestions for what marketers can do to reach the status market. For status consumers, price represents more than quality and function, but also the benefit of prestige (Goldsmith, et al., 2010). Thus, marketers need to emphasize the benefit of prestige. Heaney et al. (2005) recommend that promotional appeals to status consumers need to emphasize social comparisons. Based on our research, marketers need to address cognitive age when making these social comparisons.

Gardyn (2002) suggests that luxury consumers can be segmented into three groups: (1) those who see luxury as functional (looking for quality and value); (2) as a reward (demonstrating their success in a manner that does not leave them open to criticism); and (3) as an indulgence (paying a premium to express their individuality and focusing on the unique emotional qualities of the product). Silverstein and Fiske (2003, p. 54) note four "emotional pools" in terms of new-luxury goods: (1) Taking Care of Me (consumers reward themselves for their hard work), (2) Questioning

(consumers look for experiences that challenge/define them in how they and others see them), (3) Connecting (the social aspect), and (4) Style (consumers demonstrate their success, individuality, and personal values). Thus, luxury marketers need to have a keen understanding of their status consumers and what they are looking for with their products. Marketers need to recognize that status consumption extends beyond the traditional idea of “keeping up with the Jones” to also include meeting individual, self-image, and social needs and taking into account consumers’ cognitive age, price consciousness, and brand consciousness.

Limitations And Future Research

One limitation of the study is that the sample was predominately white, educated, and younger. Future research, perhaps utilizing a survey method other than email, is needed to determine if the same relationships hold for a more diverse, older population. Additionally, future research is needed to examine if the relationships studied here hold for different generational cohorts or different demographic variables; for example, Gardyn (2002) suggests that there are significant differences in luxury by ethnic group. Additionally, future research is needed to determine if these relationships exist in regions of the United States other than the Southeast. Finally, new international research on status consumption would be useful as Martin (2008) suggests that developing countries such as China, India (Eng and Bogaert, 2010), and Russia may be good markets for luxury brands.

An additional area of research would be to determine what goods and services are seen as having status and meeting status consumers’ needs. Dubois and Laurent (1996) stress that the appropriateness of a particular luxury product can vary by situation and the function fulfilled by the product. Future research can also examine additional variables that can impact status consumption, such as social or snob effect factors (Husic and Cicic, 2009; Goldsmith, Flynn, and Kim, 2010) and the

impact of reference groups on consumer perceptions of luxury (Eng and Bogaert, 2010). Finally, status consumption needs to be considered in terms of its relationships with other individual difference constructs, such as opinion leadership, innovativeness, and involvement along with examining how status consumption relates to consumers shopping styles among other variables to gain a better understanding of the construct of status consumption.

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AN INVESTIGATION OF MARKET ORIENTATION'S AND SELECTED PERSONALITY TRAITS' RELATIONSHIP WITH DIMENSIONS OF CUSTOMER ORIENTATION IN SALESPERSONS

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A salesperson customer orientation (SCO) implements market orientation at the level of the individual. Historically, the SOCO scale has been used measured by adding the positive customer orientation (CO) item scores to the reversed negative selling orientation (SO) item scores and summing them. Previous research has identified a market orientation, Agreeableness and Openness to experience as positive influences on SCO. A path analysis model was tested in this study that included these variables plus the traits of forgiveness and gratitude. Data for the analysis were collected from 191 surveys administered to the sales force of an automobile dealership group. Results showed market orientation, gratitude, and forgiveness had positive and Openness a negative relationship with CO. Agreeableness had no significant relationship with CO or SO. Forgiveness was the only variable that had a negative relationship with SO and a positive relationship with CO.

INTRODUCTION

The idea that practicing an effective market orientation brings success to organizations (Day, 1994) is widespread. Salespersons that practice a customer orientation implement the marketing concept by placing their customers' interests first (Saxe and Weitz, 1982), but relatively little is known about what influences this type of customer orientation in individuals (Brown, Mowen, Donovan and Licata, 2002). Previous studies have separately focused on organizational influences and personal characteristics which contribute to this salesperson customer orientation (SCO). A gap exists in the literature investigating the simultaneous influences of organizational and personal forces on a customer orientation. This paper addresses this gap by testing the relationships of a firm's market orientation and the personality traits of gratitude, forgiveness, Agreeableness, and Openness to experience with the individual customer orientation of salespeople.

Conceptual Background and Hypotheses Customer and selling orientations

Rindfleisch and Moorman (2003, p. 422) define customer orientation as "a set of behaviors and beliefs that places a priority on customers' interests and continuously creates superior value." An individual's SCO has been acknowledged as a critical factor in the formation and maintenance of customer satisfaction with a firm's customers. Customer-oriented selling reflects the practice of the marketing concept by an individual salesperson (Saxe and Weitz, 1982). The importance of SCO is supported by studies finding positive relationships between customer orientation and measures of performance (Brown et al., 2002; Cross, Brashear, Rigdon and Bellenger, 2006; Siguaw, Brown, and Widing, 1994). A recent meta-analysis questioned these findings, but the authors state the relationship may change "as new evidence accumulates" (Franke and Park, 2006, p. 699).

Customer orientation at the individual level has frequently been measured by the SOCO scale (Saxe and Weitz, 1982) which has twelve items each to measure solution-focused customer oriented (CO) behaviors and more

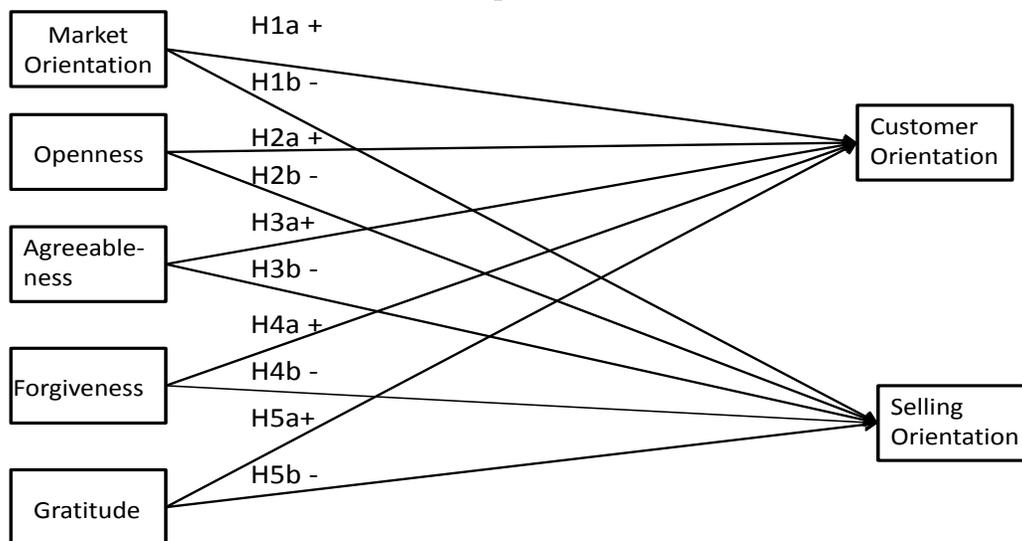
exploitive selling-focused behaviors (SO). Traditionally, the SO items have been reverse scored and added to the positively scored CO items to indicate the degree of SCO practiced by individuals. Recent research, however, has treated CO and SO as separate factors (Harris, Mowen and Brown, 2005; Johnson, Sivadas and Kashyap, 2009; Perriatt, LeMay and Chakrabarty, 2004; Thomas, Soutar and Ryan, 2001; Wachner, Plouffe, and Grégoire, 2009). This perspective has been adopted for this research.

Positive influences on SCO, meaning having a negative influence on SO and a positive influence on CO, have been identified in the sales and marketing literatures. These include the market orientation of the firm (Kirca, Jayachandran, and Bearden, 2005; Siguaw et

al., 1994; Williams and Attaway, 1996), job-related attitudes (O'Hara, Boles, and Johnston, 1991), and personality traits (Brown et al., 2002). No studies have been found, though, which restrict their focus to assessing the simultaneous influence of these variables on the SO and CO of individuals employed exclusively by the same firm.

This study investigates the relationships of a market orientation as an organizational level construct with SO and CO. The relationships of the Big Five personality factors, Agreeableness, and Openness to experience (Openness), with SO and CO are also assessed. I also test the relationships of the more specific, or narrower, personality traits of gratitude and forgiveness with SO and CO since narrower traits have been found to have greater

FIGURE 1
Conceptual Model



To aid in interpretation, paths representing unexplained relationships between the exogenous variables have been omitted.

predictive capacity (Ashton 1998; Paunonen and Ashton, 2001; Paunonen, 2003) and conceptual evidence suggests these traits should be positively related to the behaviors which characterize a customer orientation at the individual level.

Market orientation

Noble, Sinha and Kumar (2002) point out that the concepts of a market orientation provided by Narver and Slater (1990) and Kohli and Jaworski (1990) agree it is an organizational culture that includes a focus on understanding customer wants. Three behavioral components comprise a market orientation, customer orientation, customer orientation, and interfunctional coordination (Narver and Slater, 1990). A market orientation culture encourages the behaviors necessary for employees to implement the marketing concept (Dobni and Luffman, 2003) by shaping employee attitudes and behaviors. Siguaw et al. (1994) provide empirical evidence of a positive effect of a market orientation on customer orientation in salespersons (Siguaw et al., 1994). Since the customer orientation component of a market orientation involves understanding target customers' needs well enough to provide value (Narver and Slater, 1990), a market orientation is clearly intended to influence the customer orientation of individuals with the firm. Because a market orientation culture should influence positive customer oriented behaviors (Dobni and Luffman, 2003) aimed at creating value for the customer, it should also discourage the negative attitudes and behaviors of salespersons more oriented towards short-term personal gain. These positions are presented in the following hypotheses:

Hypothesis 1a: Market orientation is positively related to a salesperson's customer orientation.

Hypothesis 1b: Market orientation is negatively related to a salesperson's selling orientation.

Openness to experience

The Big Five factor of Openness to experience has also been labeled Intellect in some studies. The traits of insight, intelligence and creativity are included in this factor (Digman, 1989). Individuals high in Openness are also perceptive, creative, imaginative, and inquisitive (Goldberg, 1990). Salespersons with these traits should be more likely to effectively probe for their customers' true needs and provide accurate, creative solutions to satisfy their customers. Periatt, Chakrabarty, and Lemay (2007) found a positive relationship between Openness and customer orientation in logistics sales representatives and other front line employees. Based on the preceding reasons, the following hypotheses are offered:

Hypothesis 2a: Openness to experience is positively related to a salesperson's customer orientation.

Hypothesis 2b: Openness to experience is negatively related to a salesperson's selling orientation.

Agreeableness

Agreeableness is one of the Big Five factors of personality and includes the traits of being helpful, cooperative, accommodating, understanding, adaptable, trustful and empathetic (Goldberg, 1990). Individuals high in Agreeableness tend to be concerned for the welfare of people they have personal contact with (Roccas, Sagiv, Schwartz, and Knafo, 2002), such as customers. Brown et al., (2002) found that Agreeableness contributes to customer orientation, and it has also been found to have a positive relationship with customer orientation in logistics employees with customer contact job responsibilities, including salespeople (Periatt et al., 2007). Based on these reasons, the following hypotheses are presented:

Hypothesis 3a: Agreeableness is positively related to a salesperson's customer orientation.

Hypothesis 3b: Agreeableness is negatively related to a salesperson's selling orientation.

Forgiveness

Forgiveness is viewed as one of the most positive traits to possess in terms of repairing and continuing interpersonal relationships (Exline, Baumeister, Bushman, Campbell and Finkel, 2004; McCullough, 2000). Additionally, experiencing guilt, which could lead one to seek forgiveness, even self-forgiveness, is also regarded as beneficial to relationships (Leith and Baumeister, 1998). Conflicts and disputes are regarded as unavoidable aspects of life in general, and transgressions occur quite often in most interpersonal relationships (Santelli, Struthers, and Eaton, 2009). Given the strong interpersonal nature of sales, this is especially relevant to business. Therefore, seeking and practicing forgiveness should contribute to the formation and maintenance of the relationships with customers that are central to effective marketing (Vargo and Lusch, 2004).

A sense of entitlement is also regarded as a consistent predictor of unforgiveness (Exline et al. 2004). Salespersons with a strong sense of entitlement should be less likely to be concerned about the needs of their customers and prospects and be more concerned with their own desires. Conversely, salespeople without this sense of entitlement should be focused more on the needs of others, including their customers and prospects. The strong interpersonal relationships and lack of a sense of entitlement present in salespersons high in forgiveness should allow them to comfortably interact with customers to discover and satisfy the customers' needs. Thus, the following hypotheses are developed:

Hypothesis 4a: Forgiveness is positively associated with a salesperson's customer orientation.

Hypothesis 4b: Forgiveness is negatively associated with a salesperson's selling orientation.

Gratitude

Gratitude is a trait linked with positive interpersonal feelings and higher levels of

optimism (Emmons and McCullough, 2003), and hope (McCullough, Emmons and Tsang, 2004). Salespeople with higher levels of gratitude should be expected to have stronger social bonds and friendships (Emmons and McCullough, 2003), and be more empathetic (McCullough, Emmons and Tsang, 2002). Being more empathetic should help these salespersons have a greater understanding of their customers' needs, and greater optimism should propel them to provide solutions to their customers' needs with higher confidence. Accordingly, the following hypotheses are offered:

Hypothesis 5a: Gratitude is positively related to a salesperson's customer orientation

Hypothesis 5b: Gratitude is negatively related to a salesperson's selling orientation

METHOD

Research Methodology

Practicing a customer orientation involves discovering and satisfying the current and future needs of a customer, and a selling orientation involves exploiting potential customers for the primary purpose of short-term personal gain. For this reason, individuals whose primary job responsibility was to perform selling activities were chosen as an appropriate group for the sample. These individuals were employed as automobile sales representatives, sales managers, or Finance and Insurance (F&I) agents by a major automobile dealership in the southwest United States. Data from 191 survey questionnaires administered to these individuals were analyzed in this study.

The questionnaire was developed and tested for relevance and comprehension following recommendations in the survey literature (Dillman, 2000; Fowler, 2002; Schwab, 2005). The president of the firm, through email and personal communication, strongly recommended to the general managers at each location that sales personnel be given sufficient time to complete the surveys during a regularly

scheduled weekend sales meeting on a specific date. A personally signed cover-letter from the lead researcher and the president of the dealership group accompanied each survey to assure the participants of the confidentiality of their responses. Completed surveys were personally sealed in envelopes by each respondent, collected by local administrative managers, and mailed to corporate headquarters via company mail. The Human Resources Director shipped the completed surveys directly to me. A total of 191 useable surveys (N=191) were returned out of 211 distributed. Overall, a 90.5% response rate was realized. The support of the president and Human Resources Director of the firm was instrumental in securing such a high response rate. Since all surveys were completed and turned in to the home office on the same date, there were no issues with late responders, which would necessitate testing for nonresponse bias. Several reasons negated the necessity of such a test. The classic test for non-response bias is predicated on the assumption

of mail surveys, and the surveys in this study were distributed by hand to all locations and completed (or not) on the same day. They were not mailed out. Second, the best protection against nonresponse bias is to reduce nonresponse to a rate below 30%. Our survey collection design limited nonresponse to 9.5%, which is far superior to 30%. Finally, nonresponse bias testing is designed for mail surveys conducted in waves (Armstrong and Overton, 1977). The data collection method in our study was implemented on a single day, and is not comparable.

Twenty surveys were not utilized due to excessive amounts of missing data. Appropriate items from the retained surveys were re-coded, and missing values were imputed with the Expectation Maximization (EM) algorithm (Little and Rubin, 2002), according to the recommendations of Jöreskog and Sörbom (2002) using PRELIS 2. This procedure was selected for imputation because

TABLE 1:
CFA Model Measures of Fit and Item Factor Loadings

	MO	OP	AG	FRG	GR	CO	SO
CFI	.99	1.0	1.0	.97	1.00	.98	.99
SRMR	.03	.01	.05	.05	0.0	.03	.03
					*saturated		
Item 1	.71	.86	.81	.59	.91	.76	.74
Item 2	.74	.81	.85	.64	.77	.71	.75
Item 3	.87	.71	.66	.70	.55	.82	.83
Item 4	.83	.74	.63	.64		.81	.80
Item 5	.76			.80		.81	.86
Item 6	.77			.72		.80	.78
Item 7	.76			.62			
Item 8				.89			
Item 9				.69			

Key: MO = Market Orientation, OP = Openness, AG = Agreeableness, FRG = Forgiveness, GR = Gratitude, CO= Customer Orientation, SO =Selling Orientation

the EM method minimizes the bias in the estimated model (Hair, Anderson, Tatham and Black, 1999, p. 603).

The respondents were predominantly male (88%) with an average age of just over 40 years (40.26 years). The average length of employment with the dealership was approximately 2 ½ years (30.95 months). Ethnically, 43.5% were Caucasian, 18.3% were Hispanic, 14% were African-American, and 8.4% were Asian. 54.5% were married and 24.6% were single or separated/divorced. Over 80% (80.1) had at least some college education, with 39.3% holding bachelor or advanced degrees. I chose individuals whose primary job responsibility was to perform selling activities as an appropriate group for the sample. These individuals were employed as automobile sales representatives, sales managers, or Finance and Insurance (F&I) agents by a major automobile dealership in the southwest United States. Market orientation was measured using seven items from the market orientation scale developed by Narver

and Slater (1990). Responses ranging from “1-strongly disagree” to “5-strongly agree” anchor this scale. Agreeableness and Openness to experience (Openness) were measured using four items each from the appropriate sub-scales from Saucier’s (1994) Big Five Mini-markers instrument. Each personality factor is assessed by single adjective items with responses ranging from “1-extremely accurate” to “9-extremely inaccurate.” Forgiveness was measured with the nine items from the Heartland Forgiveness Scale (Thompson and Snyder, 2003). A 7-point response scale anchored by “1-almost always false of me” to “7-almost always true of me” is used in this scale. Gratitude was assessed with three items from the GQ-6 (McCullough et al., 2002). Values of (1 = strongly disagree; 7 = strongly agree) anchor this 7-point scale. Six of the first twelve items of the SOCO scale (Saxe and Weitz, 1982) were used to measure customer orientation (CO), and six of the remaining twelve items, which were not reverse scored in this analysis, were used to measure selling orientation (SO).

**TABLE 2:
Descriptive Statistics**

Variable	1	2	3	4	5	6	7
Market Orientation	1.00						
Openness to Experience	-0.05	1.00					
Agreeableness	-0.12	0.78**	1.00				
Forgiveness	0.12	-0.16*	-0.24**	1.00			
Gratitude	0.28**	0.04	0.01	0.14*	1.00		
Customer Orientation	0.38**	-0.30**	-0.29**	0.26**	0.28**	1.00	
Selling Orientation	-0.18*	0.211**	0.20**	-0.31**	-0.19**	-0.17	1.00
Mean	29.77	12.20	11.63	47.45	13.42	50.40	18.56
Standard Deviation	5.29	7.37	7.30	9.41	2.21	4.95	13.00
Cronbach’s alpha	.90	.76	.81	.83	.73	.90	.91
Composite Reliability	.92	.86	.83	.89	.80	.91	.91
Average variance extracted	.61	.61	.55	.49	.58	.62	.63

*Correlation is significant at the .05 level **Correlation is significant at the .01 level

RESULTS

Path analysis, a type of structural equation modeling (SEM), was used to test the proposed relationships (Kline, 2005). The correlation matrix of the purified measures was used as input with LISREL 8.72 (Jöreskog and Sörbom, 2001) utilized to estimate the model. The use of the correlation matrix is justified because the pattern of relationships between the constructs is of primary interest in this study (Hair et al., 1999). Path analysis is appropriate because there were only single measures of each observed variable, a priori hypotheses about the relationships between the variables exists (Kline, 2005), and it provides for a simultaneous assessment of the set of relationships depicted in the model (Hair et al., 1999; Kline, 2005). Prior to estimating the model, the unidimensionality of each measure was tested using confirmatory factor analysis (CFA) on each individual measure. Items were dropped from several scales due to empirical or

theoretical considerations as recommended when a converged, proper solution is obtained, but overall model fit is unacceptable (Gerbing and Anderson, 1988). Estimated loadings were examined, and the measures were purified by eliminating the items with insufficient loading values (Hair et al., 1999). The final models exceeded the guidelines for models with $N < 250$ which call for a CFI value close to 0.95 and SRMR values $< .08$ (Hu and Bentler, 1999). These values are included for the final models in Table 1. Composite reliability and average variance extracted (AVE) for each purified measure was then computed. Guidelines in the literature suggest that composite reliability values should exceed .70, and AVE values should be greater than .50 (Hair et al., 1999). As shown in Table 2, each measure surpassed these guidelines with the exception of the forgiveness measure which had an AVE of .49. These steps were necessary since PA does not use latent variables which enable the model to take measurement error into account.

TABLE 3:
Model Results

	Model 1	β	t-value	Model 2	β	t-value
H _{1a} : MO → CO	Supported	.29	4.49		.30	4.56
H _{1b} : MO → SO	Not supported	.11	1.49			
H _{2a} : OPEN → CO	Not supported	-.24	-2.37		-.27	-4.26
H _{2b} : OPEN → SO	Not supported	.15	1.41			
H _{3a} : AGRE → CO	Not supported	-.04	-0.38			
H _{3b} : AGRE → SO	Not supported	.02	0.22			
H _{4a} : FRGV → CO	Supported	.16	2.43		.15	2.34
H _{4b} : FRGV → SO	Supported	-.21	-2.89		-.31	-4.37
H _{5a} : GRAT → CO	Supported	.18	2.77		.19	2.87
H _{5b} : GRAT → SO	Not supported	-.13	-1.84			
X ²	.11					13.76
df	16					21
p	1.00					.88
CFI	1.00					1.00
SRMR	.04					.058

Therefore, because there is only one observed measure of each construct, it is critical that each measure have good psychometric properties (Kline, 2005).

Since all measures were self-reported, the presence of common method bias was a concern. Recommendations in the organizational literature were followed to minimize common method bias (Podsakoff, MacKenzie, Lee, and Podsakoff, 2003) by methodologically separating the independent and criterion variables and guaranteeing confidentiality to the respondents. Harman's single factor test was conducted, which did not reveal a general factor that explained the majority of the variance. No evidence of common method bias was detected.

A path diagram representing the hypothesized relationships is shown in Figure 1. It is important to remember in conducting path analysis that unanalyzed associations between the exogenous (independent) variables are assumed, but the reasons for the assumed covariances are unknown (Kline, 2005, p.97). Based on the results in Table 3, a market orientation, forgiveness, and gratitude all have a significant, positive relationship with CO. Openness had a significant, negative relationship with CO, and Agreeableness had no significant relationship with CO or SO. Forgiveness also had the only significant relationship with SO, and it was negative.

H_{1a} stated that a market orientation was positively related to a customer orientation. This was supported with a $\beta = .29$ and a t-value = 4.49 in the model. H_{1b} tested a negative relationship between a market orientation and SO, and no support for this was provided in the results ($\beta = .10$; t-value = -1.47). H_{2a} hypothesized a positive relationship between Openness and CO and was not supported since Openness was found to have a negative, significant relationship with CO ($\beta = -.24$; t-value = -2.37). Due to the counterintuitive nature of this finding, the data from the original surveys were reviewed for recoding accuracy by auditing multiple cases selected at random.

No errors were found. No support for the negative relationship between Openness and SO in H_{2b} was provided with a $\beta = -.17$ and a t-value = -1.56. A $\beta = -.03$ and a t-value of -.031 failed to provide support for a positive relationship between Agreeableness and CO in H_{3a}. Likewise, a $\beta = 0.0$ and a t-value of -.02 failed to support the hypothesized negative relationship between Agreeableness and SO in H_{3b}. Both hypotheses concerning forgiveness, H_{4a} and H_{4b}, were supported. The positive, significant relationship between forgiveness and CO in H_{4a} gained support with a $\beta = .15$ and a t-value of 2.25 and the negative relationship between forgiveness and SO in H_{4b} was detected with a $\beta = .25$ and a t-value of 3.50. A $\beta = .19$ and t-value of 2.88 supported H_{5a} which forecast a positive relationship between gratitude and CO, but the negative relationship between gratitude and SO predicted in H_{5b} did not materialize ($\beta = .13$; t-value = 1.88). According to the squared multiple correlations (SMC), this model explained 29% of the variance in CO and 16% in SO.

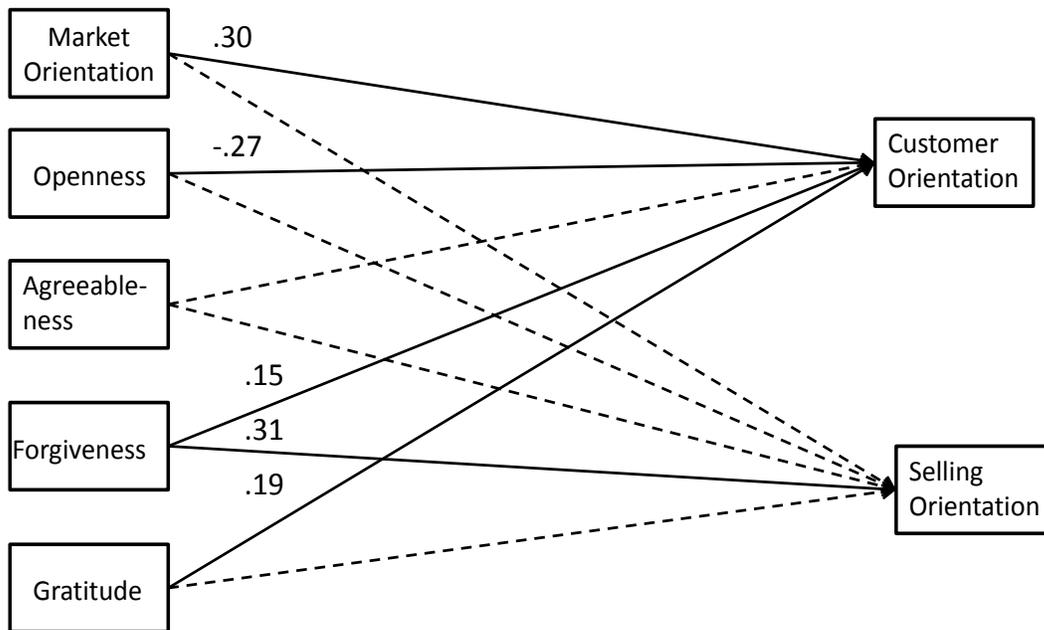
Given the results of Model 1, non-significant paths were trimmed and a second model was estimated with only the supported paths included. Although there were some slight changes in β values, no substantive changes were noted and all previously supported relationships were still significant. The SMC values were 29% for CO and 9% for SO.

In summary, a market orientation, forgiveness, and gratitude were found to be beneficially related to CO. Several surprising findings were noted. First, Openness was found to have a significant, negative relationship with CO which ran counter to expectations. Second, no significant relationship with either CO or SO was supported for Agreeableness. Finally, only forgiveness had a significant, negative relationship with SO.

DISCUSSION AND IMPLICATIONS

There were several surprising findings in this study. First, neither of the Big Five personality

FIGURE 2
Hypothesized paths supported



Solid lines indicate supported paths. Dashed lines indicate trimmed paths.

factors of Agreeableness or Openness was positively related to either dimension of a salesperson's customer orientation. Conceptually, agreeable individuals should be more likely to help their customers meet their needs and gain a better understanding of their customers' situations by being more empathetic. However, there may be other aspects of Agreeableness, such as being accommodating and trusting, which may foster an underlying tension with other traits associated with salespersons high in Agreeableness. For example, customers may come in with cautious, uncooperative mindsets after becoming familiarized with information from trusted internet authorities such as Edmunds.com (Jacobs, 2001; Reed, 2008) or consumerreports.org (Consumer Reports, n.d.). Articles such as these warn consumers against deceptive, manipulative, and high-pressure tactics sometimes employed at automobile

dealerships making the establishment of trust problematic. To be fair, these practices are not confined to consumer automobile sales. Some customers may come in feeling entitled to an attractive deal that would generate low or even negative profit for the dealership. Simply agreeing to customer wishes such as these would be incompatible with an organizational goal of profitability which is a hallmark of the marketing concept. When barriers to communication such as these exist, it may prove too difficult to be empathetic, effectively determine a customer's needs, and help them by suggesting the correct solution. Thus, the different aspects of Agreeableness may cancel each other out during interactions with customers.

Openness was surprisingly found to have a negative relationship with CO. Since salespersons high in Openness should be more

insightful, inquisitive, perceptive, and creative (Digman, 1989; Goldberg, 1990), they should be equipped to more readily and accurately address the needs of customers with proper sales solutions. But these same qualities may also lead a salesperson to circumvent desirable procedures with their innate cleverness. Because of their perceptiveness, they may occasionally adopt "closed influence" strategies to manipulate and deceive customers (Brown, 1990; Chakrabarty, Brown & Widing, 2011) which is more characteristic of a SO. Such activities may even be evoked if salespersons perceive their managers emphasize outcomes rather than behaviors when evaluating sales performance. Again, the breadth of traits present in such a broad personality factor may tend to cancel out the unique effects of each trait.

Market orientation, forgiveness, and gratitude each had positive relationships with CO. This provides further support to the belief that organizational cultures such as a market orientation can shape desirable behaviors and that screening with proper employee selection criteria could result in a sales force more likely to practice a SCO. It is surprising that a market orientation was not found to have the expected negative relationship with a SO. A possible explanation is that while salespersons desire to practice a SCO, at times they lack the motivation to do so. This could be a result of inconsistencies on the part of sales managers who encourage a SCO but, under pressure to perform at deadlines, encourage more selling oriented behaviors. Practicing a CO requires more effort than practicing a SO, and salespersons have to be motivated to utilize a customer oriented type of selling (Thakor and Joshi, 2009). This may indicate that many salespersons have not fully internalized the values of a market orientation. This could be a case of poor person-environment (PE) fit, which includes in its definition that the organization and employee are compatible because they share similar fundamental characteristics (Kristof, 1996), or it could mean there is a lack of motivational support to

continue practicing a CO. Salespersons who are hired without possessing traits that make them more likely to refrain from practicing an SO may have difficulty in avoiding behaviors that lead to short term gain when faced with performance pressure from managers or themselves.

This finding differs to some extent from the findings in existing studies (Kirca, Jayachandran, and Bearden, 2005; Siguaw et al., 1994; Williams and Attaway, 1996) since these studies did not distinguish between the effects attributable to the separate CO and SO dimensions of the SOCO scale. To be clear, a market orientation was found in this study to encourage customer oriented behaviors, but not to discourage selling oriented behaviors.

Ideally, salespersons would embrace the behaviors of a CO and avoid the behaviors of a SO, but surprisingly, forgiveness was the only variable with support for these relationships. To be more precise, forgiveness had the broadest relationship with the desirable aspects of behaviors assessed by SOCO since it had a positive relationship with CO and a negative relationship with SO. Forgiveness may act as a regulatory mechanism within salespersons to suppress the inclinations to get angry and act in ways that are either inconsistent with a CO or consistent with a SO. For example, customers who are guarded, defensive, dismissive or abrasive may provoke feelings of anger by blocking the goal (Carver and Harmon-Jones, 2009) a salesperson would have of helping the customer by selling them a solution to their needs. Anger tends to provoke activities that inflict harm or pain on the offending party (Carver and Harmon-Jones, 2009), which could take the form of less willingness to help customers achieve goals they deem as helpful to themselves, such as purchasing something that will provide a solution to their problem. There is another aspect to forgiveness in a salesperson that must be considered, and that is self-forgiveness. A salesperson may catch their self behaving in a manner that is more selling oriented than customer oriented, especially if a sale is not made. This could lead to feelings of

guilt (Kim, Thibodeau, and Jorgensen, 2009) which lead to regret only if a salesperson assumes responsibility for the undesirable behaviors (Zeelenberg, van den Bos, van Diejk, and Pieters, 2002). By practicing self-forgiveness, a salesperson may then be more likely to persist in pursuing the goal of practicing a SCO which is consistent with experiencing regret (Zeelenberg et al., 2002).

Perhaps the most useful finding in this study is that carefully selected personality characteristics such as gratitude and forgiveness have stronger positive relationships with a salesperson's customer orientation than the more broadly studied personality factors from the Big Five, Agreeableness and Openness to experience. This is not an argument to ignore the beneficial effects of a market orientation, but suggests that some employee characteristics make it more likely a customer orientation may be practiced in its entirety in interactions with customers. A market orientation was found to encourage desirable behaviors, but in this study did nothing to discourage undesirable behaviors. Firms that wish to practice a market orientation should be concerned with both aspects of this at the level of customer interaction.

Day's (1994) observation that very little is known about how to build a market orientation may still ring true, particularly at the level of the salesperson. This paper provides some evidence that attention to carefully selected personality traits in the selection process may help build a sales force inherently stronger in the behaviors that typify a customer orientation, and may have similar importance to cultural influences of the firm on these behaviors. To the extent that salespersons interact with outsiders (customers) rather than fellow employees, the values promoted by a corporate culture, such as a market orientation, may take a great deal of time to be internalized to influence their behaviors. Rather, salespersons high in certain traits seem better equipped to fully embrace a salesperson customer orientation. Although Agreeableness and Openness have been shown to predict customer

orientation in some settings, there may be industry or organizational factors that differ from this study which came into play. Future researchers are encouraged to consider conceptually relevant personality traits when investigating potential influences of a customer orientation in salespeople.

LIMITATIONS

This study drew a sample from salespeople in only one industry which included a small percentage of women. This is quite characteristic of the automobile industry. An additional limitation is that the sample was drawn from a rather concentrated geographical area. Characteristics of salespeople in other regions of the United States, or in other countries, may be quite different. Each of these limitations weakens the generalizability of the results from this research.

There may be additional, relevant variables omitted from the model which could account for substantive amounts of variance in the relationships studied. No attempt was made to control for the influence of variables such as social desirability or impression management, which could conceivably bias some of the relationships. Common method bias, which could be a serious limitation, may be present since all measures were self reported, although an attempt to limit and assess its potential effects was made in accordance with recommendations in the literature (Podsakoff et al., 2003). Additional studies, which obtain data from sources other than self-reports, could effectively address this limitation.

The fact that this was a cross-sectional study is a limitation on drawing inferences regarding the precise nature of the relationship between the constructs studied in this research. Longitudinal studies of the relationships between these variables, and similar studies in different settings, would help overcome this limitation.

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APPENDIX

Study Measures

Gratitude

- * I have so much in life to be thankful for.
- *If I had to list everything that I felt grateful for, it would be a very long list.
- *I am grateful to a wide variety of people.

Market Orientation

- *Our business objectives are driven by customer satisfaction.
- *We respond rapidly to competitive actions.
- *We closely monitor and assess our level of commitment in serving customer's needs.
- *Our competitive advantage is based on understanding customer's needs.
- *Business strategies are driven by the goal of increasing customer value.
- *We pay close attention to after-sales service.
- *Our managers understand how employees can contribute to value of customers.

Forgiveness

- *I hold grudges against myself for negative things I've done.*
- *It is really hard for me to accept myself once I've messed up.*
- *I don't stop criticizing myself for negative things I've felt, thought, said, or done.*
- *I continue to punish a person who has done something that I think is wrong.*
- *I continue to be hard on others who have hurt me.*
- *If others mistreat me, I continue to think badly of them.*
- *When things go wrong for reasons that can't be controlled, I get stuck in negative thoughts about it.*
- *If I am disappointed by uncontrollable*

circumstances in my life, I continue to think negatively about them.

**It's really hard for me to accept negative situations that aren't anybody's fault.*

SOCO

*I try to influence a customer by information rather than pressure.

*I offer the product of mine that is best suited to the customer's problem.

*I try to find out what kind of product would be most helpful to a customer.

*I answer a customer's questions about products as correctly as I can.

*I try to give customers an accurate expression of what the product will do for them.

*I try to figure out what a customer's needs are.

*If I am not sure what product is right for a customer, I will still apply pressure to get him to buy

*I decide what products to offer on the basis of what I can convince customers to buy, not on the basis of what will satisfy them in the long run.

*I spend more time trying to persuade a customer to buy than I do trying to discover her needs.

*I imply to a customer that something is beyond my control when it is not.

*I begin the sales talk for a product before exploring a customer's needs with him.

*I treat a customer as a rival.

Agreeableness

*Warm

*Cooperative

**Unsympathetic*

**Harsh*

Openness

*Imaginative

*Philosophical

*Intellectual

*Complex

*Items retained in measure

Reverse coded items in italics

ORGANIZATIONS' USE OF LINKEDIN: AN ANALYSIS OF NONPROFITS, LARGE CORPORATIONS AND SMALL BUSINESSES

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Social media and concomitant professional networking are important marketing tools for large and small businesses and nonprofits. The study by Barnes and Mattson (2010) has shown that nonprofit organizations are more active than for-profits in their use of social media tools such as blogs, Twitter, podcasts, video, etc. This study looks at the professional social media tool LinkedIn. Contrary to the findings of Barnes, et al. (2010), this in-depth study of 200 large, 200 small, and 200 nonprofits firms, finds some opposing results: small businesses appear to have greater adoption and usage rates of the professional networking site LinkedIn. The research studied which of each of these businesses had a company page at LinkedIn, whether or not a LinkedIn logo was displayed at the firm's website and if the organization's most senior leader maintained a personal page on LinkedIn. Results demonstrate usage trends by type of firm, and discover social marketing needs for types of firms.

INTRODUCTION

On 19 May 2011, a social media tool known as LinkedIn had a successful initial public offering (IPO), with shares bid up 109 percent from the issue price (Woo, Cowan, and Tam, 2011). Launched in 2002, LinkedIn is an online professional network that allows users to connect with trusted contacts to exchange knowledge, ideas, and opportunities within a broader network of professionals. The site has 100 million registered users; Americans account for about one-half of the LinkedIn community (Kim, 2011).

Barnes, et al. (2010) released the results of a longitudinal study on the usage of social media by different types of organizations—specifically, nonprofits, private businesses, and academic organizations. Starting in 2007 and tracking trends through 2009, their 2010 report shows that nonprofit organizations outpace business organizations in their use of social

media. Indeed, as the study shows, “a remarkable ninety-seven percent of charitable organizations are using some form of social media including blogs, podcasts, message boards, social networking, video blogging, wikis and Twitter” (Barnes, et al., 2010, p.1).

Absent from Barnes and Mattson's research, however is an in-depth discussion of LinkedIn. This paper presents a preliminary examination of the usage of LinkedIn by three types of organizations—nonprofit organizations, large companies, and small businesses—to determine whether usage patterns are in line with Barnes and Mattson's discoveries about social media, particularly for nonprofits.

LinkedIn: Why It Matters

Many authors have demonstrated that the Internet is a powerful marketing tool that can be used to attract customers, build customer loyalty, and extend a product's or service's brand (Reichheld, Markey, and Hopton, 2000; Rowley, 2005; Levy, 2011). Reichheld, et al.'s research of e-commerce executives showed that the value of customer loyalty is exceptionally

important in the virtual environment for two reasons. First, entry costs are low for competitors in this Internet environment; and second, profitable customers tend to be more loyal and actually desire to be loyal. Even the nation's top military brass has signed up; the Office of the Chairman of the Joint Chiefs of Staff developed and implemented a social media strategy for Admiral Mullen (Office of the Joints Chief of Staff Public Affairs, 2010).

The virtual world is becoming a more significant place for nonprofits as well. According to Rooney, Brown, Bhakta, Fredrick, Hayatte, and Miller. (2007), the amount of donations for online and offline giving were practically the same—there is not a statistically significant difference between the dollar amounts donated online. This same study indicated that 1 in every 10 donors makes his or her contributions online, and younger givers (aged 35 or less) are more likely to give online. Not surprisingly, individuals under the age of 35 are the highest Internet users (Zillien and Hargittai, 2009; Chatzoglou, and Vraimaki, 2010). As donors age, their contributions are likely to increase, so it may behoove nonprofits to attract the attention of these younger online givers to build a loyal, supportive base for future years. LinkedIn could be an important tool for non-profit connectivity to donors, in these future years.

Many of these young donors are spending increasing amounts of time at social network sites (Pentecost and Andrews, 2009). Just as websites became a critical part of organizations' marketing portfolios in the 1990s, social media tools became increasingly important in the 2000s. Also referred to as "inbound marketing" because of the customers' interaction with the organization, social media appears to be providing a number of advantages to organizations. A survey of 231 professionals involved with their companies' marketing strategies reveals that the use of social media is lower in cost per marketing lead than outbound or more traditional channels; is the most rapidly growing channel in companies' marketing budgets; and generates leads that are converted

to customers (Lillevalja, 2010). Financial planners have found that LinkedIn is effective for connecting with prospective clients (FPA Research Center, 2009; Winterberg, 2010), while trade associations find that social media provides the ability to go where members are, instead of demanding that they come to the association (DeFlice, 2009).

Several researchers have sought to study LinkedIn in several different contexts. Zizi (2009) studied the tone of interpersonal interaction. Davison, Maraist, and Bing (2011) examined how LinkedIn has impacted human resources practices in terms of hiring and firing. Brown and Vaughn (2011) examined how hiring managers use social media sites to gain a better picture of potential hires, but finding information on such sites inconsistent due to a lack perceived standard practices by individual users. Aula (2010) studied how a firm manages its reputation and its relations to social media and found that as social media usage increases, risks to the firm's image also increase. Thus, strong management controls are needed with regard to social media sites. Foux (2010) examined "social customers" and how those who use social media are customers of companies who use social media. His findings indicate the need for organizations to engage social media mechanisms to reach customers and constituents. Comer (2010) defines the strategic uses of LinkedIn as follows: building relationships, understanding prospects, hand-picking specific prospects, attracting prospects to a particular brand, and listening to clients. He finds that users are successful and affluent.

Digital platforms such as LinkedIn provide organizations an opportunity to connect on a more personal level enabling organizations to better understand and target appropriate audiences. These marketing "touch points" help organizations integrate their messages into the rhythm of their customers' or donors' daily lives and enter a more personal dialogue with them (Martin and Todorov, 2010). They also provide a less expensive channel for reaching targeted customer segments—primarily those who choose to participate in an organization's

online activities—that could benefit organizations with more limited resources, such as nonprofits and small businesses (Daniasa, Tomita, Stuparu, and Stanciu, 2010). This being the case, deeper analysis into the use of LinkedIn by the three types of organizations to augment Barnes and Mattson's initial research was needed. This study seeks to determine the extent to which nonprofits are using LinkedIn compared with business organizations, in keeping with Barnes and Mattson's study. This study also was interested in whether or not social media usage—specifically the LinkedIn tool—differs among large or small businesses.

WHICH ORGANIZATIONS ARE MAXIMIZING LINKEDIN USAGE: RESEARCH QUESTIONS

The use of social media with some type of business end portends several different objectives for corporate users versus individual person usage. Individuals use social media for business purposes such as networking opportunities, business research, business knowledge, contacts, and product knowledge. Businesses (small- and medium-sized businesses, large firms, and nonprofits) are theorized to use social media for exposure/awareness, client contacts, as a funnel to sales and revenues, access to a potential employee pool, and public relations (Wander, 2007; Kaplan and Haenlien, 2010; Scott, 2010). In particular, using LinkedIn as a part of an organization's social media strategy is likewise foreseen to enhance these underpinning goals. Understanding the use of LinkedIn by different kinds of firms and nonprofits will aid in understanding the theoretical underpinnings of an organization's social media strategy. Given the aspirations and resources of different size organizations, it seems likely that small firms and nonprofits would find resources like LinkedIn financially appealing (Hills, Hultman and Miles, 2008). This is especially true since small businesses are more apt to spend money on social media type endeavors (Efrati, 2011). The need for small firms and nonprofits to generate word of mouth referrals also bends these companies toward social media like

LinkedIn (Trusov, Bucklin and Pauwels, 2009). While Barnes and Mattson's study was based on telephone surveys of the different types of organizations, this study focused on physical evidence that could be gleaned directly from the Internet. In keeping with Barnes and Mattson's initial findings that nonprofits are outpacing commercial-sector organizations in their social media usage, it is hypothesized that nonprofit organizations would have a higher participation rate on LinkedIn, as demonstrated by having created a company account and company page on the social media site. The first research question, therefore, is as follows:

RQ₁: Is the frequency with which nonprofit organizations have an organizational page on LinkedIn higher than that for either large or small businesses?

Although recognition that social media may provide a less expensive and, hence, more desirable marketing channel for small businesses, it is hypothesized that large corporations are including social media in their marketing portfolios at a faster rate than smaller companies because they have much greater resources to apply to this challenge. The second research question is that:

RQ₂: Is the frequency with which large businesses (Fortune 200) have an organizational page on LinkedIn higher than that for small businesses?

Next, determination as to whether or not organizations were maximizing the use of this social media site as part of their overall marketing strategy was needed through looking for visible evidence that this was the case. In keeping with the concept that nonprofits are savvier in their use of social media than corporations, the third question is:

RQ₃: Is the frequency with which nonprofit organizations display the LinkedIn logo on their websites higher than the number of Fortune 200 or Inc. 200 companies displaying their logos?

Because large corporations have greater resources to expend on marketing, it is theorized that large businesses are more likely

to take the time and effort to display the LinkedIn logo on their corporate websites than small businesses. As such, the fourth research question is that:

RQ₄: Is the frequency with which Fortune 200 companies display the LinkedIn logo on their website higher than the number of Inc. 200 companies that display their logo?

If the use of social media is considered an important touch point by an organization, the use of these sites should be mirrored in the behavior of the organization, including its leadership. From an organizational culture perspective, is important to see whether or not the highest company officer was using LinkedIn, as a show of commitment to this leg in a marketing and recruitment strategy. Because nonprofit organizations appear to be more forward leaning in their use of social media, the fifth research question is that:

RQ₅: Is the frequency with which a nonprofit senior leader has a personal page on LinkedIn higher than the frequency with which senior leaders of Fortune 200 or Inc. 200 companies do?

As the Office of the Chairman of the Joint Chiefs of Staff has shown, larger organizations have the resources to create and implement a social media strategy, including setting up accounts for senior leaders. If, as hypothesized, large organizations have greater resources to apply to the use of social media as part of a larger marketing scheme, research question number six would follow:

RQ₆: Is the frequency with which a Fortune 200 senior leader has a personal page on LinkedIn higher than the frequency with which a senior leader of an Inc. 200 company does?.

METHOD

To compare the participation and usage of LinkedIn by the three types of organizations (large and small companies, and nonprofits) examination of visible, physical evidence of usage was conducted. First, the lists of

organizations for each of the three organizational types were assembled. This study used *Forbes'* "200 Largest U.S. Charities" list, a compendium of the nation's largest charitable organizations that *Forbes* publishes annually based on the amount of private, nonprofit support the organization received in the latest fiscal reporting period (Barrett, 2010). The list of large companies was gleaned from the "Fortune 500," a list of companies that are ranked by *Fortune* magazine (Fortune, 2011). This study used the top 200 companies from this list as the representatives for large companies. To assemble a list of small companies, the study used the "Inc. 200"—a list compiled by *Inc.* magazine of the top 200 U.S.-based, privately held, for-profit, independent companies—and assesses their revenue growth from 2006 to 2009. The minimum revenue for a company to make the list in 2009 was \$2 million (Inc. Staff, 2011).

With the list of organizations assembled, examination of the LinkedIn site at www.LinkedIn.com was done to find whether each of the 600 organizations had a company page at LinkedIn. If the organization had a LinkedIn account and company page, this was recorded as a "yes." Next, examination was done by visiting the organization's website to record whether or not a LinkedIn logo was displayed at the website; if a LinkedIn logo was seen on the homepage, this was recorded as a "yes."

To assess senior leadership acceptance of and support for the use of LinkedIn, the Chief Executive Officer (CEO) for the organization was identified based on information found at the organization's website. If the organization did not have a CEO, the senior-most leadership position in the organization was identified; this often was a President for nonprofits. Once the identification of the senior most person was completed, LinkedIn was checked to confirm whether or not the senior leader maintained a personal page on the social media site. The identification of this page was used as evidence that the senior-most leadership of the

organization was actively participating in LinkedIn.

To test the research questions, chi-square tests were conducted. For each of the three dependent variables, a test was conducted to see if there were overall differences between the three types of organizations. These analyses were followed by paired comparisons.

RESULTS

Table 1 shows the number of companies that have a page on LinkedIn, the number of companies that have the LinkedIn logo on their website, and the number of CEOs who have a page on LinkedIn, each sorted by type of organization. Absolute frequencies as well as percentages are shown. Because the Inc. 200 list included companies that tied for a place on the list, the top 200 slots were actually filled by 202 companies.

Using chi-square tests, the study analyzed whether the frequency with which LinkedIn was used differed among the three types of organizations. It was hypothesized that LinkedIn would be used most frequently by the Forbes 200 nonprofit organizations and least frequently by the Inc. 200 organizations.

Page on LinkedIn

A significant difference was found between the three types of organizations in terms of the number of companies that have a page on

LinkedIn ($\chi^2 (2, N=602) = 13.43, p<.001$). Paired comparisons of the three types of organizations showed, however, that the differences were not entirely as expected.

In contrast to the research question, there are actually fewer Forbes 200 nonprofit organizations than Fortune 200 companies that have a page on LinkedIn, although this difference failed to reach significance ($\chi^2(1, N=400)= .38, p=.54$). As predicted, the number of Fortune 200 organizations with a page on LinkedIn is higher than that of Inc. 200 companies ($\chi^2 (1, N=402)= 7.04, p<.01$). The number of Forbes 200 nonprofit organizations that have a page on LinkedIn exceeds the number of Inc. 200 companies that have a page ($\chi^2(1, N=402)= 10.41, p<.01$), which is also in line with the research question.

Logo on Website

The number of companies that use the LinkedIn logo on their website differs significantly between the three types of organizations ($\chi^2 (2, N=602) = 29.51, p<.001$). Paired comparisons showed, once more, that the differences were not entirely as hypothesized.

In line with the research question, the number of Forbes 200 nonprofit organizations that use the LinkedIn logo on their website was found to be higher than the number of Fortune 200 companies that use the logo ($\chi^2(1, N=400)= 10.10, p<.01$). In contrast to what was expected, however, the number of Fortune 200

**TABLE 1:
Pages on LinkedIn, LinkedIn logos, and CEOs who have a page on LinkedIn,
by type of organization**

	Page on LinkedIn		Logo on Website		CEO on LinkedIn	
Fortune 200	189/200	94.5%	7/200	3.5%	16/100	16%
Inc. 200	171/202	84.6%	43/202	21.3%	74/100	74%
Forbes 200 Nonprofit	186/200	93%	24/200	12%	39/100	39%

organizations that use the LinkedIn logo on their website is significantly lower than the number of Inc. 200 companies using the logo ($\chi^2(1, N=402) = 29.19, p < .001$). Fewer Forbes 200 nonprofit organizations use the LinkedIn logo on their website than Inc. 200 companies, although this difference failed to reach significance ($\chi^2(1, N=402) = 6.24, p = .01$).

CEOs on LinkedIn

A chi-square test including 100 companies in each type of organization was run to see if there are significant differences in the number of CEOs who have a page on LinkedIn. The outcome is significant ($\chi^2(2, N=300) = 69.60, p < .001$). Again, paired comparisons demonstrated that the differences were not entirely as expected.

CEOs of Inc. 200 companies are far more likely to have a page on LinkedIn than CEOs of either Fortune 200 or Forbes 200 nonprofit organizations (74 of the CEOs of Inc. 200 companies have a page on LinkedIn versus 16 CEOs of Fortune 200 companies and 39 CEOs of Forbes 200 Nonprofit companies). Both differences are significant ($\chi^2(1, N=200) = 67.96, p < .001$ for the comparison with CEOs of Fortune 200 organizations and $\chi^2(1, N=200) = 13.27, p < .001$ for the comparison with CEOs of Forbes 200 nonprofit organizations). These findings contradict the research questions. The finding that CEOs of Forbes 200 nonprofit organizations are more likely than CEOs of Fortune 200 organizations to have a page on LinkedIn ($\chi^2(1, N=200) = 24.92, p < .001$), is in line with the research question.

DISCUSSION

Despite nonprofit organizations' early adoption of other social media, the research shows that their marketing efforts and networking energy are not directed toward LinkedIn. The evidence shows that all three types of organizations participate to a significant degree, scoring an 85 percent participation rate or higher as demonstrated by the creation of an organizational page on the social media site.

Somewhat surprisingly, Fortune 200 companies are most active in this regard, but nonprofit organizations are close behind. Given the Barnes and Matson's study of nonprofits' high adoption rate of social media, it was expected that these roles to be reversed, but the deep pockets of the Fortune 200 may indicate a greater capability to exploit an array of marketing channels (Barnes, et al., 2010). The high participation rate and lack of a significant difference among the three types of organizations indicates a general recognition of LinkedIn as one tool in the organizations' social media marketing tool kits. That, however, is where the strategies start to diverge.

Small businesses, as represented by the Inc. 200, appear far more focused on leveraging LinkedIn as a tool than the other two types of organizations. As the research on the inclusion of the LinkedIn logo on the organization's website shows, small companies are including this visual reminder on their websites more often. Small businesses are ahead of nonprofits in this regard but are significantly ahead of the Fortune 200 organizations. Given that both small businesses and nonprofits are more likely to have fewer marketing resources to implement and maintain social media strategies, the fact that both small businesses and nonprofits are far more aggressive than Fortune 200 companies may indicate a deeper understanding of the benefits of this free resource for their networking and marketing needs.

Perhaps most interesting is the CEO adoption rate of LinkedIn. CEOs of small businesses appear far more likely to participate directly in LinkedIn. These CEOs may view LinkedIn as a useful and inexpensive tool for networking with potential customers and prospective employees. Given LinkedIn's focus on professional networks that are built at a personal level, this social media tool may be best suited for smaller organizations that are working at a more personal level to generate revenue, such as nonprofits or small businesses. Additionally, small businesses tend to use

entrepreneurial marketing techniques that focus more on experience, intuition, and adaptive strategies (Hills, et al., 2008). This approach may partially explain the greater use of LinkedIn by small business CEOs.

IMPLICATIONS

Internet users increasingly are using social networks to share content—e.g., information, views, or news—with friends and family (Ayers, 2011). Organizations use social media to safeguard or build reputations, find new customers, build communities, and engage customers or constituents in conversations (Jones, Temperley, and Lima, 2009). Small business CEOs tend to be involved in many aspects of the company and as a result, may perceive less of a social distance from their customers, which could lead to greater participation rates. In turn, their accessibility on LinkedIn, as evidenced by their greater participation rates, may lead to higher connection rates for their companies overall and stronger social networks. These stronger networks, in turn, could help reinforce a company's image as responsive to and supportive of its customers when compared to larger, more bureaucratic organizations.

Indeed, research indicates that small businesses spend roughly the same as large companies in the U.S. online advertising market, indicating that an online presence is a key ingredient in the small business marketing strategy (Efrati, 2011). Moreover, research also shows that word-of-mouth referrals, such as those that are easily created through a professional social networking site such as LinkedIn, are important for new customer acquisitions—a critical element for small businesses (Trusov, et al., 2009). Conversely, if CEOs maintain a page on LinkedIn but fail to respond to LinkedIn messages or connections, this action may negate the benefit and actually be counterproductive.

Jaskyte (2011) suggests that nonprofit adoption of innovative technologies and techniques may be dependent on top leadership in the

organization. As such, the results of this LinkedIn study may shed more light on the resourcefulness of small organizations, including small businesses: it would appear that small businesses in general, and small business CEOs in particular, view the LinkedIn social networking site as a critical component of a successful and inexpensive marketing campaign.

From a limited resources perspective, both small businesses and nonprofits may be using LinkedIn to find and recruit talent for their organizations, at least more so than large corporations. Lacking the resources to staff a sophisticated human resources department, small businesses and nonprofits may view LinkedIn as a more cost-effective method to identify and contact potential employees, as well as tap into the potential employee's LinkedIn network as a source of information about the prospect.

LIMITATIONS OF RESEARCH

While nonprofits are typically viewed as resource scarce and dependent upon grants and donors for their operating budgets, the choice of the Forbes 200 nonprofits may skew the results somewhat. Given the position of these nonprofits as having the largest operating budgets in the country, as defined by *Fortune* magazine, their actions may be more akin to those of large companies whose marketing budgets are significant. For example, given the name recognition and successful branding of such well known organizations as the American Red Cross with its nation-wide disaster relief appeals or the Salvation Army with its ubiquitous Christmas ringers, the more successful nonprofits may operate more like a large corporation than a small business.

The data gathered for this comparison is highly perishable, as participation rates can change at any moment. As such, this study represents only a snapshot in time, compared to longitudinal studies, and overall analysis could be improved by continuing the study year-over-year. The study examines the empirical

evidence, but without further interviewing the organizations' leadership, it is hard to determine the reasons why some organizations participate more fully in the LinkedIn social networking opportunity. Follow-up surveys or interviews with company leadership and/or marketing departments could shed more light on why there is a difference among organizational approaches to this particular type of social network and assess organizational strategies vis-à-vis this marketing tool. Also, while the study presents the first deep-dive analysis of organizational usage of the LinkedIn social network, it does not tackle the larger issue of effectiveness associated with organizational participation, which is beyond the scope of this study.

This study also may be skewed by the comparison of the Fortune nonprofit 200 to the Inc. 200. Because the largest nonprofits have operating budgets that more closely mirror those of large companies, they might not have the same resource constraints as small businesses. The results of this study indicate that a comparison between smaller nonprofits and small businesses may be more valid and yield interesting insights into organizational use of LinkedIn.

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THE DIGITAL MARKET-SPHERE (DMS): MODELING VIRTUAL TRANSACTIONS AND TRANSVECTIONS

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This paper advances a theoretical framework to help marketing scholars and strategists to navigate the electronic transactions and transvections that compromise the digital market. Although an expansive literature addresses the digitization of marketing functions and the formulation of digital marketing strategy, few have framed the digital market itself. This paper takes on the challenge of conceptualizing holistic digital market conditions. The proposed Digital Market-Sphere (DMS) concept is validated by distilling seminal marketing theory and contemporary digital marketing research. Established theory construction methods are followed to conceptualize, operationalize, and implement the DMS concept. In addition to distilling conceptual properties from connotative marketing theory, a strategically oriented DMS framework is designed to denote operational system parameters. As an ontological model, the DMS framework contributes a viable dashboard instrument for navigating marketing scholarship domains and digital market(s) strategy directions.

INTRODUCTION – MODELING DIGITAL MATTER IN MOTION

New marketing paradigms are rare. It is even rarer that marketing theory rushes to embrace them. Samli (2006) characterizes the present dynamic environment as “turbulent,” prompting marketing scholars to rethink the market and remodel strategy (Hakansson, Harrison, & Waluszewski, 2004). These emerging new digital market conditions have prompted an examination of marketing theory consequences (Zinkhan, 2005). To that end, marketing scholars must map the shifting digital market landscape the way surveyors chart new territory.

The purpose of this conceptual study is to unify the scope of digital market properties with a systematic design of digital marketing properties. By developing a theoretical framework to unify diverse digital marketing literature streams, the study contributes an inclusive perspective for research and planning. In particular, the purpose is to achieve greater synthesis and symbiosis among the digital

market constructs addressing customers (demand), companies (supply), and communities (external). Typically, digital market studies focus on one of those three primary market realms, rather than advance holistic planning framework – exceptions notwithstanding (Berthon & Hulbert, 2003; Brodie, Winklhofer, Coviello, & Johnston, 2007; Kimiloglu, 2004; Moore & Breazeale, 2010; Varadarajan & Yadav, 2002; Watson, Berthon, Pitt, & Zinkhan, 2004; Watson, Pitt, Berthon, & Zinkhan, 2002; Zinkhan, 2005). However, this study’s integrated digital market scope permits a more systematic assessment of the ethical outcomes associated with enterprise objectives by emphasizing Reidenbach and Olivia’s (1981) conditions,

“... for the continued development of marketing science two things (are) needed: better tools for analyzing the facts of marketing, and the development of a conceptual framework that will assist in asking the right questions about marketing phenomena ...” (p. 30).

Emerging digital market phenomena are described here as the Digital Market-Sphere (DMS). This description achieves the study’s fourfold intentions. First, the term sphere transcends the physical plane while also

encompassing traditional marketplace processes. The DMS configures spatial interaction based on digital cognitive sharing, which may or may not correspond to physical material situations. Secondly, sphere refers to a holistic and inclusive domain, similar to a universe or ecology. Much like a biological ecology or cosmological universe, the DMS is advanced as a holistic taxonomy of the digital market properties and parameters. Thirdly, sphere connotes a continuous rolling motion like the digital market's accelerating innovation. Digital market(s) dynamism and depth is not fully conveyed by terms like market, marketplace, e-commerce, Internet/online, or "marketspace" (Rayport & Sviokla, 1994). For that reason, the term "Infosphere" (Floridi, 2002) is used in the fields of computer science (micro) and information ethics (macro). Fourth, the word sphere also possesses the theory construction attributes of descriptive tautology and prescriptive ontology. As a tautological instrument, the DMS concept confers a unified logic on the patchwork of digital market(s) scholarship. Subsequently, the ontological DMS framework contributes a cyclical order for planning digital market(s) strategy.

In traditional marketing theory, Hunt's (1978) "nature and scope" imparts unity and order. As an ontological instrument, the DMS is a logically designed dashboard for navigating scholarly domains and strategic directions. Similar planning instrument objectives are achieved by a landmark global telecommunications study, "The Geodesic Network" (Huber, 1987; Huber, Kellog, & Thorne, 1992), which adopted a spherical model to map the earth's technology spectrum. Like the DMS, geodesic framing breaks free of the conventional "pyramid" paradigm of market conduits and content. So, the term Digital Market-Sphere preserves the integrity of existing terminology in the literature and contributes appropriate nomenclature.

Existing digital market research recognizes the distinctions from traditional market conditions, but addresses these changes as disconnected

developments. In the customer realm, online preferences differ from traditional market behavior (Goldsmith, 2002; Saaksjarvi & Pol, 2007; Xie, Teo, & Wan, 2006). The ability of digital applications augment customer search and evaluation alters choice benefits and switching costs (Chellappa & Sin, 2005; Curran & Mueter, 2007). In the company realm, digital strategy is molded for instantaneous and information intensive online channels, including new media networks (Ashley, Larie, Lynagh, & Vollmer, 2008; Zhang, Prybutok, & Strutton, 2007; Zhu & Nakata, 2007). On the horizon, marketing scholars have begun studying virtual world marketing strategy for immersive online modes (Holzwarth, Janiszewski, & Newmann, 2006; Wood, 2011; Wood & Solomon, 2009). Finally, in the community environment realm digital markets create closer connections between micro enterprise and macro ethics considerations (Ashworth & Free, 2006; Kim, Choi, Qualls, & Han, 2008; Langenderfer & Cook, 2004; Sirgy, Lee, & Bae, 2006).

Instead, the scope of digital market transformations calls for a comprehensive model to advance theoretical research by "fitting facts into an orderly pattern with enlarged and significant meaning" (Schwartz, 1963, p. 68). Moore and Breazeale (2010) examined the electronic commerce literature and found that all "conceptual" research accounted for the smallest share at 11%, with only 2% of e-commerce studies advancing "theory" and "modeling". Like driving fast cars without a map, digital market studies race to the future without a common direction. Although there are many different routes to the online future, they are all paved on a digital market system foundation. Therefore, this study integrates research on the three market realms into a holistic design of digital "matter in motion" (Shaw, 1912).

LITERATURE REVIEW -- DIGITAL MARKET PROGRESSION

The digital market "metamorphosis" is aptly captured by Berthon and Hulbert (2003):

“Marketing in the 21st century is in a process of rapid change. The shift from a matter economy to the information economy has been the main driver in the evolution of the field. . . . In all, this giant metamorphosis will dissolve old distinctions and concomitantly create new ones, leading to an age of unprecedented uncertainty. The map of marketing is being redrawn.” (p. 31)

Important insights for digital market theory construction can be gleaned by tracing marketplace development. In addition to providing insight, the historical review depicts a parallel progression of embedded marketing system intelligence and ethical marketing system ignorance. Reconciling these opposing forces requires an enlightened vision of digital market potential. The aggregate marketing system has progressed from a forum for physical space and time transactions, to the parallel worlds of marketplace and “marketspace” (Rayport & Sviokla, 1994) to a current digital market spectrum including immersive virtual worlds. Early marketing scholars conceived of the marketplace as a physical space and time domain comprising tangible channels and content (Bartels & Jenkins, 1988; Shaw & Jones, 2005; Sheth, Gardner, & Garrett, 1988). Consequently the marketplace was designed for physical institutions and material transactions (Kotler & Levy, 1969). The strategic terrain of micro-marketing is separated from the societal terrain of macromarketing (Hunt & Burnett, 1982). Marketing management functions mediate the micro/macro-marketing divide to deliver customer and community value (Bartels, 1968).

Once an electronic “marketspace” emerged (Rayport & Sviokla, 1994, 1996), the space and time determinants of physical market channels were eliminated. In their place a network of “cybermediaries” was substituted (Sarkar, Butler, & Steinfield, 1998). The marketspace is mapped by web traffic flows (Berthon, Pitt, Berthon, Crowther, Bruwer, Lyall, & Money, 1997) that parallel traditional marketplace channels, but offer improved convenience,

costs, and connections. Traditional “4Ps” strategic distinctions become less recognizable in the marketspace, and conventional micro-marketing/macromarketing boundaries are blurred. Eventually, various hybrid forms of “eMarketing” take root, consisting of entirely electronic dialogues for business-to-consumer as well as business-to-business markets (Brodie et al., 2007). Intelligent digital market interfaces amplify individual customer interaction and allow collaboration among market participants – known as “virtual communities” (Hagel & Armstrong, 1997; Kozinets, 1999; Kozinets et al., 2008). These collaborative channels and customizable content create an entirely new digital market reality.

At the leading edge of this new digital market reality are immersive virtual worlds where space, time, and identity are artificially created (Watson et al., 2002). Virtual worlds are immersive digital markets with realistically represented 3-D video-game-like online environments, such as “Second Life” (Kirkpatrick, 2007). Personalized avatars act as alter egos for virtual world market participants (Hemp, 2006; McGoldrick, Keeling, & Beatty, 2008). Marketing scholars have begun studying virtual world market behavior (Holzwarth et al., 2006; Wood, 2011; Wood & Solomon, 2009), and pilot testing shopping avatars that use artificial sensors to touch and try on clothes (Kim & Lennon, 2008; Sivaramakrishnan, Wan, & Tang, 2007). However, despite its potential, marketing theorists have yet to explicitly incorporate them into digital market system models.

Ethics and social responsibility are equally important in the conceptualization of digital markets. The pervasive reach and probing radar of Internet technology pose serious challenges to digital market integrity (Ashworth & Free, 2006; Bush, Venable, & Bush, 2000; Sison & Fontrodona, 2006). Online market interaction activity can be impaired by a wide range of unethical practices beyond the reach of traditional regulations (Hoffman, Novak, & Peralta, 1999). Markets that rely on customers,

companies and communities to freely share in digital dialogues have, therefore, tended towards trusted, secure, and private interaction (Gritzalis, 2006; McKnight, Choudhury, & Kacmar, 2002; Radin, Calkins, & Predmore, 2007). This enlightened tendency furthers the confluence of strategic enterprise and societal ethics. Ideally, digital market confluence should optimize customer engagement, company enterprise and community embracing.

RESEARCH METHOD -- THEORY CONSTRUCTION PRINCIPLES

Developing a unified concept of the Digital Market-Scope (DMS) with a systematic design of digital market processes requires sound theory construction principles. The DMS framework is formulated according to Wacker's (1998, 2004, 2008) four basic criteria for the definition of theory/principle:

1. Definitions of terms or variables for a concept
2. Domain limitations to identify where the theory is applied
3. A set of relationships among variables
4. Measurement predictions and method for proving factual claims.

The starting point of theory construction is selecting a logical method. The Digital Market-Sphere (DMS) is formed by formulating conceptual connotations and denotations. In logic, connotations pertain to essential ideas and denotations refer to applicable areas (Anschutz, 1953; Barnes, 1945). For theory construction, connotations and denotations constitute the concept development process. First, connotations are established by stating theoretical "intensions" as the concept definitions and domains. Second, denotations are examined by showing practical "extensions" as the variable relationships and viable results from concept application. Sonesson (1989) contends:

"In logic and philosophy, denotation means the same thing as extension (i.e. the object or class of objects subsumed by a concept) and connotation is another term

for what is also termed intension or comprehension (i.e. the list of all parameters characterizing the concept; and/or the parameters permitting us to pick out the objects falling under the concept". (p. 74)

This study follows the logical progression from connotations to denotations in both the discussion sequence and the specification of DMS structure. The progression tells a narrative about the realms, rules, restrictions, relationships, and results of digital market system phenomena that clarify theoretical principles and processes (Pentland, 1999; Sutton & Staw, 1995). As outlined below, the order of topics discussed and the origin of terms included in the DMS design are as follows:

1. *Realms* – describing the DMS concept based on a convergent domain configuration for digital market system(s) scholarship and strategy (connotation)
2. *Rules* – defining the DMS concept based on ubiquity and fluidity, as digital market system(s) manifestations of transactions and transvections (connotation)
3. *Restrictions* – delineating DMS concept domain limitations with core and composite research properties (connotation)
4. *Relationships & Roles* – designating the DMS concept variables and variable interactions used to design digital market system(s) (denotation)
5. *Results* – determining the DMS concept value based on normative outcomes and prescriptive measures (denotation).

Figure 1 charts the theory construction stages of DMS concept definition, operationalization, and implementation. As the table shows, the DMS concept is defined with connotative structural properties by first specifying the composition of digital market realms (customer, company, community), as well as the digital market condition rules (ubiquity and fluidity). Conceptual properties for these digital market realms and rules are further connoted

with core and composite domain limitations. Then, the DMS concept is denoted by systems parameters that operationalize the strategic digital market orientation. Systems parameters are designed as relational value propositions for inclusive digital market interaction, and ontological digital marketing mix vectors for achieving digital market congruity. The final stage of theory construction denotes predictive results by describing the normative outcomes of DMS concept implementation. These normative outcomes occur in the customer and community realms, with results that combine market value and market ethics. Also, specific phrases are used to distinguish the conceptual development of DMS structural properties from the operational design of DMS system parameters. The first connotative theory development method is the *DMS concept* and the second denotative strategy development mode is the *DMS framework*.

CONCEPT DEFINITION – DIGITAL MARKET COMPOSITION & CONDITIONS

Defining the DMS concept starts by clarifying the composition of digital market(s). There is clear convergence in the marketing theory literature supporting the marketing system design (Bartels, 1968; Hunt, 1976; Hunt & Burnett, 1982; Ziff, 1980). That research converges on a market comprised of three primary market realms – target market customer, company marketing functions, and external environment community stakeholders. This tripartite scheme is also separated into micro-marketing practices involving the company and customer, as well as macromarketing patterns involving community stakeholders and society at large. The DMS concept extends this convergent research domain design to frame the composition of digital market(s) as customer, company and community realms.

After determining the composition of DMS concept realms, theory construction proceeds to define digital market conditions. The Digital Market-Sphere (DMS) uses terms that are

anchored in the literature to preserve the conservatism virtue of theory building (Wacker, 1998, 2004, 2008). However, these terms or variables are endowed with new meanings because of the unique formulation of connotations and denotations asserted by the DMS concept. A simple way to define the DMS concept is to explain the hierarchy of terms and their logical association. At the top of the hierarchy is a pair of complementary terms rooted in Alderson and Martin's (1965) early marketing system design – “transactions and transvections”. Since the theory's inception, it has been applied to both macro market patterns and micro market practices (Goodrich, 2007; Prenkert & Hallen, 2006). Hulthen's (2007) study of electronic technology distribution networks highlights the analytical merits of “transactions and transvections” for designing digital market systems. Thus, the DMS concept hierarchy is ruled by two new terms – ubiquity and fluidity -- that extend transactions and transvections to digital markets. Ubiquity and fluidity are the dialectic principles that produce digital market conditions.

The theory construction virtue of generalizability (Wacker, 1998, 2004, 2008) is affirmed by the semantic meaning of the rules terminology in the relevant literature. Like the ubiquity and fluidity rules defined for the DMS concept, these sources depict the determinants of distinct digital market conditions. For instance, Wind and Mahajan (2000) spell out principles shaped by “the new rules of marketing in a digital age.” Shapiro and Varian (1999) used the term “Information Rules” to chart the forces changing industrial markets into an information economy. In this same vein Kelly (1998) identifies “New Rules for a New Economy” and Siebel (1999) highlights “Cyber -rules”.

Ubiquity – Digital Market Transaction Channels

The DMS concept defines ubiquity from the digital marketing literature, marketing theory literature, and the philosophical literature to import transactions to the digital market(s)

FIGURE 1:
Digital Market-Sphere (DMS) Theory Construction Stages

I. Connotative Structural Properties
<p>A. DMS Concept Definition (Realms & Rules)</p> <ol style="list-style-type: none"> 1. Digital Market(s) Composition (Realms) <ol style="list-style-type: none"> a) <i>Customer Realm</i> – digital market(s) satisfaction b) <i>Company Realm</i> – digital market(s) strategy c) <i>Community Realm</i> – digital market(s) stakeholders 2. Digital Market(s) Conditions (Rules) <ol style="list-style-type: none"> a) <i>Ubiquity Rule</i> – vastness of digital network channel “transactions” b) <i>Fluidity Rule</i> – value of digital knowledge content “transvections”
<p>B. DMS Concept Domain Limitation (Restrictions)</p> <ol style="list-style-type: none"> 1. Core Research Focus on Existing Marketing Theory Categories <ol style="list-style-type: none"> a) <i>Dynamic Marketing Systems</i> (General Theory of Marketing, Nature & Scope of Marketing) b) <i>Digital Market(s) and Marketing</i> (E-Commerce, Internet, Online, etc.) c) <i>Macromarketing</i> (Well-Being and Distributive Justice) d) <i>Marketing Strategy</i> (Societal Marketing Concept) e) <i>Service-Dominant Logic</i> (Micro/Macro Market Scalability) 2. Composite Research Orientation from Eclectic Marketing Theory Combinations <ol style="list-style-type: none"> a) <i>Symbiosis</i> (General Living Systems Theory) b) <i>Synthesis</i> (Network Paradigm, Being Digital, and Code) c) <i>Sagacious</i> (Marketing Ethics, Social Marketing, and Marketing Hermeneutics) d) <i>Serendipitous</i> (Ontology, Diffusion/Adoption, Critical Theory, and Reflection/Reflexive Methods) e) <i>Simultaneous</i> (Service-Dominant Logic, Post-Modernism, and Symbolic Marketing Systems)
II. Denotative System Parameters & Normative Outcomes
<p>A. DMS Concept Strategic Operationalization (Relationships & Roles)</p> <ol style="list-style-type: none"> 1. Optimal Congruity Goals (Relational Axes) <ol style="list-style-type: none"> a) <i>Creating Shared Presence Congruity</i> – Digital Relationship Marketing b) <i>Creating Shared Performance Congruity</i> – Digital Marketing Mix c) <i>Creating Shared Purpose Congruity</i> – Digital Consumer/Community Duality (Value/Ethics) 2. Relational Value Propositions (Relational Modes) <ol style="list-style-type: none"> a) <i>“Nexus” marketing for “Node” conditions</i> (low awareness / high time-space specific) b) <i>“Immersion” marketing for “Hyper-Real” conditions</i> (high awareness / high time-space specific) c) <i>“Sync” marketing for “Matrix” conditions</i> (low awareness / low time-space specific) d) <i>“Transformation” marketing for “Post-Human” conditions</i> (high awareness / low time-space specific) 3. Ontological Marketing Mix Elements (Roles of “3Is”) <ol style="list-style-type: none"> a) <i>Intelligence Role</i> (value creation/direction) b) <i>Intimacy Role</i> (value customization/development) c) <i>Interactivity Role</i> (value channel/delivery)
<p>B. DMS Concept Strategic Implementation (Results)</p> <ol style="list-style-type: none"> 1. Normative Customer Realm Outcomes (Engaging Competency) <ol style="list-style-type: none"> a) <i>Market Value Results</i> -- Customer Realm Congruity b) <i>Market Ethics Results</i> – Individual Well-Being 2. Normative Community Realm Outcomes (Embracing Competency) <ol style="list-style-type: none"> a) <i>Distributive Justice Index Results</i> – Community Realm Congruity b) <i>Stakeholder Inclusion</i> – Societal Well-Being

context. Digital marketing scholars point to a “ubiquitous worldwide information network” (Berthon & Hulbert, 2003) and distinguish “ubiquitous” electronic “U-commerce” networks (Watson et al., 2002, 2004). According to Watson et al. (2002), “Ubiquitous networks... support personalized and uninterrupted communications and transactions between a firm and its various stakeholders to provide a level of value over, above, and beyond traditional commerce.” (p. 336).

The rationale for aligning digital network flows with the concept of market transactions stems from their shared origin in “The Law of Exchange” (Alderson & Martin, 1965, p. 121). Digital networks, like traditional transactions, direct the path for exchanging “matter in motion” (Shaw, 1912). Prektert and Hallen (2006) model digital business network based on the exchange premise of Alderson and Miles’ (1965) transactions. So, digital market scope – or *ubiquity* -- is the rule that determines the vastness of electronic transaction channel.

Ubiquitous digital market interaction is driven by networking technology advancements in three areas. First, network hardware and physical conduits are designed with automated sensors and programmable routing features which improve market efficiency (Ratchford, Pan, & Shankar, 2003). Second, network software advancements include Internet and ‘cloud’ applications to monitor, map, image, and manage digital content (Taylor & England, 2006). Third, ‘smart’ mobile appliances (Balasubraman, Peterson & Jarvenpaa, 2002; Taylor & Lee, 2008) allow digital market interaction to mirror social presence.

Besides determining digital market scope, ubiquity deploys the sensing capacity of intelligent digital networks. Analogous to the brain’s neural networks for routing cognitive signals, digital channels deliver knowledge value to market nodes. The network mode is described as a collaborative channel for societal, economic, organizational, and market interaction, in the general marketing,

management, and information systems literature (Achrol, 1997; Achrol & Kotler, 1999; Castells, 1996; Ritter & Gemunden, 2003). As this network mode pervades digital market transactions, increased web-based innovations are emerging for social networking applications (Brown, Broderick & Lee, 2007; Finin, Ding, Zhou, & Joshi, 2005; Fitzgerald, 2004).

Likewise, the marketing theory literature associates ubiquity with both the span of markets and the network of transactions (Achrol & Kotler, 1999; Alderson & Martin, 1965; Iacobucci, 1996) – including cognitive associative networks for discerning marketing messages (Henderson, Iacobucci, & Calder, 1998). In fact, Keil, Lusch, and Schumacher (1992) views the “exchange paradigm” as a ubiquitous rule encompassing all market transactions. These conceptual origins of the ubiquity rule are buttressed by philosophical ideas like Kant’s “universal consciousness” (Stanford Encyclopedia of Philosophy 2011) as well as Floridi’s (2002) “Infosphere” in computer science and information ethics. These antecedents of ubiquity are manifested in a practical context by Rogers’ (1983) social/market diffusion, or what biologists call viral contagion effects.

Fluidity – Digital Market Transvection Content

The logic for aligning intelligent digital content with market transvections can be traced to the common root of value “transformation” (Alderson & Martin, 1965, p. 123). So, value transformation – or *fluidity* – is the purpose of digital knowledge transvections. Fluidity reflects the flexibility of digital content. This plasticity allows for infinite combinations digital content for marketing. Likewise, fluidity refers to the instantaneous pace of digital content. Digital content can be rapidly shared in either synchronous or asynchronous time. Fluidity deepens the market penetration of digital transvections, whereas ubiquity widens the market potential for digital transactions. In strategic terms, the transvection

of fluid digital content pervades the three digital market realms. Fluidity is evident in the “multiple and complex” penetration of e-marketing practices (Brodie et al., 2007; Coviello, Brodie, Brookes, & Palmer, 2003), involving transvections among customers, companies, and communities. Goodrich (2007) explains how digital transvection value amplifies the power of “mass customization” in the form of compatible experiences. Therefore, fluidity facilitates *customer engagement, company enterprise, and community embracing*.

Fluidity is also a term derived from the digital marketing literature, marketing theory literature, and the philosophical to import transvections into the digital market(s) context. Digital marketing studies highlight the malleability of “marketspace” (Rayport & Sviokla, 1994) and typify digital markets as customizable (“unique”) interactions among participants (Watson et al., 2002, 2004). Digital markets channel an effluent variety of content streams that can be combined across time, space, and individual preferences (Kimiloglu, 2004; Sheth & Sisodia, 1999). Also, just as digital channel ubiquity spans commercial transactions and cognitive thought, digital content fluidity spawns commercial functions and cognitive “flow” (Csikszentmihalyi, 1990; Hoffman & Novak, 1996).

Marketing theory literature (Vaile, Grether, & Cox, 1952) establishes the “flow” concept of commercial exchanges. Fluidity traces this conceptual vein from Breyer’s (1934) early analogy of markets as electrical circuits for commodity current flows to Dixon and Wilkinson’s (1982) system of sustaining market flows. More directly, the DMC definition of fluidity extends the “systematically integrated” marketing flows paradigm of Bowersox and Morash (1989) which models network channels. At root, fluidity manifests Shaw’s (1912) classic maxim of “matter in motion” for market transvections of digital matter.

Besides those digital market system definitions, flow also carries a parallel digital marketing

strategy meaning. The market in general and marketing channels in particular process resource flows to facilitate supply/demand exchanges (Kiel et al., 1992). Often, these flows are described as dynamic transformations (Alderson, 1957, 1965) performed by marketing institutions or intermediaries. Services marketing scholars (Lovelock, 1984) have shown that flows operate for intangible and intellectual content, as well as for material resources, primarily through relationships (Berry, 1980). Most recently, the prevalence of co-created relational value has furthered a “Service-Dominant Logic” for market flows (Gronroos, 2006; Vargo, 2011; Vargo & Lusch, 2004). Fluidity aptly translates the flow concept into digital market conditions that create and transform digital content value.

Philosophy reinforces the changeable nature of the fluidity with Heraclitus’ belief in ever-present change in the universe, as expressed by the truism “you cannot step twice into the same stream” (Wikipedia.org 2012). Similar to that idea of continuous transformation, fluidity captures the demand/supply polemic of value creation that transforms content into intelligence (or cognitive/smart content) through digital market transvections. Moreover, fluidity refers to the method as well as the mode of transformation.

Whereas continuous change is the mode of digital content flows, the method involves a collaborative alchemy among market participants that converts base information into refined intelligence. This dynamic cognitive content dialogue among market participants is informed by the “Hegelian Dialectic”, which guides logical induction and deduction (Stanford Encyclopedia of Philosophy 2011). Additional grounding for fluidity is found in the digitally relevant field of computer ethics, wherein Lessig (1999) defines “code” as an adaptive and combinatorial digital content structure.

Ultimately, the definitions of fluidity and ubiquity are aligned. Rogers’ (1983) description of adoption as the individual correlate of social/

market diffusion reflects the practical operation of fluidity as the digital market complement to ubiquity. In other words, collective digital networks expand ubiquitously through digital individual content transformations enabled by fluidity. Berthon and Hulbert (2003) see this digital market conjugation of ubiquity (transactions) and fluidity (transvections) as a “metamorphosis” caused by the convergence of information economy “conveyance (transmitting)” and “conversion (transforming).” Therefore, a logical premise exists for both the definition and duality of ubiquity and fluidity. Branching down the DMS concept hierarchy from ubiquity and fluidity leads to domain properties. These properties are introduced in the discussion of DMS domain limitations.

DOMAIN LIMITATIONS – DMS DESIGN REALMS & STRUCTURAL PROPERTIES

Clear DMS domain limitations are a necessity given the abundance of digital market(s) research. Two additional sets of domain limitations validate salient conceptual properties in antecedent research. Five *core* and five *composite* domain limitations are specified to reveal DMS concept “implications that we have not seen with our naked (or theoretically unassisted) eye” (Sutton & Staw, 1995, p. 378). Core domain limitations anchor the DMS concept focus in existing marketing theory categories to unify digital market(s) research. Composite domain limitations advance the DMS concept orientation with eclectic marketing theory combinations that frame unique digital market(s) research.

Core Domain Focus on Existing Marketing Theory Categories

This study carves out the domain of digital macromarketing planning, recognizing that macromarketing patterns encompass micro-marketing practices. This domain focus can be viewed as a strategic window (micro) for societal well-being (macro). The DMS domain builds on the comprehensive frameworks advanced by Kimiloglu (2004) to structure the

bounds of “E-Literature”, as well as the digital market tendencies identified by Varadarajan and Yadav (2002). Yet, instead of framing electronic market studies with a static taxonomy, the DMS concept follows the lead of Wilkinson and Young (2005) by modeling dynamic and interconnected digital market conditions. These fluid and ubiquitous digital market conditions comprise the DMS concept domain, with five inherent limitations:

1. Interdependent market/marketing system versus independent market subjects
2. Digital versus physical/traditional market/marketing system phenomena
3. Macromarketing (aggregate) versus micro-marketing (individual) patterns
4. Strategic planning (commerce) versus social policy (civic) orientation
5. Service-Dominant (S-D) logic in a system-embedded service-dominant (SESD) model.

The DMS contributes a holistic model of digital market dynamics. The holistic scope is explicitly designed as a market system encompassing the scope of micro-marketing and macromarketing. Following the unified systems theoretic approach of Mead and Nason (1991), the DMS frames interdependent participant interactions, not simply aggregate market activity. The term market system is synonymous with alternative phrasing, such as market systems, marketing system, and marketing systems. The construction of an instrumental theory (i.e. tool) implies a singular noun system, rather than the plural noun systems or active verb/noun phrase marketing system(s). For this study, the market system definition applies to plural market systems and the systematic marketing process. Likewise, the term digital market(s) pertains to the macro digital market and multiple micro digital markets.

Although apparent in its description, the DMS concept isolates digital market(s) conditions and phenomena. In particular, digital content sharing occurs through electronic market channels and virtual presence, rather than

traditional market channels and physical presence. Aside from conferring face validity, the digital market(s) domain limitation is necessary to comply with the ubiquity and fluidity rules, as well as the other core and composite domain limitations. Outside of digital market(s) conditions, the domain limitations pertain to entirely different applications of marketing theory.

The DMS is also designed as a macromarketing theory, because it “is involved in comprehending, explaining, and predicting the effects that the marketing system can have, and is having, on our world” (Wilkie & Moore, 2006, p. 231). Similarly, the DMS is a collective macromarketing system comprised of various levels of aggregation from individual to institutional constituents. As Lazer (1969) asserts in his pioneering treatise on “marketing’s changing and social relations”, a macromarketing compass is required to conceptualize the ubiquitous and fluid digital market(s) conditions. Macromarketing concepts account for a small fraction of the marketing literature addressing e-commerce developments (Moore & Breazeale, 2010), and the DMS fills this conceptual void. Most studies examine a particular technology platform, business plan, target market/industry, or strategic technique (Moore & Breazeale, 2010).

Although the DMS maps macromarketing patterns, those societal influences are framed through the prism of strategic micro-marketing interactions. Early on, these strategically oriented macromarketing goals were modeled as the “Societal Marketing Concept” (El-Ansary, 1972; Kotler, 1972; Kotler & Levy, 1969; Kotler & Zaltman, 1971). The dual purpose of societal gain and strategic goals is described by Zif (1980) as a “managerial approach to macromarketing”. More specifically, the DMS adopts a system-embedded service-dominant (SESD) perspective, following Layton’s (2008) definition. Digital market interactions are modeled as intangible service collaborations for optimizing strategic objectives and societal outcomes. These properties fit the definition of

service-dominant (S-D) logic (Gronroos, 2006; Vargo & Lusch, 2004), within a complex dynamic systems paradigm (Vargo, 2011; Layton, 2008, 2011).

This focus on conceptual models of the macro digital market system fills a noticeable imbalance in the electronic commerce literature towards micro strategic digital marketing practices, typically supported with quantitative measures. As the digital market system becomes more pervasive, a holistic framing using theory construction methods can further the insights derived from deductive logic. Through 2006, “conceptual” models of the comprehensive digital market account for only 3% of all e-commerce research (Moore & Breazeale, 2010). By focusing on the macro digital market system domain, this study balances the e-commerce literature’s emphasis on a myriad of micro-marketing practice.

Composite Domain Orientation toward Eclectic Marketing Theory Combinations

Having explained the *core* domain limits based on antecedent research categories, an additional set of *composite* domain limits are introduced. Analogous to the “composite function” in science, these additional five domain boundaries contribute desirable properties to the core DMS focus while also conveying their distinctive conceptual orientation. Whereas the core domain limits classify the underlying DMS concept categories, the composite domain limits confer unique DMS concept characteristics. As a result, the DMS concept domain is anchored by fundamental marketing theory and advances fresh marketing theory for understanding digital market(s) phenomena. The five *composite* DMS domain limitations are:

1. Symbiosis -- Interdependent digital market system realms of demand (customer), supply (company), and external environment (community)
2. Synthesis – Integrated ubiquity and fluidity rules produce distinctive digital market conditions

3. Sagacious – Implicit ethical wisdom for collective well being and marketing system sustainability
4. Serendipitous – Intuitive ontological design and application enhances theoretical discovery
5. Simultaneous – Interchangeable framing of macro-market patterns and micro-market practices.

Holistic symbiosis, or collective interdependence, is at the core of systems theory. The ecology and living organisms are so-called “open-systems” that evolve by holistically balancing resource processing, production, and the presence of resource provisions. Over the years, several marketing theorists have converged on a model of the collective market as an open system (Bartels, 1968; Dixon & Wilkerson, 1982; Dowling, 1983; Fisk, 1969; Fisk & Dixon, 1967; Layton, 1998, 2004; Prendergast & Berthon, 2000; Reidenbach & Oliva, 1981).

Viewed as an organic system, the sphere of market activity is comprised of three reciprocal realms; a resource ecology presence (external environment) sustaining resource production (supply) and resource processing (demand). This cellular model of digital market conditions is designed as symbiotic circular realms, analogous to the nucleus, membrane, and outer wall of a cell. For the DMS, a mediating company realm filters community environment conditions to create customer value. In an opposite process flow, the company realm mediates customer engagement and community ethics to cultivate market well being. Reciprocity between micro strategy and macro society is vital in turbulent market environments (Dowling, 1983; Wilkinson & Young, 2005), for boundary-spanning intelligence to reduce strategic uncertainty (Berthon & Hulbert, 2003; Clemmons & Bradley, 2001).

In addition, digital market conditions prime the synthesis of ubiquitous channel transactions and fluid content transvections. The

specification of ubiquity and fluidity as DMS concept rules reveals the forces of interactive connection and intelligent content. Whereas symbiosis defines the cellular order of digital market system(s) realms, synthesis defines the continuous operation of digital market system rules. Similar to scientific laws guiding elements in nature, these DMS rules of ubiquity and fluidity direct the distinctive digital market forces in the DMS concept realms. The “network paradigm” furthers digital market synthesis by expanding societal connectedness (Castells, 1996) and strategic convergence (Achrol & Kotler, 1999). The novel premise of “being digital” advanced by Negroponte (1995) captures the capacity of digital content to synthesize facets of individual identity and collective intelligence. Lessig’s (1999) concept of digital information “code” imparts a combinatorial logic for synthesizing both digital content attributes and digital network access.

Furthermore, the DMS is limited to ethical and sustainable research of the macro digital market (s) as a sagacious domain. The term sagacious is synonymous with meanings like ‘normative’, ‘justice’, ‘morality’, and ‘wisdom’ in the marketing ethics and social marketing literature (Andreasen, 1994; Brey, 1999; Ferrell & Ferrell, 2008; Hauptman, 1996; Hunt & Vitell, 1986; Laczniak & Murphy, 2006, 2008; Murphy, Laczniak, Bowie, & Klein, 2005). Sagacity connotes implicit ethical wisdom (Lowe, Carr, Thomas, & Watkins-Mathys, 2005; Murphy et al., 2005), improved collective well being (Sirgy & Lee, 2008; Sirgy et al., 2006), and marketing system sustainability (Connelly, Ketchen Jr., & Slayter, 2011; Hult, 2011; Murphy, 2005; van Dam & Apeldoorn, 1996).

A growing interest in digital market concepts generates many frameworks without a normative domain focus (Nill & Schibrowsky, 2007; Wilkinson & Young, 2005). Evading the ethical implications of digital dynamics for macromarketing policy and micro-marketing privacy violates what Lowe et al. (2005) set forth as the “fourth hermeneutic in marketing

theory". Often, micro digital market concepts lack macro digital ethics considerations. In other instances, macro digital market concepts cannot be translated into micro execution strategies. By contrast, the DMS domain is limited to sagacious digital market system concepts that embed ethical macromarketing and sustainable micro-marketing.

Serendipitous conveys the opportunity orientation of innovative digital market(s) strategic. Like the common saying "create your own luck", the strategic digital market orientation deploys systematic functions to seize serendipitous fortune. Examples include new product discoveries, first-in market segment loyalties, learning curve advantages, and propitious stakeholder partnerships. In this respect, serendipitous digital market(s) research reflects the theory construction virtue of "fecundity" (Wacker, 1998, 2004). Marketing theory support for this DMS domain limitation is drawn from the application of ontological concept designs (Hunt, 2002, 2003; Grassl, 1999). Ontological designs are intuitively understood and frame the digital market in a representative manner for intentional use by marketing scholars. For marketing strategists, ontological designs are viewed as planning instruments and "dashboards" for directing conceptual knowledge towards concrete action. Because ontological designs are represented more instinctively they reveal insights for advancing theory and practice more serendipitously than epistemological frameworks.

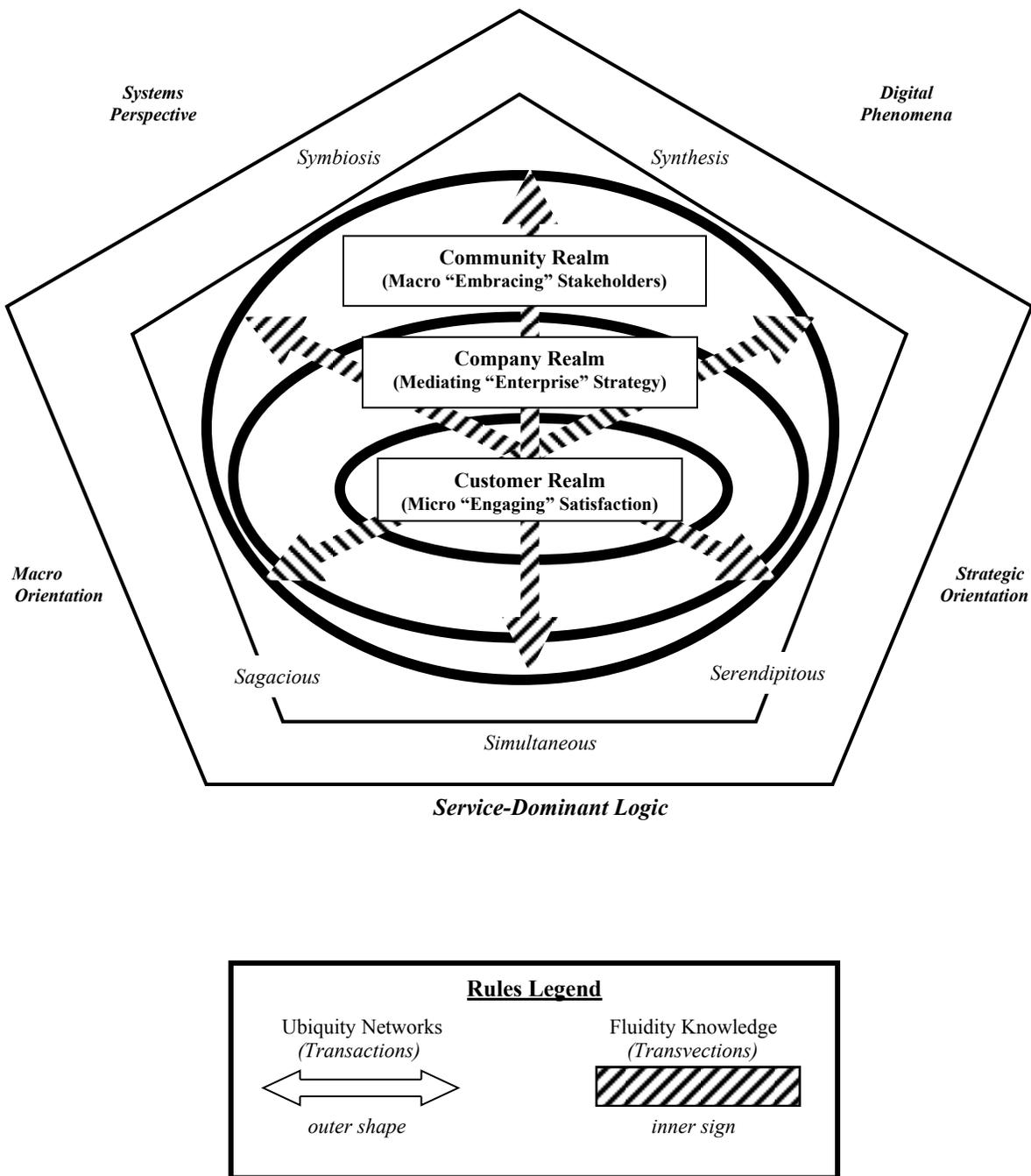
In the aggregate digital market system, serendipitous properties are mapped by the unpredictable diffusion/adoption function for commercial innovations (Rogers, 1983). Additionally, the research on critical marketing theory, cognitive reflection, and reflexive research methods (Alvesson, 1994; Alvesson & Skoldberg, 2000; Burton, 2002; Catterall, Maclaran, & Stevens, 2002) points to the serendipitous conceptualization of marketing system patterns and practices. Fry (1992, 1999) finds that these opportunities for conceptual

insight can emerge from a "new design philosophy" and the technique of "defuturing".

Lastly, the DMS concept is limited to mapping simultaneous micro/macro system processes. Only conceptual models that capture the digital market duality of micro practices and macro patterns share the DMS domain. A simultaneous micro/macro domain limitation adopts the logic of antecedent concepts (Hunt, 1976; Hunt & Burnett, 1982; Zif, 1980) by coupling micro-market supply/demand interactions and macro-market socio-economic implications. This interchangeable model of the digital market offers a Service-Dominant logic view of micro-level practices and macro-level patterns (Frow & Payne, 2011), including digital market(s) situations when "... the entities that compose a marketing system may themselves be marketing systems and analyzed as such ..." (Layton, 2008, p. 219). Moreover, because digital interaction is primarily cognitive, the symbolic marketing system is capable of being deconstructed and reconstructed for both micro-marketing and macromarketing purposes (Kadirov & Varey, 2010). Postmodern research in the marketing literature affirms the symbolic composition of simultaneous micro/macro system designs (Baudrillard, 1993; O'Shaughnessy & O'Shaughnessy, 2002; Venkatesh, 1999).

Consequently, the DMS framework is illustrated in Figure 2 as a set of connotative concept principles for (a) defining digital market condition *rules* and *realms*, as well as (b) limiting the domain of digital market research. Concept definition *rules* are portrayed with intersecting arrows for ubiquitous digital market transaction channels and fluid digital market transvection content. In addition, concept definition *realms* are modeled as a circular cell nucleus (customers), membrane (companies), and outer wall (communities). The theory construction virtue of consistency is preserved by directly extending seminal marketing theory to represent those concept definition properties.

FIGURE 2:
Digital Market-Sphere (DMS) Concept Structural Properties – Realms, Rules, Restrictions



Consistency is also furthered by retaining existing literature terms to limit the core conceptual scope. Specifically, five *core* domain limitations anchor the DMS concept with existing marketing theory categories and five *composite* domain limitations advance the DMS concept with eclectic marketing theory combinations. Figure 2 presents the core limits as outer pentagon arcs, and the composite limits as inner pentagon arcs. All core and composite limits overlap in a compatible manner like the hour and minute symbols of a clock. Still, these core and composite domain limits are presented as paired properties to emphasize the DMS framework's logical design.

At the top, the *systems perspective* core limit is associated with *symbiosis* and the *digital phenomena* core limit corresponds to the *synthesized* nature of digital market conditions. On the sides, the core limit of *macromarketing orientation* is linked to *sagacious* ethical well being and the core limit of *strategic orientation* is matched with *serendipitous* digital market value creation. At the bottom, the *service-dominant logic* core limit is coupled with *simultaneous* macro/micro application, because it is scalable to both macromarketing patterns and micro-marketing practices. By establishing a systems theory perspective as a core domain limit and embedding a dynamic systems orientation with composite limitations, the DMS domain prepares the theory construction transition from connotative structural properties to denotative system parameters.

RELATIONSHIPS & ROLES – DMS SYSTEM PARAMETERS

The theory construction sequence moves from connotative structural properties to denotative system parameters. After addressing the criteria of concept definition and domain limitation with DMS rules and realms, specific DMS variable roles and relationships can be designated for concept operationalization. System parameters convert the DMS framework into an instrument for navigating --

not just knowing -- the digital market domain. Similar to the dashboard controls of an airplane, the DMS system parameters can be used to gauge optimal digital market results for both marketing scholars and strategists.

System Configuration Guidelines and System Congruity Goals

The DMS system parameters are intended to impart the operational thrust of Watson et al.'s (2002, 2004) "U-commerce" framework. Accordingly, the DMS roles and relationships are designated based on the authors' configuration of digital market(s) based on "U-space" dimensions.

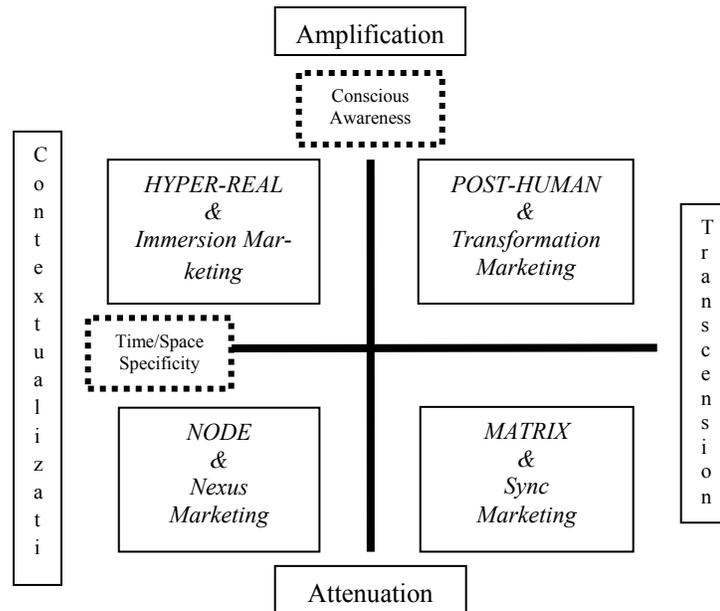
"Thus, we define U-commerce as the use of ubiquitous networks to support personalized and uninterrupted communications and transactions between a firm and its various stakeholders to provide a level of value over, above and beyond traditional commerce". (Watson et al., 2002, p. 336)

Like the proposed DMS framework, U-commerce is conceived as an immersive digital phase of market evolution. Specifically, Watson et al. (2002, 2004) describes the market evolution phases as, "marketplace (physical), marketspace (digital) and U-space (virtual/digital transcension)". This shared epistemology supports the use of their operationalized "U-space" model as an interface between structural digital market concept properties and strategic digital market system parameters. Furthermore, U-space dimensions of "time/space specificity" and "awareness/consciousness" are consistent with the respective DMS rules of transaction network ubiquity and transvection knowledge fluidity. (See Figure 3)

Relational value propositions for the digital market can be outlined according to the four U-space marketing objectives – amplification, attenuation, contextualization, and transcension. Amplification composes value propositions that extend or enhance conscious digital market interaction, such as with online shopping. Attenuation composes value propositions that

FIGURE 3:
U-Space Digital Market(s) Framework

- U-Space Framework Characteristics
(Source: Watson, et al., 2002, 2004)
- “Uber-commerce” traces the digital market evolution on a parallel path as DMS
 - “Uber-commerce maps modes of digital market interaction within 4 relational “U-space” quadrants
 - U-space interaction defined by:
 - (a) time/space specificity (ubiquity)
 - (b) consciousness/awareness (fluidity)
 - U-space addresses blurred distinctions when traditional boundaries are eliminated in digital market
 - U-space frames complexity of digital market interactions to identify strategic opportunities
 - U-space is conceptual interface between DMS concept properties and system parameters



[“U-Space” Design adapted from Watson, et al. 2002]

reduce the necessity for conscious interaction, like digital agents or “shop-bots”. Contextualization composes value propositions that personalize in specific time-space situations, such as applications that virtually customize the shopping experience and merchandise. Transcension composes value propositions that eliminate traditional time-space constraints, like social networking, virtual communities, and artificial life experiences.

Of course, the digital market is dynamic and these four U-space marketing objectives are combined to create four types of digital enterprise strategy for four different digital market conditions. These quadrants of the U-space model in Figure 3, distinguish whether digital marketing objectives are achieved through high awareness (ultra-conscious) or low awareness (unconscious) interactions, as well as whether the U-space marketing objective is achieved through high time-space specific (unique) or low time-space specific (ubiquitous) transactions. Each strategy/condition quadrant is listed below:

- “Nexus” marketing for “Node” conditions (low awareness and high time-space specific)
- “Immersion” marketing for “Hyper-Real” conditions (high awareness and high time-space specific)
- “Sync” marketing for “Matrix” conditions (low awareness and low time-space specific)
- “Transformation” marketing for “Post-Human” conditions (high awareness and low time-space specific).

These relational quadrants configure societal as well as strategic value propositions. Digital market conditions envelop community and customer realm interactions. Kim, Choi, and Han (2004) emphasize the importance of digital relationship strategy for imparting ethical reciprocity and social responsibility in online communities. The digital market’s fluid content and ubiquitous channels permit relations with environmental stakeholders to be seamlessly integrated within enterprise strategy. Thus, although these societal relationships are implicit in the U-space model, DMS system

parameters explicitly embrace strategic digital community relationships.

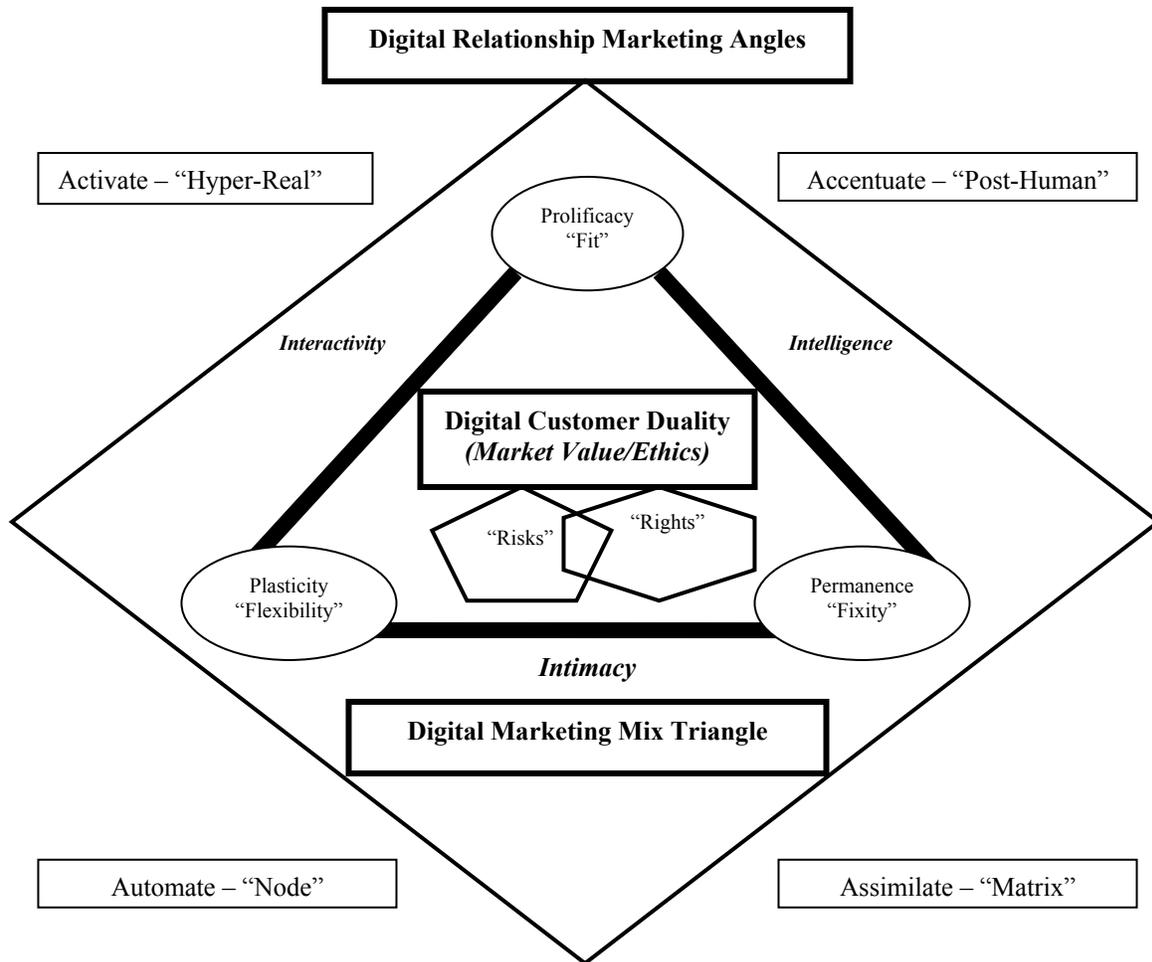
Just as the U-space dimensions guide the configuration of relational strategy parameters, congruity is the unifying goal for digital market strategy across the customer, company and community realms. Congruity originated as a social psychology theory for explaining human behavior based on the compatibility of sensory stimuli with cognitive schema (Osgood & Tannenbaum, 1955; Tannenbaum, 1968). Since then, congruity principles have been successfully extended to consumer cognition and market stimuli (Sirgy, 1985, 1986; Sirgy, Johar, Samli, & Claiborne 1991). As a goal for DMS system parameters, congruity calibrates how effectively company enterprise strategy engages digital customer segments and embraces digital community stakeholders. The digital marketing literature validates this use of congruity to attune DMS system parameters with strategic and societal goals (Kim et al., 2008; Mayo, Helms, & Inks, 2006; Sirgy, Grewal, & Mangleburg, 2000).

Well being expands congruity forces outward to embrace digital community ethics and economics (Sirgy & Lee, 2008; Sirgy, Lee, & Rahtz, 2007). Consequently, congruity imbues digital marketing strategy processes with malleable micro/macro marketing applications across the DMS realms (Sirgy & Grzeskowiak, 2005). These digital market(s) congruity goals reinforce normative ethics policies like distributive justice (Ferrell & Ferrell, 2008; Klein, 2008; Laczniaik & Murphy, 2006, 2008; Wilkinson & Young, 2005).

Digital Relationship Marketing – Shared Presence Congruity (Time)

The first set of DMS system parameters designated address the relational context of digital market(s). The exchange paradigm (Bagozzi, 1975) anchors all relational marketing theories. The implied mutuality of market value exchanges characterizes relationships based on five “exchange utilities” – form, time, place, and possession. Subsequent

FIGURE 4:
DMS Framework System Parameters – Digital Market(s) Strategy Dashboard



development of the relationship marketing paradigm refined these “exchange utilities” by strengthening reciprocity, communication, commitment, and trust (Gronroos, 2004; Harker & Egan, 2006; Morgan & Hunt, 1994; Sheth & Parvatiyar, 1995) – including confluent virtual customer/community relationships (Kim et al., 2004; Kozinets, 1999, 2002; Kozinets et al., 2008).

Contextual marketing practices (Kenny & Marshall, 2000; Schmitt, 2003) also inform the relationship system parameters. The interpersonal nature of services marketing has shown the value of contextual relationship

strategy (Patterson & Ward, 2000). However, a varied universe of contextual experiences exists for digital market(s) services interactions. Interactive channels and intelligent content create a multitude of personal, professional, and public relationships. Relational parameters capture the context of shared digital market presence (Yoon, Choi, & Sohn, 2008), that shapes company performance and customer participation (Luo, 2002, 2003). Likewise, the virtual context imparts relationships with the capacity for strategic innovation (Nambisian & Baron, 2007), as well as improved customization and connectivity (Fassot, 2004;

O’Leary, Rao, & Perry, 2004; Sinisalo, Salo, Leppaniemi, & Karjaluo, 2005).

In practical terms, these shared presence contextual relationships define how time is experienced (Bluedorn, 2002) by digital market participants in each of the four U-space quadrants. “Node” condition relationships experience automated digital monitoring and metering of time and location specific market activity. For instance, implicit billing systems that tally the cost of cable television programs without an explicit pay-per-view interface. Also, electronic meters that track household or business utility usage. These *automated* relationships overlay physical time/location “nodes”.

Continuing in the U-space quadrants, “hyper-real” digital marketing strategies heighten the relational *activation* experience. These *activated* relationships expand experience marketing practices (Pine & Gilmore, 1999) into digital marketing. Examples include high intensity sensory devices like goggles and earplugs, as well as into entirely immersive virtual worlds where time and location specificity is defined in an artificial realm such as “Second Life” (Kirkpatrick, 2007; Wood, 2011; Wood & Solomon, 2009).

In the low time and location specificity U-space quadrants, “matrix” conditions encompass technology platforms like GPS, Wi-Fi, Bluetooth, and cloud computing, which provide the digital agency to *assimilate* an entire range of market interactions. In some instances, like mobile phone video pod-casting, the “sync” marketing strategies prescribed for “matrix” conditions *assimilate* time/location bounded “nodes” like entertainment program delivery into ubiquitous cloud computing (Andrejevic, 2007). In other instances, new Internet applications are *assimilated* into digital marketing strategy, such as “Twitter’s” spatial tracking and text messaging features.

When “matrix” anytime/anywhere ubiquity is experienced with amplified cognitive senses, the “post human” condition exists. Digital

strategies in this U-space quadrant transform marketing relationships by both enhancing conscious capacity and transcending time-space channels. Self-aware devices like bodily implants or environment sensors access smart networks, to *accentuate* digital cognition (See Figure 4). Consequently, relationship parameters are represented by a congruent plane of four angles that align company strategies with customer senses and community stakeholders. Depending on the U-space condition, digital market(s) relationships will *automate*, *activate*, *assimilate*, or *accentuate* the digital market value. Relationship marketing has been widely applied in micromarketing situations to achieve both business-to-customer (B2C) and business-to-business (B2B) objectives, including network paradigm strategies for traditional and digital markets.

All four strategic angles specified for U-space quadrants apply equally to micro-marketing customer relationships and macromarketing community relationships. *Automated* meters accrue efficiencies for households and municipalities. *Activated* real and virtual worlds require stable societal stakeholders. *Assimilated* cloud computing entertainment programming strengthens private commercial and public cultural sectors. *Accentuated* post-human digital cognition transforms strategic and scientific advancement. Thus, the DMS system relationship parameters capture the shared presence between company strategy and both customer value and community well being.

Those simultaneous micro/macro relationship value propositions are fully vetted in marketing theory for both traditional and digital markets. Traditional micro-marketing relationship strategy benefits like trust and commitment have favorable community effects as well (Gronroos, 2004; Harker & Egan, 2006; Morgan & Hunt, 1994; Sheth & Parvatiyar, 1995). Digital market(s) extensions of micro-marketing relationship value highlight advantages such as interactivity, customizability, and database driven profiles (Fassot, 2004; O’Leary et al., 2004; Yoon et al.,

2008). Macromarketing relationship value propositions for traditional markets include societal stakeholders in the co-creation of strategic outcomes (Frow & Payne, 2011; Sirgy & Grzeskowiak, 2005). Studies of online communities have shown that digital macromarketing relationships can grow from collaboration among individuals (Kim et al., 2004, 2008).

Digital Marketing Mix – Shared Performance Congruity (Space)

The digital marketing mix is cast as a mediating DMS system parameter, consistent with a longstanding tradition in marketing literature and history (Bagozzi, 1975; Bartels, 1968, 1988; Borden, 1964; McCarthy, 1960; Zif, 1980). In particular, the Internet and online tools enhance the mediation efficiency of marketing mix strategy (Ashley et al., 2008; McGaughey & Mason, 1998; Min, Song, & Keebler, 2002). Digital marketing mix elements simultaneously engage customers and embrace community constituents. Whereas digital relationships align the time presence of digital market participants (Watson et al., 2002, 2004), the digital marketing mix create congruity by also customizing the virtual objects and places for customer value delivery and ethical duty for community stakeholders.

Importantly, this strategic spatial orientation is measured by digital cognitive proximity, not physical location geography. Customer value and community ethics result from like-minded sharing of digital content experiences and collaboratively created “information objects” (Floridi, 2002). Marketing strategy is not designed for geographic places, but rather for cognitive fields, competitive spaces, and strategic windows like the DMS framework. Marketing scholars and strategists commonly describe planning as entering industry/business/media spaces to find a marketing ecology niche (Milne, 1989). Similarly, market intelligence uses statistical analysis to depict strategic opportunities as matrix spaces. Moreover, the digital market itself is labeled an electronic “marketspace”.

In a comprehensive review of the marketing mix paradigm for traditional and e-commerce applications, Constantinides (2006) demonstrates the conceptual and operational tenability of McCarthy’s original “4Ps”. To be certain, the marketing mix construct has been thoroughly examined in the marketing literature (Gatignon, 1993; Naik, Raman, & Winer, 2005; Waterschoot & Van den Bulte, 1992). Indeed, numerous digital “marketing mix” versions have been advanced as well, from the early 1970s ‘PC era’ (Lambin, 1972; Little, 1975), through the 1990/2000 ‘dot.com’ era (Courtney & Van Doren, 1996; Danaher, Hardie, & Putsis, Jr., 2001; Kalyanam & McIntyer, 2002; Peattie, 1997; Robins, 2000). Still, responding to the call of Hoffman and Novak (1997), a reformulated digital marketing mix is imperative.

“Therefore, marketers should focus on playing an active role in the construction of new organic paradigms for facilitating commerce in the emerging electronic society underlying the Web, rather than infiltrating the existing primitive mechanical structures”. (Hoffman and Novak 1997, pp. 45)

As a second set of DMS system parameters, the digital marketing mix depicts the operational roles of company strategy variables. These digital marketing mix roles mediate customer and community realms and facilitate congruent relationships. In order to formulate this second set of DMS system parameters, conceptual antecedents for the digital marketing mix are thoroughly probed. Constantinides (2002) offers a distinctive “4S Web-Marketing Mix” to adapt the original “4Ps” construct to digital market conditions. The model directs digital marketing strategy planning using a sequence of “4S” stages:

- Scope – market objectives, definition, readiness and role
- Site – interface and interaction planning
- Synergy – integrating processes for achieving virtual marketing objectives
- System – technological issues including hardware, software, and website applications.

Despite the sequential logic of the “4S” model, a digital marketing mix concept must also provide strategic leverage. The original 4Ps (McCarthy, 1960) imparts both sequential order and strategic ontology. By contrast, most digital marketing mix models are epistemological constructs that represent knowledge from antecedents (Bennett, 1997; Goldsmith, 1999; Lauterborn, 1990; Patterson & Ward, 2000). Epistemology is the philosophical inquiry into the origin of knowledge (Stanford Encyclopedia of Philosophy 2010). Marketing scholars rely on epistemology to articulate construct variables by referencing the antecedent research literature. However, in addition to having a conceptually grounded design, an operational model of the digital marketing mix should also be a useful instrument for navigating company strategy. For that reason, ontological models are designed to replicate knowledge for action or intended use. Ontology is the philosophical inquiry into the nature of being, as well as the basic categories of being and their relations (Stanford Encyclopedia of Philosophy 2010).

As an ontological design, McCarthy’s original 4Ps can be said to “emphasize the agency” (Fry, 1992, 1999) of marketing mix elements as strategy design tools. Ontological design follows the philosophical tenets of Heidegger (1962), which prioritize “purposive activity and language” (Roth, 1997, p. 147). These more intuitive systems, whether as forms or theories of forms, naturally fade to the background and bring the “purposeful activity” to the fore. Classical examples include artifacts like hammers and knives which possess “embedded intention” (Willis, 2006) that does not require abstract or linguistic knowledge.

Designing the digital marketing mix as a set of ontological variable categories and relations requires a fundamental understanding of how strategic agency creates congruity between companies, customers, and communities. Marketing scholars recognize the relevance of ontology for guiding theory construction (Hunt, 2002, 2003), particularly because of the strategic agency it imparts to essentially

academic frameworks. Grassl (1999) advances an explicit “ontology of marketing” by analyzing the realism of brand strategy composed by marketing mix elements. So, an ontological digital marketing mix concept should show how real digital brand strategy forces determine real digital market value.

Grassl (1999) offers an ontological brand strategy categorization that can be reduced to Alderson’s (1957) three fundamental criteria for product survival and success.

Prolificacy -- fruitful fit within strategic space

Permanence -- stable fixity within strategic space, and

Plasticity -- adaptive flexibility within strategic space.

This ontological derivation of three focal brand strategy purposes can be used to frame the three digital marketing mix angles of intersection in U-space. Moreover, the three factor framing of strategy is reinforced in the business and marketing literature over the past thirty years. In business planning, Ohmae’s (1982) early “3Cs” strategy paradigm reduces the strategic aim of value creation (company), value delivery (customer), and value distinction (competitors). In marketing planning, the “Societal Marketing Concept” (El-Ansary 1972; Kotler 1972; Kotler & Levy 1969; Kotler & Zaltman 1971) is also designed as a triangular model to balance macromarketing sensibility of marketing strategy. Digital marketing mix strategy requires these types of balanced micro/macro-marketing propensities.

Marketing scholars have also advanced three factor frameworks to instill “market orientation” (Narver & Slater, 1990), internal/external services marketing (Boom & Bitner, 1981; Kotler, 1994), and information technology enabled services marketing (Bitner, Brown, & Meuter, 2000; Parasuraman, 1996; Parasuraman & Grewal, 2000). Even the “marketspace” (Rayport & Sviokla, 1994) advanced an adapted marketing mix comprised of three elements, with product collapsing into promotion for digital content offerings and

promotion combining with place for information products distributed through digital networks. However, neither of these three factor business and marketing strategy constructs has is designed with the instrumental “readiness-at-hand” for formulating digital strategy functions. Like a dashboard directional gauge, a digital marketing mix model should be specifically designed to guide scholars and strategists through both the mental and market processes involved in creating and sustaining congruity.

Those ontological design prerequisites are encoded in Kumar’s (2004a, 2004b) “3Vs” marketing mix triangle vectors. They are listed below with notations that describe the connections provided by each vector between Alderson’s (1957) three fundamental criteria angles.

- Value creation (direction) ... connects
proliferacy and permanence
- Value proposition (development) ... connects
permanence and plasticity
- Value network (delivery) ... connects
plasticity and proliferacy.

The 3Vs model meets the requirements of an ontological construct because it clarifies and catalyzes marketing performance by making strategic agency more ready-at-hand. Consequently, the DMS digital marketing mix is designed by extending the 3Vs model, with two distinct modifications. First, the digital marketing mix value creation (direction) is a confluent micro/macro process involving both customer and community realms. Secondly, the DMS rules of ubiquity and fluidity enable value propositions (development) and value networks (delivery) to encompass the community as well as customer realm.

A digital marketing mix triangle is formed by distilling the ontological marketing strategy antecedents. The triangle connects the three focal points of Alderson’s (1957) fundamental premise for successful marketing performance; (a) proliferacy/fit, (b) permanence/fixity, and (c) plasticity/flexibility. The triangle arcs are composed from Kumar’s (2004a, 2004b)

“3Vs”; (a) value-creation, (b) value-proposition, and (c) value-networks/delivery. As shown in Figure 4, strategic congruity is achieved through:

1. *Intelligence* – value creation/direction,
2. *Intimacy* – value customization/development, and
3. *Interactivity* – value channel/delivery.

The three digital marketing mix vectors adapt Kumar’s “3Vs” to a digital market context by extending two related marketing strategy constructs. First, Ballantyne and Varey (2006) formulate the “triangulation of value creating activities” using the three strategic aspects of; (a) “knowledge renewal” (intelligence), (b) “relationship development” (intimacy), and (c) “communication interaction” (interactivity). Second, Allen, Reichheld and Hamilton (2005) achieve customer loyalty with experience marketing by; (a) “designing experiences” (intelligence), (b) “developing capabilities” (intimacy), and (c) “delivering propositions” (interactivity).

A DMS Framework Scenario – Applying the Digital Market Dashboard

As shown in Figure 4, the DMS framework system parameters are advanced as ontological instruments, similar to a strategic marketing dashboard, or alternatively a drafting apparatus for marketing strategy architecture. The strategic window formed by relational value proposition angles is cropped tighter than the conceptual field of DMS realms, rules, and restrictions illustrated in Figure 2. DMS framework system parameters are designed to fit the strategic contingencies of companies maneuvering in digital conditions. Whether digital enterprise strategy is perceived as navigation or architecture, the first use of parameters is to determine the relational coordinates in cyberspace. This analysis is performed using the quadrants classifying relational value propositions. Next, within a particular relationship context, digital marketing mix roles can be devised. The triangular 3Is strategy process is initiated by gleaning direction to create shared value in the

customer and community realms. Then a development process ensues to customize value by encoding intimacy in digital content experiences. Collaborative value customization processes overlap with the continuous delivery of digital content experiences through value channels. Ultimately, this triangular digital marketing mix sequence achieves congruity in customer and community realms.

A glimpse into this complex triangular process for creating digital market value/ethics congruity can be provided with an e-health industry scenario. Clearly, e-health is just a subset of the larger healthcare industry that is devoted to physical body health. However, a supplementary information service provision and consumption network has grown into a digital market unto itself, encompassing both web and real world enterprises. E-health fits the digital market(s) condition rules of ubiquitous channel access and fluid content acumen. Ubiquitous digital network access permits medical service interaction. Fluid digital knowledge acumen plies medical service intelligence. Further, the e-health market is composed of the three digital market(s) realms. Patients fill the customer realm, although numerous examples can be offered with organizational customers including hospitals, insurance companies, and medical practices. Medical practices, such as a family physician network can fill the company realm. Then, a host of community realm stakeholders can be found, including economic employers, social service agencies, cultural and faith-based organizations, biotechnology research institutions, and political policy makers. So, a hypothetical e-health scenario can be envisioned for the operational DMS framework.

A web-based hospital physicians network, call it Well-Web.com, wants to optimize value/ethics congruity with online patients and their virtual communities. Using the DMS framework as a strategic dashboard, Well-Web selects one or more relational value quadrants for composing digital marketing mix strategy. Given the healthcare market focus, the “hyper-real” and “post-human” quadrants would

cultivate dynamic and deep digital content experiences for both customer and community participants. Hyper-real relationships might include virtual world interaction with personified avatars and animated video-game like electronic environments. Post-human relationships could involve smart bodily implants programmed with automated sensors to signal health status (e.g., nervous system, respiratory system, circulatory system, muscular-skeletal system, etc.). The two relational value (“U-space”) quadrants can operate independently or in concert, with collaborative virtual world interaction in animated healthcare facilities and collective monitoring of cyborg system signals.

Next, the DMS framework is applied as a strategic dashboard to lock onto congruity coordinates with digital marketing mix triangle vectors. Starting with “intelligence”, Well-Web would direct content value creation toward offerings that fit online patients’ dual value/ethics preferences, as well as sustain a fixed value/ethics function in the patients’ healthcare routine. Simultaneously, Well-Web would create value in the direction of digital community stakeholders, with content access patterns that have supportive fit and sustain fixity. These “intelligence” vector directions encode customer and community realm profiles. An example of “intelligence” vector value creation that combine “hyper-real” and “post-human” quadrant relationships is virtual diagnosis using digital implant signals and animated scenarios composed with healthcare facilities and medical staff avatars.

After discerning “intelligence” to create value, Well-Web would develop digital “intimacy” through value creation functions. For both customer and community realm participants, “intimacy” would customize the animated virtual diagnosis animation by encoding flexibility into the healthcare scenarios while also reinforcing the fixity of the content experience. A wide range of customer demographic and lifestyle adaptations could be collaboratively enacted in the healthcare scenario. At the same time, the virtual

diagnosis animation could be tailored to community stakeholders by incorporating economic environment insurance protocols, instilling social-cultural environment civil liberties, including multiple technology environment platforms, and imparting political-legal environment medical information privacy. “Flexible” customization of digital implant signals could be developed by scheduling the type and frequency of customer health status updates, with anonymous aggregate reports for community stakeholders such as insurance companies, employers, and biotech research institutions.

Once the virtual diagnosis scenario has been customized, Well-Web would deliver optimal value channel “interaction” for both customer and community realm participants. These online value channels are configured from the entire spectrum of digital media networks including computer servers, smart televisions, mobile communication, and bodily cyborg sensors. “Interactivity” mediates the flexibility of content experience customization and the fit with core content experience value/ethics needs. Consequently, the value delivery network for customer realm patients and community realm partners has adaptable bandwidth, but also bounded value/ethics aims. It is possible for a virtual diagnosis scenario designed for employers and employees to exclude access by government agency networks to preserve civil liberty. Alternatively, Well-Web could stratify virtual diagnosis access for stationary non-mobile residential networks to assure the quality of implant signals and interactive scenario selections.

Accordingly, this limited application scenario for the DMS framework system parameters can clarify scholarly and strategy contributions. Marketing theory scholars can appreciate the revival and logical integration of authentic Functional School (Alderson 1957) features like prolificacy as fit, permanence as fixity, and plasticity and flexibility. Marketing strategy scholars and practitioners can acknowledge the operational design of strategic dashboard instruments based on innovative marketing

concept advances. Still, the scenario is neither an exhaustive nor exclusive representation of the DMS framework.

NORMATIVE RESULTS – DMS STRATEGY IMPLEMENTATION OUTCOMES

Ultimately, the DMS system parameters are implemented to achieve results and further theoretical research. These implementation outcomes are based on the normative operation of digital market(s) strategy in the customer and community realms. Accordingly, the focus shifts from conceptual design and operational parameters to implementation competency. Following Wacker’s (2004) formal conceptual definitions, customer and community outcomes are denoted as “predictive properties.” Accordingly, “Predictive properties usually are discovered deductively during theory development. However, predictive properties differ from the logical properties since they typically build on the logical properties of the theory to predict specific outcomes”. (Wacker, 2004, p.638)

For clarity sake, the DMS framework uses the terms structural concept properties and operational system parameters to indicate the connotative and denotative aspects of theory construction. Wacker (2004), on the other hand, describes those connotative and denotative aspects respectively as “logical properties” and “predictive properties”. The discussion of outcomes predicted by DMS system parameters explains how congruity is achieved in the customer and community realms.

DMS framework implementation outcomes achieve congruity between the customer and community realm by drawing on marketing studies of societal well-being (Andrews & Whitney, 1976; Sirgy & Lee, 2008, Sirgy et al., 2006; Sirgy et al., 2007). The specific competencies of engaging and embracing are attributed to congruity outcomes in the customer and community realms respectively. Engaging is the performance competency

required for a company enterprise to plot relationship strategy angles and digital marketing mix roles that satisfy customer value. Engagement is measured by the synchronization of relational time and the significance of cognitive sharing within the customer realm circle. Embracing is the performance competency required for a company enterprise to probe community ethics using relationship angles and digital marketing mix roles. The depth of ethical embrace is measured by the duration of relationships with community stakeholders and the diameter of well-being within the community realm circle. Although the DMS framework is validated by deducing normative outcomes for the customer and community realms, it is also designed to facilitate the kinds of positivist micro/macro marketing system results advocated decades prior by Arndt (1980).

DMS Customer Realm Outcomes – Engaging Competency

Like a cell within water, the DMS framework's customer nucleus is permeated by fluid digital company and community transvections. Individual and societal congruity results from the fact that customer and community realms are symbiotic not separate. Theoretically, the customer engaging competency extends Bowden's (2009) "customer engagement" framework as a measure of digital content experiences. More precisely, the engagement competency borrows, "... an approach that encompasses an understanding of the role of commitment, involvement, and trust in the creation of engaged and loyal customers" (p. 63).

The DMS concept represents this dual congruity outcome of self and social engagement by placing the customer realm in the center of the digital marketing mix triangle, revolving around the dual axes of *market value* and *market ethics*. Madrigal and Bousch (2008) have shown that micro customer satisfaction engaging can complement macro community stakeholder embracing. This digital market premise was tested by Mathwick (2002) for

online retailing and found to substantiate the link between customer and community norms. Mirroring the DMS framework, the study found that online customer interaction occurs within the context of a relational value typology. More importantly, intelligent content features can easily adapt and augment digital market consumption with collective community causes. Digital markets enable congruity between customer and community realms to be literally encoded in intelligent content and accessed through interactive channels. Digital markets enhance the confluence of market value and market ethics with interactive and immersive customer experiences. Digital content includes a wide range of audio and visual features to improve the cognitive rapport of online experiences (Dabholkar, 2006; Kim & Lennon, 2008). Immersive 'virtual world' environments and personalized avatars offer digital market experiences that can be designed to impart an infinite variety of market value and market ethics outcomes (McGoldrick et al., 2008; Wood, 2011; Wood & Solomon, 2009;). Therefore, the focus of customer engaging is on tailoring fluid digital experiences and tracing ubiquitous digital network touch-points.

However, when the customer and community realms share digital content and connections ethical consequences arise. The benefits of interactive technology and information transparency also carry digital market costs (Baye, Morgan, & Scholten, 2003; Molina-Castillo, Jose, & Lopez-Nicolas, 2007; Xie et al., 2006). In particular, risks like information privacy and identity theft. As a result, ethical outcomes like trust and security reinforce the market value of digital content experiences (Aiken & Boush, 2006; Clemmons & Bradley, 2001; Harridge-March, 2006; Luo, 2002; McKnight et al., 2002). Digital strategies that achieve individual market ethics outcomes like trust increase loyalty among customers in vulnerable online interactions (Reichheld & Scheffer, 2000; Zwick & Dholakia, 2004). These dual customer realm outcomes of market value and market ethics achieve congruity between company strategy and both customer and community well-being (Ashworth & Free

2006; Langenderfer & Cook, 2004; Sirgy et al., 2006).

Digital customer realm outcomes are predicted by coupling the theory of consumer risks (Bauer, 1960; Brooker, 1984; Dowling & Staelin, 1994) with the theory of distributive justice (Beauchamp & Bowie, 2004; Klein, 2008; Rawls, 1971). In the DMS framework, consumer risks are represented by a 5 pointed pentagon comprising Bauer's (1960) original risks plus an augmented "information" risks for digital market interactions. The theory of distributive justice is represented by Beauchamp and Bowie's (2004) index for guiding community stakeholders in distributing justice.

The theory of consumer risks (Bauer, 1960; Brooker, 1984; Dowling & Staelin, 1994) models market value as a perceptual outcome associated with market interaction. However, marketing scholars have suggested that consumer risks for traditional markets are insufficient for information risks in the digital market (Caudill & Murphy, 2000; Miyazaki & Fernandez, 2001). Accordingly, the DMS augments Bauer's (1960) theory with a fifth "information risk" that corresponds to the cost/benefit tradeoff of sharing information through online interaction. This fifth *information risk* is the focus of digital marketing efforts to improve trust through privacy programs that strengthen customer relationships with ethical practices (Chellappa & Sin, 2005).

Rigorous research has proven the construct validity of consumer risk theory for predicting the value of digital customer engagement. In the digital marketing literature, Chen and Dubinsky (2003) analyzed risk factors as predictors of online customers' "valence of experience" and confirmed their significance based on regression analysis. In the field of computer science, Bhatnagar, Misra, and Rao (2000) applied logit analysis to an array of consumer risk factors to predict Internet shopping motives and measures. Anderson and Srinivasan (2003) also used regression analysis to analyze "E-Satisfaction and E-Loyalty" and

found that the consumer risks associated with satisfaction, trust, and perceived value are significant moderating variables for digital market customers. These empirical results affirm the normative outcomes predicted by the DMS concept, with high tautological relevance. These digital information risks extend beyond the boundaries of traditional market consumer risks for product/service performance, financial benefit/cost, sociological appeal, and psychological affirmation. In addition to augmenting traditional consumer risks, the information risk overlays and maps the customer's personal identity profile to facilitate digital market interaction. This interface quality of information risk can operate as a data security shield, social networking safeguard, as well as through advanced software applications like intelligent agents, avatars, and 'shop-bots.' Information risks are unique because they directly relate to individual customers' concerns about digital market identity concerns and the collective community's coordination of digital market integrity.

DMS Community Realm Outcomes – Embracing Competency

The community realm is modeled as the outer wall of the DMS cellular framework. Like the traditional marketing system, the DMS exists within larger electronic, social, and natural systems. The outer community realm filters this fluid pool of meta-system influences into digital macromarketing conditions. Congruity with these macromarketing conditions is achieved through shared value/ethics interactions with community stakeholders. In this way, the DMS framework models community embracing within the strategic context of relational value propositions and adaptive marketing mix triangle functions. Logically, the normative outcomes for DMS community realm engagement are predicated upon an expansive range of marketing ethics, social marketing, and macromarketing research (Andreasen, 1994; Brey, 1999; Ferrell & Ferrell, 2008; Hauptman, 1996; Hunt & Vitell, 1986; Laczniak & Murphy, 2006, 2008; Murphy et al., 2005),

which constitute the conceptual domain limitations.

By focusing on a dual goal of market value and market ethics, the DMS also embraces community realm stakeholders through strategic practices that support distributive justice (Ferrell & Ferrell, 2008; Lacznia & Murphy, 2008). Whereas customer realm outputs produce individual value/ethics congruity, community realm outcomes preserve collective value/ethics congruity. Internet technology has the capacity to improve stakeholder transparency, community embracing, and social media collaboration in a manner that has been found to complement strategic objectives (Kim et al., 2008; Rao & Quester, 2006). When information risks are borne by community stakeholders, not just customers, unethical digital marketing practices become macromarketing patterns and policies. For instance, safeguarding micro digital market identity also secures macro digital market integrity. Thus, minimizing risks to market value can maximize the rewards from market ethics.

The DMS achieves confluent customer/community outcomes by delivering micro strategies that embrace distributive justice involving macro stakeholders (Ferrell & Ferrell, 2008; Klein, 2008; Lacznia & Murphy, 2008). That means recognizing how ethical concerns regarding economic, political/legal, social/cultural, technological, or ecological issues can be mediated in a manner that contributes to customer value. The “General Theory of Marketing Ethics” put forward by Hunt and Vitell (1986, 2006) shows how external environment aims shape micro-marketing actions. In a more strategically oriented manner, Shultz (2007, p.293) frames the competency of community realm engagement for a, “... complex, conflicted, and increasingly interdependent world in which marketing can and should play an important role”. Moreover, given the symbolic nature of digital market community conditions (Venkatesh, 1999), confluent value/ethics intelligence should improve the ability of marketing strategists to

discern the “macro meaning of meanings” (Kadirov & Varey, 2011).

These dual micro/macro community realm outcomes are predicted according to Beauchamp and Bowie’s (2004) distributive justice index for marketing, based on Rawls’ (1971) original “Theory of Justice”. The six indicators direct the actions of individual “persons” (entities) to improve the distribution of justice within society. However, unlike moral statutes, the index components are neither exhaustive nor mutually exclusive. Rather they are a situational heuristic for ethical and equitable digital community outcomes. Importantly, the distributive justice index achieves collective policy ideals by attenuating individual participant interactions. This makes the heuristic index especially well suited for assessing market transactions, as well as the fluid interaction of digital market participants. The six index components are:

1. To each person (entity) an equal share
2. To each person (entity) according to individual need
3. To each person (entity) according to (liberty) rights
4. To each person (entity) according to individual effort
5. To each person (entity) according to social (and economic) contribution
6. To each person (entity) according to merit.

Consequently, the DMS customer realm designs digital congruity among market value and market ethics by coupling the augmented theory consumer risk (Bauer, 1960; Brooker, 1984; Caudill & Murphy, 2000; Dowling & Staelin, 1994; Miyazaki & Fernandez, 2001) with the adapted rules of distributive justice (Beauchamp & Bowie, 2004; Klein, 2008). This innovative representation of confluent micro/macro digital marketing strategy outcomes is depicted in Figure 4 using a pentagon for the five market value risks and a hexagon for the index of six market ethics rights.

CONCLUSION -- FUTURE DIGITAL MARKET-SPHERE PLANNING

The digital market(s) metamorphosis gives rise to new marketing theory problems for scholars and strategists. Marketing scholars must reconfigure concepts designed for traditional market processes to reliably design theoretical research. Similarly, marketing strategists should reframe planning instruments to realize digital enterprise results. This exploratory study of digital market(s) research has advanced a comprehensive Digital Market-Sphere (DMS) framework to systematically unify and strategically orient conceptual development.

Consequently, the DMS responds to the dearth of theoretical models in the electronic commerce literature, in comparison to empirical and practitioner related research. Following theory construction tenets (Sutton & Staw, 1995; Wacker, 1998; 2004), the DMS framework was presented in three phases – conceptualization, operationalization, and implementation. In particular, the DMS concept discussion addressed five factors – realms, rules, restrictions, relationships, and roles.

The DMS concept connotes structural properties by distilling seminal marketing theory and current digital market(s) models. Those DMS structural properties include the composition of realms, the condition rules, and the conceptual restrictions. The DMS concept was defined as a holistic digital macromarketing systems concept for capturing the digital market(s) condition rules of ubiquity and fluidity. Likewise, the DMS concept denotes system parameters by designing an ontological digital market(s) strategy framework. An explanation of operational DMS framework relations and roles was grounded by applying proven concepts from the marketing and digital marketing literature. Digital market (s) relations and roles operationalize concepts for imparting strategic orientation and micro/macro Service-Dominant logic. Essentially, the DMS framework is designed as a digital market (s) strategy dashboard with a window framed by relational value quadrants and a triangular

directional gauge for aligning digital marketing mix vectors with value/ethics outcomes. Logical deduction was used to predict the DMS framework's implementation outcomes. Specifically, the congruity principle was used to discern normative customer and community realm results. Empirical research and statistical analysis was referenced to validate the normative outcomes predicted for the DMS framework's implementation.

Looking forward, the proposed DMS framework propels marketing scholars and strategists farther into the digital market future. This impetus is necessary for marketing theory given the transformative digital market forces requiring new planning paradigms. Several limitations mitigate the efficacy of marketing theory propositions set forth in the DMS. Among these is an incomplete meta-analysis of the digital market literature to comprehensively chart the convergence and divergence among academic studies. Instead, this study offers a model for integrating and implementing prevalent digital market constructs. Also lacking are application case scenarios and conclusive statistical data analysis to empirically validate the qualitative and quantitative merits of DMS propositions. By contrast, the DMS framework is developed as an exploratory study and supported by logical analysis. Still, the DMS concept adheres to theory construction criteria and has been presented in a cogent and contemporary method. Therefore, this study can serve as a catalyst for the holistic and systematic examination of digital market phenomena.

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