

Session 2.1
International Marketing Part1:
Tales from Latin America

The Role of Consumer Acculturation in the Hispanic/Latino Panethnicity

Luis E. Torres and Phillip Hartley

Introduction

Acculturation has become one of the most reliable constructs to understand consumption of a variety of ethnic groups. How culturally similar an immigrant is to its host or original culture is providing better power on predicting consumption. Previous empirical studies in marketing have not only tested scales to measure level of acculturation, but also used consumer acculturation concepts to capture beliefs, attitudes, and/or behavior (Alvarez et al. 2012).

Hispanics or Latinos represent 17 % of the US population in 2014 with a growing buying power of \$1.5 trillion estimated for 2015. Yet, there is diversity among Latino origin groups in the US. Mexicans make up 78 % of Latinos in the Los Angeles area but in the New York City area, Puerto Ricans (28 %) and Dominicans (21 %) are the largest groups. Meanwhile, Salvadorans (32 %) are most numerous in the Washington, D.C. and metro area, whereas Cubans (54 %) are the largest group in Miami (Pew Hispanic Center 2014). Targeting and communicating to US Hispanics as a single homogenous group are increasingly questioned by marketers.

In any given year, more than 800,000 young Latinos turn 18. As they become of age, and even underage, alcohol consumption among Hispanics has been an issue that draws attention from several interest groups. For example, The Hispanic Americans Baseline Alcohol Survey (HABLAS) found an association between acculturation and drinking. It seems that as Latinos adapt to the US society an increase in drinking occurs. Although Hispanics' birthplace showed no residence effect on problem likelihood, drinking was strongly associated with problems. This study's purpose is to understand the connection between Hispanic acculturation and alcohol consumption (Caetano and Mills 2011).

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Table 1 Table based on Berry’s acculturation strategies (1997) as presented in Cleveland and Laroche (2014)

		Issue 1: Is it considered to be of value to maintain one’s identity and characteristics?	
		Yes	No
Issue 2: Is it considered to be of value to maintain relationships with larger society?	Yes	Integration	Assimilation
	No	Separation/Segregation	Marginalization

Background

The following section presents a brief summary of previous related studies on acculturation and Hispanic beliefs, attitudes, and consumption behavior. It will start by reviewing the evolution of the consumer acculturation concept following research on the specific Hispanic pan ethnic group.

The terms consumer acculturation, cultural interpenetration, assimilation, psychological acculturation among others have been used interchangeably to express the same concept (Berry 1997; Marin et al. 1987; Valencia 1985). The most recent studies seem to not only consistently use the same term, but also agree that the acculturation process is composed of two subprocesses: (1) maintenance or loss of traditional culture, and (2) gain of new cultural traits (Table 1).

Acculturation as Two Processes

The most current perspective of acculturation shows the construct as two subprocesses. This perspective is viewed as the most comprehensive point of view since immigrants can adapt to new cultural values and maintain original ones. One subprocess of acculturation has been inconsistently labeled (1) “ethnicity” or “co-national identification” or “maintenance of original cultural identity.” The other subprocess has also been inconsistently called (2) “integration”, or “host identification” or “maintenance of relationship with dominant society.” These two subprocesses’ distinction is similar to Lerman et al.’s (2009) suggestion that the two processes associated with acculturation address (1) maintenance or loss of traditional culture, and (2) gain of new cultural traits.

Within the Hispanic community, a group of Latin American descents living in the USA, the two subprocesses have been addressed as (1) “ethnicity” or “Hispanic Identification” or “Hispanicness” and (2) “integration” or “American Identification” or “Americanization” (Torres 2012). Both constructs describe the maintenance of the original Latin American cultural identity and the cultural values acquired when living in the USA.

For the first subprocess, pan ethnic traits appear as important factors to consider when measuring Hispanic acculturation such as the importance of family in their lives. These cultural values become part of their ethnic identity. There is a difference though between being Hispanic and possessing Hispanic ethnicity. The former is a demographic characteristic and the latter a psychological construct.

The second subprocess of acculturation in which the individual adds the cultural values of the host or dominant society is also critical in the Latino community. "Acculturation can occur when some elements of the mainstream culture are added without abandoning the native culture," (Ogden and Ogden 2004, p. 3). The acquisition of host cultural values has been defined as the process of an immigrant's losing their original ethnic identity and taking on the identity of the host culture. Integration concerns the way microculture individuals (e.g., Hispanics) acquire knowledge about the mac-culture and its way of life.

Hispanic Attitudes and Consumption

As mentioned in one of the first consumer behavior studies on Latinos (Deshpande et al. 1986), several disparities among Hispanic subgroups were found. One of these discrepancies was connected to their location. Several follow-up studies have explored the effects of cultural identification with the Latinos on shopping behavior, coupon use, loyalty, and advertising.

Although there are large clusters of Hispanics in most major urban areas, the southwest and western part of the USA holds the largest concentration of Hispanics. Furthermore, the consumption patterns in these regions are very different from the behavior in Southeast or Northeast US time zones. Media exposure and cultural behavior are some of the reasons that explain such variation. Some marketers think that because of its geographic concentration and the increasing number of targeted media outlets, the Hispanic market could be considered easy to reach by marketers. The more futuristic thinking ones want to investigate how cultural values impact this group's consumption. For example, although young US border residents had higher problem alcohol consumption rates than older residents, some models showed no effect of border residence on the likelihood of problems, indicating that problems are due to alcohol consumption, not the border environment. The border, however, did appear to influence more drinking among young people (Vaeth et al. 2012).

Place of birth has also been found as a significant variable that plays a role in Hispanic consumption. The share foreign born among Latinos varies by origin group. About one-third of Mexican-origin Hispanics are foreign born, while other major groups (e.g., Cuban—56%, Salvadoran—60%, Dominican—56%, Guatemalan—65%, Colombian—63% and Puerto Ricans—close to 100%) are foreign born (Pew Hispanic Center 2014).

Age and time living in the US also differ widely. While the median age of Latinos is 10 years lower than that of the US overall, among Latinos, there is a big difference in median age between the US-born (18 years) and foreign-born (40 years).

The number of young Latinos has rapidly increased. From 1993 to 2013, the number of Latinos younger than 18 in the US more than doubled compared with an 11 % increase among the general US population younger than 18, according to Census Bureau data.

Previous research also suggests that different cultures have different time orientation preferences. Of particular interest to the current study, some scholars suggest that Hispanics are more present-oriented (Plath and Stevenson 2005; Medina et al. 1996; Marin and Vanoss 1991) and flexible toward time (Holtzman et al. 1975) and less likely to postpone future gratification and emphasize planning for the future than their Non Hispanic White (NHW) counterparts.

In summary, it appears that there are significant differences between Hispanics and other ethnic and racial groups in their consumption habits. The context of alcohol consumption was selected to further understand the relationship between level of acculturation and ethnicity-specific norms among Hispanic/Latinos. This context is currently relevant to a wide audience from groups that want to improve education on alcohol prevention to firms that want to provide a more responsible experience to their stakeholders.

Research Methods

Based on the literature review about the acculturation process, a research design that tries to understand how acculturation influences alcohol consumption of Hispanic adults aged 18+, living in the contiguous United States, who speak English or Spanish was created. A Hispanic Coalition for the Prevention of Substance Abuse will facilitate interviews (http://cetpa.org/CETPA_ENG_Prevention-CHISPAS.html). The organization was created under a Strategic Prevention Framework State Incentive Grant (SPF SIG) funded by the Substance Abuse and Mental Health Services Administration.

To explore this phenomenon, Hispanic individuals with different levels of alcohol consumption will be included. Our informants will be solicited through a purposive approach to obtain informants who are more likely to engage and share their consumption attitudes. Through snowball sampling, data will be obtained through directive (e.g., “Describe your experiences”) and nondirective phenomenological interviews, participant-observation field notes, and member-checking will also be used.

Results and Discussion

Initial findings suggest that consumers’ cultural identification likely changes during the acculturation process and that some circumstances create a better environment for alcohol consumption. For instance, since Hispanics are present-oriented and have a low propensity to delay gratification, those who have “lost” their ethnicity are future-oriented and have a high propensity to postpone gratification much like

NHWs in previous studies. In other words, the more “ethnic” the Hispanic American consumer, the less likely he or she will value planning for future goals and life events. More interviews are undergoing.

On the other hand, Hispanic Americans who have become more “integrated” will display attitudes that mirror attitudes of NHW consumers, while Latinos who are less “integrated” will display attitudes corresponding to Hispanic American consumers in previous studies. In other words, the more “integrated” the Hispanic consumer, the more likely he or she will value planning for future goals and life events.

The context of alcohol consumption was selected as an interesting scenario where interest would come from academics, industry, and governmental entities alike. Beside the theoretical contribution to academia, several implications are anticipated from this research. From a managerial perspective, marketers interested in reaching Hispanics must understand that addressing this group is complicated because they live in a socio-cultural environment that is complex. Level of consumer acculturation is so far the best construct to predict attitudes in ethnic markets, but it is not the only factor to account for. In the alcohol consumption context, it is imperative to understand attitudes toward alcohol to satisfy their customer wants and needs. There is a large opportunity for organizations involved with alcohol consumption among minors and prevention to improve education in the Hispanic community.

Limitations

The acculturation process does not have to be linear and could result in particular lifestyle patterns. Although this qualitative research presents in depth insights of the relationship between level of acculturation and alcohol consumption, patterns should not be generalized.

Several other factors could play a role in acculturation and alcohol consumption such as the Immigrant Paradox or the tendency of foreign-born immigrants to be better off in a variety of measures of well-being such as health (physical and mental), psychosocial (risky behaviors that might lead to higher incarceration rates) and academic, than their native-born children. Some first generation Hispanics present superior results in such measures than their second generation.

References available upon request.

Personal Cultural Orientation, Destination Brand Equity and Revisit Intention: Implications for Destination Branding in Latin America

Adolfo Rudy Cardona, Qin Sun, Fuan Li, and Darin White

Abstract

Destination branding has become an increasingly important area of focus for academics and business communities. Destination brand equity is a strategic asset that can be the basis of competitive advantage and long-term profitability. Assessing the equity of destination brands provides destination marketers with information about the specific determinants that can help strengthen a destination brand (Floreck et al. 2006). The literature on destination marketing focuses on the three major dimensions of brand equity: brand image, brand value, and brand quality (De Chernatony and McDonald 2003). This study focused on tourists' perceptions of destination brand image, brand value, and brand quality as factors in determining their future revisit intention in the Latin American destination Quepos, Costa Rica. No study thus far has simultaneously modeled the constructs hereby proposed into one theoretical model and assessed relationships among personal cultural orientation, destination brand equity, and revisit intention. This study filled these knowledge gaps by examining how destination brand equity is affected by the tourist's personal cultural orientation and investigating the roles of destination brand equity and personal cultural orientation on revisit intention.

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Both a person-administered survey and an online survey were used to collect data in both English and Spanish in Quepos. Data were collected from the most popular hotels, restaurants, tour operators, and any other tourism service supplier across the region. A total of 1200 surveys were distributed and 309 completed questionnaires were collected from guests at local hotels, restaurants and other places, and 159 via the online site Survey Monkey. Measures and scales were adapted from extant literature.

Of the 468 participants, 171 (36.8 %) were male and 296 (63.2 %) were female. The largest age group of the respondents was 26–35 years (34.8 %), followed by 18–25 years (25.6 %), 46–55 years (15 %), and 56 years and above (8.1 %). The participants came from 24 countries including Costa Rica. In terms of their nationality, 51 % were tourists from the United States and 78 % of all participants said that their main purpose to visit Costa Rica was pleasure. Fifty-eight percent of the respondents came from North America and 22 % from European countries, while 18 % of the participants were from Costa Rica.

This study confirmed that tourists have more positive perceptions of brand image, brand quality, and brand value toward a destination whose culture is in line with their personal cultural orientation. Visitors to Quepos, Costa Rica with an independent personal cultural orientation had negative perception of Quepos in terms of destination brand value, destination brand quality, and destination brand image while those with an interdependent personal cultural orientation had positive perceptions. There was a significant relationship between perceived brand value and the intention to revisit Quepos, Costa Rica. However, the results do not support the findings of previous studies that the destination brand image and destination brand quality positively affect the tourist's revisit intention.

This study contributed to the theoretical development in the field of marketing by proposing a destination branding model to explain the structural relationships among personal cultural orientation, destination branding, and revisit intention in the leisure tourism market. The findings of this study provided empirical support and understanding of the concepts of independent and interdependent personal cultural orientation, revealing how these personal cultural orientation dimensions have an effect on brand equity and destination branding. The results of this study also extend the understanding of destination branding in Latin America. The findings should provide the destination marketers' insights to design appropriate marketing programs that will cater to the specific needs of different cultural groups and effectively build positive brand equity for tourism destinations in Latin America.

References available upon request.

Craving for Cosmopolitanism: The Necessity of Foreign Cuisine for Mexican Immigrants

Jakob Braun and Roberto “Bobby” Saldivar

Abstract

Our postmodern world is scattered with food offerings from all over the globe. When striving to satisfy our need for nutrition we are lavished with a broad choice of nearby restaurants serving Chinese, Italian, Japanese, or other foreign creations. The situation at the border between Texas and Mexico is no exception in the availability of international cuisine. Despite of no signs of an immigration wave from Asia there is a remarkable number of Chinese restaurants serving a predominantly Hispanic population. This observation allows the question as to why there are so many foreign offerings in this region. The purpose of this paper is to develop the conceptual foundations to address this question.

Blending the literatures on cosmopolitanism, acculturation, and food consumption in postmodernism, we suggest conceptual linkages between these constructs. In particular, we argue that Mexican immigrants who come to the United States want to be different from their counterparts back home. Their curiosity for and appreciation of otherness and diversity, can be described as open-mindedness, which is often associated with cosmopolitanism (Riefler and Diamantopoulos 2009).

Generally, cosmopolitanism is closely related to the initial goals of immigrants when moving to the United States—the “land of the free” and “the land of opportunities.” The border is seen as the gate to the world. When the aspired feeling of distinctiveness, however, is not satisfied Mexican immigrants strive to achieve their desires through other means, namely cosmopolitanism. Cosmopolitanism, in turn, is expressed through the consumption of exotic food offerings, which have been creolized in the local environment along the border (Yoon 1998). Foreign food serves here as a symbol of cosmopolitanism showing the heterogeneity of different cultures. After going through the process of creolization it has another meaning than

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it has, for instance, at its origin in China. In this case of the border area between Texas and Mexico this approach toward expressing distinctiveness is understandable, as it offers an affordable solution to express your identity. Traveling overseas is rarely done for different reasons (e.g., affordability, time to visit family back home). Thus, we can conclude that considering the demographic and financial circumstances, food becomes a great vehicle to establish this identity of a world citizen and distinguish oneself from relatives back home.

References available upon request.

Session 2.2
Financial Service Marketing
and Consumption

Financial Services Marketing and Consumption

Tina Harrison and Neil Lilford

Interest in the subject of Financial Services Marketing, both practically and theoretically, has grown substantially over the last few decades. This growth in interest is recognition of the importance of the financial services industry to the economies of nations globally and the acknowledgment that marketing and consumption of financial services are different from the marketing and consumption of tangible goods and indeed many other intangible services. Few other industries have such wide-reaching impact on the welfare of individuals and nations. The decisions that consumers (and financial organizations on their behalf) make regarding saving, investing, and borrowing have significant implications on their ability to consume a wide range of other products and services, in turn affecting lifestyles, standards of living and how people spend their time. The recent financial crisis has brought this to the forefront of attention.

In the wake of the financial crisis, though, there is a need for new perspectives and paradigms that can explain the behavior of financial organizations and consumers (Harrison and Estelami 2014). Key themes in the emerging discussion concern the manner by which financial institutions interact with their customers, how to restore and build trust, agency relationships and the role of consumers and sales advisors in decision making and the role of risk governance in mediating and protecting the agency relationship and building confidence and trust. The objective of this session is to bring together scholars to discuss these key themes, drawing on insights into marketing practice and consumer behavior.

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The five papers included in the session demonstrate many of the challenges facing both financial organizations and consumers and outline the opportunities and implications for financial services marketers and policy. The papers focus on the sources of consumer distrust (paper 1), the nature and implications of decision delegation by consumers (paper 2), the role of feedback in enhancing the performance of financial services sales advisors (paper 3), the interplay of life events, religion and consumption in Islamic banking (paper 4), and the role of risk governance in protecting consumers and in restoring trust.

Seen as a whole, each of the five papers included in the session contributes to a multilayered understanding of the marketing of financial services from the consumer, financial organization, and industry-level perspective.

References available upon request.

Sources of Consumer Distrust of Financial Services Marketing Practices

Hooman Estelami

Abstract

In recent years, the volume of research on the public's lack of trust in business and government has significantly grown. Research has, for example, focused on drivers of public distrust in political entities and elected officials (Hetherington and Husser 2012), perceptions of trustworthiness of business leaders (Kramer 2009), and drivers of trusting relationships within organizations (Coutu 1998). In much of this research, the perspective of the inquiry has been on general levels of trust, both internally within organizations (Hurley 2006) and externally involving parties with competing interests (e.g., Hopkins 2011). While the accumulated research has provided a general macro view of trust, very little research has been conducted to pinpoint the sources of consumer distrust in specific business practices and especially related to financial services marketing practices.

However, many of the practices commonly used by financial services marketers can (and in recent years have proven to) result in consumer distrust. Marketing often relies on organizations capitalizing on consumers' needs and at times creating needs that may not otherwise exist. While this can help advance a business into higher levels of profitability, a potential side effect is depletion of customer trust in the organization's motives. Public recognition of such a possibility has significantly grown in recent years, especially in the context of financial services, following the financial crisis and extensive investigations by regulators and the media on commonly accepted practices. Examples include the sale of subprime mortgage products inappropriately fit for the needs of prospective homebuyers, the promotion of insurance products for irrelevant categories of risk, and biased recommendations in investment advisory contexts.

Interestingly, there is a large volume of academic research in cognitive psychology and behavioral decision theory that has over the years documented how individuals may misperceive financial decision contexts (e.g., Bazerman and Moore

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2008). Lack of necessary information, cognitive limitations of the human neurological system, and the use of emotions in financial decisions often lead to poor financial decisions. Academic research in marketing has adopted much of the findings resulting from these research streams to further uncover consumer vulnerabilities in the marketplace. While the resulting findings are informative, they have opened two conflicting channels of action for practitioners.

On the one hand, regulators and public policy advocates have been able to utilize the research to inform consumer protection policies based on these research findings. On the other hand, the research findings have resulted in systematic implementation of marketing practices that abuse consumer vulnerabilities and persuade market exchanges that are not in the best interest of many consumers. The goal of this study is therefore to measure customer trust with specific marketing practices that are widely utilized in financial services markets. Using data from a field study, the forms of consumer vulnerabilities that have emerged in the financial marketplace will be examined and their impact on consumer trust will be profiled.

References available upon request.

A Study of Consumer Decision Delegation in Financial Services: Approaches and Implications

James Devlin

Abstract

Extant literature covering consumer decision making is concerned in the main with situations where consumers make decisions on their own initiative following information search and evaluation of alternatives. However, an alternative perspective posits that consumers in some cases delegate the responsibility for making a decision to a third party, engaging in what Aggarwal and Mazumdar (2008) termed “decision delegation.” The same phenomenon has also been referred to in the literature as “choice delegation” (Broniarczyk and Griffin 2014). The existence of decision delegation strategies has been shown by a number of studies (Chhabra and Olshavsky 1985). Broniarczyk and Griffin (2014) argue that decision delegation can alleviate the stressful emotions connected with making a decision and minimize the need for cognitive trade-offs and mental effort.

Consumers involved in decision delegation can employ a number of different types of entities as surrogates or agents, including, friends, relatives, salespeople, or experts. A particularly fruitful area for previous research into decision delegation and involvement in decision making has been in the area of medical care [see for instance Garfield et al. (2007)]. Other examples come to mind readily, such as the prevalence of advisers in the marketplace for many personal finance products. As previously stated, an extreme example would be the tendency of most to take expert medical advice in its entirety and without question. Others are less intuitively obvious, such as a delegation of decisions to interior designers, wedding advisors, and sommeliers. The research reported here is concerned with professional surrogates, such as advisers and company employees, rather than other types such as family and friends.

We focus on the preference for decision delegation in personal finance and seek to establish the degree of preference to employ decision delegation amongst different customer demographics and customers of different types of financial services

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firms. To answer these questions we collected data from a demographically balanced sample of 2000 respondents who answered in roughly equal numbers with respect to seven different types of provider in the UK (bank, building society, general insurer, life insurer, investment company, financial advisor, and credit card provider). We amended measures of decision delegation preference from studies in the medical domain, with a five-item scale for decision delegation preference and a two-item scale for preference for self-control of decisions and a three-item scale measuring the preferred balance of responsibility for the decision between consumer and financial services provider. All measures were subject to exploratory and confirmatory factor analysis, as well as reliability analysis, with all three constructs showing statistically sound properties.

Initial analysis using MANOVA analysis showed significant differences in preference for decision delegation between customers of different institution types and according to some demographic factors. Post hoc analysis was employed to establish the precise nature of such differences and explore implications further.

References available upon request.

Beyond Feedback Orientation: Exploring the Quality of the Feedback Environment in Financial Services Sales

Neil Lilford, Tina Harrison, and Pierre Berthon

Abstract

Due to the complexity and inherent risk associated with financial services decisions, many consumers seek advice and guidance from sales advisors and even delegate responsibility for decision making to them. The performance of financial services salespeople is therefore of critical importance to their clients in securing appropriate financial decisions and outcomes. Whilst different models of sales advising exist, many sales advisors work separately and at a distance from the firm, leading to a common perception of the financial services advisor as one of “lone ranger.” Monitoring the direct performance of advisors is thus difficult, if not impossible; a key factor leading to the blame of advisors following the recent financial crisis. Set against this context, this paper focuses on the role of feedback as a key factor impacting a financial advisor’s effectiveness and performance, specifically the extent of sales advisors’ feedback orientation.

Feedback is a fundamental part of a manager’s job, leading to a range of important organisational outcomes such as learning, motivation, and increased performance (Kluger and DeNisi 1996; London 2003). It achieves this by reducing uncertainty, providing important information about performance and increasing the

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individual's feelings of self-worth. We test the assumptions of Linderbaum and Levy's (2010) Feedback Orientation Scale (FOS) which measures "an individual's overall receptivity to feedback," which assumes that some sales advisors are inherently more receptive to feedback than others and that listening to feedback improves performance. These assumptions are based on two deeper axioms: feedback is abstractly "positive," "good," or "useful" and receptivity is a context-independent trait. The research is based on qualitative interviews to a structured interview guide based on the theoretical framework developed by Linderbaum and Levy (2010). A purposive sampling strategy was used based on key criteria. Interviewing continued until theoretical saturation was achieved at a total of 20 interviews.

The study confirmed the perceived validity of the six dimensions of the FOS. Additionally, it revealed that feedback orientation is only part of a wider picture, which we term the quality of feedback environment (QFE). Content analysis of the interviews suggests that the quality of the feedback environment is a function of four dimensions: source (who), content (what), manner (how), and time (when the feedback was given). Sales performance (SP) is thus a function of Feedback Orientation (FO), Quality of the Feedback Environment (QFE), and the interaction between these two elements. Hence, $SP = \text{Fn}(FO, QFE, FO * QFE)$. The study highlights a number of implications of the new construct for management practice and future research.

References available upon request.

The Interplay of Life Events, Religion, and Consumption in Islamic Banking

Julie Robson and Samreen Ashraf

Abstract

Since marketers first entered the financial services arena they have sought to explain consumer purchasing behavior. To this end, a wide range of approaches have been utilized over the years, with mixed results. Many have attempted to profile consumers through the use of sociodemographic, psychographic, and other means [see for example, Branca (2008)]. The results, however, often had limited use for practitioners wanting to know not only who will buy and why, but also more importantly, when. The family life cycle (FLC) model went some way to resolve this, but, family patterns have changed and attempts to modernize the FLC have not always improved predictive ability (Wagner and Hanna 1983). Life events, which can provide an indication of FLC and identify a point in time when an event triggers changes in behavior, appear to provide a potential solution, and indeed are widely used by financial services practitioners. However, the life event concept has also been challenged, in particular, whether it is the life event itself that triggers a change in behavior or whether it is changes associated with the life event (such as an increase/decrease in disposable income) that result in the changed behavior.

Within Islamic banking, sociodemographics, psychographics, etc. have also been used to explain consumer behavior and in particular to distinguish between those who hold and those who do not hold, an Islamic bank account [see, for example, Erol et al. (1990) and Haron et al. (1994)]. Given the nature of Islamic banking, many researchers have also sought to explain consumer behavior by considering the influence of religion (Sun et al. 2012; Faisal et al. 2014). However, extant studies provide conflicting answers on whether religion does influence the choice of an Islamic bank account. Life events may help to provide clarity here, as life events are also known to influence religious choices and involvement (Lawton and Bures 2001). We therefore contend that the reason Muslims choose to bank with an Islamic bank are complex and varied. Religion may well be a part of this decision, as could life events—or an interplay may exist between life events, religion and consumer

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behavior. The goal of this study is therefore to further our understanding of life events; how, why, and when they trigger the consumption of Islamic banking and the role of religion in this mix. Using data from a two-phased field study in Pakistan, the reasons why Muslims open an Islamic bank account will be presented and the role of two life events, marriage and parenthood, will be explored in terms of the impact they have on religiosity and purchase behavior.

References available upon request.

The Role of Banking Governance in Consumer Trust and Confidence: A Shared Responsibility

Jake Ansell

Abstract

Since the 2007 financial crisis there has been an increased awareness of risk governance in the banking sector among the wider public. The importance of banking to the economy is such that society in general has an interest in appropriate supervision. Financial institutions have a fiduciary responsibility toward the customers they serve, many of whom are not in a position to make fully informed and rational decisions and rely on the agency of experts in delegating decision making. Consumer trust and confidence in the industry are in part dependent on the assurance provided by risk governance. Deregulation of the banking sector, however, led to banks being given greater ability to determine their own level of risk, which was encapsulated in the Basel Accords. Yet, the financial crisis illustrated that banks had not acknowledged the level of risk to which they were exposed, thus calling into question the risk governance arrangements in place.

In the aftermath of the financial crisis there is a need to examine more fundamentally the governance of banking risk. The paper proposes the concept of “knowledgeable supervision” as an approach to risk governance, drawing on the authors’ earlier work in public risk governance (Andreeva et al. 2014). Through synthesis of the related and theoretically consistent concepts of governance, stakeholder theory, and social network theory the paper examines the underlying principles of “knowledgeable supervision” as a means of banking risk governance. Our approach addresses the criticism of governance that has concentrated the management of the risk in the hands of a few actors who may not have sufficient knowledge or skill to fully appreciate and deal with the risk. Our concept of knowledgeable supervision is thus distributive, based on shared ownership and embedded and shared accountability.

Consumers form a key part of this network of stakeholders and have a number of relationships with banks both as savers and borrowers. As savers they require trust

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in the bank to protect their interests and safeguard their financial welfare: since the crisis this trust has lessened with the institutions but not necessarily with the people who serve them. To reassure savers many central banks provide guarantees to consumers to avoid “runs on banks.” Hence, consumers may be “irresponsible consumers” and their behavior may have influenced the crisis. Governmental overprotection of consumers encourages them to act in a riskier manner.

Since consumers generally have insufficient knowledge to deal with the inherent risks, there is a need at least to ensure they are aware of the risk. A key element to ensuring consumers’ act appropriately is to equip them with the necessary knowledge and skills; hence, the paper will discuss the steps required to address financial literacy and financial capability amongst the general population.

References available upon request.

Session 2.3
Advertising and Shopping Influences

Consumer Reactions to Comparative Advertising: The Role of Product Type and Sensation Seeking—A Structured Abstract

Silke Bambauer-Sachse and Priska Heinzle

Introduction

Over the last decades, comparative advertising which compares different brands of the same product category on the basis of one or more specific product characteristics (Wilkie and Farris 1975) has been increasingly used on an international level (Jeon and Beatty 2002) and in diverse industries (Thompson and Hamilton 2006). Many previous studies deal with the effectiveness of comparative advertising as compared to noncomparative advertising [e.g., Grewal et al. (1997) for a meta-analysis], as well as with how to phrase the comparative claim (e.g., Miniard et al. 1998). However, little is known about the relative effectiveness of different product characteristics such as price or attribute performance that could be used as a basis for comparison. In this context, it makes sense to additionally differentiate between goods and services because advertising for services faces challenges that do not exist for goods due to their unique characteristics (Stafford et al. 2011) and research on comparative advertising has so far not made such a differentiation. Furthermore, it is interesting to include consumers' level of sensation seeking because it might influence consumers' evaluations of the sensational value of comparative advertising, which is due to its attention drawing properties (Grewal et al. 1997).

Previous research provides the notion that comparative advertising does not only have positive effects, but can also trigger negative emotions and cognitions (Grewal et al. 1997). Anger, as one of the negative emotions that can occur during the processing of an advertisement (Edell and Burke 1987), is likely to play an important role in the context of attitude formation after contact with comparative advertising because lower credibility of comparative advertising leads to hostility toward the

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advertiser (Swinyard 1981). As a consequence, the consumer is angry. Therefore, the objective of this paper is to analyze the effects of different types of comparative advertising for goods and services through anger on attitudes toward the ad and the product as well as on purchase intentions, depending on people's individual levels of sensation seeking.

Background and Hypotheses

There is a general agreement on the arousing character of comparative advertising (Pechmann and Stewart 1990), but both positive and negative effects of comparative advertising are reported (e.g., Dröge 1989; Grewal et al. 1997; Thompson and Hamilton 2006). For example, comparative advertising can produce positive effects in terms of mental impressions and attitudes toward the advertised brand (Miniard et al. 1993), but also lead to producing counterarguments and to increased familiarity with a competitor's brand (Belch 1981; Gorn und Weinberg 1984; Swinyard 1981). A large body of research focused on moderator effects of variables such as market position (Pechmann and Stewart 1991), advertising message (Dröge and Darmon 1987), or credibility (Swinyard 1981). More recent research examined the influence of consumer characteristics such as self-construal (Choi and Miracle 2004), different processing styles (Thompson and Hamilton 2006), need for cognition (Chow and Luk 2006), or product involvement (Soscia et al. 2010) in order to explain the effectiveness of comparative advertising. An analysis of the effectiveness of alternative product characteristics that can be used for the comparison has received far less attention. Moreover, affective (negative) reactions to comparative advertising have not been analyzed in much detail yet, although previous research provides the notion that such reactions can occur during the processing of comparative advertising (Grewal et al. 1997). Starting from this background, the hypotheses for the new study will be developed in the following.

Reactions to advertising are influenced by verbal content in that evaluative advertising content, which is often related to intangible aspects of a product, leads to more negative attitudes, more negative affect, and more counterarguments than factual content (Edell and Staelin 1983; Iyer 1988), which consists of objectively verifiable descriptions and factual information (Holbrook 1978). Consequently, in general, comparative advertising based on attribute performance, which is rather intangible and thus evaluative, is likely to lead to higher levels of anger than comparisons based on prices, which convey factual information that can be easily verified by the customers.

When predicting anger arousal as a reaction to attribute/price comparisons in advertising, the product type also needs to be considered. As goods are tangible, comparative advertising might work better for goods than for services. However, as argued above, a subjective comparison of goods based on attributes might produce more anger than a comparison based on prices. Services as compared to goods are intangible, often difficult to evaluate, and vary in their outcome (Zeithaml et al.

1985). Consequently, the purchase of a service is perceived as particularly risky (Clow et al. 1998; Murray and Schlacter 1990) and advertising for services needs to provide risk-reducing information (Murray 1991; Pickett et al. 2001). Comparative advertising is supposed to be less appropriate for services because it does not provide such information and thus is likely to produce anger independently of the type of comparison.

A third variable, individuals' optimal level of arousal or sensation seeking (Zuckerman 1979) can explain different levels of aroused anger after contact with comparative advertising. Individuals, who score low on sensation seeking, evaluate an increase of arousal negatively (Galloway 2009; Steenkamp and Baumgartner 1992) because higher levels of arousal exceed their optimal level of arousal (Berlyne 1960). Messages of high sensational value are shown to be negatively evaluated by low sensation seekers (Leone and D'Arienzo 2000). Individuals scoring high on sensation seeking are more tolerant toward stimuli that are novel, intense, and complex (Quick and Stephenson 2008). While comparative advertising is less appropriate for services, as argued above, the differentiation between low and high sensation seekers is of specific interest for goods. As comparative advertising based on attributes is less credible than comparative advertising based on prices, more effort is needed to process the information provided by an attribute comparison. Consequently, an attribute comparison is more arousing than a price comparison. Thus, specifically low sensation seekers are believed to show higher levels of anger than high sensation seekers after contact with such advertising. High sensation seekers are less sensitive toward arousing messages because their optimal level of arousal is not exceeded and thus, attribute and price comparisons will not produce different anger levels. Therefore the following hypothesis can be formulated.

H1a: For low sensation seekers, attribute comparisons of goods result in higher levels of anger than price comparisons of goods, whereas for services there is no such difference.

H1b: For high sensation seekers, the levels of anger do not differ depending on product type or type of comparison.

Previous research provides the notion that negative emotions such as anger can have considerable negative effects on attitudes toward the ad (Batra and Ray 1986; Burke and Edell 1989) and attitudes toward the brand (Stayman and Aaker 1988). A study examining a direct effect of negative feelings on purchase intentions suggests a negative correlation (Brown et al. 1998). Specifically, the negative emotion anger is described as directly influencing action tendencies or even actions (Bougie et al. 2003) and reducing purchase intentions (Folkes et al. 1987). Therefore, we argue:

H2: The higher the anger consumers experience after contact with comparative advertising, the more negative are their attitudes toward the ad/the product and the lower are their purchase intentions.

Although effects of attitudes toward the ad on attitudes toward the product and effects of attitudes toward the product on purchase intentions were already proven

in many studies (Brown and Stayman 1992; Shimp 1981; Spears and Singh 2004), we will formulate and test the respective hypotheses in the context considered here for reasons of completeness:

H3: The more positive the attitudes toward the ad, the more positive are the attitudes toward the product and the higher are purchase intentions

Methodology

The sample consisted of 535 respondents (53.3 % women, average age: 28.8 years, mainly students). The study was based on a 2 (type of comparative advertising: attributes vs. price) \times 2 (product type: goods vs. services) \times 4 [four test products for goods and services, respectively: chocolate bar, shower gel, coffee machine, vacuum cleaner (goods); thermal bath entry ticket, ticket for public transportation, fitness club membership, intercontinental flight (services)] between-subjects design. Four different goods and services were tested, respectively, to cover different product categories. The test advertisement contained a picture of the nonbranded product and the comparative message. In the price comparison condition, the ad stated that the product is cheaper than competitor products. In the condition where product attributes are compared, the ad stated that the product performed better on the respective attributes than competitor products. The relevant attributes were identified in a pretest.

The respondents were shown the ad and asked to fill in the questionnaire. Anger was measured by four items proposed by Dillard and Peck (2000). Attitudes toward the ad (A_{ad}) were measured by six items (Machleit and Wilson 1988), sensation seeking by four items (Stephenson et al. 2003), attitudes toward the product (A_{prod}) by three items (Goodstein et al. 1990), and purchase intentions (PI) by two items (Park et al. 2007). A seven-point scale (1 = totally disagree, ..., 7 = totally agree) was used. The high α -values and the bivariate correlation ($\alpha_{anger}=0.87$; $\alpha_{sensation\ seeking}=0.83$, $\alpha_{A_{ad}}=0.96$, $\alpha_{A_{prod}}=0.90$, $r_{PI}=0.79$) show that the chosen items reliably measure the respective variables. The respondents were additionally asked to indicate whether a product is rather a good or a service. The respective mean values significantly differ from each other ($M_{goods}=2.70$; $M_{services}=4.44$, $t=-12.17$, $p<0.001$; definitely a good = 1, definitely a service = 7) and therefore, a clear assignment to either goods or services is given. The respondents were classified as high and low sensation seekers based on the median split ($MD=4.50$).

Data Analysis and Results

In the first step, a multiway ANOVA is conducted in order to analyze in detail how anger differs depending on type of comparative advertising, product type, and sensation seeking. The type of comparative advertising has a direct effect on the level

of anger ($F=4.94$, $p<0.05$) in that advertising based on an attribute comparison results in higher levels of anger ($M=2.60$) than advertising based on a price comparison ($M=2.31$). The two moderator variables have no significant direct effects. However, the interaction of the type of comparative advertising and product type is significant ($F=6.44$, $p<0.05$) in that attribute comparisons produce higher levels of anger ($M=2.63$) than price comparisons ($M=2.06$) for goods, while there is no such difference for services. No other two-way interactions are significant. Although the three-way interaction of type of comparison, product type, and level of sensation seeking is not significant ($F=0.30$, $p>0.10$), t -tests are used to look in more detail at possible effects of sensation seeking specifically in the case of goods. For *low sensation seekers*, attribute comparisons of goods lead to higher levels of anger ($M=2.68$) than price comparisons of goods ($M=1.95$; $t=3.56$, $p<0.01$). For *high sensation seekers*, the type of comparative advertising has no differential effect on the level of anger for goods (attribute comparison: $M=2.55$, price comparison: $M=2.14$; $t=1.64$, $p>0.10$). For services, neither *low sensation seekers* ($M_{\text{attribute}}=2.68$, $M_{\text{price}}=2.69$; $t=-0.03$, $p>0.10$) nor *high sensations seekers* ($M_{\text{attribute}}=2.41$, $M_{\text{price}}=2.48$; $t=-0.26$, $p>0.10$) show different levels of anger depending on the type of comparative advertising. These results provide support for H1a and H1b.

In the next step, regression analyses are used to analyze how anger is in turn related to attitudes toward the ad, toward the product, and purchase intentions (H2 and H3). Anger has a negative effect on attitudes toward the ad ($\beta=-0.26$, $t=-6.26$, $p<0.001$; $R^2=0.07$), attitudes toward the brand ($\beta=-0.27$, $t=-6.34$, $p<0.001$; $R^2=0.07$), and purchase intentions ($\beta=-0.24$, $t=-5.73$, $p<0.001$; $R^2=0.06$). Thus, the higher the anger experienced after contact with comparative advertising, the more negative are the attitudes toward the ad and the product, and the lower are purchase intentions. Consequently, hypothesis 2 is supported. Finally, attitudes toward the ad have positive effects on attitudes toward the product ($\beta=0.70$, $t=22.69$, $p<0.001$; $R^2=0.49$), which in turn positively affect purchase intentions ($\beta=0.76$, $t=27.02$, $p<0.001$; $R^2=0.58$). Thus, hypothesis 3 is supported.

Conclusion

The results of the study show that the level of anger after contact with comparative advertising differs depending on the type of comparative advertising, the product type, and consumers' individual level of sensation seeking in the case of goods, while no such difference is found for services. In the case of goods, especially low sensation seekers show higher levels of anger in the case of attribute comparisons than in the case of price comparisons. For high sensation seekers, the level of anger does not depend on the type of comparative advertising. The influence of anger on attitudes toward the ad, the brand, and purchase intentions can be confirmed.

Despite the increasing use of comparative advertising, research on conditions in which comparative advertising is more or less effective is still limited. This study shows that comparative advertising is in general less appropriate for services and

that anger as a consequence of comparative advertising is higher when companies compare product attributes other than prices for goods. Thus, specifically, when low sensation seeking consumers are to be targeted with comparative advertising for goods, advertising based on price comparisons seems to be more appropriate because it produces lower levels of anger than advertising based on attribute comparisons.

Future research could examine other types of comparative advertising, different product categories, the emotional attachment to the advertised product, or consumer-specific variables like self-construal in the context of anger triggered by advertising. In addition, considering specific mediator and moderator effects could provide further insights in conditions in which anger occurs and plays a role.

References available upon request.

World Cup Edition or Summer Special? Why Consumers Buy Limited Edition Products

Christine Arden

Introduction

Limited Edition (LE) products can be defined as uniquely designed products offered for a predefined time and/or at a predefined quantity within the same product category. Marketers are likely to promote both luxury and consumer goods' scarcity as this method has proven to be successful not only in the luxury goods segment, but also in various consumer good product categories (Balachander and Stock 2009). Although consumer behavior has already been investigated in the context of scarcity, no study has focused on a rather comprehensive identification of the success factors that determine consumers' intention to purchase scarce products in the fast moving consumer goods (FMCG) context (Van Herpen et al. 2009). Our research focuses on a detailed investigation of FMCG limited editions, as they are one of the most popular product types whose availability is artificially limited (Gierl and Hüttel 2010). Based on a review of the relevant literature we identify crucial determinants influencing consumers' purchase intention (PI) with respect to limited edition products. In particular, we investigated perceived scarcity, perceived product innovativeness, perceived credibility, and perceived product quality. Furthermore, we determine the influence of product familiarity by comparing a convenience sample of noninvolved consumers (study 1) with a sample of consumers highly involved in the product category used in our survey (study 2). Consequently, in order to support marketers to better promote and use scarcity signals in practice, as well as to reduce failure rates of newly introduced LE products, we aim at answering the following research question: What are success factors that drive consumers' purchase intentions of LE products?

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Conceptual Framework

As one form of supply generated scarcity, LE products are designated as such due to seasonal, event, and cooperation-based reasons. These three reasons, labeled as LE type, serve as major factors in the study's empirical analyses. Furthermore, we included strategic fit between the LE type and product as a second factor.

In order to understand consumers' reaction toward scarce products we can partly rely on frustration theory. Individuals perceive limitations and boundaries as a threat to their personal freedom. Such a limitation of availability strengthens the consumer's willingness to possess the object of interest. The desirability of the object increases, because the individual strives to reestablish his threatened freedom (Brehm 1966; Clee and Wicklund 1980). Consequently, the perception of scarcity serves as an important driver of PI within the observed context. Here it refers to the consumers' evaluation of a good whose scarcity results from limited availability based on either quantity or time. For a product limited in time a consumer is in competition against the timing set by the retailer; in a limited-quantity scenario the consumer competes against other consumers. The differences within those competition situations are assumed to have an impact on the consumer's evaluation process. Whereas seasonal and event-based LEs by definition imply a time restriction, a clear classification of a cooperation-based LE to one cause cannot be made, thus we hypothesize:

H1: Consumer perceptions of scarcity differ between seasonal, event, and cooperation-based LE products.

Not only due to high competitiveness and a broad product range within the FMCG market, perceived product innovativeness shows important effects on the consumer's purchase decision (Amaldoss and Jain 2010; Balachander and Stock 2005, 2009; Steinhart et al. 2013). It is defined as the degree of discerned newness of a product (Garcia and Calantone 2002). One crucial determinant within this evaluation is based upon the perceived relative advantage of a product. It refers to the degree to which a product innovation is perceived as better than a comparable good (Rogers 2002). Even though LE shows only a low to medium degree of innovativeness they surely provide a certain kind of advantage distinguishing them from other goods. Seasonal LE might provide a benefit via a new seasonal ingredient and may offer the consumer a new, desired flavor. Event-based LE aim to create a feeling of novelty and conformity via a direct link to a topical event; whereas cooperation-based LE attract the consumer, e.g., via a cooperation with a celebrity, which in turn creates feelings of exclusivity and might complement the product with additional expertise. Thus:

H2: Consumer perceptions of product innovativeness differ between seasonal, event, and cooperation-based LE products.

The concept of fit, defined as the degree of similarity that consumers perceive between a certain pairing, is evaluated as very influential from a persuasion and credibility perspective (Speed and Thompson 2000). Hence, the relationship of

fit—between the product and the LE type—and perceived credibility will be examined in detail. High levels of perceived fit are found to enhance consumers' attitudes toward a good (Becker-Olsen et al. 2006). Furthermore, a strong connection between high similarity and high positive evaluation is very likely to occur in a low-involvement context (Walachli 2007). In contrast, low-fit relations can hardly be integrated into consumers' existing cognitive structures, which in turn triggers skepticism and call the firm's motives into question. Thus:

H3: Consumer perception of credibility is higher for high-fit LE products than for low-fit LE products.

Depending on the relative superiority or excellence of a product in relation to competing products, consumers perceive a product to be of high or low quality. Perceived consistency and fit between different entities defining the evaluated product are known to influence this perception (Heider 1946). If the relationship is evaluated negatively, i.e., seen as a low-fit connection, a perception of inconsistency and an imbalanced state results. Since inconsistency is evaluated as a psychologically uncomfortable condition, feelings of tension may occur. In turn, this pressure is assumed to lead to less positive perceptions and quality evaluations, whereas a high-fit, balanced condition creates positive consumer perceptions (Kanungo and Pang 1973). If consumers perceive high-fit between the product and the LE type, the transfer of quality perceptions from the LE type, e.g., the event or the celebrity, is more easily feasible and more advantageous (Klink and Smith 2001). Thus:

H4: Consumer perception of product quality is higher for high-fit LE products than for low-fit LE products.

As stated previously, perceived credibility in the context of LE is defined as a consumer's perception of the credibility and truthfulness of the product limitation communicated through the LE type. Furthermore, as hypothesized in H3, we assume the level of fit to have a positive influence on this evaluation process. Consumer goods of the mass market like groceries or drugstore products are more likely to be limited in time rather than in quantity (Amaldoss and Jain 2010; Balachander and Stock 2009). Furthermore, it has been shown that increasing contact with a product does not only have a positive effect on product evaluation but that familiarity increases perceived credibility of a message. Familiarity is based on product awareness and product perception and not necessarily connected with experience (Srull 1983). Thus, given that consumers are rather accustomed to time-based limitation signals we assume that they will perceive the limitation signal as more credible. Consequently, we hypothesize that LE products' signaling an implicit time-based limitation, like seasonal or event-based LE, will be evaluated as more credible than LE products without an implicit or explicit time limitation, like cooperation-based LE.

H5: Consumer perception of credibility is higher for high-fit seasonal or event-based LE products than for a high-fit cooperation-based LE products.

Empirical Study

To identify reasonable stimuli that manipulate strategic fit and a suitable product for the main survey we conducted a pretest with a sample of 30 students. The pretest design was adapted from Lafferty (2007). The pretest results implied to choose barbecue sauces as the product category for the main study. For the seasonal LE type, respondents perceived significantly greater fit between barbecue sauce and summer than winter and for a sporting event like the football World Cup than Valentine's Day. For the cooperation-based LE type, respondents perceived significantly greater fit between barbecue sauce and a chef than a fashion designer. Consequently, these six stimuli are chosen for the main study in order to manipulate fit for each LE type. In order to be able to compare to the final results with a benchmark we included a seventh control scenario within the final survey, in which neither fit nor limitation type has been manipulated.

For our main survey we conducted two studies (study 1 and 2), which are both based on the same online experiment using a between-subject design with those seven LE scenarios. The two survey results are examined individually, but are based on the same questionnaire. The first survey served as our convenience sample (study 1) and its Web link was inter alia published via Facebook and German university online forums. Thus, the sample consisted primarily of young adults and students ($n=533$, average age 25.8, 56.5 % female respondents). Study 2 was conducted in cooperation with a leading barbecue manufacturer. The link to study 2's survey was published on the company's Facebook page, thus predominantly addressing male barbecue fans assumed to be interested in the products category and the survey's topic ($n=326$, average age 35.8, 21.2 % female respondents). We conducted a multivariate analysis of variance to empirically examine the 3×2 factorial design. Thus we examined the analysis with the two independent variables LE type (season, event, and cooperation) and the strategic fit (low and high) between the product category and the LE type. We measured this fit by means of the four dependent variables: perceived scarcity, perceived product innovativeness, perceived credibility, and perceived product quality.

Results

According to Pillai's trace, both the variables—LE type and strategic fit—affect consumer perceptions significantly in both studies. Study 1 reveals a significant effect of the LE Type, $V=0.14$, $F(8, 910)=8.58$, $p<0.001$, $r=0.07$, as well as of strategic fit, $V=0.11$, $F(4, 454)=14.22$, $p<0.001$, $r=0.11$, on consumer perceptions. Additionally, also a significant interaction effect of LE type and strategic fit on consumer perceptions is observed, $V=0.04$, $F(8, 910)=2.45$, $p<0.05$, $r=0.02$. For study 2, Pillai's trace shows a significant effect of the LE type, $V=0.18$, $F(8, 540)=6.62$, $p<0.001$, $r=0.09$, as well as of strategic fit, $V=0.14$, $F(4, 269)=10.89$,

$p < 0.001$, $r = 0.14$, on consumer perceptions. Additionally, also a significant interaction effect of LE type and strategic fit on consumer perceptions is observed, $V = 0.08$, $F(8, 540) = 2.69$, $p < 0.05$, $r = 0.04$. Thus both studies identify the LE type as a significant success factor for perceived scarcity and perceived product innovativeness. The examination of the interaction effect between the LE type and the strategic fit shows that, in both studies, the high-fit seasonal and event-based LE products are perceived significantly more credible than the high-fit cooperation-based LE products. Separate univariate ANOVAs on the outcome variables showed that for study 1 all hypotheses except of H4 and for study 2 all but H3 can be supported on a significance level of either $p < 0.001$ or $p < 0.05$.

Within an additional validation model, we show that consumer perceptions serve as drivers of purchase intention. These success determinants account for the LE type and the strategic fit's impact on purchase intention. We conducted a multiple regression analysis with the perceived scarcity, product innovativeness, credibility, and product quality as IVs and purchase intention as the DV. For study 1 the regression model reveals that all four consumer perceptions are significant predictors of purchase intention $F(4, 458) = 46.9$, $p < 0.001$. For study 2, we find similar significant results. However, perceived credibility does not significantly explain consumer perceptions [$F(4, 237) = 63.3$, $p < 0.001$]. Detailed findings are available upon request.

Discussion and Conclusion

Contradicting the classical approach of Brock's commodity theory (1968) we find a significant negative impact of perceived scarcity on purchase intention in both studies. Furthermore, within a group-based setting we are able to show that there is a significant negative impact of perceived scarcity on purchase intention in study 1 but only in a situation of high- and low-fit seasonal limited editions. A possible explanation according to naïve economic theories is that scarcity is closely connected with higher prices and in the price-sensitive FMCG market numerous alternatives are available (Lynn 1992). Consequently, the urge to possess the product could be weakened. Thus it could be argued that within the FMCG sector a high level of perceived scarcity does not necessarily enhance the purchase intention of consumers.

Strategic fit's isolated significant impact on perceived credibility and that of perceived credibility on purchase intention were only found in study 1. In contrast, on average, the respondents of study 2 perceived the limitation reasons of the low- and high-fit LE as equally credible. Accordingly, perceived credibility was not found to be a predictor of purchase intention in study 2. Following Keller's brand awareness model, credibility, as part of the rational evaluation process, is seen as a basic premise for brand attachment (Keller 2010). Subsequently, consumers' perception of credibility in terms of evaluating a product cannot be compromised easily when they are attached to a certain brand or product related to that brand. Hence, this results in equally credible evaluations of low- and high-fit scenarios. In both studies,

strategic fit had a direct effect on purchase intention, which supported its role as a key success factor in the creation of LE products. As we can show study 1 respondents did not reveal significant differences between high- and low-fit LE when evaluating product quality, which can be explained by their low involvement with the product. We can conclude that within both studies the LE type serves as a significant success factor, whereas the impact of different levels of fit depends on additional factors like, e.g., product familiarity.

References available upon request.

Consumer Knowledge, Attitudes, and Purchase Intentions of Counterfeit Fashion Goods: An Initiative to Curbing Consumer Demand in the Marketplace!?

Joy M. Kozar and Kelby Stehl

Abstract Within the global marketplace, the production and consumption of counterfeit goods represent a serious social problem. Scholars continue to suggest anti-counterfeit education as a means to resolve this global problem and curb the demand for counterfeit goods, but no scholarly research has empirically evaluated the effectiveness of anticounterfeit educational campaigns. Therefore, the purpose of this study is to draw upon such suggestions within the literature and quantitatively assess the effectiveness of anticounterfeit education on consumers' perceived knowledge, attitudes, and purchase intentions of fashion counterfeit goods. Convenience samples of male and female college students participated in the study. Utilizing a one-group pretest–posttest quasi-experimental design, the findings from a series of paired samples *t*-tests revealed a positive significant change in consumers' perceived knowledge of fashion counterfeit goods after viewing the anticounterfeit campaign. Negative, significant changes in consumers' favorable attitudes and purchase intentions of fashion counterfeit goods were also found after the campaign was implemented.

Keywords Counterfeits • Consumer behavior • Fashion • Purchase intention

Introduction

This research study embraces the theme of the 2015 Academy of Marketing Science Annual Conference: Celebrating America's Pastimes: Baseball, Hot Dogs, Apple Pie and Marketing!?, with a specific focus on using educational marketing in a positive way to curb consumer demand of fashion counterfeit goods in the U.S. marketplace. The production and consumption of counterfeit fashion goods represent a

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serious problem in U.S. society today. Specifically, the International Anti-Counterfeiting Coalition (IACC) reported that the counterfeit goods industry has increased more than 10,000 % within the past 20 years. Such rapid growth has emerged as a danger to world trade, while imposing economical and societal threats including the loss of jobs and legitimate revenue (Ha and Lennon 2006). The IACC estimates that between 5 and 7 % of world trade consists of trade in illegitimate goods and has resulted in the loss of more than 750,000 American jobs. Trade in counterfeit goods has reached \$600 billion annually on a worldwide basis, while counterfeiting has been estimated to cost businesses in the United States approximately \$250 billion each year (Norum and Cuno 2011).

Among the top five brands counterfeited, four are fashion brands (Kim and Karpova 2010). McGlone (2006) reported that these brands include Louis Vuitton, NIKE, Gucci, and Prada. Among these and other luxury brands, counterfeiting damages brand equity and is a threat to legitimately operated businesses (Ha and Lennon 2006). On average, luxury companies spend approximately 2 % of their revenues to protect their trademarks and other intellectual property (Ha and Lennon 2006).

According to the IACC, one explanation for the rapid growth in the counterfeiting problem is due to the increase in consumer demand for counterfeit fashion goods. Many researchers have questioned why consumers purchase counterfeit goods (Bian and Veloutsou 2007; Kim and Karpova 2010; Koklic 2011; Norum and Cuno 2011); among these studies, researchers have identified that the affordable prices associated with such goods is a major predictor of counterfeit purchasing behavior (Ang et al. 2001; Kozar and Marcketti 2011). Moreover, researchers have found moral judgment to have a significant, negative influence on purchase intention (Kim et al. 2009). Koklic (2011) reported that attitude, moral intensity, and perceived risk significantly affected consumers' intention to purchase counterfeit products.

Many purchasers of counterfeit goods do not think they are doing anything wrong, or are consumers often aware of the connection between the sale of counterfeit goods and illicit acts of crime, such as terrorism and child labor (Ha and Lennon 2006; Marcketti and Parsons 2006; Norum and Cuno 2011). Prior purchasers of counterfeit goods indicated that purchasing a counterfeit product was just as good as purchasing the genuine brand, and therefore, believed they were not hurting the U.S. economy (Norum and Cuno 2011).

Previous scholars have also examined the relationship between consumers' attitudes and purchase intentions of counterfeit fashion goods. De Matos et al. (2007) indicated that perceived risk, previous purchasing experience, subjective norm, integrity, and price-quality inference significantly influenced attitudes toward counterfeits. Kim and Karpova (2010) indicated that product appearance, previous purchasing behavior, value consciousness, and normative susceptibility are significant predictors of attitudes toward buying fashion counterfeit goods. De Matos et al. (2007) reported that consumer intentions to purchase counterfeit goods are dependent on the attitudes they have toward counterfeits, while Koklic (2011) confirmed that unfavorable attitudes toward purchasing counterfeit products negatively affected consumers' intentions to purchase such products.

Norum and Cuno (2011) suggested that changes in attitudes toward counterfeit goods are necessary to discouraging consumer demand in the marketplace. As a means to alter consumer attitudes toward fashion counterfeit goods, the authors recommended employing consumer educational programming and marketing initiatives, with a direct focus on the negative impacts that counterfeit production and consumption have on the U.S. economy and overall society. A number of studies have suggested providing consumers with anticounterfeit initiatives, which communicates the negative aspects of counterfeit product consumption (Ha and Lennon 2006; Kim and Karpova 2010; Kozar and Marcketti 2011; Norum and Cuno 2011). However, while anticounterfeit marketing strategies have consistently been mentioned by scholars, previous researchers have only suggested the implementation of anticounterfeit marketing initiatives to deter demand.

Studies have advocated for specific consumer anticounterfeit marketing campaigns, such as educational initiatives in airports (Kim and Karpova 2010) and public service announcements (Ha and Lennon 2006). Though, there has not yet been a study that has developed and assessed the effectiveness of an anticounterfeit marketing initiative. As such, the purpose of this study was to provide an empirical analysis that examined the impact of an anticounterfeit marketing initiative on consumers' perceived knowledge, attitudes, and purchase intentions of fashion counterfeit goods. Within this study, an anticounterfeit initiative was implemented as the treatment for participants within a one-group pretest–posttest quasi-experimental design.

Theoretical Framework

Within the literature examining consumers' purchasing behavior of fashion counterfeit goods, previous studies have utilized the Theory of Reasoned Action (TRA) as a theoretical foundation (Koklic 2011; Phau et al. 2009). Phau et al. (2009) indicated that the attitude construct is often used as a predictor of consumer intentions and behaviors; in a similar vein, Koklic (2011) explained that the basic assumption of the TRA model is that attitudes shape intentions and intentions shape behavior. According to Schiffman and Kanuk (2010), "the Theory of Reasoned Action (TRA) model represents a comprehensive integration of attitude components into a structure that is designed to lead to both better explanation and better predictions of behavior" (p. 253). This suggests that TRA is useful in applying significant findings of consumers' attitudes and purchase intentions toward implications of actual behavior. As part of this study, TRA provided a theoretical basis for examining consumers' attitudes and purchase intentions of fashion counterfeit goods, and thus, drawing conclusions about actual consumer engagement in fashion counterfeit purchasing behavior.

Consistent with the TRA model, the Hunt–Vitell Theory of Marketing Ethics model proposes that ethical judgments affect behavior through intentions, which serves as an intervening variable (Hunt and Vitell 2006). As the authors explained,

“The H–V model proposes that both ethical judgments and intentions should be better predictors of behavior in situations where the ethical issues are central, rather than peripheral” (p. 145). Expanding further, the authors reported that the model suggests the ethical decision-making process is initiated by the individual’s perception of an ethical problem in a situation and is followed by the evaluation of various possible alternatives that might be used to solve the problem. According to Ha and Lennon (2006), “when given the opportunity to purchase fashion counterfeits (an ethical problem) consumers consider the consequences based on their ethical ideologies. They then form an ethical judgment and assess their purchase intent” (p. 300).

Ha and Lennon (2006) indicated that previous research has found individuals’ ethical ideologies are important in formulating evaluations, attitudes, and behaviors related to ethical situations. Since the consumption of counterfeits has been noted as an ethical problem, the authors deemed it conceivable that ethical ideologies impact attitudes, which effect ethical judgments and impact purchase intentions. Therefore, applying the Hunt–Vitell model to this study will be beneficial when assessing the effectiveness of an anti-counterfeit initiative on consumers’ attitudes and purchase intentions.

Koklic (2011) indicated that implementing educational marketing initiatives is an effective means to confining illicit market activities. Suggested strategies for deterring the demand of fashion counterfeit goods include influencing consumers’ attitudes and intentions to purchase counterfeit products. As such, this study analyzed the impact of an anti-counterfeit initiative on modifying perceived knowledge, attitudes, and purchase intentions of fashion counterfeit goods.

Methodology

Sample

The participants in this study were selected through a sample of college students specializing in various degree programs at a 4-year university located in the Midwestern U.S. As Ha and Lennon (2006) reported that approximately half of the participants in their study had purchased fashion counterfeit goods, the authors suggested use and demand for fashion counterfeit products may be common among undergraduate students. Therefore, sampling from the undergraduate student population was deemed appropriate for this study. As a means to utilize a varied sample, the researchers conducted the study within various course levels and academic programs at the central university campus. The courses included introductory principles of marketing course, a beginning apparel and textile lecture course, an intermediate apparel and textile evaluation course, an intermediate financial planning course, and an advanced family studies course. Participants were enrolled in any one of the various colleges at the university, including agriculture, architecture, arts and sciences, business administration, education, engineering, and human ecology.

Instrumentation

The 22-item instrument utilized in this study incorporated pre-existing scales that have been adapted and utilized for studies focused on the counterfeiting problem. Each item within the instrument was measured utilizing a seven-point Likert-type scale (1—strongly disagree; 7—strongly agree).

Consumers' perceived knowledge of fashion counterfeit goods was measured utilizing three items that were adapted from Bang et al. (2000). While Bang et al.'s (2000) study was conducted to assess consumers' knowledge and attitudes toward renewable energy, a study conducted by Marcketti and Shelley (2009) found the scale items to be effective measures of consumers' knowledge toward counterfeit goods. Bang et al. asked respondents questions such as "How concerned are you about pollution" and "...about the environment when making purchases?" Marcketti and Shelley asked respondents adapted versions of the questions such as "How concerned are you about counterfeiting" and "...about the effects of counterfeit apparel when making purchases?"

As part of the current study, the three items utilized by Marcketti and Shelley were slightly modified so that items could be answered with the Likert-type scale. The three individual items for assessing consumers' perceived knowledge of counterfeits included: "I am familiar with counterfeiting," "I am knowledgeable about counterfeiting," and "I am familiar with the efforts to stop counterfeiting." Reliabilities for the constructs were analyzed to assess internal consistency. Upon confirming reliability, the items were combined to create the summed mean variables for participants' perceived knowledge of counterfeits.

Five items from Bang et al. (2000) were also utilized to assess consumers' attitudes toward fashion counterfeit goods. Again, Marcketti and Shelley (2009) found such scale items to be effective in the context of consumers' attitudes toward counterfeit goods. The five items Marcketti and Shelley (2009) utilized to assess consumers' attitudes were already compatible with the Likert-type scale. As part of the current study, consumers' attitudes toward counterfeits utilized the following items: "I would be proud to own a fashion counterfeit good," "I would buy a fashion counterfeit if no one could tell it was counterfeit," "I like counterfeits," "I will buy a fashion counterfeit good in the next 12 months," and "There is nothing the matter with purchasing counterfeit fashion goods." Upon confirming reliability, the items were combined to create one summed mean variable for participants' attitudes of counterfeits.

Consumers' purchase intentions of counterfeit goods were measured utilizing two items from Bian and Veloutsou's (2007) scale specifically developed for a non-deceptive counterfeit study. This study slightly adapted the original scale by modifying the wording from "counterfeit brands" to "fashion counterfeit goods." The two items used to assess consumers' purchase intentions of fashion counterfeit goods included: "I am willing to buy fashion counterfeit goods for my own use" and "I often buy fashion counterfeit goods for my own use."

Additionally, three items originally employed by Madden et al. (1992) were utilized to assess consumers' purchase intentions of fashion counterfeit goods. While

this scale was not originally developed for counterfeit-focused research, the study by Kim and Karpova (2010) found the scale items to be useful in examining consumers' motivations toward purchasing counterfeit goods. The items of the questionnaire used in the study included: "I intend to buy fashion counterfeit goods in the future," "I will try to buy fashion counterfeit goods in the future," and "I will make an effort to buy fashion counterfeit goods in the future."

To assess internal consistency, reliability analysis was performed separately for each of the purchase intention scales. Upon confirming reliability, the items were combined to create two separate summed mean variables. Utilizing multiple summed mean variables for the same construct adds significance to the study by testing for the appropriateness of different scales in assessing counterfeit purchase intentions.

A section for the participants' demographic information was also included in the questionnaire. Questions asked within this section included: "What is your sex?," "What is your age range?," "What is your year in college?," "Which academic college is your primary major/degree in?," "To which racial or ethnic group(s) do you most identify?," "On a monthly basis, how much (on average) do you spend on new clothes and accessories?," and "Have you ever knowingly purchased a fashion counterfeit good?"

Procedure

Prior to collecting data, the researchers obtained permission from the Institutional Review Board. Then, as part of Phase I of the study, the researchers distributed the self-administered questionnaire packet among the students enrolled in the courses selected for the study. Each packet included a coded questionnaire and cover sheet with a designated space for the student to print their name prior to completing the questionnaire. While the participants were completing the questionnaire, the researchers collected and saved all of the cover sheets for Phase II of the study (for coding purposes only).

Next, the researchers presented the anticounterfeit marketing initiative to participants. The treatment included elements suggested by Koklic (2011) and De Matos et al. (2007) and was designed to impact participants' perception of risk associated with obtaining fashion counterfeit goods. Perceived consequences for society at large, such as a loss in tax revenue and the continued funding and support toward child labor and terrorist activity, were utilized as focal points. The treatment focused on the definition of a counterfeit, with examples of types of fashion counterfeit goods and strategies for spotting "fakes." Information regarding the production of counterfeits was provided, including that counterfeiters do not provide fair/living wages or benefits for employees, have poor working conditions, and often use forced child labor. Also shared with the participants, counterfeiters do not pay taxes, which mean less revenue for the public schools, hospitals, parks, and other social programs (International Anti-Counterfeiting Coalition 2014).

Four weeks after participants were exposed to the treatment the researchers returned to the same courses for Phase II of the data collection process and distrib-

uted the self-administered questionnaire among the students who previously participated in Phase I. The 4-week time interval between phases was based on Cook and Campbell's (1979) recommendations for maintaining validity. In Phase II, each participant was given a new questionnaire packet, which included the participant's original cover sheet containing the same coded number as Phase I and the participant's name printed on the front. This coding method allowed the researchers to track individual responses and modifications in participants' perceived knowledge, attitudes, and purchase intentions.

Data Analysis

To generate an overview of the sample, demographic variables were analyzed using descriptive statistics. Reliability analysis utilizing Cronbach's alpha on multiple-item measures was performed for the various scale items utilized to measure each variable. From each set of scale items, summed mean variables were created and internal consistency was addressed. A series of paired samples *t*-tests were conducted to assess the effectiveness of the treatment in influencing participants' perceived knowledge, attitudes, and purchasing intention.

Results

A total of 323 students participated in the study (63.5 % female, 36.5 % male). Almost half of the sample of participants were between the ages of 20 and 21 (46.4 %), with another 30.0 % of the sample between the ages of 22 and 23. The students were fairly evenly distributed among the different academic programs and colleges. The majority of participants reported themselves as Non-Hispanic White (80.1 %), while participants indicating themselves as Asian or Asian American (12.5 %) or Black or African American (2.8 %) claimed the second and third most represented ethnic groups in the study, respectively.

With regard to spending patterns, participants were asked to indicate how much they spend on new clothing and accessories on a monthly basis. It can be noted that as the indicated amount of money spent on new clothing and accessories increased, the percentage of participants representing those corresponding amounts decreased. For example, participants who claimed they spent less than \$50 per month accounted for the largest percentage of participants (43.0 %), while the next highest percentage of participants claimed they spent between \$51 and \$100 per month (28.8 %). Representing the third highest percentage of participants were those who spent between \$101 and \$150 per month (16.4 %), while the fourth highest percentage of participants were those who spent between \$151 and \$200 per month (8.4 %). The smallest percentage of participants was those who spent more than \$200 per month on new clothing or accessories (3.4 %).

Finally, each participant was asked to identify if they had ever knowingly purchased a fashion counterfeit good. Of the 322 participants who responded to the question, nearly one-third (31.7 %) identified that they had, while the remaining two-third (68.3 %) of the sample indicated that they had not knowingly engaged in such purchasing behavior.

Upon completion of the *t*-tests (Table 1), all measures revealed significant differences between the Phase I and Phase II results. Utilizing the Phase I and Phase II summed mean variables for perceived knowledge of counterfeits (Phase I: $\alpha=0.87$, Phase II: $\alpha=0.75$), a mean difference of -1.88 was reported (Phase I: $M=3.58$, $SD=1.63$, Phase II: $M=5.45$, $SD=1.06$). This suggested that a significant increase in perceived knowledge was reported after participants had been exposed to the anti-counterfeit initiative ($t=-20.69$, $df=322$, $p<0.001$).

Moreover, in comparing the summed mean variables for attitudes toward counterfeits at Phase I and II (Phase I: $\alpha=0.88$, Phase II: $\alpha=0.90$), a mean difference of 0.69 was reported (Phase I: $M=2.71$, $SD=1.20$, Phase II: $M=2.03$, $SD=1.08$). A significant decrease in favorable attitudes toward fashion counterfeit goods was revealed after participants had been exposed to the treatment ($t=10.75$, $n=322$, $p<0.001$). Among the summed mean variables from Bian and Veloutsou's (2007) purchasing intention scale (Phase I: $\alpha=0.73$, Phase II: $\alpha=0.81$), a mean difference of 0.77 was reported (Phase I: $M=2.67$, $SD=1.33$, Phase II: $M=1.90$, $SD=1.14$). This revealed a significant decrease in purchase intention after participants had viewed the treatment ($t=11.25$, $df=322$, $p<0.001$). Similarly, an assessment of Kim and Karpova's (2010) purchase intention scale items (Phase I: $\alpha=0.94$, Phase II: $\alpha=0.92$) revealed a mean difference of 0.73 (Phase I: $M=2.49$, $SD=1.35$, Phase II: $M=1.76$, $SD=1.10$), and again, a significant decrease in purchase intention was observed after participants had been exposed to the treatment ($t=10.86$, $df=322$, $p<0.001$).

Discussion

The findings of this study concur with those reported by previous researchers including Dickson (2000), who found that consumers overall have a low level of perceived knowledge regarding socially responsible business practices in the fashion industry. Marcketti and Shelley (2009) also found that consumers have a lack of knowledge regarding the issues surrounding the counterfeiting movement. As part

Table 1 Phase I and Phase II results for paired sample *t*-tests ($n=323$)

Summed mean variable	Phase I		Phase II		<i>M diff</i>	<i>t</i>
	<i>M</i>	<i>SD</i>	<i>M</i>	<i>SD</i>		
Perceived knowledge	3.58	1.63	5.45	1.06	-1.88	-20.69*
Attitude	2.71	1.20	2.03	1.08	0.69	10.75*
Purchase intention 1	2.67	1.33	1.90	1.14	0.77	11.25*
Purchase intention 2	2.49	1.35	1.76	1.10	0.73	10.86*

* $p<0.001$

of this study, participants reported a lack of familiarity with the fashion counterfeit industry. Such findings lend support to Ha and Lennon (2006), who stated, "Most students are unaware of the link between terrorism and counterfeit product sales and are moved by that knowledge" (p. 312).

Upon completion of Phase II, participants held a significantly higher perception of knowledge toward fashion counterfeit goods. Participants reported being more familiar with and more knowledgeable about the fashion counterfeit industry in general, as well as being more familiar with current efforts to stop fashion counterfeit supply and demand. This suggests that the treatment was effective in heightening participants' awareness of issues associated with the counterfeit industry and current anticounterfeit marketing campaigns in the media. These results also speak to findings, in which it was reported that consumers with higher levels of product knowledge have a stronger capability of evaluating counterfeit products more accurately. For instance, after being exposed to a treatment that provides guidelines for spotting counterfeit merchandise, consumers may have a stronger capability to distinguish a counterfeit fashion good from a legitimately branded fashion good.

Findings from the study indicated a significant change in consumers' attitudes toward fashion counterfeit goods. These results support Norum and Cuno (2011) and Koklic (2011), who suggested that educational marketing might be a way to influence attitudes toward counterfeit goods. At Phase II, participants reported that they would not be as proud to own a fashion counterfeit good or would they be as inclined to buy a fashion counterfeit good even if no one could tell it was a counterfeit. Participants reported a lower likeability of counterfeits, as well as an increased feeling that purchasing fashion counterfeit goods is wrong. While Kim and Karpova (2010) found that consumers might not view purchasing fake fashion goods as a serious dishonest and irresponsible action, findings from this study suggest that anticounterfeit initiatives have the ability to shape consumers' attitudes by impacting their views on the morality of purchasing fashion counterfeit goods.

After exposure to the treatment, participants reported a stronger feeling that fashion counterfeit goods are financially harmful to the original brand owner, as well as stronger feelings that fashion counterfeit goods hurt the U.S. economy. At Phase II, participants held stronger beliefs that those who manufacture fashion counterfeit goods are committing a crime and those who buy fashion counterfeit goods are committing a crime. While Ha and Lennon (2006) explained that counterfeiting is a criminal activity, they suggested that consumers may not see fashion counterfeit purchasing as an unethical activity. However, the findings of this study suggest that marketers may have the ability to shape consumers' attitudes toward the legality of purchasing fashion counterfeit goods.

Finally, as seen by the evident decrease in consumers' purchase intentions in Phase II, the findings of this study lend support to Norum and Cuno's (2011) implication that educators and marketers can discourage the purchase of counterfeit goods by educating consumers about the dangers associated with counterfeiting. The findings of this study also reflect De Matos et al. (2007), who reported that consumers can be dissuaded from purchasing counterfeit goods if perceived risk is at the core of anticounterfeit campaigns.

Implications

The findings of this study are relevant to the work of government officials, fashion retailers and marketers, and anticounterfeiting groups. Such organizations, which continually work to dissuade consumers from purchasing fashion counterfeit goods, will find value in investing their resources in developing and implementing anti-counterfeit marketing campaigns. By incorporating content related to the lawfulness, morality, and risk of purchasing counterfeit products, consumers may begin to think more deeply about their own actions and discover how counterfeit purchasing behavior negatively impacts numerous entities, including the U.S. economy, conditions for workers, and fashion retailers and luxury brand owners.

Within this study, the Theory of Reasoned Action (TRA) provided a theoretical basis for examining consumers' attitudes and purchase intentions of fashion counterfeit goods, and thus, drawing conclusions about consumer engagement in actual fashion counterfeit purchasing behavior. For example, consumers reported holding less favorable attitudes and a decreased intention to purchase fashion counterfeit goods after being exposed to the anticounterfeit treatment. With a decreased likeability and willingness to purchase such goods in the future, the theoretical assumptions of TRA were utilized to imply that anticounterfeit educational marketing, which impacts consumers' attitudes and purchase intentions, may dissuade consumers from engaging in actual fashion counterfeit purchasing behavior. As such, TRA is an appropriate theoretical model for future studies examining the effectiveness of anticounterfeit educational marketing on attitudes and purchase intentions of fashion counterfeit goods because of the theory's capability to draw behavioral implications from significant attitudinal and purchase intention findings.

The findings of this study also contribute to the Theory of Marketing Ethics/Hunt–Vitell Model. The basic premise of the Hunt–Vitell model, as interpreted by Ha and Lennon (2006), is that ethical ideologies impact attitudes, which affect ethical judgments and impact purchase intentions. By utilizing the Hunt–Vitell model as a theoretical foundation, the treatment was developed to make consumers think more deeply about the consequences associated with purchasing fashion counterfeit goods, as a means to impact consumers' attitudes and purchase intentions of such goods. As seen by the effectiveness in altering consumers' attitudes and purchase intentions of fashion counterfeit goods, it is suggested that the Hunt–Vitell Model is a useful theoretical foundation for future studies examining anticounterfeit educational marketing techniques.

Recommendations for Future Research

Future research should investigate the effectiveness of anticounterfeit marketing initiatives presented through various mediums. Anticounterfeit messages should be assessed for effectiveness in impacting consumers' perceived knowledge, attitudes,

and purchase intentions through print, social, and broadcast mediums. For print and social mediums, research should investigate how much educational content, such as number of images and/or number of educational topics presented, is needed to have a significant impact on consumers. For broadcast media, researchers should focus on investigating anticounterfeit campaigns and advertisements for length of time that is needed to have a significant impact on consumers. For example, various campaigns could be tested in 30, 45, and 60 s intervals to determine which length of time is most effective in influencing consumers' perceived knowledge, attitudes, and purchase intentions of fashion counterfeit goods.

Limitations

A convenience sample was selected due to the nature of the study and time constraints involved with scheduling Phase I and Phase II course visits. Further research should be conducted utilizing a random sample to verify if the findings can be generalized among a more diverse population. A sample that is more heterogeneous in terms of gender, age, ethnicity, educational background, and amount of money spent on fashion goods each month would be beneficial to confirm generalization among the findings.

The one-group pretest–posttest design is also subject to threats of internal validity. Future research should be conducted utilizing the same pretest–posttest design, but with a second group acting as a control group to minimize threats to internal validity. Additionally, the time allotted between Phase I and Phase II could be increased to minimize timing threats to validity, however, the time interval should not be extensively increased as threats to history and maturation are elevated. While Morgan et al. (2004) acknowledged that a research design attempting to change a behavior pattern or attitude should utilize a short-time interval to minimize threats to history and maturation, it would be beneficial to extend the time interval to approximately 8 weeks to reduce timing threats to validity. Such an extension in time could lessen any carryover effects that might increase posttest performance, while still considering other threats to internal validity.

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Session 2.4
Effective Messaging for Online
Advertising

Are Sponsored Blog Posts a Good Thing? Exploring the Role of Authenticity in the Fashion Blogosphere

Miranda Williams and Nancy Hodges

Introduction

Making an appearance in the mid-1990s, blogs were first viewed primarily as “internet sites that served as a platform for open communication and detailed discussions” (Rocamora 2011, p. 408). Although blogs were promoted as a tool for everyone, at the time, the technology was mostly used for political and educational discourse. It was not until the attack on the World Trade Center in 2001 that blog use achieved worldwide popularity (Rocamora 2011). As bloggers began to see the benefits of blogs as a communication tool, they started to expand beyond the topics of politics and education. Many researchers consider this moment in history to be the birth of personal blogging (Chittenden 2010; Rocamora 2011).

Over time, personal blogs began to focus on product category-specific information and reviews. Considered an alternative to traditional forms of marketing, personal blogs focus directly on user experience (Kretz and de Valck 2010; Kulmala et al. 2013; McQuarrie et al. 2013; Scarabato and Fischer 2013), which many consumers view as an escape from seller-centric messages and persuasive marketing strategies. However, marketers are slowly starting to enter the blogosphere through “sponsored blog posts” on personal blogs. Otherwise known as online advertisements, “sponsored blog posts” are noncontractual agreements wherein bloggers receive compensation from sponsoring marketers for their reviews and endorsements (Lu et al. 2014). Fashion blogs, in particular, are frequently targeted for sponsorship. Apparel retailers spend months, sometimes years, assessing the character narratives of bloggers, as well as consumer responses to blog content, prior to entering into a marketing partnership (Kulmala et al. 2013). Given the development of

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such partnerships, the twofold aim of this study was to investigate consumer perceptions of sponsored blog posts and, in turn, to explore the extent to which these perceptions impact their views on the information provided by fashion bloggers.

Prior research suggests that when it comes to trying new products and brands, consumers trust peers more than they trust retail establishments (Kulmala et al. 2013; Lu et al. 2014; McQuarrie et al. 2013; Scarabato and Fischer 2013). According to Beverland and Farrelly (2009), this mode of thinking is the result of a standardized and homogeneous marketplace that fails to address consumers' need for authenticity. Although authenticity has been identified as context and goal dependent (Arnould and Price 2000; Bruner 1994; Chronis and Hampton 2008; Leigh et al. 2006; Postrel 2003; Rose and Wood 2005; Wang 1999), few studies have explored how sponsorship affects authenticity within the blogging community. As such, this study examines the relationship between sponsorship and authenticity within personal fashion blogs.

Methodology

Two research questions were developed to guide the study. (1) *What role do sponsored blog posts play in the fashion blogosphere?* and (2) *How do blog audience members respond to sponsored blog posts?* A qualitative research design was used, as it provided insight into the "needs, desires, meanings, and choices" (Kozinets 2002, p. 62) of fashion bloggers and their blog audiences. More specifically, Kozinets' (2002) netnographic approach to digital data collection was used to establish the criteria suitable for evaluation: (1) a focused and research relevant segment, topic, or group, (2) high "traffic" of postings, (3) large number of discrete message posters, (4) detailed or descriptively rich data, and (5) between-member interactions of the type required by the research question (p. 63).

Data were collected through online participant observation over a 17-week period. From June to October, text-based interactions from seven popular fashion blogs were recorded and analyzed. Blogs were selected based on bloggers' inclusion and promotion of sponsored products. To obtain an adequate sample of texts for analysis, the following requirements were established: (1) the blog includes one sponsored post every week, (2) the blog has been active for the past 12 months, and (3) the blog has followers who comment on a weekly basis. In addition to verbatim blog posts, observations of audience members' reactions were recorded to further categorize the data into themes and apply meaning to the concepts.

Over 100 pages of verbatim posts and observations were compiled. Once completed, the researchers followed Spiggle's (1994) suggestions for analyzing and interpreting qualitative data. From this iterative process, three main themes were identified and are used to structure the following interpretation: *To Disclose or Not to Disclose*, *Blogger vs. Consumer*, and *A Question of Credibility*.

Results and Discussion

To Disclose or Not to Disclose

Several of the bloggers included in this study tend to disclose sponsorship deals early in the marketing partnership. By doing so, they “avoid nondisclosure problems that may lead to deception and arouse ethical concerns” (Lu et al. 2014, p. 260). An example of sponsorship disclosure can be seen in Samantha’s post about the online fashion retailer, Piperlime. She blogs,

Piperlime asked me to share my favorite fall look... I centered the outfit around a dress. This flounce dress is the cutest ever and under \$100! Piperlime is also having 20% off their Ultimate Fall Checklist ending today with code: FALL20.

A big thank you to Piperlime for sponsoring this post! (Samantha)

In addition to the product, Samantha makes her blog audience aware of a short-term promotion offered by Piperlime. This additional element is designed to prompt audience members who are undecided about the product based on the images and text alone. For example, Elisa posts her excitement about the promotion.

I like the dress, but the 20 % promotion sealed the deal! How can I pass that up? May I ask which size you got? ...[i]t’s hard to see how it fits... (Elisa)

Samantha quickly answers Elisa’s size question, but then shifts her focus to other items on Piperlime’s Ultimate Fall Checklist. She says, “I feel the dress runs pretty TTS (true to size). I am usually an extra small and the extra small fits me perfectly. If you need something to wear with it, Piperlime has a great maroon coat on sale. I love your knee high boots, too! You can see some of my favorite ones [here](#), [here](#), and [here](#).” Elisa then responds with a question about one of the new links and, thus, the cycle of advertising continues.

Based on the interpretation, it appears that success of sponsored blog posts largely depends on a blogger’s accessibility to fashion products, as well as her ability to convince an audience to buy those products. With the help of retailers, fashion bloggers obtain items at little to no cost and then promote these items to consumers using a smaller incentive (i.e., seasonal promotion). Disclosing a sponsorship along with an incentive appears to be designed to make the sponsored blog post more appealing to audience members as compared to simply disclosing sponsorship. In addition, sponsored blog posts are used by some bloggers as a platform for promoting complementary products. Posts reveal that once consumers make an initial purchase decision, they are likely to consider other products that compliment it (i.e., a coat or boots to go with a dress). This act of repeat patronage demonstrates that sponsored blog posts do not always undermine authenticity (Beverland et al. 2008; Beverland and Luxton 2005).

Blogger vs. Consumer

Loyalty is defined as “a powerful influence on consumer retention and repeat purchases” (Bailey and Seock 2010, p. 40). While fashion blogging in its natural form is not considered a business, the use of sponsored blog posts to promote products is part of a much broader business strategy. For example, Christa’s recent collaboration with the brand Vince results in a promotion of its new collection of fall coats. For a solid week, she uses sponsored posts on her fashion blog to feature a different Vince coat each day, which causes mixed reactions among her audience members. For example, Jamie, a loyal Vince customer, appears to enjoy the sponsored posts and frequently asks for Christa’s opinion about the different options. She blogs,

Hi! I live in the northeast and it is super cold! I recently found a Vince coat on sale for \$269! Do you think it will be worth it and warm enough for the...weather? (Jamie)

Christa’s response to Jamie is warm and engaging. She even poses a question back, which prompts Jamie to express her loyalty and devotion to the blog.

Which coat is it? I’ve never bought something Vince that I didn’t feel like was worth the money spent. The pieces are pricey, yes, but I have a Vince coat that is so durable and I know I will have it forever. It’s also very warm because it’s oversized and I can wear as many layers as I want under it. (Christa)

It’s the wool two-tone coat. I think layering it will definitely make it warmer too! Thanks for your input. You are my favorite blogger! (Jamie)

Jennifer, on the other hand, appears displeased with Christa’s dedication to one particular brand. She expresses her discontent with the sponsored blog posts, stating that other bloggers include a more diverse selection of products to address the price restrictions experienced by a broad audience. When Jennifer’s initial comment does not receive a response, she takes a more direct approach.

Can you please respond to my initial post? Many other bloggers include a mix of high cost/low cost items because not everyone can afford a \$700 coat or a \$400 sweater. Even if they don’t provide more affordable options...at least they respond back when I ask about cheaper alternatives. (Jennifer)

Based on the interpretation of the data, it appears that along with loyalty, authenticity can be challenged when fashion bloggers fail to meet the wants, needs, and expectations of their audience members. Sponsored blog posts that place emphasis on one brand or retailer are designed to cater to a specific group of individuals. When dedicated members of the blog audience fall outside of the group, they appear to feel frustrated or alienated by the blogger. This results in a divided blog audience, wherein some members, like Jamie, further connect with the blogger while others, such as Jennifer, disengage.

A Question of Credibility

According to Lu et al. (2014), personal blogs have a dual role: (1) to provide product information and (2) to make product recommendations. Within the fashion blogosphere, this form of electronic word of mouth (eWOM) is commonly used by consumers as a consultation tool to avoid purchase regret later on (Kozinets et al. 2010; Kumala et al. 2013). Conversely, sponsored blog posts within personal fashion blogs can encourage consumers to purchase products from a specific company or brand endorsed by the blogger.

Based on the interpretation of the data, sponsorship agreements can result in the blogger's credibility being questioned. For example, Michelle, a veteran poster, expresses her disappointment with a blogger who accepted multiple sponsorships in a short period of time. She blogs,

I do appreciate that you are honest with your disclosure in terms of sponsorship, but...I have never seen you say a word about this product. If every product you promote is part of a sponsorship, it is really hard to know what you truly like and what you are promoting because you are being paid. Your blog seems disingenuous lately and I think I have figured out why. Everything that is your new "favorite" or "go to" or "best thing ever" is a sponsored product. Your blog was one of the first for me... You were so relatable then. I realize that you have probably got a new audience...but I sure miss the old blog. (Michelle)

As some audience members start to long for the past or, in this case, what the blogger was prior to sponsorship, they begin to create authenticity through the "suspension of disbelief" or "acts of imagination" (Chronis and Hampton 2008, p. 122). Although these audience members may remove themselves for a period of time, the blurred boundaries that exist in their quest for authenticity may actually leave the door open for future patronage and loyalty (Wang 1999).

Within the same post, a new poster, Kylie, expresses her concern about the sponsorship. However, unlike Michelle's post, Kylie makes a positive comment about the blog before questioning the authenticity of the post. She blogs,

I like the valuable information you supply...however, I do have a question. Do you really use this product or are you just plugging it because it's sponsored? I'm honestly asking because I don't know if you've said anything about this brand before. (Kylie)

Kylie's post suggests that she is not opposed to the incorporation of sponsored blog posts; rather she is concerned about the honesty of the review. Fashion blog posts are deemed credible when the content is seen as "unbiased, believable, true, or factual" (Lu et al. 2014, p. 259). Since sponsored blog posts are considered a form of advertising, bloggers who suddenly start including sponsored posts are deemed to be less authentic than they were before. The interpretation of the data shows that even fashion bloggers who have proven themselves authentic in the past risk quickly being labeled "disingenuous" when they upload a sponsored blog post as part of a marketing partnership. Removing the personal use component further decreases trust and acceptance among the blog audience. In contrast, when products are promoted beyond being part of a sponsorship, meaning they are actually used regularly

by the blogger, sponsored posts are more likely to be met with approval by the audience.

Conclusions and Implications for Theory and Practice

Fashion blogs were once considered an alternative to traditional forms of marketing. The dissemination of unbiased information through these blogs allowed consumers to evaluate products and make purchase decisions based on the authenticity of the blogger/user experience. However, in the past few years, the focus of fashion blogs has shifted from advising the fashion consumer to celebrity endorsements, with the bloggers being the celebrities. Although limited in terms of generalizability by its qualitative approach, findings of this study suggest that at least some popular fashion bloggers are perceived to have become more concerned with endorsement deals and other types of sponsorship rather than the authenticity of the information and expertise they provide their audiences.

Findings highlight the fact that fashion bloggers who secure sponsorship promote products that they may or may not have purchased on their own (i.e., outside of the sponsorship). This leads to uncertainty among blog audiences, as they may hesitate to buy the items they see displayed on the blogs unless persuaded to by other means, such as discounts or promotions. Although fashion bloggers are just now learning how best to relate to their audiences through sponsorship, findings of this study suggest that there are differing expectations about authenticity among members of a fashion blog audience. Further research on the topic is needed to explore in-depth the implications of these expectations for shaping the dynamics between bloggers and their audiences as the fashion blogosphere evolves.

References available upon request.

An Exploratory Analysis of Pronoun Usage by Brands and Consumers on Facebook

Ryan E. Cruz and James M. Leonhardt

Abstract

The importance of the language used in brand-consumer communications spans many areas of marketing including advertising, personal selling, public relations, service interactions, traditional media, and, within the last decade, digital and social media marketing. The present research provides an exploratory investigation on the use of first (e.g., “I”) and second (e.g., “You”) person singular pronouns in brand-consumer communications on the popular social networking platform, Facebook. In particular, archival data from brand administrator and fan posts on Facebook were collected for a period of 45 days. Initial findings suggest that first- and second-person singular pronoun usage is higher in consumer comments than in brand posts. On the other hand, brand posts contain a higher proportion of second-person (vs. first-person) singular pronouns, while consumer comments contain a higher proportion of first-person (vs. second-person) singular pronouns. Brand posts contain a higher portion of second-person singular pronouns than do consumer comments. Finally, consumer comments contain a higher proportion of first-person singular pronouns than do brand posts. Managerial implications and opportunities for future research are discussed.

References available upon request.

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Personalized Advertising, Invasiveness, and Consumers' Attitudes: A Structured Abstract

John T. Gironda and Pradeep K. Korgaonkar

Introduction

Personalized advertising represents a new and emerging trend in the field of online advertising. Through the use of enhanced online data collection techniques, marketers can now craft seemingly made to order advertisements tailored to a specific individual. Numerous websites and services are hosting personalized banner and/or text ads, such as YouTube, Facebook, Hotmail, and Gmail. In addition, the technique is being used by more and more firms such as Amazon, MetLife, Dollar-Thrifty, Staples, Joseph A. Bank, Orbitz, Zappos, and T-Mobile.

Through advances in data collection that allow individual consumers to be identified and their behavior analyzed (Tsang et al. 2004), personalized advertising promises to deliver consumers more relevant ads (Athanasiadis and Mitropoulos 2010; Vesanen 2007). This is because the ads are created from specific consumer information and explicit and/or implied preferences obtained from previously monitored online activity including search entries, clickstream data, and/or website user profiles (De Bock and Van den Poel 2010). This should lead to increased consumer satisfaction (Athanasiadis and Mitropoulos 2010; Kramer et al. 2007; Xu et al. 2011) and more effective online display advertisements (Lekakos 2009; Pessemier et al. 2008). Therefore, personalized advertising has the potential to benefit both consumers and firms alike.

While personalized advertising seemingly holds great potential to transform online advertising for both organizations and individuals, research studies on personalized

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advertising have been somewhat sparse (Lopez-Nores et al. 2009), as well as inconclusive due to mixed results. For example, some studies have shown that personalized advertising has led to positive consumer responses such as improved attitude toward a website and purchase intentions (Chakraborty et al. 2003; Chen and Wells 1999; Tam and Ho 2006), while other studies reveal that consumers do not yet feel completely comfortable with the practice of personalized advertising due to a number of concerns, especially regarding privacy (Baek and Morimoto 2012; Athanasiadis and Mitropoulos 2010; Nah and Davis 2002). Therefore, consumer acceptance of the technique still remains a significant hurdle for personalized advertising to overcome. Therefore, it is critical for marketers to garner a better understanding of consumers' attitudes towards personalized advertising in order to be able to use those insights to maximize the benefits of personalized advertising for consumers and firms, while still being able to alleviate consumer privacy concerns.

The purpose of this research is to work toward developing a more thorough understanding of consumers' attitudes toward personalized advertising by exploring the antecedents and outcomes of those attitudes. In particular, we examine what factors determine whether personalized advertising is perceived favorably vs. invasively by consumers and what effects those perceptions have on consumers' attitudes and intentions. This research should lead to several contributions for academicians, marketing practitioners, and consumers.

Conceptual Framework

Personalized advertising has been defined as "customized promotional messages that are delivered to each individual consumer through paid media based on personal information (such as consumers' names, past buying history, demographics, psychographics, locations, and lifestyle interests)" (Baek and Morimoto 2012, p. 59).

Drawing upon previous research on personalized advertising, personalization, information privacy, innovation adoption, and invasiveness we derived a research model that is based upon and extends privacy calculus theory (Culnan and Armstrong 1999; Laufer and Wolfe 1977) as a theoretical lens by which to conduct our investigation. Privacy calculus theory posits that an individual's privacy decision process can be thought of as a cost-benefit analysis of competing beliefs in which the benefits and risks of engaging in a behavior are weighted against one another in a calculus (Culnan and Armstrong 1999; Dinev and Hart 2006; Laufer and Wolfe 1977). In the context of personalized advertising, while the use of personalized advertising is essentially a free service, the collection of large amounts of consumers' information entails various risks that can be thought of as costs in this case (Chellappa and Shivendu 2010; Li et al. 2011). Therefore, if consumers are willing to use personalized advertising, they are paying these information disclosure costs in exchange for certain benefits such as more useful and relevant online advertisements.

The research model used in our study is designed to assist in the examination of key elements influencing consumers' attitudes and intentions with regard to personalized

advertising. In addition to including traditionally studied elements of the privacy calculus in our model (i.e., privacy concerns, privacy risks, and perceived privacy control) we also extend privacy calculus theory by including additional related elements such as invasiveness, market mavenism, consumer innovativeness, and perceived usefulness. These additional elements have not yet been empirically examined within a privacy calculus framework, nor to the best of our knowledge, have all of them been examined alongside each other within any comprehensive nomological framework. Thus, their inclusion in our model should not only help shed light on consumers' perceptions of personalized advertising, but should also provide valuable insights into previously unstudied interrelationships among a number of constructs.

Methodology

Our study utilized a scenario-based survey method in which data were collected from a Qualtrics national consumer online panel via a self-administered questionnaire. Participants were randomly assigned to one of the five brief scenarios describing a typical event that a web user might encounter with regard to personalized advertising on a social networking site. The use of multiple scenarios allowed for the inclusion of differing personalized advertising contexts. For instance, the first scenario only presented a brief description of personalized advertising and was used as a control group to obtain a baseline assessment of consumers' perceptions of personalized advertising. The subsequent scenarios also presented the description of personalized advertising, but contained additional information regarding the source of consumer data used to generate a personalized ad. For example, one scenario mentioned that a personalized ad was based on information from a previous online search conducted by the consumer, while another scenario noted that the personalized ad was based on information from a users' social networking site profile.

Following the scenario, participants were asked a series of questions assessing their demographic information and measuring the respective constructs of our model. We utilized existing measurement scales that have previously demonstrated acceptable levels of reliability in other studies and adapted those scales to fit the context of our study. In addition, we conducted both a pretest and pilot study to assess the preliminary quality of our measurement instruments and make refinements as needed.

The measures used in our study are as follow. Privacy Risks and Perceived Privacy Control were both measured using four-item scales derived from Xu et al. (2011). Privacy Concern was measured with four items adapted from Anderson and Agarwal (2011), Dinev and Hart (2006), and Malhotra et al. (2004). Disposition to Value Privacy (DTVP) was measured via two items adopted from Xu et al. (2011). Invasiveness was measured using a five-item scale derived from Zweig and Webster (2002), Paschal et al. (2009), and Tepper and Braun (1995). Perceived Usefulness was measured with four items adapted from Davis et al. (1989) and Taylor and Todd (1995). Attitude toward Personalized Advertising was measured using a four-item

scale adapted from Muehling (1987) and Wolin and Korgaonkar (2003). Consumer Innovativeness was measured with three items derived from Roehrich (2004) and Tellis et al. (2009). Market Mavenism was measured via the Market Maven Scale (MMS) consisting of five items developed by Feick and Price (1987). Finally, Intention to Click on a personalized advertisement and Intention to Purchase were each measured using four items adapted from MacKenzie et al. (1986) and Venkatesh et al. (2003). All items were measured on seven-point semantic differential or Likert scales with descriptive anchors such as (1) “strongly disagree” to (7) “strongly agree”.

The primary method of data analysis for our study’s proposed research model was carried out via structural equation modeling (SEM) with maximum likelihood (ML) estimation analyzing a covariance matrix using the LISREL 8.8 software package (Jöreskog and Sörbom 1996). We employed the Anderson and Gerbing (1988) two-step model building approach, in which we first conducted a confirmatory factor analysis (CFA) to test the psychometric properties of the measurement scales being used by inspecting the reliability, convergent validity, and discriminant validity of each of the scales. Following the CFA we analyzed the structural model in order to test the hypothesized relationships between latent constructs by examining the significance of each structural path coefficient. After deleting 22 samples due to incomplete responses, our final sample size was 545 respondents.

Data Analyses and Results

We initially assessed the normality of our data, as well as the reliability, convergent validity, and discriminant validity of each of the scales. Results of our initial assessment of the data showed it to be normal, with each of the measurement scales also displaying acceptable ranges of reliability, convergent validity, and discriminant validity over and above their minimum recommended values. In addition, we also inspected the goodness of fit indices for our measurement and structural models and found that all measures of fit were also within the acceptable range and above the minimum recommended values. Finally, to test our study’s hypotheses we examined the significance of each path coefficient in the structural model.

Key Research Findings and Implications

There are a number of interesting findings of our study, however, due to space considerations we will limit our discussion to the most noteworthy. As hypothesized in our study, the perceived invasiveness of personalized advertising was found to be an important negative antecedent to attitude toward personalized advertising. In addition, as hypothesized, perceived invasiveness displayed a significant negative relationship with both click-through intentions and purchase intentions, respectively. Moreover also as hypothesized, perceived usefulness displayed a significant positive relationship with attitude toward personalized advertising.

These findings represent extremely important implications for academicians and practitioners alike. For instance, since perceived invasiveness was negatively related to attitude toward personalized advertising, it would be advisable for practitioners to find methods in which to reduce the perceived invasiveness of personalized advertising in order to improve consumers' attitudes toward these types of ads. Moreover, since perceived invasiveness also demonstrated a direct negative relationship with click-through and purchase intentions in the context of personalized advertising, this further emphasizes the importance of marketers finding ways to reduce the perceived invasiveness of personalized advertising, since it may have a direct impact on these intention variables as well.

Additionally, since perceived usefulness was positively related to attitude, it would be advisable for marketing practitioners to also find ways to improve the perceived usefulness of personalized advertisements and emphasize how beneficial personalized ads can be for consumers, as a way for improving consumers' attitudes toward the practice of personalized advertising. One way marketers might be able to do this is by highlighting the potential benefits of personalized advertisements to consumers by noting that these ads are more relevant than traditional advertisements since they contain messages that are crafted for and tailored to a specific consumer and take into account an individual's information, interests, and preferences. In addition, practitioners might also be able to improve perceived usefulness of personalized advertising by emphasizing that personalized ads will help consumers save time since they will not have to search as long to find products of interest.

References available upon request.

Understanding the “Spillover Effect” of Negative Economic News on Consumers’ Evaluations of Online Advertising

Cuaahitemoc Luna-Nevarez

Introduction

According to a recent CNN national opinion poll, only 25 % of Americans believe that the economic recession is over (Silverleib 2014). The economic recession, which officially started in December 2007, has significantly impacted consumers’ behavior. According to Loechner (2009), “the recession has caused a profound, deep-rooted change in consumers’ spending habits in favor of a more restrained approach (p. 1).” Moreover, the economic downturn has forced firms to reformulate their marketing strategies as a new type of consumer has emerged, one who buys in a “frugal, careful, conservative, and commonsensical way” (Lindstrom 2008, p. 207).

Advertising represents one of the most important marketing activities for a firm. However, as consumers’ purchasing behaviors continue to adapt to the changing economic conditions, marketers have started to experience a reduced effectiveness of their advertising efforts. This phenomenon could be attributed to the negative sentiment among consumers caused by the effects of recession. Even though this sentiment about the economy is mainly influenced by the decrease in personal income, the continuous exposure of consumers to media news about the economy, may, under certain conditions, exacerbate this negative effect (Goidel and Langley 1995). This poses new challenges for marketers, who must rethink their strategies to reach consumers not only during recessionary periods, but also in the following period. Therefore, understanding how the exposure to economic news affects consumers’ evaluations of advertising has become critical to create effective messages that align with such new attitudes and behaviors.

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Theoretical Background and Hypotheses

With the emergence and rapid expansion of Internet-based technologies, media websites, blogs, and social media sites have become important mediums to obtain first-hand information about the economy, politics, and other relevant topics to consumers. Economic news placed on these sites provide consumers with a first impression and a point of reference about the current state of recession and economic conditions.

According to the negativity effect, negative information has a greater impact on impression formation than positive information (Soroka 2006), as the former is perceived to be more diagnostic or valuable for decision making, target categorization, and attribute evaluation (Ahluwalia 2002). When people are exposed to national economic information, their responses to negative information are much greater than their responses to positive information. Although this effect is estimated to have a short duration, it can be sufficient to form a negative impression on consumers. Thus, consumers may make decisions based on their own “assumed” state of the economy. In other words, the mere exposure to media economic news can lead to biased affective and cognitive reactions in consumers (Doms and Morin 2004).

The role of impression formation and the negativity effect has been addressed in advertising literature (Yi 1990; Ahluwalia et al. 2000; Ahluwalia 2002; Shen and Chen 2007). For example, in his study about the effects of affective and cognitive priming in print advertisements, Yi (1990) found that negative framing in ads induces mood to the extent that product evaluations may be affected. In a more recent study about the role of contextual priming in advertising, Shen and Chen (2007) found that the applicability of the contextual attributes of the ad to the advertised brand influences the attitudes toward the ad and the brand. When such applicability is low, contextual attributes are likely to have a negative impact on attitudes.

As most advertisements are placed in media contexts such as newspapers, television, radio, websites, and social media, there is an expectation that the negativity effect could also occur prior to the ad exposure. That is, consumers could transfer the negative or positive valence of economic news on a website to their own evaluation of the online ads on the site by means of a “spillover” effect.

Thus, I hypothesize that:

- H₁:** Consumers exposed to negative economic news will be more likely to evaluate the likeability of the ad negatively than consumers exposed to positive economic news.
- H₂:** Consumers exposed to negative economic news will be more likely to evaluate the persuasiveness of the ad negatively than consumers exposed to positive economic news.
- H₃:** Consumers exposed to negative economic news will show a lower intention to purchase the product than consumers exposed to positive economic news.

Regulatory focus theory states that individuals are distinguishable by pursuing prevention-focused (i.e., avoiding losses) or promotion-focused (i.e., obtaining gains) goals (Higgins 1987). Basically, this theory establishes that “individuals with

a promotion focus regulate their behaviors toward positive outcomes and those with a prevention focus regulate their behaviors away from negative outcomes” (Aaker and Lee 2001). According to Zhu and Meyers-Levi (2007), self-regulatory focus influences the way people process information of the current environment. As their main goal is to “obtain” gains, promotion-oriented individuals focus on positive states; thus, they are more likely to think about their environment as favorable. Conversely, as their goal is to “prevent” losses, prevention-oriented individuals focus on negative states, which lead them to evaluate their environment as problematic or unfavorable. These perceptual differences about their environment make individuals engage in more (less) cognitive elaboration depending on their prevention (promotion) focus.

Based on these findings, it could be inferred that people’s exposure to favorable (optimistic) news about the current economic conditions could increase their positive evaluation of promotion-oriented ad messages (as such messages align with their “positively oriented” goals). In the same way, we could also predict that the exposure of people to unfavorable (pessimistic) news about the current economic conditions could increase their positive evaluation of prevention-oriented ad messages (as such messages align with their “negatively oriented” goals).

Therefore, I hypothesize that:

H₄: The focus of the ad message moderates the effect of economic news on consumers’ evaluations of online advertisements, such that:

H_{4a}: Positive (negative) economic news will have a more (less) positive effect on ad likeability when the message of the ad is promotion-focused (prevention-focused), and

H_{4b}: Positive (negative) economic news will have a more (less) positive effect on ad persuasion when the message of the ad is promotion-focused (prevention-focused).

Research Method

One hundred and eighty-eight undergraduate business students participated in the study. Participants were randomly assigned to one of four conditions in a 2 (economic news: positive, negative) × 2 (ad focus: promotion vs. prevention) between-subjects experimental design. First, participants were asked to read an article on a news media website. The article addressed either positive or negative news about current economic conditions. Next, participants were asked to scroll down, carefully observe a banner ad placed below the article and read the information contained in the ad. The ad was for a novel product not sold in the United States. The advertised product was selected through a pretest which confirmed that the product was suitable to convey promotion-focused or prevention-focused benefits and that respondents were not familiar with the product. The content of the ad was adapted to each condition by framing the main message (i.e., benefits of the product) as promotion-focused or prevention-focused.

After viewing the ad and reading its content, participants were asked to respond to a questionnaire including measures of ad likeability, ad persuasiveness and purchase intentions, and demographic questions. Additionally, manipulation checks were used to verify that participants assimilated the promotion and prevention benefits of the product and understood the negative/positive nature of the economic news in the article.

Results

To test participants' affective attitudes toward the ad, an Ad Likeability Index was created by averaging the eight measures of the scale. The results yielded a significant main effect of economic news on ad likeability. Participants in the negative economic news condition scored lower on ad likeability ($M_{\text{Negative}} = 5.34$) than those in the positive economic news condition [$M_{\text{Positive}} = 5.73$; $F(2,185) = 3.07$, $p < 0.05$]. These results provide support for hypothesis 1.

To test participants' cognitive attitudes toward the ad, an Ad Persuasion Index was created by averaging the eight measures of the scale. The results showed a significant main effect of economic news on ad persuasion. Participants in the negative economic news condition scored lower on ad persuasion ($M_{\text{Negative}} = 4.54$) than those in the positive economic news condition [$M_{\text{Positive}} = 4.89$; $F(2,185) = 3.47$, $p < 0.05$]. These results provide support for hypothesis 2.

Regarding participants' intention to purchase the product, the results yielded no significant main effect of economic news [$F(2,185) = 0.850$, $p > 0.40$], suggesting that purchase intentions did not vary with the type of economic news primes. Thus, hypothesis 3 is not supported.

As for interaction effects, result showed a significant economic news \times ad focus interaction for both dependent variables: ad likeability [$F(2,185) = 0.64$, $p < 0.05$] and ad persuasion [$F(2,185) = 0.19$, $p < 0.05$]. Thus, hypotheses 4_a and 4_b are supported.

Discussion and Implications

As expected, the results of this experiment demonstrate that economic news have an impact on consumer perceptions of online advertising. Consumers exposed to positive economic news showed more positive evaluations of ads than those exposed to negative economic news. These findings build on previous research showing that positive (negative) messages placed on ads or on the context of the ad influence positively (negatively) the consumer decisions after their exposure to such messages (Ahluwalia 2002). Nevertheless, results do not show a significant effect of economic news on purchase intentions which suggest that other variables could be influencing consumers' intentions to purchase, possibly personal income or consumer preferences. These

results are consistent with research on persuasion and personal relevance which states that people tend to resist the impact of persuasive messages (e.g., economic news on media) when their relevance is not strong enough to override the impact of more relevant information (e.g., personal economy) to them (Pierro et al. 2004).

Regarding the moderating role of ad regulatory focus, results indicate a significant interaction effect between the type of economic news and the ad focus for participants’ evaluations of the ads. That is, participants exposed to positive economic news showed more positive evaluations of the ad when its content was promotion-focused. Conversely, participants exposed to negative economic news showed more positive evaluations of the ad when its content was prevention-focused.

This research has important implications for online advertisers. For many companies, advertising during a recessionary period is considered a bad strategy as most consumers are more skeptical toward consumption and may not respond positively to the advertising efforts of the firm. According to the results of this study, during unfavorable economic times, when consumers are greatly exposed to negative economic news on media websites, advertisers should design ad messages that emphasize the “prevention” benefits of their products. On the other hand, promotion-focused advertisements should be more effective when economic times are more favorable and news media websites communicate more positive economic information to their audiences.

References available upon request.

Session 2.5

Branding and Firm Capabilities

Measuring Marketing Efficiency in Mergers and Acquisitions (M&A): A Data Envelopment Analysis (DEA) Approach

Mahabubur Rahman and Mary Lambkin

Introduction

Firms engage in horizontal mergers and acquisitions (M&A) to enhance financial performance through the realization of synergies—cost savings or revenue enhancement. The most fundamental theory that underlies the rationale behind M&A transactions is the resource complementarity theory. Firms engaged in M&A expect to add complementary resources to their existing asset base and thereby achieving synergy in various operation aspects of the business which would result in better firm performance in the post-merger years. Firm performance is a multidimensional construct and marketing performance, which is one of the dimensions, has received scant research attention in the M&A literature. This study sought to address this gap by investigating post-merger *marketing efficiency* using data envelopment analysis (DEA) on a sample of horizontal M&As among US commercial banks.

Financial Performance Following Mergers and Acquisitions

Post-merger financial performance has received extensive attention from several different disciplines including Accounting, Finance, Management, Economics, and Industrial Organization (Haleblian et al. 2009). Despite the volume of research and the variety of the methodologies applied, the evidence is extremely mixed, with a broad consensus that mergers and acquisitions do not add value (Martynova and Renneboog 2008).

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Our search uncovered only seven studies of post-merger marketing performance; of those four used nonfinancial measures, specifically, market share, while three used financial measures, specifically, sales revenue, cash flow, and share of value added. Six out of seven focused on only one single dimension of marketing performance, either sales revenue or market share, with just one using two measures, and none using multiple measures. Moreover, all of the studies looked only at marketing *outputs*, i.e., sales performance, without taking into account the marketing *inputs*, i.e., marketing expenditure.

The objective of this study is to fill this vacuum in the post-merger performance literature and seeks to answer the following question: What is the impact of domestic horizontal mergers and acquisitions on the marketing efficiency? In simple terms, marketing efficiency means doing things right. In other words, efficiency refers to an input–output ratio or comparison (Ostroff and Schmitt 1993). Unlike previous studies, so as to find an answer to this question, this study takes a holistic approach and examines the impact of mergers and acquisitions on the marketing output in relation to the marketing inputs.

Methodology of the Study

Data envelopment analysis (DEA) has grown in popularity as a strong nonparametric, linear programming tool to measure efficiency of decision making units (DMUs) within a given population (Emrouznejad et al. 2008; Cook and Seiford 2009). This overcomes one of the major weaknesses of regression which is that it is unable to include multiple input and output in analysis (Donthu and Yoo 1998).

The efficacy score of DMUs may be gaged for each time period which makes it possible to compare the efficiency of DMUs over multiple periods of time (Webb 2003; Asmild et al. 2004). In such cases each DMU in each time period is treated as if it were a distinct DMU. This DEA technique is known as window analysis (Fadzlan 2007; Kao and Liu 2014) which this study utilized since the objective of this research is to compare marketing efficiency between pre-merger and post-merger years.

Among existing DEA models, two of the most popular and widely used are the CCR models and BCC models. Charnes et al. (1978) developed the CCR model which assumes a Constant Returns to Scale (CRS) and Banker et al. (1984) introduced the BCC model which assumes a Variable Returns to Scale (VRS). This research used both the constant returns to scale (CRS) model and variable returns to scale (VRS) model to measure marketing efficiency and utilization of both models allowed us to investigate how pure technical and scale efficiency change over time.

DEA models can be either input-oriented or output-oriented. Whilst an input-oriented DEA model aims to minimize the use of inputs while maintaining the same level of outputs, an output-oriented model aims to maximize the level of outputs given the current level of inputs. Put differently, an output orientation assumes that DMUs have direct control over the outputs and an input orientation assumes little

control over the outputs (Harris Ii and Ozgen 2000; Ahn and Min 2014). Given the fact that banks cannot directly control the saving or borrowing behavior of its clientele, this research adopts an input-oriented model.

Based on studies measuring overall bank performance, this research developed the following set of input and output variables which are particularly related to bank marketing activities (Deville 2009; Yang 2009; Paradi and Zhu 2013; Ahn and Le 2014).

Input Variables

- Promotional activities of assets and liabilities products (yearly dollar value of advertisement expenditure)
- Bank branch network size (yearly dollar value of expenditure spent on bank branch premises)

Output Variables

- Sales performance of deposit products (yearly dollar value of total deposit)
- Sales performance of loan products (yearly dollar value of total assets)

The efficacy score of DMUs may be gaged for each time period which makes it possible to compare the efficiency of DMUs over multiple periods of time (Asmild et al. 2004). This DEA technique is known as window analysis (Kao and Liu 2014) which this study utilized since the objective of this research is to compare marketing efficiency between pre-merger and post-merger years.

The most popular and widely used algorithms are the CCR and BCC models. The CCR model assumes Constant Returns to Scale (CRS) (Charnes et al. 1978) and the BCC model assumes Variable Returns to Scale (VRS) (Banker et al. 1984). This research used both to measure marketing efficiency and this allowed us to investigate how both technical and scale efficiency change over time.

The sample size for this study was 20 M&A deals drawn from US-based national commercial banks. The sample size was dictated by the need to obtain detailed data on both of the companies involved in each deal, which required extensive study of published records and considerable manual data collection. This sample size is consistent with a number of previous M&A studies, such as Clark and Ofek (1994), Harris Ii and Ozgen (2000), and Carline et al. (2009). Additionally, this sample size avoided bias because there is a unanimity among DEA experts that the number of cases should be at least $2m \times s$ where $m \times s$ is the product of the number of inputs and outputs (Dyson et al. 2001).

Data collection was carried out in two phases. Firstly, all M&A deal-related data were collected from Thomson One Banker database. Secondly, data pertaining to all input and output variables on the selected sample firms were collected for the 2 years before and after the merger from COMPUSTAT. Following similar studies, e.g., Healy et al. (1997), this research utilized a number of criteria to construct a clean sample to be able to detect a change in marketing efficiency in pre- and post-merger years. Furthermore, construction of clean sample enhanced the internal validity of the study.

Findings of the Study

Descriptive Statistics and Paired-Sample t-Test

As a preliminary investigation of how the values of these input and output variables changed between the pre- and post-merger years, paired sample *t*-test was carried out. Rather than arbitrarily selecting one pre- and post-merger year for detection of change in values of the input and output variables, the mean of the pre-merger and post-merger years' was computed and compared to identify change. Results showed a statistically significant difference between the pre- and post-merger values for all variables except for advertising expenditure. The paired sample *t*-test demonstrated that firms engaged in M&A spent more on advertising and branch network following the M&A. This increased expenditure also led to improved sales performance of deposit and loan products in the post-merger period compared to the pre-merger period.

Marketing Efficiency Scores Under CRS and VRS DEA Models

Our results demonstrated that while the number of efficient and inefficient DMUs remained fairly consistent over the pre- and post-merger years, we found that the mean marketing efficiency scores improved slightly post-merger under both CRS and VRS models. Under the CRS model, the mean marketing efficiency score of the sampled banks hovered between 0.7494 and 0.7863 in the 2 years leading up to the merger which rose to 0.8310 in the first year after the acquisition and subsequently dipped marginally to 0.8200 in the second year after the acquisition. By the same token, under the VRS model, marketing efficiency of the sample banks registered an improvement in the post-merger years as compared to the pre-merger years. While the marketing efficiency score stood at 0.8536 and 0.8788 in the pre-merger years, sampled banks marketing efficiency score increased to 0.9023 and 0.8836 in the 2 years following the acquisition.

To further investigate whether there was any statistically significant difference between the pre-merger and post-merger scores, a paired sample *t*-test was carried out. The paired sample *t*-test demonstrates that the marketing efficiency of the merging firms improved by 7.52 %, on average, under the CRS model, and by 3.08 % under the VRS model. The difference between the pre- and post-merger marketing efficiency scores was statistically significant under the CRS model, but not under the VRS model.

Given the limitations of statistical tests of significance, we calculated the effect size to further investigate the impact of the merger on post-merger marketing efficiency (Cohen 1965; Olejnik 2000). We used eta squared (η^2) to calculate effect size. Our analysis showed that the eta squared (η^2) values for the marketing efficiency

scores under both CRS and VRS model were above 0.14, which suggests that M&A had a considerable influence on the marketing efficiency on the merged firms.

Conclusion

The marketing performance dimension of the firm's financial performance construct has received scant attention in the context of M&A. Moreover, the existing studies employed a single measure, mostly market share or sales revenue, to measure marketing performance. Marketing performance is a multidimensional construct, however, and measurement of such construct necessitates a holistic view of all the inputs used and outputs produced. Utilizing Data Envelopment Analysis (DEA), a powerful tool that can incorporate inputs and outputs, this study found that firms were able to improve marketing efficiency in the post-merger years. This improvement in marketing efficiency, even though small, suggests the realization of some real synergies by the merging firms. Our findings are consistent with improved marketing performance as measured by sales growth by Ghosh (2001) and with studies that measured overall efficiency gains post-merger in the banking industry (e.g., Figueira and Nellis 2009).

References available upon request.

The Moderating Effect of the Market Orientation Components on the Brand Orientation–Brand Performance Relationship

Saku Hirvonen and Tommi Laukkanen

Abstract The present study examines whether market orientation moderates the effect of brand orientation on brand performance. As these two orientations are argued to build on differing and even conflicting logics, the question of how they work together for the benefit of the firm is highly relevant. That is, market orientation emphasizes the importance of identifying and satisfying customer needs to the fullest (Narver and Slater 1990), whereas brand orientation highlights that the satisfaction of customer needs should only be pursued when no harm to the brand is done (Urde 1999). Importantly, we follow Sørensen (2009), who notes that the different components of market orientation may not be equally relevant for different firms and that researchers should therefore consider decomposing the market orientation concept into its components. To this end, we draw on the model by Narver and Slater (1990) and focus on the three key components of market orientation, namely customer orientation, competitor orientation, and interfunctional coordination. We hypothesize that (H₁) the effect of brand orientation on brand performance is greater at low levels of customer orientation than at high levels of customer orientation; (H₂) the effect of brand orientation on brand performance does not differ between firms at low levels of competitor orientation and at high levels of competitor orientation; (H₃) the effect of brand orientation on brand performance is greater at high levels of interfunctional coordination than at low levels of interfunctional coordination.

We test the hypotheses using an empirical dataset of 498 responses from Finnish SMEs. We validate the measurement instruments using confirmatory factor analysis. Next, we test discriminant validity in order to ensure that the research constructs are distinct from each other (Fornell and Larcker 1981). We then create composite measures of the moderators and separate the first and fourth quarters of the respondents based on their mean values, generating three dichotomous moderators with firms with the lowest and highest levels of customer orientation, competitor orientation, and interfunctional coordination. Next, in order to ensure that the measure instruments are equivalent across the low and high groups of each moderator, we conduct

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a number of measurement invariance tests (e.g., Byrne 2010; Steenkamp and Baumgartner 1998). Finally, we use multigroup structural equation modeling to test the hypotheses.

The results show that the effect of brand orientation on brand performance is stronger among firms low in customer orientation ($\beta=0.46$, $p<0.001$) than among firms that are highly customer-oriented ($\beta=0.18$, $p<0.05$). The difference is statistically significant with $\Delta\chi^2=8.57$ ($p<0.01$). Although ignoring customer needs completely is neither lucrative nor possible for brand-oriented firms (Urde et al. 2013), the results allow a conclusion that firms should attempt to strike a balance between brand orientation and customer orientation so that the latter will not receive excessive attention at the expense of the brand. The results further indicate that competitor orientation does not moderate the brand orientation–brand performance relationship. Finally, interestingly, interfunctional coordination does not seem to moderate the effect of brand orientation on brand performance, as no statistically significant moderation effect is found.

References available upon request.

Market-Focused and Technology-Focused Strategic Flexibility: Construct, Research Propositions, and Implications

Yen-Chun Chen and Ya-Hui Lin

Abstract

Over the past decade, the importance of strategic flexibility has received a great amount of research attention. However, the current conceptualizations and measurements of strategic flexibility are at odds with different scholarly interest. This study therefore synthesizes extant knowledge on the subject and provides a basis for future research by classifying strategic flexibility into two dimensions, market-focused and technology-focused strategic flexibility, depicting a conceptual framework that contains determinants and consequences of the two types of strategic flexibility and developing research propositions. More specifically, this conceptual framework suggests that organizational culture (i.e., proactive and responsive market orientation), organizational structures (i.e., formalization and centralization), and organizational coordination (interfunctional coordination and alliance coordination) play important roles in cultivating market-focused and technology-focused strategic flexibility of a firm. In addition, the research propositions also demonstrate the respective impacts of market-focused and technology-focused strategic flexibility on product innovation outcomes (i.e., product meaningfulness and product newness) and financial performance. Importantly, this study further proposes that market-focused and technology-focused strategic flexibilities have opposite impacts on product meaningfulness. Implications of this study are discussed.

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Keywords

Market-focused strategic flexibility, Technology-focused strategic flexibility, Product meaningfulness, Product newness

References available upon request.

Session 2.6

Advertising Research Methods

Fear Versus Scare Appeals as Moderators in Effective Health Messaging

Christopher D. Hopkins, Kevin J. Shanahan, Karen Hood, and Allyn White

Abstract Fear appeals are often engaged in prosocial change marketing campaigns with the belief that these messages will raise severity and susceptibility beliefs among consumers. With effective advertising messages, persuasion models from the marketing literature suggest that if consumers believe the advertising claims, have positive attitudes toward the advertisements, that will produce both information seeking and medical care seeking behaviors. However, perceptions of the source or sponsor of the advertisement may influence consumers' attitudes and therefore intentions along the way. This study seeks to examine the role of fear versus scare appeals and perceived social responsibility of the sponsor in social marketing campaign messages to motivate consumers to seek further information and medical care; in this study specifically for Type II diabetes.

References available upon request.

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Session 2.7
The Validity and Invalidity of
Assessment Alternatives

Exploring Assessments of Active/Experiential Learning Contexts in Business Courses

Jason Flores and Carol Howard

Abstract

The importance of utilizing active learning methods to enhance students' skill sets is reflected in AACSB International's Standard 13 (2013). The increased emphasis on active learning approaches has led to many fruitful efforts by marketing educators to develop methods that utilize such enhanced learning approaches (e.g., Camarero et al. 2009; Elam and Spotts 2004; Hart and Mrad 2013; Razzouk et al. 2003). While these and other approaches are critical in the development of active learning techniques for marketing education the need to assess various factors that may impact the effectiveness of various active learning techniques and contexts remains.

The purpose of this study is to explore assessments of various experiential learning techniques used in marketing strategy courses and nonmarketing business capstone courses wherein marketing is a significant component of the course. In the capstone courses nonmarketing majors are the group of interest. Two additional aspects of interest for exploration are the amount of time available to complete experiential learning assignment(s) and the number of experiential assignments that are utilized as learning tools.

According to Hamer (2000) and Camarero et al. (2009), instructors should develop learning environments that encourage active student participation in learning processes. By doing this instructors provide students the opportunities to apply theory to actual situations. This is the foundation of active learning but active learning techniques are not always experiential in nature. Thus, active learning involves the use of nonexperiential and experiential teaching techniques. Nonexperiential techniques seek to require that students actively process course content whereas experiential techniques require that students should be able to process course content and apply their understanding of the concepts to specific real-world contexts (Hamer 2000). The experiential learning component of active learning is the focus of this study.

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The specific experiential learning techniques assessed in this study include marketing plan development, start-up business plan development, and business simulation games. In the marketing strategy courses only one experiential tool (marketing plan) was utilized and the time frame for completion was either 9 weeks ($n=14$) or 17 weeks ($n=19$). In the capstone courses one or two experiential learning tools were utilized. In one context 17 weeks were available for the one tool course ($n=16$) to complete a start-up business plan and in the two tool course one tool was completed in 5 weeks (business simulation game) and the other in 12 weeks (start-up business plan) ($n=24$).

A survey was administered after the completion of each respective experiential learning tool in all courses. In the marketing strategy courses the results were consistent with previous research in that assessments of the effectiveness as a learning tool and satisfaction with the learning tool were all positive. What was not consistent with previous research was the finding that there were no significant differences in the assessment scores when comparing the 9-week course to the 17-week course assessments.

In the capstone courses the results were mixed pertaining to the effectiveness and satisfaction with the experiential learning tools. The clear distinction was between the 17-week course in which students completed only the start-up business plan and the 17-week course in which students completed the same start-up business plan over the course of the first 12 weeks and a business simulation game over the course of the final 5 weeks. In the 17-week course, the students positively evaluated the effectiveness of the project and satisfaction with the experience in one project only. In the 17-week course that incorporated the classroom project and a business simulation game the results were notably less positive based on assessments of the tools individually. Not only were assessments of the start-up business plan less positive, but the assessments of the business simulation game were negative.

References available upon request.

The Invalidity (And Then Some) of Rank Correlation for Describing the Accuracy of Multiple-Choice Question Difficulty Taxonomies

John R. Dickinson

Abstract

The difficulty of multiple-choice questions is one of their fundamental properties and that property serves many purposes. With this, the questions in published multiple-choice question banks accompanying textbooks are often classified into levels of difficulty. In light of the many purposes difficulty level may serve, the accuracy of those published classifications is important. Measuring that accuracy is the function of a recently created system of analyses, the *Taxonomy Index (TaxI) Program* (Dickinson 2013). It has been suggested (Bacon 2013), though, that rank correlation may perform this same function better than *TaxI*, better to the point of discounting the latter altogether. The present research demonstrates the invalidity of rank correlation for this application, the validity of *TaxI* for this application, and the numerous beneficial features of the *TaxI Program* not available with rank correlation (e.g., Spearman's rho, Kendall's tau_b).

TaxI is the proportion of questions that are correctly classified. Rank correlation is a measure of strength of association between question classified level and the ranked percent of students answering the question correctly (i.e., the question's empirical difficulty).

Taxonomies typically classify multiple-choice questions into three levels of difficulty: Easy, Medium, and Hard. In the published classifications no distinction is made regarding the difficulty of questions within a given level. Fundamentally, *TaxI*, too, is *not* affected by different empirical difficulties of questions in a given level, while rank correlation *is* affected by such differences. Rank correlation would "validate" published classifications on the basis of a property that does not exist in published classifications. This incommensurateness of the very nature of rank correlation with published taxonomies is sufficient to disqualify it as a measure of classification accuracy. (Its empirical invalidity, too, is readily demonstrated.) In

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short, rank correlation would not “measure what it is supposed to measure,” a defining quality of validity.

Otherwise, the *TaxI* statistic is accompanied by a benchmark (C_{pro}) indicating the proportion of questions that would be correctly classified by chance and by a classification matrix. The latter is a useful diagnostic tool revealing into what specific difficulty level questions are misclassified. The classification matrix is an ordered contingency table (Gibbons 1993, Chap. 6). As such, rank order correlation may be validly applied to it (in contrast to being applied to item-level data), along with a statistical test (which also does exist with application to item-level data).

Finally, *TaxI*, as the proportion of questions correctly classified, is a literally interpretable statistic. Rank correlations are measures of strength of association, not of classification accuracy. Their formulaic bases have no meaning related to accuracy.

References available upon request.

The Effect of the *Real* Number of Options on the Discrimination of Multiple-Choice Questions

John R. Dickinson

Abstract

Multiple-choice questions comprise, well, multiple choices. Those choices usually include the correct answer option plus several incorrect answer options, i.e., distractors (or foils or misleads). Distractors play an essential role in the effectiveness of multiple-choice questions. The present research investigates how the inability of some distractors to attract responses affects the capacity of the question to discriminate between better and poorer students, i.e., item discrimination, a fundamental purpose of multiple-choice questions. Dickinson (2013) has shown that for samples of multiple-choice questions from several question banks, high percentages of distractors in this way are not effective. Across five question banks accompanying introductory consumer behavior and retailing textbooks, the percent of sample questions having at least one distractor attracting no responses ranged from 53.53 to 70.89 %. The percent of questions with at least one distractor attracting 10 % or less of total responses ranged from 97.02 to 99.16 %.

Analyses here comprise bivariate regression analyses carried out exam by exam. The dependent variable was the point-biserial correlation between a student's overall exam score (excluding the focal question) and whether or not the student answered the question correctly. Where percent correct values are normally distributed, the optimal balance between discrimination and reliability due to the reduction in the number of observations occurs when the upper and lower 27 % of students are analyzed (Anastasi 1968, p. 169; Cureton 1957; Guilford 1954, p. 428). This paradigm was adopted here. Sparse responses were measured in three ways: the number of distractors attracting (1) zero responses, (2) less than or equal to 5 % of total responses (the total including correct responses), and (3) less than or equal to 10 % of total responses. Across samples of questions from five published question banks and the three operationalizations of sparse responses, 15 bivariate regressions were estimated.

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Distractors with few or no responses are ineffective in distracting students who do not know the correct answer. Thus, it was anticipated that the regression slope would be negative; the greater the number of distractors having sparse responses, the lower the point-biserial correlation. The standardized slope coefficient, of course, is equal to the Pearson correlation between the two variables. Fourteen of the 15 slope coefficients were, indeed, negative. Eight of the 15 regressions were statistically significant ($p < 0.10$), only four were significant at $p < 0.05$. Further, the r -square values ranged from 0.0003 to 0.0231, averaging 0.0094. All told, in the question banks investigated, the presence of distractors that do not, in fact, distract has no appreciable effect on the ability of a question to discriminate between better and poorer students.

These results may be seen to be positive in the sense that for these questions banks the discriminating ability of the questions is robust against the presence of ineffective distractors.

References available upon request.

Celebrating America's Pastimes: Baseball, Hot Dogs,
Apple Pie and Marketing?
Proceedings of the 2015 Academy of Marketing Science
(AMS) Annual Conference
Kim, K.K. (Ed.)
2016, XXXIV, 1006 p. 21 illus., 8 illus. in color.,
Hardcover
ISBN: 978-3-319-26646-6