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Value co-creation through collaboration with customers has been noted as a significant issue. Based on social exchange theory, this research empirically investigates antecedents of customer organizational citizenship behaviors (COCBs), which refer to customer co-participation, in the service recovery context. A contribution of this research is to examine actual COCBs rather than COCB intention. Findings reveal that when individuals perceive support and/or justice from the organization, they feel affective commitment toward the organization, which motivates COCBs, and, in turn, they voluntarily aid firms in resolving service failures. COCBs in service recovery were found to have three dimensions: suggestions, flexibility, and voice.

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Parallel imports (PI) are goods brought legally into a market without the authorization of the local intellectual property rights (IPR) owner. Whether governments should allow PI liberally or not has been a subject of great debate. In this paper, we argue that full-scale liberalization of PI hurts international competition and should not be allowed. Instead, we argue that national/regional IPR exhaustion within countries or groups of countries with similar demand characteristics, while sustaining price differentiation across groups with different demand characteristics, may be the optimal global policy on PI activities. Our arguments are based on Resource Advantage (R-A) theory.

Going Viral: An Analysis of YouTube Videos........................................................................ 41
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In this new era of marketing, ideas go viral, and spread like an infectious disease. Seeding strategies have strong influences on the success of viral marketing campaigns. In this paper, both case and content analysis were employed to examine the impact of influencers on viral campaigns. In doing so, this study extends on the two step/multistep models of communication. The empirical results show that seeding to well-connected people, celebrities, media vehicles, or anyone with a huge following through their greater reach is the most successful approach because these attractive seeding players are more likely to participate in viral marketing campaigns.

Caroline Lacroix, Bruno Lussier, Jean-François Ouellet

This paper explores how salespeople’s concern for the well-being of future generations — a phenomenon known as generativity — could drive otherwise busy salesmen and women to take part in their employer’s innovation process through idea generation, promotion, and realization. After controlling for other important variables, such as creative self-efficacy, creative expectations, and expertise, our results confirm the positive influence of generativity on all three dimensions of innovative performance. In turn, the influence of salespeople’s innovative performance on their individual sales performance is mitigated: Only idea promotion turns out to be a marginally significant predictor of sales performance.
Agency Theory and Alcohol Distribution: A Framework for Public Policy Discourse

Joshua D. Dorsey

The author proposes a framework which expands the discourse of a well-discussed theory -- agency theory. The framework integrates elements of agency theory, transaction cost analysis (TCA), power-dependence theory, micro-level social contracts, and the Deterrence Doctrine to posit the relationships between different forms of ownership and the likelihood of contractual violations. The incorporation of micro-level social contracts into the model, as a primary moderator, coupled with firm-level ownership moderation, constitute contributions to this literature. Furthermore, a new dimension of contract enforcement, permanence, is proposed. Guided by an alcohol distribution framing, implications for managers and public policy-makers are proffered and discussed.

Self-Congruity and the MOA Framework: An Integrated Approach to Understanding Social Cause Community Volunteer Participation

Susan Emens, Darin W. White, Thomas A. Klein, Yancy D. Edwards, Susan R. Mann, Alan B. Flaschner

Marketing efforts designed to increase participation in social causes have led to the creation of online and face-to-face communities. This study examines a not-for-profit organization and participation in a face-to-face and online community built around its social cause. The purpose of this study is to explore and test the relationships between participatory behaviors and self-congruity as moderated by motivation, opportunity, and ability as members of social cause communities. The authors present a framework which depicts the linkages between self-congruity and an individual’s motivation, ability, and opportunity to participate in the social cause community as a predictor of future participation behaviors.

Raising the Bar for Consumer Engagement: Qualitative Investigation of Attitudes for Quick Response Codes in Magazine Advertisements

Selcuk Ertekin, Lou E. Pelton

Quick response codes (hereafter, QR codes) have become an emergent technology-enabled marketing tactic to encourage consumer engagement in advertising messages. QR codes, a type of matrix barcode developed largely for the automotive industry, have been adapted for use in promotions. Because QR codes are easily readable by mobile phones, the accessibility to consumers has grown exponentially. This is particularly evident in print media. QR codes have essentially redefined circulation and readership performance metrics because of the ubiquitous connectivity that extends beyond the print media. The present research is an exploratory study of consumers’ attitudes toward QR codes in magazine advertisements. The study begins to identify motivations for consumers to scan QR codes printed in magazine ads. The study finds that (1) information sourcing, (2) Web-navigation linkages (3) straightforward e-mail access and registration, and perhaps most insightful (4) impulse purchasing needs are key considerations in consumers’ propensity to scan QR codes in magazine advertisements.
The Essential Role of Sense of Community in a High Customer-to-Customer Interaction Service Setting
Matthew P. Bunker

This research explores the impact of sense of community within a high customer-to-customer interaction (CCI) service setting. Sense of community was correlated with quality and commitment to explore the effect of sense of community on both constructs within a high CCI setting. 1500 surveys were sent to parents of a private high school and 500 surveys were completed. Results indicated that sense of community had a strong correlation with quality and commitment. Additionally there was an interaction between sense of community and quality. Results showed that sense of community is very important in a high CCI service setting.

Mainstreaming, Counter-Co-Optation, and Depoliticization by a Counterculture
Tiebing Shi

Drawing on the social constructionist theory of social movement, this netnographic study examines the relationship between countercultures and the mainstream culture/dominant corporations in the context of free/open source software culture. The result shows that when a counterculture aims to change the social order in a domain of the marketplace, the counterculture or a sect of it could mainstream its subversive ideologies and practices, counter-co-opt certain tools (e.g., laws) of the mainstream culture and dominant corporations, preempt some forms of corporate co-optation, depoliticize its own ideologies and practices, and both confront and collaborate with the mainstream culture and dominant corporations.

Role of Brand Familiarity in Combatting Rumors
Sutapa Aditya

This research investigates why companies are not always successful in combating damaging rumors about their brands. Findings reveal that a well-crafted denial statement that provides sufficient evidence against the rumor is only successful in curbing transmission intention when a well-known brand is involved in the rumor. However, well-known brands also serve as common grounds for conversation amongst consumers. As such, they are more prone to being victims of rumors as they are more likely to be talked about. This way, brand familiarity act as a liability, instead of being an advantage for well-known brands in the context of rumors.

Self-Congruity: A Determinant of Brand Personality
Joseph A. L. Klipfel, Allen C. Barclay, Kristi M. Bockorny

Self-congruity and brand personality are important concepts. Self-congruity may be as much a determinant of brand personality as it is a product of brand personality. Two new concepts, false congruity and real-ideal image discrepancy, are introduced as factors that could explain self-congruity’s role in perceived brand personality. Before launching a brand, marketers should take steps to ensure probable early adopters of their product are indeed the marketers’ target consumers. Existing brands should be monitored for brand personality changes due to false congruity, real-ideal image discrepancy, or innovative or creative consumer behavior. A healthy brand image may depend on it.
GUIDELINES FOR SUBMISSION

Journal of Marketing Development and Competitiveness
(JMDC)

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The Journal of Marketing Development and Competitiveness is a double blind peer reviewed journal that publishes thought-provoking, in-depth articles that cover the marketing arena and the interface between marketing and firm competitiveness. Articles in JMDC bridge the gap between theory and application. The journal is widely circulated with a diverse readership that includes practitioners and academics, profit and nonprofit organizations, and government institutions. Although the focus is on traditional marketing mix topics, it also draws on other disciplines including entrepreneurship, management, economics, and finance as well as any marketing issue in an international context. JMDC is committed to publishing a broad spectrum of conceptual and empirical articles that make a new theoretical and/or substantive contribution to the field.

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INTRODUCTION

Recently the marketing discipline has shifted from a goods-centered perspective, which considers tangible output and distinct transactions as a key value, to a service-centered point of view, which focuses on intangible, exchange processes, and relationships among exchange entities (Vargo and Lusch, 2004). By viewing customers as value co-creators, the new perspective argues that value can be co-created through collaboration with all parties in a value creation network, and through learning from customers (Vargo and Lusch, 2004). Along with this notion, the issues related to customer organizational citizenship behaviors (COCBs), defined as “voluntary and discretionary behaviors that are not required for the successful production and delivery of the service but that, in the aggregate, help the service organization overall” (Groth, 2005, p.11), have been noted by researchers and practitioners due to the positive influences of COCBs such as value co-creation, long-term relationship with customers, and effectiveness of marketing strategies (Dong, Evans, and Zou, 2008; Roggeveen, Tsiros, and Grewal, 2011).

However, little empirical research has investigated how COCBs influence value co-creation and what factors influence COCBs. As the primary goal, this study investigates the potential antecedents of COCBs. More specifically, this study focuses on COCBs in service recovery. Service recovery is defined...
as the actions provided by an organization as a response to a service failure (Gronroos, 1988), because customers can actively suggest ways in which to recover the service failure and apply their skills or knowledge to resolve the problem (Dong et al., 2008). Most research in organizational citizenship behaviors (OCBs) has been performed in organizational settings such as employees’ voluntary or extra-role behaviors for their organizations. Considering customers as partial employees, characterized as co-producers who contribute inputs, much like employees, who influence the organization’s productivity (Bowen, Schneider, and Kim, 2000), this study provides empirical support and suggests the possibility of customers’ citizenship behaviors for the organization by applying social exchange theory in organizational literature to customer behavior in the service recovery situation.

This examination also seeks to measure actual COCBs in service recovery, that is, those behaviors that customers in reality performed when service failure occurred and was restored. Previous research has mainly focused on intention or willingness of COCBs rather than on actual COCBs, by examining the effect of loyalty (Bove, Pervan, Beatty, and Shiu, 2009) or perceived justice (Yi and Gong, 2008) on COCBs. However, this study measures actual COCBs in service recovery by conceptualizing the actual COCB as a consequence of the motivation of COCBs, which refers to the psychological processes that cause the arousal, direction, and persistence of COCBs (Mitchell, 1982). In addition, this study strives to confirm three dimensions (i.e., suggestions, flexibility, and voice behavior) of COCBs in service recovery situations. This approach is an important contribution in that there is no consistent scale to measure COCBs in specific situations such as service recovery.

Following is a brief explanation of social exchange theory and a literature review regarding COCBs and relevant antecedents. Next, the conceptual model and hypotheses to be tested are presented (see Figure 1). Specifically, the conceptual model hypothesizes that social exchange-based antecedents (i.e., customer’s perception of organizational support, customer’s perception of organizational justice, and affective commitment) positively influence motivation of COCBs, and, in turn, results in COCBs in service recovery. Lastly, the study’s results and managerial and research implications are provided.

THEORETICAL BACKGROUND

Social Exchange Theory

Unlike traditional economic exchange based on the quid pro quo exchange of tangible resources (Blau, 1964), social exchange includes intangible social costs and benefits (e.g., friendship and caring) but does not require reciprocal rewards such as return of investment (Gefen and Ridings, 2002). Researchers have characterized social exchange as an exchange through socio-emotional benefits, mutual commitment and trust among parties, and a long-term relationship (Blau, 1964; Van Dyne, Graham, and Dienesch, 1994). Also, social exchange is based on the implied cooperative intentions among parties in exchange interaction, which refer to a party’s belief that the other party will provide reciprocal rewards (Blau 1964; Emerson, 1976).

Social exchange theory has been the major foundational framework of organizational research such as organization-employee relationship (Bolino, Turnley, and Bloodgood, 2002) and employee organizational citizenship behaviors (Organ, 1990). Rupp and Cropanzano (2002) state that people in social exchange relationships are more likely to identify with parties with whom they are engaged compared to those in economic exchange relationships. This difference reflects how employees in a favorable relationship of social exchange are more likely to take part in behaviors that lead to positive consequences for the organization because they may identify the well-being of the organization with their own well-being and because they may perceive a responsibility to help the organization (Lavelle, Rupp, and Brockner, 2007).

In the organizational literature, employee voluntary behaviors such as OCBs are considered important behavioral outcomes that explain social exchange relationships between employees and their organization. By expanding this notion to customer behaviors and considering customers as partial employees, it makes sense that a customer in a social exchange relationship with an organization can engage in OCBs such as helping employees, providing constructive ideas to their organization, and
making suggestions through their ideas and knowledge to improve the performance or offerings of the organization.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Motivation of COCBs and COCBs in Service Recovery

COCBs are considered as specific and extended forms of customer participative behavior, which refer to customer participation in the creation of the core offering (Lusch and Vargo, 2006). COCBs are conceptualized as the customer’s extra-role or voluntary performances, which are discretionary behaviors beyond in-role or required performances. More specifically, some researchers have distinguished two types of customer value co-creation behaviors: customer participation or customer coproduction and COCBs (Groth, 2005; Yi and Gong, 2013). While customer participation or coproduction refers to in-role or required actions for value co-creation, COCBs represent extra-role or discretionary behaviors that can provide extraordinary value to the firm but are not required for successful value co-creation (Groth, 2005).

Studies conducted on customer participation or coproduction have proposed that the customer’s motivation to participate in organizational events is a significant antecedent of actual participation (Kelley, Donnelly, and Skinner, 1990; Bettencourt, Ostrom, Brown, and Roundtree, 2002). In addition, Buttgen, Schumann, and Ates (2012) confirmed motivation to coproduce as a predictor of coproduction behaviors, by pointing out that a customer’s motivation to engage in coproduction is the most important requirement for coproduction behavior in the service production process (Bettencourt et al., 2002; Dellande, Gilly, and Graham, 2004). Given this background, we argue that the motivation for COCBs positively influences actual COCBs when an organization is in trouble or experiences difficulties. However, most previous studies have focused on investigations of intention of COCBs, rather than actual COCBs, which customers have experienced in reality. Recently, some researchers have viewed OCBs as actual behaviors, which arise from personal motivations to understand what produces beneficial actions or prosocial work behaviors (Finkelstein, 2008; Rioux and Penner, 2001), rather than intention or willingness of COCBs.

This study focuses on COCBs in a service recovery situation, defined as a customer’s voluntary and discretionary behaviors to aid the organization in devising a remedy for its service failure. Dong et al. (2008) argued that it is possible that customers actively engage in co-creating solutions for service failures because these failures give customers an opportunity to apply specialized knowledge and skills related to the failed service. Roggeveen et al. (2011) also demonstrated that co-creation is effective as a service recovery strategy when customers consider it positively and voluntarily. Buttgen et al. (2012), in a first study of its kind, recently empirically confirmed that customers’ motivation to coproduce is positively related to customer coproduction behavior in a health-related training context. Thus, this study predicts the positive relationship between the motivation toward COCBs and actual COCBs to restore a service failure.

H1. Motivation of COCBs has a positive impact on actual COCBs in service recovery.

Customer’s Affective Commitment to an Organization and Motivation of COCBs

The organizational commitment meta-analysis of Meyer, Stanley, Herscovitch, and Topolnytsky (2002) revealed a direct and positive correlation between employee’s affective commitment and prosocial behavior including OCBs. According to social exchange theory, employees who are strongly committed to their organization tend to reciprocate by showing behaviors that benefit the organization. This notion is in line with Organ’s (1990) argument, in that organizational commitment is a significant factor that sustains the direction and incentives that lead to an organizational participant’s behavior. Similarly, Meyer, Allen, and Smith (1993) argued that affective commitment, which is defined as “an affective or emotional attachment to the organization such that the strongly committed individual identifies with, is involved in, and enjoys membership in the organization” (Allen and Meyer, 1990, p.2) is closely
associated with perceptions of positive affective states, which facilitate proactive behaviors such as cooperation and problem solving. O’Reilly and Chatman (1986) empirically found that a good fit between an employee and an organization influences increased levels of employee philanthropy and helping behavior for the organization. Carmeli (2005) supports that a strong affective commitment to an organization generates a high value of OCBs.

Applying these principles from the employee-employer setting, when customers have a strong affective commitment to a particular organization, they are more likely to be motivated to perform OCBs. According to Ennew and Binks (1999), customers who are affectively committed to an organization tend to support their beliefs by actively participating in the organization’s activities. Keh and Teo (2001) also suggested that customer commitment is positively related to COCBs, including customer cooperation, customer participation, and customer tolerance. Bettencourt (1997) empirically confirmed the positive effect of customer commitment on customer participation in organizational issues. More recently, Bove et al. (2009) empirically investigated how a customer’s commitment to a specific service worker, potentially perceived as a representative of the organization, influences COCBs. Thus,

\[ H2. \text{ Customers’ affective commitment to the organization has a positive impact on motivation of COCBs.} \]

**Antecedents Based on Social Exchange Theory and Customers’ Affective Commitment**

**Customers’ Perception of Organizational Support (CPOS)**

According to the organizational literature, employees can form global perceptions of the extent to which they are valued and cared about by the organization, called perceived organizational support (POS) (Eisenberger, Huntington, Hutchison, and Sowa, 1986). Rhoades and Eisenberger (2002) argue that POS results in a perceived obligation to care about the welfare of an organization and to assist the organization to achieve its goals. Thus, POS should not only fulfill socio-emotional desire, e.g., for organizational membership or social identity, but also strengthen employees’ beliefs that the organization will reward their efforts (Rhoades and Eisenberger, 2002). Customers, as partial employees, can also perceive that an organization that interacts with them cares and supports them, namely customer’s perception of organizational support (CPOS). Eisenberger et al. (1986) argue that customers should feel that the organization understands their needs, acts in their best interests, and offers the best service possible. This kind of organizational caring and support is most likely to influence customers’ perceptions and behaviors (Keh and Teo, 2001).

In the marketing and customer behavior discipline, social exchange infers that individuals are more likely to commit to an object that they believe treats them in a responsible manner because people tend to direct their reciprocation efforts toward the source or the object that provides benefits to them (Blau, 1964). Given this theoretical support, Foa and Foa (1980) found that the perception of obligation to care for an organization’s welfare based on POS improves the affective commitment to the organization. More recently, Shore, Tetrick, Lynch, and Barksdale (2006) also demonstrated the positive effect of POS on employee OCBs by suggesting the mediating role of affective commitment. In line with this reasoning, Yi and Gong (2008) found that CPOS influences positive affect such as satisfaction in the service setting. Similarly, Bettencourt (1997) empirically confirmed the positive effect of CPOS on customer’s commitment to a firm, which results in customer voluntary performance including loyalty, cooperation, and participation.

\[ H3. \text{ CPOS positively influences customers’ affective commitment to the organization.} \]

**Customer’s Perception of Organizational Justice (CPOJ)**

The concept of justice has been explored in organizational literature based on equity theory and social exchange theory. Researchers have conceptualized organizational justice in different ways, from an evaluation of fairness derived from the procedures of an organization (Thibaut and Walker, 1975) to an emphasis on consistent treatment and investigation of interpersonal treatment (Bies and Moag, 1986).
Specifically, distributive justice focuses on an employee’s perception of equal balance in terms of the ratio of their contributions to their organization to compensation received from the organization. Procedural justice is related to employee’s fairness perceptions of organizational processes (Tyler, Degoey, and Smith, 1996), and interactional justice refers to employees’ fairness perceptions about the quality of interpersonal treatment (Bies and Moag, 1986).

Researchers have argued that employees’ perception of organizational justice leads to voluntary or discretionary behaviors such as OCBs (Greenberg, 1993; Moorman, 1991). However, the findings are inconsistent as to whether one dimension of organizational justice (i.e., distributive, procedural, and interactional) is stronger than the others in its impact on attitudes toward, or behaviors for, an organization. For example, Sweeney and McFarlin (1993) found that procedural justice has a stronger relationship with organizational commitment than distributive justice. Greenberg (1993) confirmed that distributive justice is a stronger predictor of organizational commitment than procedural justice. Given the inconsistent findings concerning the relative significance of dimensions, some researchers have recently suggested the need for a shift in the investigation to overall justice by combining the three types of justice. This need for a shift arises because the current three justice types have been shown to be both inappropriate and inaccurate as measurements of the overall justice that individuals experience in various situations (Ambrose and Schminke, 2009). Additionally, overall perception of organizational justice is a function of evaluation of the organization, which stems from all three dimensions.

Accordingly, Blodgett, Granbois, and Walters (1993) used a global measure of perceived justice that reflects the three dimensions of justice to test the customer compliant behavior model, showing acceptable reliability. The findings show that overall perceived justice has a significant influence on repatronage and positive word-of-mouth. More recently, Matos, Rossi, Veiga, and Vieira (2009) also found a positive relationship between justice perception and customer satisfaction in service recovery situations by using perceived organizational justice as a unidimensional construct in the same manner as performed by Blodgett et al. (1993).

Lind and Tyler (1988) found that when employees perceive themselves to be fairly treated, they are more likely to feel a strong sense of belonging to their organization, resulting in higher commitment to it. Although some researchers have investigated the effect of perceived justice on satisfaction, trust, and behavioral intention (Matos et al., 2009), customers’ organizational commitment has not been solely examined as a direct outcome of perceived organizational justice. However, considering the positive effect of perceived organizational justice on employee’s affective commitment in the organizational literature, it is argued that perceived organizational justice positively affects a customer’s commitment to a firm.

H4. CPOJ positively influences customers’ affective commitment to the organization.
METHOD

Data Collection and Sample
An online survey was conducted with students enrolled in a large, Midwestern and a Southwestern university. Respondents were asked to think of a service provider or retailer that they frequently patronize and answered questions about perceptions of support and justice from, and affective commitment toward, the service provider or retailer. Subsequently, respondents were also asked if they experienced a service failure within the past six months with the service provider or retailer and if they conducted voluntary behaviors related to service recovery. The order in which questions were asked insured that measures pertaining to their commitment, perceived justice, etc. toward the retailer/service provider, at the present time, would not be tainted by a focus on a past service failure/recovery experience discussed at the beginning of the survey. Given that the majority of respondents may not have experienced a service failure in which they complained, it was expected that the number of useable responses for the purpose of this study would be a small proportion of the total collected.

Questionnaires were distributed to a total of 232 individuals and reminder e-mail was sent to respondents after three days to induce participation. Out of a total of 224 surveys that were collected, we obtained 62 usable surveys to test our hypotheses because those 62 respondents experienced service failure and service recovery with their service provider or retailer in the past six months. Gender distribution of 62 participants was 33.9% male and 66.1% female. Ethnic distribution was 61.3% White/European, 14.5% Asian/Middle Eastern, 6.5% Black/African-American, and 17.7% other ethnicities.

Measures
All antecedents were adopted from previous studies (Eisenberger et al., 1986; Ambrose and Schminke, 2009). Those derived from the organizational literature were adapted for the services context. All questions regarding the five constructs were measured using 7-point Likert scales (1=strongly disagree and 7=strongly agree).

Fourteen items for CPOS were employed from Bettencourt (1997), and CPOJ was measured with seven items such as “Overall, I believe that the service provider/retailer is a fair organization.” Additionally, scales to assess affective commitment were adopted from Vandenbergehe et al. (2007) (e.g., “I feel emotionally attached to the service provider/retailer.”). Five items were adapted to this study’s context, based on Buttgen et al. (2012), to measure the relatively new motivation of COCBs construct.
such as “I am willing to behave just according to the rules and policies of the service provider/retailer.” (reverse order).

Recently, some studies have developed scale items to measure COCBs in a wide variety of contexts (Groth, 2005; Bove et al., 2009; Yi and Gong, 2013). Groth (2005) suggests that recommendations, helping other customers, and providing feedback are components of COCBs. Bove et al. (2009) argue that there are eight dimensions that compose COCBs, including positive word-of-mouth, suggestions, policing of other customers, voice, and flexibility or sportsmanship. Of these dimensions that represent general COCBs, suggestions, flexibility, and voice behavior were selected as appropriate dimensions for this study because they are related to COCBs in the service recovery situation. Suggestions refer to consumers’ actions to provide service providers with ideas and skills, and flexibility represents customers’ behaviors to adapt to occasions beyond service providers’ control (Bettencourt, 1997). Voice behavior pertains to customers’ complaint actions to service providers when problems occur, to offer the opportunity to resolve problems (Singh, 1988). Six items from Bove et al. (2009), five items from Garma and Bove (2009), and four items from Bove et al. (2009) were used to assess suggestions, flexibility, and voice behavior dimensions of actual COCBs in service recovery, respectively.

RESULTS

Reliability and Validity Testing

Exploratory factors analysis (EFA) was performed to identify underlying factors comprising COCBs in service recovery by using principal component analysis with varimax rotation. The analysis produced three factors: suggestions, flexibility, and voice behaviors. The five items with a low factor loading (<.40) or with high cross-loading values were dropped. After the deletion process, the total variance of the three factors was 85% with an Eigenvalue greater than 1.0 for all factors. In addition, the Cronbach’s alpha of each factor exceeded .70 (i.e., suggestions: α=.95; flexibility: α=.85; voice behavior: α=.90), representing good internal consistency among items within each dimension and showing acceptable reliability.

To precisely confirm the dimensionality of the newly-developed scale of COCBs in service recovery, a confirmatory factor analysis (CFA) was employed. CFA offers a more rigorous explanation of dimensionality as compared to EFA (Olorunniwo, Hsu, and Udo, 2006). Using Amos 5.0 software, a CFA was implemented not only to assess suitability of the items for measuring the three constructs but also to indicate the relationship between the indicators and their associated factor dimensions. Confirming the EFA result, all of the ten indicators had acceptable item reliability (>=.50). In addition, the result revealed that construct reliability (CR)(>=.70) and average variance extracted (AVE)(>=.50) of all three factors were satisfied with recommended standards for reliability and unidimensionality (see Table 1). These results confirmed the internal consistency of indicators measuring each construct and validity of each construct to measure its respective construct. If AVE is greater than the squared correlation coefficient between factors, the discriminant validity is satisfactory. All three dimensions of COCBs in service recovery were satisfied with this criterion indicating sufficient discriminant validity (see Table 2).
**TABLE 1**
EFA AND CFA RESULTS: COCBS IN SERVICE RECOVERY

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<th>Factors/Items</th>
<th>EFA</th>
<th>CFA</th>
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<td>Factor 1</td>
<td>Factor 2</td>
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<td><strong>Factor 1: Suggestions</strong></td>
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| Eigenvalue | 4.02 | 1.86 | 2.62 | Model fit | $\chi^2_{(31)}=42.55$ |
| Variance %  | 40.16 | 18.63 | 26.23 | CFI=.98 |
| Cronbach’s alpha | .95 | .85 | .90 | TLI=.97 |

Note: AVE=average variance extracted, CFI=Comparative Fit Index, TLI=Tucker-Lewis Index, GFI=Goodness-of Fit Index, SRMR=Standardized Root Mean Square Residual, RMSEA=Root Mean Square Error of Approximation

**TABLE 2**
CONVERGENT AND DISCRIMINANT VALIDITY: COCBS IN SERVICE RECOVERY

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Suggestions</td>
<td>.81</td>
<td>.25</td>
<td>.19</td>
</tr>
<tr>
<td>2. Flexibility</td>
<td></td>
<td>.76</td>
<td>.49</td>
</tr>
<tr>
<td>3. Voice behavior</td>
<td></td>
<td></td>
<td>.76</td>
</tr>
</tbody>
</table>

Note: The numbers in diagonal line are the average variance extracted (AVE) by each construct. The numbers above the diagonal are the squared correlation coefficients (SIC) between the constructs.

A second-order CFA was conducted in an effort to assess the reliability and validity strength of the COCBs in service recovery construct. All dimensions of the COCBs in service recovery construct were found to be significantly and positively related to the second-order construct as revealed by good model
fit (see Figure 2). Thus, the results support that suggestions, flexibility, and voice behavior dimensions serve as indicator variables for the corresponding second-order factor, COCBs in service recovery.

**FIGURE 2**
SECOND-ORDER CFA OF COCBs IN SERVICE RECOVERY

Note: ***p<.001, **p<.01; Model Fit: χ²=42.545, df=31, CFI=.979, TLI=.970, SRMR=.035, RMSEA=.078

For the study’s remaining variables (i.e., CPOS, CPOJ, affective commitment, and motivation of COCBs) exploratory factor analysis (EFA) was conducted. After deleting items with low factor loadings (<.40) from the EFA results, six items for CPOS, five items for CPOJ, three items for affective commitment, and two items for motivation of COCBs were used to test the hypotheses. Reliability of each construct was acceptable (CPOS: α=.92; CPOJ: α=.93; affective commitment: α=.89; motivation of COCBs: α=.83). To assess convergent and discriminant validity, CFA was again conducted by following the same procedure used with COCBs in service recovery. Reliability and unidimensionality of each construct were confirmed, as shown in the Table 3. The CFA result revealed good model fit to the data as follows: χ²=367.56, df=25, CFI=.92, TLI=.91, RMSEA=.08.

**TABLE 3**
CONVERGENT AND DISCRIMINANT VALIDITY: SOCIAL EXCHANGE-BASED ANTecedENTS AND COCBs

<table>
<thead>
<tr>
<th></th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. CPOS</td>
<td>.68</td>
<td>.74</td>
<td>.22</td>
<td>.12</td>
<td>.10</td>
</tr>
<tr>
<td>2. CPOJ</td>
<td>.72</td>
<td>.13</td>
<td>.03</td>
<td>.06</td>
<td></td>
</tr>
<tr>
<td>3. Affective commitment</td>
<td>.75</td>
<td>.37</td>
<td>.26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Motivation of COCBs</td>
<td></td>
<td>.71</td>
<td>.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Actual COCBs in service recovery</td>
<td></td>
<td></td>
<td></td>
<td>.58</td>
<td></td>
</tr>
</tbody>
</table>

*Note: The numbers in diagonal line are the average variance extracted (AVE) by each construct. The numbers above the diagonal are the squared correlation coefficients (SIC) between the constructs.*
Hypotheses Testing

According to Kline (2010), an ideal sample size-to-parameters ratio for structural equation modeling (SEM) is 20:1. Therefore, due to the study’s sample size, regression analysis was considered the most appropriate method to test hypotheses.

$H1$ predicted that motivation of COCBs has a positive influence on actual COCBs in service recovery. As indicated in Table 4, the beta weight for motivation of COCBs influence on actual COCBs in service recovery was statistically significant, thereby supporting $H1$ ($r^2=.15, p<.01$). $H2$ predicted a positive relationship between affective commitment to a firm and motivation of COCBs. As expected, the result revealed affective commitment is significantly positively associated with motivation of COCBs ($r^2=.32, p<.001$), supporting $H2$. The result of regression also showed that CPOS and CPOJ are positively related to affective commitment ($r^2=.24, p<.001; r^2=.14, p<.01$, respectively), supporting both $H3$ and $H4$.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Dependent variable</th>
<th>Independent variable</th>
<th>$R^2$</th>
<th>F value</th>
<th>$\beta$</th>
<th>T-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Actual COCBs in Service Recovery</td>
<td>Motivation of COCBs</td>
<td>.15</td>
<td>10.87</td>
<td>.39</td>
<td>3.30**</td>
</tr>
<tr>
<td>H2</td>
<td>Motivation of COCBs</td>
<td>Affective Commitment</td>
<td>.33</td>
<td>29.51</td>
<td>.57</td>
<td>5.43***</td>
</tr>
<tr>
<td>H3</td>
<td>Affective Commitment</td>
<td>CPOS</td>
<td>.24</td>
<td>18.48</td>
<td>.49</td>
<td>4.30***</td>
</tr>
<tr>
<td>H4</td>
<td>Affective Commitment</td>
<td>CPOJ</td>
<td>.13</td>
<td>9.24</td>
<td>.37</td>
<td>3.04**</td>
</tr>
</tbody>
</table>

Note: ***$p<.001$, **$p<.01$.

In addition to regression analysis, we decided to subject the data to bootstrapping analysis in order to obtain estimates of the standard errors for the coefficients in regression (Anderson and Pomfret, 2000; Fattouh, Scaramozzino, and Harris, 2005). According to Simon and Usunier (2007), bootstrapping analysis helps researchers not only assess stability of parameters but also have more accurate parameters. Moreover, bootstrapping is particularly useful in cases of small sample sizes. Thus, simulation analysis through bootstrapping process with 1,000 iterations was conducted to evaluate the stability of parameter estimates and to obtain improved standard error estimates (Efron and Gong, 1983). The bootstrapping analysis reveals that its resultant estimates do not significantly differ from those based on the parent sample. Thus, tests of all hypotheses were systematically confirmed via regression as well as bootstrapping analyses.
TABLE 5
REGRESSION ANALYSIS WITH 1,000 BOOTSTRAPPING REPLICATIONS

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Dependent variable</th>
<th>Independent variable</th>
<th>β</th>
<th>S.E.</th>
<th>Lower</th>
<th>Upper</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Actual COCBs in Service Recovery</td>
<td>Motivation of COCBs</td>
<td>.31</td>
<td>.11</td>
<td>.10</td>
<td>.53</td>
<td>.009</td>
</tr>
<tr>
<td>H2</td>
<td>Motivation of COCBs</td>
<td>Affective Commitment</td>
<td>.57</td>
<td>.10</td>
<td>.38</td>
<td>.79</td>
<td>.001</td>
</tr>
<tr>
<td>H3</td>
<td>Affective Commitment</td>
<td>CPOS</td>
<td>.71</td>
<td>.19</td>
<td>.32</td>
<td>1.10</td>
<td>.001</td>
</tr>
<tr>
<td>H4</td>
<td>Affective Commitment</td>
<td>CPOJ</td>
<td>.52</td>
<td>.18</td>
<td>.19</td>
<td>.90</td>
<td>.005</td>
</tr>
</tbody>
</table>

Note: Bias-correlated accelerated percentile method 95% confidence intervals

DISCUSSION AND IMPLICATION

This research provides important empirical support in exploring the antecedents of COCBs in service recovery. As social exchange theory in the organizational literature suggests, when people perceive support and/or justice from the organization, they are more likely to feel affective commitment toward the organization. Moreover, the findings of this study reveal that consumers’ affective commitment toward the service firm/retailer had a positive impact on their motivation to perform voluntary behaviors in general, which, in turn, encouraged them to co-participate, with the organization, a resolution to the firm’s service deficiencies.

In addition, this study suggests that there are three modes by which consumers participate with firms in resolving the service failures via their suggestions, flexibility, and voicing behavior. Especially, when service failure occurs, customers may have more opportunities to participate in tasks or activities that help the service provider or retailer. Thus, the findings of the current study revealed that customers voluntarily participate in organizational tasks when service failure occurs, providing service providers with constructive ideas and/or skills (suggestions), understanding occasions beyond service providers’ control (flexibility), and informing service providers when customers have a problem or complaint (voicing behavior).

Given these empirical findings, even though the findings of current study were confirmed by the bootstrapping analysis, future research should replicate this study with a larger customer sample in order to build generalizability by confirming the consistency of the finding. In addition, further research can be conducted in different situations than service recovery to investigate whether other dimensions of COCBs (e.g., helping other customers and benevolent acts of service facilities) are applicable in different contexts. By applying a theory from organizational literature to the customer context, this study found CPOS and CPOJ as the antecedents of actual COCBs in service recovery. Moreover, the findings show that the impact of CPOS and CPOJ on actual COCBs in service recovery is mediated by affective commitment and COCBs’ motivation. In addition to these findings, it is possible that future research can explore additional constructs of COCBs including antecedents, mediators, and moderators.

Given the results, marketers should think of their customers as partial employees to provide value to the organizations in regards to their ability to provide knowledge or skills in resolving service failures. Additionally, marketers need to understand that COCBs can be derived from affective commitment through perceived support and/or justice. Thus, they should maintain relationships with customers accordingly in order to facilitate customers’ positive perceptions and affect.
REFERENCES


Parallel Imports Debate: Resource Advantage Theory Perspective

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Penn State University
Naveen Gudigantala
University of Portland

Parallel imports (PI) are goods brought legally into a market without the authorization of the local intellectual property rights (IPR) owner. Whether governments should allow PI liberally or not has been a subject of great debate. In this paper, we argue that full-scale liberalization of PI hurts international competition and should not be allowed. Instead, we argue that national/regional IPR exhaustion within countries or groups of countries with similar demand characteristics, while sustaining price differentiation across groups with different demand characteristics, may be the optimal global policy on PI activities. Our arguments are based on Resource Advantage (R-A) theory.

INTRODUCTION

Parallel imports, also called gray market imports, are genuine goods produced under the protection of intellectual property rights (IPRs), sold into one market, and then brought legally into another market without the authorization of the local intellectual property rights (IPR) owner (Maskus, 2010). For instance, M-Tech Data Ltd., a UK-based retailer, imported 64 new Sun Microsystems computer disk drives from a U.S. retailer and sold them to a customer in the UK. These disk drives were originally supplied by Sun for purchasers in China, Chile, and the United States. M-Tech Data Ltd. did not seek the authorization of Sun when importing the goods from a U.S. retailer into the UK (UK Supreme court, 2010). Parallel imports, also called gray market goods, are widespread across many industries. Parallel import goods can include automobiles, books, video games, pharmaceuticals, consumer durable and non-durable goods, etc. (Ahmadi & Yang, 2000). Goods worth billions of dollars are placed in gray markets which directly result in substantial losses to companies. For instance, the parallel import activity in pharmaceuticals in the United Kingdom was valued at one billion Euros in the United Kingdom alone (Kanavos & Holmes, 2005). Also, parallel import activity in the information technology industry in the United States has grown from $40 billion in sales and $5 billion in lost profits in 2002 to $58 billion in sales and $10 billion in lost profits in 2008 (KPMG, 2008). While parallel trade has negatively impacted manufacturers, proponents of parallel trade point to the beneficial effects for the end consumers in that the goods become accessible at inexpensive prices.

Parallel import is essentially an arbitrage of IPR protected goods (Maskus, 2010). For instance, Bayer sells the drug ciprofloxacin for $740 (U.S. dollars) per 100 units in Mozambique, while the same drug is sold in India for $15 because of local generic competition. Such price differentials offer motivation to import the product from India without Bayer’s consent (WHO, 2014). Most goods incorporate a complex
mix of numerous IPRs such as copyrights, patents, and trademarks to support their global distribution. IPRs provide protection to their owners, encourage the creation and development of new technologies and products, enable IPR owners to monitor marketing activities, and enforce product quality (Maskus, 2010). For this reason, IPR owners are granted with exclusive production and distribution rights, which help them collect economic returns on their R&D investments. Therefore, IPR owners may find their profit diminished by the ability of parallel imports to interfere with price differentials, maintaining vertical control, and limiting licensing revenues (Maskus, 2000).

The most important limitation on the scope of IPR is the exhaustion doctrine, which states that at some point the IPR holder loses its exclusive distribution rights (Maskus, 2000). For example, in the United States and the European Union, first-sale doctrine indicates that distribution rights are exhausted upon the first sale anywhere in the U.S. (national exhaustion) and in the territory of the EU (regional exhaustion). Once IPRs are exhausted, it becomes legal for anyone to sell the goods purchased within the territory. However, both the U.S. and the EU prohibit imports of such goods from outside their territories. Though there are different practices when it comes to exhaustion doctrine, developing economies generally have a more open regime and, therefore, are more inclined toward allowing parallel imports (called PI hereafter) in all fields of IPR (e.g., copyrights, patents, trademarks) than are developed economies. This difference comes from the reasoning that competition from PI could force distributors to charge lower prices, and the resultant low prices benefit consumers of developing nations.

On the other hand, IPR owners have a strong incentive to sell their protected goods at different prices to different types of customers. Different markets represent different demand elasticity (changes in demand with respect to changes in many economic variables); and, given these differences in demand, firms prefer to differentiate their prices across different markets to increase their total return of investments. This environment creates opportunities for parallel importers to import from low-priced markets and sell in high-priced markets bypassing the authorized distribution channels as long as the costs of procuring and shipping (trade costs) do not exceed the price differentials between markets. Therefore, PI are essentially an arbitrage of IPR protected goods across markets regulated by different PI-related policies; and, they limit the scope for international price discrimination (Malueg & Schwartz, 1994). For example, pharmaceutical firms in developed economies that agreed to provide many essential drugs at low cost in Sub-Saharan African nations are concerned that these drugs might be sold into higher-price markets through parallel export channels in Korea, Japan, and other nations (Maskus, 2000).

PI affect firm profits in many ways. They not only limit the scope for international price differentials but also make the distribution of goods inefficient because the costly trade of managing both legitimate and illegitimate distribution channels replaces more cost-efficient local distribution dealing with just authorized supply chains (Maskus, 2010). Reduced profits eventually diminish firms’ R&D incentives. Therefore, regulation of PI has become a critical issue in the global trading system.

Because PI activities are damaging to manufacturers and perceived to be beneficial to consumers, there is a great debate about allowing PI. Proponents of PI argue that liberalization of PI will integrate markets, strengthen competition, and reduce prices for consumers. They also argue that a ban against PI could confer considerably greater market power on IPR owners, supporting their higher monopolistic prices in particular markets (e.g., Abbott, 1998). On the other hand, some analysts advocate a global ban against PI by arguing that it is a natural extension of the rights of IPR owners to control international distribution. Simply, allowing PI creates many hurdles for IPR owners which affect their ability to set separate prices that capture the economic valuation of specific consumers (Barfield & Groombridge, 1998). For instance, profits from PI go to unauthorized distribution channel members. Authorized channel members suffer a reduction in sales and profits creating disruption in relations between IPR owners and their authorized suppliers. Further, when genuine products are sold at a steep discount in a market, the brand image suffers (Myers & Griffith, 1999). It is also argued that IPRs are forms of knowledge capital, and they have been the key determinant of long run growth in national economies (Nelson & Romer, 1996). Hence, protection of IPRs and enhanced economic performance are strongly interconnected (Bale, 1998; Barfield & Groombridge, 1998).
The root of the debate, regarding a global ban versus full liberalization of PI, stems from the fundamental principle of the World Trade Organization (WTO), which is the prohibition of tariff and all other trade barriers to support the free movement of goods and services across and within the boundaries of member countries. Thus, restraints against PI constitute non-tariff barriers to international trade and are inconsistent with the fundamental principle of WTO (Abbott, 1998). Relatedly, advocates of PI support the idea that any vertical arrangements and market segmentation-based price differentiations to control PI have monopolistic purposes and artificially raise prices. The fundamental principle of WTO – free movement of goods and services – has this underlying belief that specialization and free trade will benefit all the trading partners in the long term. Therefore, any system that prevents PI does not comport with this belief. At the same time, the differences in perceived consumer interests make it difficult to achieve international agreements on exhaustion (Maskus, 2000). It almost proved impossible in WTO’s trade negotiations to reach a global consensus on whether to ban or liberalize PI activities.

Our contribution through this paper is as follows. We show that, (1) assumptions behind the arguments made by both proponents and opponents of PI activity are inconsistent with the reality of international trade. Both sides assume that markets operate under the conditions of perfect competition. In reality, PI happen in markets with imperfect competition because imperfect competition is the result of firms maintaining pricing power and price differentiation schemes (Conley, 2008). Thereby, PI, in most conditions, are at odds with the WTO’s free trade argument, (2) Based on the R-A theory of competition, we support the national/regional IPR exhaustion on PI. We argue that national/regional IPR exhaustion within countries or groups of countries with similar demand characteristics and low transport costs, while sustaining price differentiation across groups with different demand characteristics, may be the optimal global policy on PI activities. There are reasons to believe that price differentials, market segmentation, vertical price controls, and protecting IPRs to encourage firms’ R&D investments in competitive markets can be beneficial overall. Further, we argue that full liberalization of PI harms the economic growth of nations, and is detrimental to global welfare in the long term. Therefore, our analysis is a departure from just the pro-parallel trade versus the anti-parallel trade debate and is rooted in sound theory.

The paper is organized as follows. We first briefly review the debate over PI by using two schools of thought in competition policies. Second, we provide an overview of the Resource-Advantage (R-A) theory. Third, based on R-A theory, we discuss why full liberalization of PI harms the economic growth of nations in the long term, and how regional IPR exhaustion can be an optimal global policy. Finally, we discuss the implications for public policy and conclude that regional IPR exhaustion regime may promote social welfare at a global scale.

PARALLEL IMPORTS DEBATE

In the broadest international legal terms, the debate over liberalization of PI at a global scale stems from the question of:

“To what extent should the IPR holders within particular territories be entitled to restrict the importation of products into those territories on the basis of local IPR ownership when those products have been placed on the market outside the territory with their consent?” (Abbott 1998, p. 607)

This question considers the global trade term - exhaustion, which is the territorial right of the IPR owners after the first sale of protected goods and services. The ability of IPR owners to exclude PI legally from a particular market depends on the importing nation’s treatment of exhaustion of IPRs. There are two general territorial exhaustion regimes: (1) national/regional and (2) international. National/regional exhaustion regime awards the right to prevent PI, which means the IPR owners have the right to block the importation or sale of the protected product in domestic markets. However, they cannot prevent the subsequent resale of the product after the owner has exhausted the right of the first sale in domestic markets. On the other hand, according to the international exhaustion regime, the owner loses the
exclusive privilege after the first sale of the product *anywhere* in the world, and PI become legal. In specific terms, there are two PI practices based on international exhaustion theory. Passive PI is when patented products are purchased in a foreign market and resold in the domestic markets. Active PI occurs when a foreign licensee exploits the patent then enters the domestic market in direct competition with the owner and other official domestic licensees (Fink, 2004). Both cases lead to intense intra-brand competition, which is the prime factor behind the heated debate around liberalization of PI around the globe. For a detailed discussion and examples on exhaustion policies, please see the following table.

**TABLE 1**
PARALLEL TRADE POLICIES

<table>
<thead>
<tr>
<th>Parallel Trade Policy</th>
<th>Example countries implementing these policies</th>
<th>What is permitted by the policy?</th>
<th>What is not permitted by the policy?</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>National exhaustion</strong></td>
<td>United States of America, Canada</td>
<td>Distribution rights are exhausted upon first sale anywhere in the country. Once IPRs are exhausted, it becomes legal for anyone to sell the goods purchased within the country. For example, if a company X has a patent in the U.S. and sells its product to a customer in the U.S., X’s rights are exhausted within the U.S. The buyer can resell the product anywhere within the U.S.</td>
<td>Countries that adopt this regime have the right to prohibit imports of such goods from outside of their territories. For example, if a company X has a patent in the U.S. and sells its product to a customer in China, X’s rights outside of the U.S. are not exhausted. X can prohibit efforts by the Chinese buyer to import the same product in the U.S.</td>
</tr>
<tr>
<td><strong>Regional exhaustion</strong></td>
<td>European Union</td>
<td>Distribution rights are exhausted upon first sale anywhere in the region. Once IPRs are exhausted, it becomes legal for anyone to sell the goods purchased within the region. For example, if a company X has a patent in a country in the European Union, say Germany, and sells its product to a customer in another EU member country, say Italy, X’s rights are exhausted within the E.U. The buyer in Italy can resell the product anywhere within the E.U.</td>
<td>A region that adopts this regime has the right to prohibit imports of such goods from outside the region. For example, if a company X has a patent in a country in the European Union and sells its product to a customer in China, X’s rights outside of the E.U. are not exhausted. X can prohibit efforts by the Chinese buyer to import the same product in the E.U.</td>
</tr>
</tbody>
</table>
The existence of PI raises a number of interesting policy and strategic questions that have attracted the attention of economists and policy makers. The Trade Related Aspects of Intellectual Property Rights (TRIPS) agreement of the World Trade Organization (WTO) is the main focus of the extensive debate over the liberalization of PI. American negotiators in the Uruguay Round attempted to incorporate a global standard of national exhaustion into the agreement on TRIPS. However, it was not possible to reach such an agreement because of the divergent views on the net benefits of PI (Maskus, 2000). The well-known Article #6 states that

“[f]or the purposes of dispute settlement under [TRIPS], subject to the provisions of Articles 3 and 4 above, nothing in [TRIPS] shall be used to address the issue of the exhaustion of intellectual property rights.”

The final status of the TRIPS agreement preserves the territorial prerogative to regulate PI, which means it implicitly leaves the decision on whether or not to recognize the international exhaustion of IPRs to each member state. This flexibility gained popularity especially in developing countries.

WTO is the only organization that handles the dispute settlement regarding international trade issues. Article #6 of the TRIPS agreement permits each country to establish its own rules on exhaustion, and its decision may not be challenged under the WTO dispute settlement. That means, the PI issue is unresolved and there is no organization that can provide a global policy for the regulation of PI. For example, the United States (U.S.) adopts a mixture of regimes. It pursues the national exhaustion policy for copyrighted and patented products, thereby, allowing the IPR holders to restrict PI from abroad. However, the U.S. adopts international exhaustion in trademarked goods and services and allows their PI. The European Union (EU) adopts regional exhaustion in all fields of intellectual property rights within its member countries. According to Article 30 of the Treaty of Rome, free circulation of products and services should take precedence over IPRs (Maskus, 2000). The basic motivation for adopting this regime by the EU is to encourage regional market integration (Li & Maskus, 2006). Finally, international exhaustion is a general policy in developing nations. However, some developed nations such as Japan, Australia, and New Zealand have recently decided to move toward a more liberal treatment of PI. In May 1998, the New Zealand government accepted international exhaustion regime for the PI of copyrighted goods due to the high prices of compact discs and books (Maskus, 2000). Although music companies recognized that this decision would significantly impair their market segmentation and pricing policies, the New Zealand government argued that acceptance of international exhaustion in copyrighted goods would reduce the prices of consumer goods without disrupting the creative process, and thereby, increase...
the consumer welfare in the long-term. After this decision, New Zealand was included in the U.S. Special 301 watch list.

Recently, the Russian government announced that its ban on PI would be removed by 2020. They currently apply national exhaustion for trademark rights, and by 2020 they will be adopting the doctrine of international exhaustion. In this specific case, the Russian Federal Antimonopoly Service (FAS) insists that liberalization of PI will strengthen competition, while the ban is an abuse of the dominant position of the trademark owner. On the other hand, the Association of European Businesses (AEB) is trying to persuade the Russian government not to allow PI, arguing it will drive investors away from the local market in addition to increasing the flow of counterfeit products. Prior to the revision of Patent Law, China largely ignored the issue of PI. China’s Trademark Law, Copyright Law, Anti-Unfair Competition Law, Foreign Trade Law, and Customs Law do not explicitly deal with PI. Only the revised Patent Law in 2009 has some policies on PI. The Chinese Patent Law follows the international exhaustion doctrine and permits PI (Si & Wang, 2011; Guizhen, 2011).

Since the issue is currently unresolved, it may be insightful to discuss the foundations on which both sides build their arguments. Proponents of PI reflect the monopoly school of economic thought (Barfield & Groombridge, 1998). This school of thought argues, briefly, that vertical restraints and any attempts to control supply chain through vertical arrangements are monopolistic moves intended to artificially segment the markets and raise consumer prices (e.g., abusive price discrimination). This school of thought argues that prevention of PI is a non-tariff barrier to global trade and that it is inconsistent with the fundamental principle of the WTO -- the integration of markets (Abbott, 1998). According to this view, the world should be treated as one uniform market, and the exercise of patent rights, market segmentation, and artificial price discrimination will lessen consumer welfare in the long term. By arguing for the liberalization of PI, proponents hope to prevent wealth transfer that results from a monopoly.

On the other hand, the efficiency school of thought believes that vertical arrangements reduce costs by increasing allocative efficiency (Bork, 1978; Tesler, 1960). Multinational firms expand their markets through establishing exclusive dealership rights in various territories. These rights assure that multinational firms monitor their marketing efforts and enforce product quality, which results in increased customer benefits and satisfaction (Maskus, 2000). Further, they believe that allowing vertical arrangements is an indispensable means of competing on the basis of regionally distinct marketing components, and, therefore, becomes a decisive factor in international competition. Briefly, full restriction against PI is a necessary complement to exclusive territorial rights (Chard & Mellor, 1989).

We argue here that in the long run, both full liberalization of and the global ban on PI activities harm international competition and lessen social welfare. Both the monopoly and the efficiency schools base their assumptions on perfect competition and support the neo-classical, equilibrium-based research tradition. We believe that both approaches to PI are misguided. Instead, we suggest that the debate over PI should move beyond the neo-classical, equilibrium-based research tradition. We suggest that the evolutionary, disequilibrium provoking, and process theory of competition provides a more useful theoretical basis for a meaningful debate. With this commentary in mind, we present a brief overview of a process-based theory of competition, Resource Advantage theory of competition, in the next section.

RESOURCES-ADVANTAGE THEORY OF COMPETITION

At the heart of the discussion over restricting PI is one of the most debated questions in the field of business/economics:

*Why do firms replace market exchange, where the world is one uniform market and all consumers have access to the one uniform price, with a more complex form of market exchange processes such as vertical integration, contractual relationships, territoriality, segmented markets, and price differentiation?* (Barfield & Groombridge, 1998; Williamson, 1985).
Are vertical integration and market segmentation strategies pro-competitive or anticompetitive? Are they good or bad for society’s welfare in the long-term? Answering these questions requires exploring the role of these strategies in market-based economies in which privately owned companies compete with each other. It also requires understanding how moderate restrictions on PI influence both society’s welfare and how firms compete. Our foundation for exploring these questions is the Resource-Advantage theory (hereafter, R-A theory) of competition. This theory is being developed in economics (Hunt, 1997), general business (O’Keeffe, Mavondo, & Schroder, 1998), management (Hunt, 1995; Hunt & Lambe, 2000), and marketing (Hunt & Morgan, 1995, 1997; Hunt & Arnett, 2001, 2004). Figure 1 displays the dynamic nature of R-A competition; Figure 2 shows the competitive position matrix; and Table 2 provides the foundational propositions of R-A theory. Our overview of R-A theory will closely follow the theory’s treatment in Hunt (2000).

The Pedigree and Structure of R-A Theory

As an interdisciplinary theory of competition, R-A theory shares affinities with diverse theories, research programs, and traditions, such as evolutionary economics, Austrian economics, heterogeneous demand theory, differential advantage theory, resource-based theory, competence based theory, and socio-economics and institutional theory. Here, we briefly review the influence of each of these. First, R-A theory traces to evolutionary economics, which maintains that competition is a process that provokes disequilibrium (Dosi & Nelson, 1994). Competitive processes bring creative destruction and accelerate economic growth and productivity. Technological progress created by competition is what propels gains in real per capita income and long-term economic growth (Schumpeter, 1942). Second, Austrian economics views competition as a knowledge discovery process, which means that firms learn through competition as a result of feedback from their financial performance (Mises, 1920). Third, heterogeneous demand theory argues that demand in the overwhelming majority of industries is substantially heterogeneous and dynamic; therefore, consumers’ tastes and preferences differ greatly within the same product category and are always changing (Alderson, 1965; Chamberlin, 1962). Fourth, differential advantage theory asserts that competition is dynamic and firms struggle with each other for competitive advantages. Firms can either have an efficiency advantage (reducing costs while providing equivalent benefits) or an effectiveness advantage (producing more benefits) or both (more efficiently producing more benefits) (Alderson, 1965; Clark, 1961; Porter, 1985). Fifth, resource-based theory views resources as tangible and intangible entities that enable firms to produce market offerings which have value for some market segment(s). Further, it asserts that successful firms that are able to sustain their performance have not only heterogeneous resources, but also resources that cannot be duplicated or imitated precisely by competitor firms (Barney, 1991; Prahalad & Hamel, 1990). Sixth, competence-based theory explains how firms develop strategies to effectively and efficiently deploy resources. This theory argues that competition is a continuous dynamic process with the goal of superior financial performance as the major driver of the dynamic nature of competition. Since all competing firms cannot be simultaneously superior in financial performance, competition among firms stimulates both proactive and reactive innovations (Day & Nedungandi, 1994; Prahalad & Hamel, 1990). Finally, institutional theory recognizes that societal institutions can be independent variables in the analyses of competition that can cause changes in economic outcomes (Etzioni, 1988; Uzzi, 1996). Thereby, they can influence the process of competition, productivity, and economic growth. Indeed, societal institutions are one of the main facilitators of competition induced economic growth.

R-A theory draws from and shares affinities with several research traditions and theories. However, it is not simply a composite of these theories; it draws only on those aspects of the research traditions that fit together. R-A theory views competition as a disequilibrium provoking, evolutionary, and never-ending process. It views (1) both innovation and organizational learning as natural outcomes of the process of competition, (2) firms and consumers as having costly and imperfect information, and (3) macro-environmental factors (e.g., institutions, public policy, customers, suppliers, competitors) as affecting economic performance.
In R-A theory, firms and their resources are the hereditary units of evolutionary selection, and it is the process of competition that selects firms and resources. R-A theory defines the process of competition as “the constant struggle among firms for comparative advantages in resources that will yield marketplace positions of competitive advantage for some market segment(s) and, thereby, superior financial performance” (Hunt, 2000, p. 135). As shown in Figure 1, R-A theory emphasizes the importance of comparative advantages/disadvantages in resources, and the respective marketplace positions of competitive advantages/disadvantages. R-A theory’s treatment of resources will be one of the foundational arguments that we use to defend the regional exhaustion regime on PI in global markets. As shown in Figure 2, R-A theory emphasizes the importance of firms’ market segments due to differences in consumers’ tastes and preferences. Again, R-A theory’s treatment of market segmentation and price differentials will be another core argument in defending why regional exhaustion regime on PI is pro-competitive in global markets. In our argument, we will also use some of the foundational premises of R-A theory (Table 2).

### TABLE 2
**FOUNDATIONAL PROPOSITIONS OF RESOURCE-ADVANTAGE THEORY**

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Resource-Advantage theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1. Demand is</td>
<td>Heterogeneous across industries, heterogeneous within industries, and dynamic</td>
</tr>
<tr>
<td>P2. Consumer information is</td>
<td>Imperfect and costly</td>
</tr>
<tr>
<td>P3. Human motivation is</td>
<td>Constrained self-interest seeking</td>
</tr>
<tr>
<td>P4. The firm’s objective is</td>
<td>Superior financial performance</td>
</tr>
<tr>
<td>P5. The firm’s information is</td>
<td>Imperfect and costly</td>
</tr>
<tr>
<td>P6. The firm’s resources are</td>
<td>Financial, physical, legal, human, organizational, informational, and relational.</td>
</tr>
<tr>
<td>P7. Resource characteristics are</td>
<td>Heterogeneous and imperfectly mobile</td>
</tr>
<tr>
<td>P8. The role of management is</td>
<td>To recognize, understand, create, select, implement, and modify strategies</td>
</tr>
<tr>
<td>P9. Competitive dynamics are</td>
<td>Disequilibrium provoking with innovation endogenous.</td>
</tr>
</tbody>
</table>

*Source: Adapted from Hunt (2000).*
Read: Competition is the disequilibrating, on-going process that consists of the constant struggle among firms for a comparative advantage in resources that will yield a marketplace position of competitive advantage and thereby, superior financial performance. Firms learn through competition as a result of feedback from relative financial performance "signaling" relative market position, which in turn signals relative resources.

Source: Adapted from Hunt and Morgan (1997)

Read: The marketplace position of competitive advantage identified as Cell 3A in each segment results from the firm, relative to its competitors, having a resource assortment that enables it to produce an offering that (a) is perceived to be of superior value by consumers in that segment and (b) is produced at lower costs than those of rivals. Each competitive position matrix constitutes a different market segment (denoted as segment A, segment B, ...).

Source: Adapted from Hunt & Morgan (1997).

R-A theory views firms as combiners of heterogeneous and imperfectly mobile resources, under conditions of costly and imperfect information, with the primary objective of superior financial performance. Due to the heterogeneity and immobility of resources, R-A theory focuses on comparative advantages in resources among organizations. Some firms will have comparative advantages in resources...
that are available to them, which enable them to effectively and efficiently produce particular market offering(s) that have value for particular market segment(s). As shown in Figures 1 and 2, when firms have comparative advantages/disadvantages in resources, they can occupy marketplace positions of competitive advantage/disadvantage that will result in superior/inferior financial performance. Furthermore, the extent to which the process of competition fosters productivity and economic growth is significantly influenced by several environmental factors (e.g., societal resources, societal institutions, competitors and suppliers, consumers, and public policy decisions). Figure 2 displays nine possible competitive marketplace positions based on two dimensions and three levels for each dimension. Depending on the level of a firm’s relative resource-produced value for some segments and its level of relative resource costs for producing such value, it will either occupy an advantageous, disadvantageous, or an indeterminate position, which would in turn affect its financial position (e.g., superior, inferior, parity). Specifically, a “marketplace positional advantage” means that a firm is occupying one of three cells (cell 2, 3, or 6). In the next section, we will explain how a process view of competition, the R-A theory, could provide a meaningful theoretical foundation for the active debate on PI.

THE PARALLEL IMPORT DEBATE AND RESOURCE-ADVANTAGE (R-A) THEORY

We argue that regional exhaustion regime on unauthorized imports in the exercise of IPRs are, under most conditions, pro-competitive. R-A theory is the foundation for this view and provides supportive argument for this case in the following two sections: (1) price differentials and vertical price controls are pro-competitive and part of dynamic competition, and (2) IPRs represent a financial, informational, and legal resource; and they are the cornerstone of dynamic competition. Therefore, protecting them is essential in global competition and in building strong global economies.

Market Segmentation and R-A Theory

Proponents of the liberalization of parallel trade around the globe majorly subscribe to the monopoly school of thought and defend neo-classical, static equilibrium economics. They argue that IP owners use their rights to artificially segment the markets and charge different prices (Abbott, 1998; Chen, 2002). In this case, the practice of using price differentials is viewed as anti-competitive in that it permits firms to set prices according to each country’s market power. This market power is sustained by restrictions against parallel trade, and such restrictions act as non-tariff barriers to trade in goods involved in PI. Supporters of this view believe that to the extent that market segmentation promotes collusive pricing behavior, restricting PI serves as a facilitating device for firms to charge differential prices (Maskus, 2000).

In neo-classical economics, all market offerings are treated as commodities and are “regarded for practical purposes as homogenous within [themselves]” (Robinson, 1933, p.17). It means that consumers’ needs, wants, tastes, and preferences are assumed to be alike (homogenous). It also assumes that there is a single demand curve, a single supply curve, and common elasticity of demand (willingness to pay) for each commodity. Therefore, any activity (e.g., market segmentation) that treats consumers differently and fractures markets into artificial segments is detrimental to society and results in welfare losses (Stigler, 1982). Further, the monopolistic school of thought argues that consumers in high-price markets will benefit from PI because unauthorized distribution outlets would import the same goods being offered by the authorized distributors, creating intra-brand competition by lowering the prices. Eventually, the dynamics of this competition would threaten the distributors and motivate them to lower the overall prices (Barfield & Groombridge, 1998). In this case, parallel trade seems to be a competitive mechanism that would eliminate any price differentials and force firms to set uniform prices.

In contrast, other researchers argue that demand heterogeneity is a market reality, and price differentials in segmented markets happen according to demand elasticity (Alderson, 1965; Chamberlin, 1962; Hunt & Arnett, 2004; Smith, 1956). Smith (1956, p.6), in what is considered a seminal article in marketing, argued, “market segmentation may be regarded as a force in the market that will not be denied.” As Sawhney (1998, p.54) points out “customers are becoming very sophisticated and are
demanding customized products and services to match individual preferences and tastes.” There will always be customers who are willing to pay higher prices for higher quality products; and, there will always be customers who would prefer to save money by accepting less quality. From this perspective, firms using market segmentation and price differentiation strategies are not necessarily conducting abusive price discrimination. They are just following the nature of dynamic market structure.

In most of the circumstances, when firm profits are higher, they have a greater ability to engage in price differentiation across different international markets (Krugman, 1986). However, contrary to the monopolistic school of thought, profits are not the only component of economic well-being. The overall impacts on a society’s welfare are typically more ambiguous (Maskus, 2010). As Maskus (2000) notes, economic theory has long noted that price discrimination can provide positive economic benefits to society. Under a regime of price differentials, in comparison to a regime of uniform pricing, social welfare increases. Specifically, firms can supply more consumers with lower valuations for a product while extracting additional surplus from consumers with higher valuations. In this way, companies open new markets in countries with low marginal valuation, and, in doing so, both consumer and producer surplus rise. Further, empirical evidence shows that in the presence of parallel trade, IPR owners may choose not to sell in lower valuation countries because local demand could be insufficient under uniform pricing (Malueg & Schwartz, 1994). Therefore, ignoring the fact that there are distinct groups of consumers whose demands for the product differ in price elasticity invites strategic failures.

In this sense, R-A theory of competition provides a theoretical foundation for market segmentation strategy, contributes to explaining why such a strategy is required for economic growth, and explains why full liberalization of PI is detrimental in this process. Proposition 1 (in Table 2) agrees that demand in the overwhelming majority of industries is substantially heterogeneous and characterized by differential consumer tastes, preferences, and use requirements (Hunt & Arnett, 2004). In order to satisfy those different needs, firms should provide customized market offerings to each segment. Therefore, they have to possess a bundle of unique resources to serve different markets. In this sense, as shown in Figure 1, R-A theory sees competition as a constant struggle among firms for comparative advantage in resources that will yield marketplace positions of competitive advantage for some market segment(s) and, thereby, superior financial performance. Briefly, R-A theory views market segmentation as a basic unit of competition. Figure 2 shows that there are two important factors that determine the competitive position of firms in different market segments: (1) consumer perceptions regarding the value of the market offerings relative to those of competitors, and (2) the relative cost of the resources that are required to produce the market offerings. Simply, R-A theory agrees that if a market is substantially heterogeneous, treating consumers’ needs in that market uniformly will be detrimental to competition and social welfare. For example, in most cases, price differentiation allows firms to open new markets with low marginal valuation. In this way, consumers of poor countries are more likely to find the products in their markets than otherwise. This strategy would not be viable if the firms were forced to charge a uniform price. Thus, consistent with R-A theory, market segmentation and price differentiation may generate greater social welfare gains than are available under a uniform price – with the addition of more markets, consumer and producer surplus rise (Markus, 2010).

One of the central arguments of the monopolistic school of thought regarding restricting PI assumes that the world is one market, demand is uniform, and anything that differentiates markets results in discriminatory pricing and is anti-competitive. On the contrary, as a dynamic theory of competition, R-A theory argues that demand is substantially heterogeneous in many industries and treating demand as uniform (e.g., allowing PI) will harm not only the competition among firms, but also firms’ motivation for creativity and innovation, which are the driving forces of strong global economies.

Although there have been few empirical studies which directly analyzed the welfare tradeoffs of restricting PI, one study from Schmalensee (1981) supported the hypothesis that price differentials can increase the total welfare if the total consumption of goods increases. Similarly, a study by Malueg and Schwartz (1994) provides empirical support for the impact of price differentials on global welfare. They present a model, which includes many countries, and compare the impact of two global pricing scenarios: (1) a uniform price across all the markets, and (2) a mixed regime with uniform prices in subsets of
similar markets and price differences among groups of markets. They find that a mixed regime with uniform prices within groups of markets and price differentiation across these groups offers the highest social welfare possibilities. They state that

“If parallel imports are prevented...firms could offer lower prices to lower income (more elastic) countries without fear of the products resurfacing in high markets. Absent such...segmentation, firms may well choose relatively high uniform prices, at which low-demand countries are likely to go unserved.” And, they conclude that (p.20) “…our analysis casts doubt on the view that world welfare would be enhanced by encouraging unrestricted parallel imports in order to prevent price discrimination.”

Briefly, the small, least developed countries would almost certainly not be served by original manufacturers were there a globally uniform price. In this case, the main beneficiaries of uniform pricing would be the consumers in high-income countries.

R-A theory provides a theoretical foundation for the success of market segmentation and price differential strategy. Based on its proposition #1, R-A theory argues that parallel trade could be beneficial among countries with similar demand structures, but would be harmful across nations with different demand patterns. In this case, permitting parallel trade may raise welfare within regional trade agreements (e.g., EU, NAFTA, preferential trading arrangements- PTA) where the demand structure is similar and transportation costs are low.

Intellectual Properties Are Resources

One of the essential requirements for a theory of competition to explain and predict why IPRs are essential in global competition and social welfare is that the theory must be capable of providing reasoning for their unique, heterogeneous, and imperfect mobility resource nature. This is precisely what - as an interdisciplinary, integrative theory of competition -- R-A theory does. Our reasoning follows.

Consistent with the resource-based view of the firm, R-A theory broadens the concept of resources. Resources are defined as tangible and intangible entities available to the firm that enable it to produce efficiently and/or effectively a market offering that has value for some market segment(s). As shown in Table 2, R-A theory categorizes resources as financial (e.g., cash reserves and access to financial markets), physical (e.g., plant, raw materials, and equipment), legal (e.g., trademarks and licenses), human (e.g., the skills and knowledge of individual employees), organizational (e.g., controls, routines, cultures, and competences), informational (e.g., knowledge about market segments, competitors, and technology), and relational (e.g., relationships with competitors, suppliers, and customers). Under R-A theory, IPRs are resources only if they contribute to the firm’s ability to produce a market offering of value for some market segment(s). That is, IPRs must be perceived as “value add” to the market offering by the market segment(s). As to the R-A theory’s resource categories, IPRs may be considered as financial, informational, and legal resources.

First, IPRs are financial resources because they provide firms with rights to prevent imitation of their innovations for a limited period of time. Rights conferred give the IPR owners the exclusive right to make, use, and sell the protected invention including the exclusive right to import the invention, which help firms garner economic returns on their R&D investments. By its very nature, PI interferes with IPR owners’ rights for discriminatory price setting and limits their licensing revenues. Today, global trade growth is increasingly driven by innovation in industries substantially dependent on IPRs for their financial performance and growth. The pharmaceutical industry is one of them. Developing new drugs involves substantial investments in R&D and accounts for approximately 30 percent of total costs for U.S. pharmaceutical firms (Danzon, 1997). PI eliminates price differences, and therefore, would cause prices to converge in the long term. Converging prices leads to marginal cost pricing, which is the price equal to, or in some cases below the marginal cost of production. If prices were set equal to marginal cost to give patients access to existing drugs at a reasonable cost, pharmaceutical firms would not be able to recoup their investments and the incentives for R&D would disappear. In the long run, with marginal cost
pricing, too little investment in R&D results in too few drugs being developed. To correct this market imperfection, IPRs exist to allow companies to exercise some market power in order to recover their R&D investments (Maskus, 2000). IPRs, as financial resources, motivate firms to create new products and business models that change their competitive position in global competition.

Second, IPRs are informational resources because, according to the R-A theory of competition, consumers have imperfect information and searching for information is costly (Proposition 2 in Table 2). Therefore, consumers generally use trademarks and copyrights as heuristics of product/service quality (Erdem & Swait, 1998). That is, trademarks and copyrights are valuable sources of information to consumers. PI goods are identical to legitimate products except that they may be packaged differently and may not carry the original manufacturer’s warranty and after-sale rights; therefore, they are highly likely to create dilution among existing and potential customers. Authorized distributors have the incentive to advertise and promote the new products. They incur costs of building territorial markets through pre- and post-sale marketing activities. These costs are generally likely to be quite significant (Rapp & Rozek, 1992). On the other hand, parallel importers - unauthorized distributors - simply buy the goods abroad without incurring similar marketing costs (e.g., free riding). Since the parallel import goods are meant for other markets, consumers in the imported market will be exposed to the same legitimate brand with two different presentations and will more likely question the equivalence and quality of these new products.

Finally, IPRs are legal resources because intellectual property laws prevent rival firms from imitating and infringing on IPR holders’ knowledge capital (Grossman & Helpman, 1990), and stealing the value of their investment in developing their brands’ equity (Hunt, 2006). For example, the WTO agreement on TRIPS represents a culmination of multilateral activity leading to global strengthening of national laws and regulations providing firms with rights to prevent copying and infringing of their innovations for a limited time period (Bale, 1998).

In summary, R-A theory argues that full-liberalization of PI will be detrimental to global competition and social welfare in the long term. The theory’s fundamental premises view intra-industry demand as substantially heterogeneous and market segmentation as a basic unit of competition. By means of its treatment of resources, the theory also views IPRs as legal, informational, and financial resources that will yield marketplace positions of competitive advantage for some market segment(s) and, thereby, superior financial performance. Please find the summary of our discussion in the following table. Our contributions are related to the content in columns 4 and 5.

### TABLE 3
PARALLEL TRADE POLICIES AND COMPETITIVE ADVANTAGE THEORIES

<table>
<thead>
<tr>
<th>Parallel Trade Policy</th>
<th>Monopoly school of thought perspective – pro-parallel trade</th>
<th>Efficiency school of thought perspective – anti-parallel trade</th>
<th>R-A theory perspective – adopted by this paper</th>
<th>Reasoning based on R-A theory</th>
</tr>
</thead>
<tbody>
<tr>
<td>National exhaustion</td>
<td>Argue against national exhaustion</td>
<td>Argue for national exhaustion</td>
<td>Argue for national exhaustion</td>
<td></td>
</tr>
</tbody>
</table>

(1) Demand heterogeneity is a market reality and price differentials in segmented markets happen according to demand elasticity. Each nation/region should be treated as one market.

(2) IPRs as legal, informational, and financial resources will yield marketplace positions of competitive advantage for firms. Protecting them...
from parallel imports in the global markets will provide firms with superior financial performance, which will eventually increase their R&D investments.

| Regional exhaustion | Argue against regional exhaustion | Argue against regional exhaustion based on low transaction cost | Argue for regional exhaustion | (1) Demand heterogeneity is a market reality and price differentials in segmented markets happen according to demand elasticity. Each country or region with a similar economic structure among member countries should be treated as one market.

(2) IPRs as legal, informational, and financial resources will yield marketplace positions of competitive advantage for firms and, thereby, superior financial performance in global markets.

Regional exhaustion, if implemented well by institutions, is useful for global welfare in the long term.

| International exhaustion | Argue for international exhaustion for global liberalization of the trade. | Argue against international exhaustion based on low transaction cost | Argue against international exhaustion | (1) If markets are treated uniformly, assuming they have a single demand curve, this move will reduce the consumer welfare in the long term because consumers’ tastes and preferences are heterogeneous.

(2) IPRs as legal, informational, and financial resources will yield marketplace positions of competitive advantage for firms. Protecting them from parallel imports in the global markets will provide IPR owners with superior financial performance, which will eventually increase their R&D investments.

Protection of IPRs in global markets is essential today for invention, innovation, and for the healthy expansion of the global economic system.

**CONCLUDING REMARKS**

Parallel imports (PI) command different views on both sides of the global policy debate. Advocates of liberalization of PI point to the monopolistic structure of market segmentation strategy, vertical price
controls, and price differentials among markets. They argue that territoriality and vertical price integration to control PI have monopolistic purposes; and, these controls are often viewed as anticompetitive in that they allow IPR owners to set prices according to their market power in each territory. Therefore, proponents see PI as an effective device for disciplining potential collusive practices among IPR owners. They believe that restricting PI will artificially segment the markets, raise the prices, and harm the consumer welfare in the long run. Therefore, they argue for the regime of international exhaustion as an effective competition policy. However, evidence shows that international exhaustion regime will have a significant negative impact on firms’ R&D initiatives at a global scale (Danzon, 1997).

On the other hand, enthusiasts who support IPRs view restrictions against PI to be natural extensions of the rights to protect companies’ R&D incentives. They also strongly argue that protecting IPRs has a positive social welfare effect in the long run. In this view, parallel trade is considered a competitive mechanism that could drive retail prices to converge. This convergence increases the prices in low-price regions, harming low-price consumers, and decreases the prices in high-price regions, benefitting high-price consumers. Besides, parallel trade wastes resources through transportation of goods and free-riding of marketing expenses.

Using R-A theory as a foundation for understanding dynamic market systems, this paper has explored the benefits that contribute greatly to global economic systems and social welfare when PI activities are permitted on a national/regional basis. R-A theory stresses the importance of market segments, which are defined as groups of consumers whose demand characteristics (e.g., tastes and preferences) with regard to output are relatively homogenous. With its focus on market segments as basic units of competition, R-A theory emphasizes firms’ superior financial performance results from developing market offerings that match the needs of a specific market segment, and therefore, occupy a market place position of competitive advantage. With that in mind, this paper argues that it could be globally optimal to encourage national/regional IPR exhaustion where countries or groups of countries have similar demand characteristics and transportation cost is low among countries in that region. It also argues that price differentials should be sustained among countries where demand structure is different and procuring and shipping costs are high.

R-A theory also emphasizes the intangible and higher order resource nature of intellectual property rights. Therefore, protection of IPRs is essential today for invention, innovation, and the healthy expansion of the global economic system.

The inconclusive nature of initial TRIPS negotiations through Article 6 does not conclude the debate regarding the international exhaustion doctrine of PI. There is no reconciliation on the matter, and in most cases it is at the status quo ante with each country or region selecting its own policy. As a result, each member country to the agreement is free to decide how they deal with the exhaustion of IPRs by their own national laws. This passive approach to exhaustion is preferred to an affirmative policy of requiring exhaustion as a matter of international law. However, based on the arguments that we raised in this paper, we believe that the status quo is unsustainable for an indefinite period of time. Some attempt at policy harmonization in markets with similar demand characteristics may be the optimal global policy. Therefore, based on R-A theory, we argue that liberalization of PI only among countries of similar economic development with low transportation costs, and controlling PI between heavily and less regulated markets may increase the social welfare at a global scale.

Vigorous competition requires institutions, laws, and regulations that promote the linkage between innovation and rewards. Vigorous competition also requires governments to provide IPR owners the right to control PI activities on a regional basis. Global and national policies regulating PI require ample thought and careful implementation (Maskus, 2010). These policies should be flexible enough that if there are any collusive pricing practices, governments should have the ability to apply their competition laws to curb such international trade practices. Full-scale liberalization of PI at a global scale to prevent collusive business practices is nothing but sawing off the branch we are sitting on.
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Going Viral: An Analysis of YouTube Videos

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In this new era of marketing, ideas go viral, and spread like an infectious disease. Seeding strategies have strong influences on the success of viral marketing campaigns. In this paper, both case and content analysis were employed to examine the impact of influencers on viral campaigns. In doing so, this study extends on the two step/multistep models of communication. The empirical results show that seeding to well-connected people, celebrities, media vehicles, or anyone with a huge following through their greater reach is the most successful approach because these attractive seeding players are more likely to participate in viral marketing campaigns.

INTRODUCTION

A hot topic today is viral marketing, which describes the phenomenon by which consumers mutually share and spread marketing-relevant information in the form of emails, YouTube videos, and social media postings. The information is initially sent out deliberately by marketers to stimulate and capitalize on word-of-mouth (WOM) behaviors (Van der Lans et al. 2010) and encourage users to pass it on to other users, creating a potentially exponential growth in the message's visibility and effect. These characteristics parallel the traits of infectious diseases (Watts and Peretti 2007).

To date, there is no marketing academic literature that incorporates the new social media influencer and viral phenomenon into the communication model. The two-step flow model was first introduced in 1944 by Paul Lazarsfeld et al. in 1944, and hypothesizes that ideas flow from mass media to opinion leaders and from them to the wider population. It was later elaborated by Elihu Katz and Lazarsfeld in 1955 (Katz and Lazarsfeld 1955). The extended Multistep Flow Model says that most people form their opinions based on opinion leaders that influence the media. Opinion leaders are those initially exposed to a specific media content, and those that interpret it are based on their own opinion. They then begin to infiltrate these opinions through the general public who become "opinion followers.”

The current model assumes that "opinion leaders" gain their influence through more elite media as opposed to mainstream mass media, social media influencers, and user generated content. However, with the advent of social media, there is a new type of opinion leader. User generated content producers, bloggers and other amateur journalists are creating news content, and people who have been made subjects of news articles are responding online, posting supplementary information to provide comments, context, and counterpoints. Increasingly, the public is turning to online sources for information and consumption matters, such as bloggers, user reviews, and tweeters, reflecting the growing trust in alternative media; and, to user generated content produced by the mass media for entertainment purposes.

Though social media is transforming the way organizations, consumers, and people in general communicate and entertain, the academic literature reflects remarkably little effort to understand where
this new type of opinion leader fits into the communication model. This is surprising given that the phenomenal growth of texting, blogging, and networking, and how companies tap into Facebook, Twitter, and blogging for customer communication. A Forrester Research study confirms that 13.4% of U.S. adults online create 80% of the content that influences people, and 6.2% of these web users are responsible for 80% of social media influence (Henneberry 2012). This last factor is of particular importance because it is critical to viral marketing success. Given that social media influencers disperse messages willingly, they are particularly attractive to marketers since they tend to more cost efficient than traditional mass media advertising.

However, to score millions of viewers, and enjoy such results, four factors are critical (Hinz et al. 2011): (1) content that is easily memorable (Berger and Milkman 2011; Berger and Schwartz 2011; Gladwell 2002; Porter and Golan 2006); (2) the structure of the underlying digital social network (Bampo et al. 2008); (3) word of mouth pressure, described as the behavioral characteristics of those influenced and willingness to share message (Arndt 1967); and (4) the seeding strategy, which determines the initial set of targeted consumers (Bampo et al. 2008; Kalish, Mahajan, and Muller 1995; Libai, Muller, and Peres 2005), media sources, and social media influencers chosen by the initiator at the start of the viral campaign. The last factor is of particular importance because it suggests that the viral campaign is entirely under control of the initiator for it to go viral.

**METHODOLOGY**

A two-part study was undertaken to understand how ideas go viral. Part 1 is a case study of Susan Boyle that attempts to validate the four critical factors of viral campaigns (Hintz et al. 2011). Susan Boyle, a contestant on *Britain’s Got Talent*, transformed into a global sensation, attracting millions of YouTube viewers. Part 2 is a content analysis exploratory study that examines top viral YouTube videos for the purpose of identifying key elements of successful viral campaigns, differences in variations in levels of success, the relationship between source and popularity of video, and the role/impact of the influencer in communication models.

**Part 1: A Case Study of Susan Boyle**

On April 11, 2009, Susan Boyle performed ‘I Dreamed a Dream’ from the musical *Les Miserables* on *Britain’s Got Talent* in 2009, where both judges and audiences were blown away that the TV show attracted 10.3 million viewers. In one weekend, Susan Boyle's popularity rose very fast, and her performance on *Britain’s Got Talent* went viral. As of 10pm ET Sunday, Visible Measures (2009) reported the following Susan Boyle statistics: (1) 650 video placements found associated with Susan Boyle, including the original performance, interviews and fan responses; (2) 93.2 million views, meaning that views nearly doubled during the weekend; and (3) 15.6 million views were counted on Saturday, and by Sunday, a further 30 million views were logged. Five days after her *Britain’s Got Talent* performance, Susan Boyle was a worldwide internet phenomenon. A timetable of Susan Boyle’s Internet viral phenomenon is illustrated in Table 1.

In the case of Susan Boyle, all four factors for creating a viral campaign were at work (Hinz et al. 2011). First, content that is easily memorable (Berger and Milkman 2011; Berger and Schwartz 2011; Gladwell 2002; Porter and Golan 2006). Susan Boyle’s viral video included deep emotional content that was unusual and highly memorable. On the show, she performed the song ‘I Dreamed a Dream’ from the show *Les Miserable*. Importantly, both the show and the song are renowned, given that they were translated into twenty-one languages, including Japanese, Hebrew, Icelandic, Norwegian, Czech, Polish, Spanish, and Estonian, and there have been 31 cast recordings featuring the song (Translations and Cast Recordings 2009). To add, numerous popular singers performed the song “I Dreamed a Dream" over the years. Susan Boyle was criticized in the press for her frumpy appearance and awkward mannerisms. Yet, her performance was exceptional, resulting in a standing ovation and an audience in a state of shock and jubilation. She elicited a unanimous vote taking her into the next round of competition by judges Pier
Morgan, Amanda Holden, and Simon Cowell, giving Susan Boyle "the biggest yes [he had] ever given" in his three years of judging the show.

Second, for campaigns to go viral, the structure of the underlying digital social network is critical (Bampo et al. 2008). In the case of Susan Boyle, the digital social network employed was YouTube, a platform where most of the content is uploaded by individuals, in addition to media corporations such as CBS, the BBC, Vevo, Hulu, and other organizations offering some of their material via YouTube, as part of the YouTube partnership program (Weber 2007). Viral videos' longevity relies on factors which draw the audience to watch them. YouTube simplifies matters, partially because of the availability of affordable digital cameras (Grossman 2006).

A third important factor is word of mouth pressure, described as the behavioral characteristics of those influenced and willingness to share message (Arndt 1967). In various articles discussing Susan Boyle’s audition, she is depicted as “frumpy” and “awkward,” and laughed at in describing her small town and desire to be a famous singer like Elaine Paige. She is a 47 year old unemployed charity worker who owns cats and claims “Never been kissed.” Her incredible performance was a shock to the audience, followed by awe, cheering, and judges’ reactions of best performance ever. Most important, the heading in the media “Never judge a book by its cover” left much for people to talk about and share among friends in social platforms. Even more, there was Susan Boyle drama, including losing Britain’s Got Talent; checking into a mental health institution for exhaustion, and exhibiting strange behavior; requiring mental and psychological attention; and, fighting with her management team and family. Adding to this was Simon Cowell and the Britain’s Got Talent team, accusations that Simon exposed her unfairly, exploiting for the purpose of making money. British media outlets were constantly on alert, after audition and exploiting her character and life. Her personal management team was also accused of exploiting for the purpose of benefiting financially. Clearly, it appears that to sustain popularity and viral activity over time, there must be constant drama worth talking about. This is important for marketers who want to harness the power of consumers to pass along the marketing message as a freebie to the firm.

Lastly, the most important contributing factor on the success of Susan Boyle’s viral campaign was the seeding strategy, which determines the initial targeted audience. In the case of Susan Boyle, the seeding strategy consisted of attractive seeding points, including celebrities, media, bloggers, and twitters. An empirical study published in Journal of Marketing shows that seeding to well-connected people is the most successful approach because these attractive seeding points are more likely to participate in viral marketing campaigns (Hinz et al. 2011).

On Britain’s Got Talent, Simon Cowell appears as a judge alongside Amanda Holden and Piers Morgan. In 2004 and 2010, American magazine Time named Cowell one of the 100 most influential people in the world (Time Magazine 2004, 2010). In 2010, British magazine New Statesman listed Cowell at number 41 in a list of "The World's 50 Most Influential Figures 2010" (New Statement 2010), and TV Guide named him #10 in their 2013 list of The 60 Nastiest Villains of All Time (TV Guide 2013). In the voting round, Piers Morgan emphatically stated that Susan Boyle’s performance got the "biggest yes" that he has "ever given anybody." Amanda Holden said, "Yes, definitely. Brilliant." Simon Cowell closed by saying: "Susan Boyle, you can go back to the village with your head held high. It's three yeses."

Two days after Susan Boyle’s performance, American actor Ashton Kutcher and the first user of Twitter to have more than 1,000,000 followers (Sutter 2009; Kaufman 2009) highlighted the Susan Boyle Digg link through his @aplusk Twitter account. Ashton Kutcher – with an audience of 1,000,000 at his fingertips contributed to Susan Boyle’s viral success in the United States. That day, Demi Moore retweeted the @aplusk. Ashton Kutcher and Demi Moore’s tweets were retweeted repeatedly and ‘Susan Boyle’ turned into a Twitter trend. YouTube counts rose. The original Digg story was Dugg over and over. Following this, Susan Boyle was featured on BBC, CNN, CBS early show, and other media.

Part 2: Content Analysis: An Exploratory Study

The content analysis study explored the relationship between the social media influencer on YouTube video popularity. To investigate, the study extracted most popular videos from categories of music, sports
gaming, movies, TV shows, news, and spotlight. These included 160 YouTube videos, analyzed by topic, source, views, subscriptions, length, engagements, and audience profile.

The study examined factors that were likely to impact the social media influencer defined by (1) the total number of videos by source author and (2) subscriber number. The variables studied included: video topic, popularity, total number of videos from source editor, total number of views, subscriber number, likes, dislikes, total number of comments, total number of favorites, audience, an analysis of the transcript, key discovery events if any, and potential explanation for viral activity. While the effects were small, it appears that the number of views and likes relate to the source author. Clearly, the source influence on the network affects how ideas are spread and the rate of its adoption, suggesting that targeting influential people in a network are good seeding points for a viral marketing campaign.

CONCLUSIONS

This study presents support for the importance of seeding points in influencing the success of viral campaigns. In this article, a two-part study examined the impact of influencers on campaigns that go viral. The empirical results show that seeding to well-connected people, celebrities, media vehicles, or anyone with a huge following through their greater reach is the most successful approach because of these attractive players are more likely to participate in viral marketing campaigns.

Communication models that incorporate the new type of ‘opinion leader’ and viral phenomenon would be a fruitful avenue for future research. Another extension is to provide a foundation for future research by clarifying the new ‘opinion leader’ construct, developing research propositions, and constructing an integrating framework that includes antecedents and consequences of communication, where some forms of communication are associated with the success of viral marketing campaigns. In addition, from a marketing perspective, it would be useful to target seeding points that expedite the diffusion of viral marketing campaigns.

TABLE 1
SUSAN BOYLE TIMELINE

- 9th April – no one has heard of Susan Boyle
- 11th April – Susan Boyle appears on Britain’s Got Talent and performs ‘I Dreamed a Dream’ from Les Miserables. The judges are blown away and the show attracts 10.3 million viewers.
- 11th April – Susan Boyle’s performance is uploaded (unofficially) to YouTube
- 11th April – Susan Boyle’s YouTube performance Dugg by Jenocide312

![Twitter Search](https://example.com/susan-boyle)

No results for "susan boyle" until:2009-04-09

![Digg](https://example.com/susan-boyle)

Amazing Perf by 47YO on Britain's Got Talent

You tube.com — 47 Year old Susan Boyle wows the judges with her performance in the auditions dream from Les Miserables.
11th April – Ashton Kutcher highlights the Susan Boyle Digg link through his @aplusk Twitter account. Ashton Kutcher – with an audience of 1 million at his fingertips contributed to Susan Boyle’s viral success in the United States.

11th April – Demi Moore retweets @aplusk

Ashton Kutcher and Demi Moore’s tweets were retreated repeatedly and ‘Susan Boyle’ turned into a Twitter trend. YouTube counts rose. The original Digg story was Digg over and over.

After: Appearances of Susan Boyle on BBC, CNN, CBS early show, and other media.

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“Susan Boyle Jumps, Harry Potter Slips on the 100 Million Viral Video Views Club”

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This paper explores how salespeople’s concern for the well-being of future generations — a phenomenon known as generativity — could drive otherwise busy salesmen and women to take part in their employer’s innovation process through idea generation, promotion, and realization. After controlling for other important variables, such as creative self-efficacy, creative expectations, and expertise, our results confirm the positive influence of generativity on all three dimensions of innovative performance. In turn, the influence of salespeople’ innovative performance on their individual sales performance is mitigated: Only idea promotion turns out to be a marginally significant predictor of sales performance.

INTRODUCTION

Innovation has emerged as the new mantra in all spheres of business over the past decades. As firms tried to understand how to generate a steady flow of innovative new offerings, the role of various economic actors—e.g., salespeople—in spurring and/or facilitating innovation has been explored by academics (Ausura et al., 2005; Ernst, Hoyer and Rübsamen, 2010). Intuitively, salespeople should play a key role in innovation and new product development (NPD). Because they spend their workdays interacting with customers and clients, they are very likely the ones who best understand whatever it is that the market prefers, needs, and wants.

Yet not all salespeople take part in NPD efforts—in fact, most of them rarely do so (Gordon et al. 1997). And those who do get involved typically do so because they have to, or because they are offered incentives to participate. But some seem also get involved because they want to, despite the absence of incentives, or organizational imperatives (McDougal and Smith 1999). Recognition, gaining power or advancement and a few other motivations are raised, but the literature is scarce on empirical studies looking at what non-economical reasons might prompt sales representatives to take part in their employer’s innovation process.

In this article, we specifically explore how one’s desire to leave a better world for the next generations—that is, generativity—can act as a motivating force for salespeople to get involved in their employer’s innovation efforts. As every parent knows, wishing to preserve or promote the well-being of
next generations can be a strong driving force in orienting behaviors (e.g., Lacroix and Ouellet 2008; Urien and Kilbourne 2011). While generativity has been extensively studied in the field of psychology, it is under-researched in the field of business, and especially in the field of innovation management.

We also explore how any partaking of salespeople into the innovation process translates into increased (or decreased) sales performance for these professionals. This article therefore addresses three important issues: (1) What makes salespeople want to take part in new product development and innovation processes?—and more precisely, does generativity play a role in that sense; and (2) How does this all affect sales professional’s personal sales performance?—that is, links individual innovation to individual sales performance. A better understanding of both issues by researchers and managers could help bridge the gap between firms’ R&D and sales efforts.

After reviewing the relevant literature, we develop a conceptual framework and test its hypotheses through a survey with 151 professional salespeople. Results are then provided, followed by a general discussion on the contribution of this research as well as the avenues it opens for future research.

CONCEPTUAL DEVELOPMENT

Creativity, Innovation, and New Product Development

Distinguishing innovation from creativity is tricky as the difference between both is not always clear (e.g., Amabile 1996; Axtell et al. 2000; Mumford and Gustafson 1988, Hammond et al. 2011). On the one hand, creativity is linked to the generation of ideas (that is, creative behavior) while, on the other hand, innovation is more intimately linked to the implementation of said ideas (that is, innovative behavior). In other words, being creative by first generating novel ideas, and later working at actually doing something about those ideas can be viewed as two stages of a general innovation process. To this end, Farr, Sin and Tesluk (2003) proposed a model of the innovation process consisting in two distinct stages: (1) Creativity; and (2) Innovation Implementation. In the Creativity stage, the emphasis is put on problem identification and generation of alternative ideas and solutions. The Innovation Implementation stage concerns the selection of the most promising ideas and the actual implementation of solutions—that is, in our context, the actual development of new products.

At the individual level, an individual’s propensity to behave in an innovation-stimulating way has also been researched. Most notably, Scott and Bruce (1994) drew from Kanter’s (1988) work on the stages of innovation and defined innovative performance in the workplace as a three-dimensional construct consisting of: (1) performance in generating ideas; (2) performance in promoting ideas to hierarchical superiors and colleagues; and (3) performance in realizing ideas within the organization (Janssen 2001; Lu et al. 2012). For example, at the salespeople’ level and in the context of new product development, this should mean that innovative sales professionals would generate, promote, and help realize ideas about what, how, and/or to whom a company may be orienting its sales efforts.

Salespeople Contribution to Innovation Efforts

In most companies, the sales force is the main (if not only) function whose role is boundary-spanning, bridging firms with firms’ markets as representatives are in daily contact with customers, focusing on how best to serve the latter’s wants and needs (Pelham and Lieb, 2004). As such, salespeople intuitively sound like a powerful source of ideas and insights to tap into whenever a firm looks at developing new products (Hsu, Wang & Tzeng 2007).

In fact, recent research has highlighted the role of salespeople in product lifecycle management, notably in the development phase. For instance, Ernst, Hoyer and Rübsaamen, (2010) show that cross-functional cooperation between sales and R&D positively affects the overall performance of new product development (NPD) projects as well as new product market share when it occurs in the early phases of concept and product development—that is to say, the more closely R&D and sales functions work together, the better the outcome for any firm.

However, while it is the main role of R&D and marketing people to develop new products, or to at least contribute to development efforts, it is rarely the sales function’s job to do so—that is, businesses are
not organized to encourage R&D-Sales cooperation in new product development (Anderson et al. 1997; Gordon et al. 1997). And because salespeople typically have a shorter-term time orientation than marketers (Homburg and Jensen 2007), they are probably not likely to get out of their way and make extra efforts to contribute to the NPD process, unless they are rewarded for it, for instance through monetary incentives (Judson et al. 2006).

Yet, the extent literature offers several instances of salespeople’ contribution to new product development despite a lack of organization to support this contribution or explicit compensation to do so (e.g., McDougal and Smith 1999). That is to say, salespeople’ motivations to contribute to the R&D efforts do not have to be economic in nature; some sales professionals might just contribute to innovation efforts because they want to (Amabile 1996).

**Generativity as a Motivation for Salespeople to Take Part in the Innovation Process**

One factor that has recently emerged in the marketing literature as a potentially powerful motivator for people to engage in certain activities is generativity. This concept, which appeared in the social psychology literature in the early 1950’s, is defined as “an adult’s concern for and commitment to the next generation, as expressed through […] a host of activities that aim to leave a positive legacy of the self for the future” (de St. Aubin, McAdams and Kim 2004, p. 4). For Ryff and Heink (1983), a generative individual is one who “shows awareness of his/her leadership role and has a sense of maximal influence capacity” (1983, p. 809). McAdams et al. (1998) describe generative individuals as good citizens, contributing members of their communities, leaders, and instigators of change.

In fact, generativity is a good predictor of a myriad of phenomena, including socially- and environmentally responsible behaviors (Rossi 2001; Urien and Kilbourne 2011), philanthropy (Hodge 2003), work satisfaction in midlife adults (Ackerman, Zuroff and Moskowitz 2000), successful aging (Watburton, McLaughlin and Pinsker 2006), and overall life satisfaction (Hofer et al. 2008; Ackerman et al. 2000; de St. Aubin and McAdams 1995). It is also associated with consumer sensitivity to corporate social performance (Giacalone, Paul and Jurkiewics 2005), consumer responses to products and services positioned as (un)favorable to the well-being of future generations (Lacroix and Ouellet 2008), as well as employee performance, leadership, and succession in family businesses (e.g., Zacher, Schmitt and Gielnik 2012).

In other words, not only is generativity a personal phenomenon with consequences on one’s general well-being, its effects reach beyond one’s personal life and into the professional sphere. As a consequence, in the context where a generative individual would happen to be a salesperson, it would appear likely, on the basis of extent literature, that he/she would be inclined to contributing to generating ideas, promoting them, and realizing them within the context of his/her work, provided said ideas have the potential to make a difference and improve the well-being of future generations.

Moreover, one important consequence of generativity is in fact creativity and the tendency to act on creative ideas (McAdams and de St. Aubin study 1992; Browning 1975; McAdams 1985). According to Erikson (1950), generativity pushes people to action in three main ways, one of which is through the production of novel goods and ideas that promote the well-being of future generations. This gives us a first hypothesis:

**H1**: The higher the level of generativity in a salesperson, the higher is his/her innovative performance in generating ideas within an organization.

Generative people are also viewed as leaders who exert influence on others (Ryff and Heink 1983). They are seen as instigators of change (McAdams et al. 1998) who, before actually producing outcomes, first commit themselves to trying to make it happen by involving themselves in projects and influencing others (McAdams and de St. Aubin 1992). This gives us another hypothesis regarding the second dimension of innovative performance:
**H2**: The higher the level of generativity in a salesperson, the higher is his/her innovative performance in promoting ideas within an organization.

Finally, generative people go beyond promotion; they are people of action who make things happen and effectively create and/or produce goods and knowledge, among others (McAdams and de St. Aubin 1992). Examples of actual outcomes are legion in social psychology (e.g., de St. Aubin and McAdams 1995; Hart et al. 2001; Snyder and Clary 2004; Rossi 2001) as well as in the management and marketing fields (e.g., Grante and Wade-Benzoni 2009; Urien and Kilbourne 2011). This theoretical propensity to actually make things happen provides us with a third hypothesis:

**H3**: The higher the level of generativity in a salesperson, the higher is his/her innovative performance in realizing ideas within an organization.

**Innovative Performance Yields Salesperson Performance**

To our knowledge, no empirical research has yet focused on understanding how professional innovative performance may promote sales performance in salespeople, although links with creativity have been made. Empirical research has indeed shown a positive link between salesperson creativity and sales performance, as well as likelihood for promotion to sales management positions (Dubinsky and Ingram 1983; Wang and Netemeyer 2004). Extent literature suggests that creative salespeople are more equipped to engage in problem-solving activities (Wang and Netemeyer 2004), to perform and respond better to non-routine tasks that call for creativity (Lassk and Shepherd 2013), and a number of other relative advantages in comparison with less creative individuals (Devanna and Tichy 1990; Oldham and Cummings 1996; Shalley 1995).

Moreover, human resources professionals have known for ages that involving employees in decision-making increases motivation, engagement, job satisfaction and scores of other factors that, in turn, increase service quality, firm performance, productivity and other positive manifestations of a healthy company (e.g., Appelbaum, Bailey, Berg, & Kalleberg 2000; Huselid 1995). Put more simply, at the individual level, people tend to like (and probably sell) better what they contributed to creating; we therefore believe that a salesperson’s innovative performance should be positively associated with his/her selling performance, which gives us three additional hypotheses. Figure 1 summarizes our hypotheses and conceptual framework.

*The higher a salesperson’s professional innovative performance with regards to (H4) Idea Generation, (H5) Idea Promotion, and (H6) Idea Realization, the higher is his/her sales performance.*

**METHOD**

In order to empirically test our six hypotheses, we conducted a survey with 151 professional salespeople from various organizations and industries. The average respondent was 38.6 years old and had been a sales professional for 11.5 years, out of which some 4.6 at the company where they were currently employed. Our sample was 56.8% male with 55.5% having a Bachelor’s degree, and 26.7% a Master’s degree. Slightly over half of our respondents (51.4%) were in the Health industry, while most others were in the Arts & Entertainment (7.6%), Retail Trade (6.9%), Manufacturing (6.3%), and Finance & Insurance (5.6%) industries.

The survey was administered online and by invitation only. After having been explained the purpose of the survey, respondents would answer—in a randomized order—all item questions of our survey (46 questions) and concluded with socio-demographic information about their age, gender, experience, and industry. We also provided respondents with a chance to win an iPad Mini as an incentive to take some 15 minutes of their time to fill out our survey.
FIGURE 1
CONCEPTUAL FRAMEWORK: SALESPERSON INNOVATIVE PERFORMANCE

Measures
Generativity was assessed using a 14-item subset of McAdams and de St. Aubin’s (1992) Loyola Generativity Scale. This scale is certainly the most widely used measurement instrument for generativity, even in consumer behavior research (e.g., Urien and Kilbourne 2011), despite criticisms about its reliability and applicability in business contexts (Lacroix and Ouellet 2008). It consists in a set of items reflecting all topics related to generativity, such as the desire to teach, to pass on knowledge, to contribute to the community, to be creative and productive. In this matter, some items, such as “I have made and created things which have had an impact on other people” and “I have important skills that I try to teach others,” capture the idea of being creative and productive (Cronbach alpha = .814).

Innovative performance was assessed using nine items based on Scott and Bruce’s (1994) scale for individual innovative behavior in the workplace, which draws on Kanter’s (1988) work on the stages of innovation. Three items referred to idea generation ("creating new ideas for improvements," "searching out new working methods, techniques, or instruments," and "generating original solutions to problems" – Cronbach alpha = .883); three items referred to idea promotion ("mobilizing support for innovative ideas," "acquiring approval for innovative ideas," and "making important organizational members enthusiastic for innovative ideas" – Cronbach alpha = .842); and another three items referred to idea realization ("transforming innovative ideas into useful applications," "introducing innovative ideas into the work environment in a systemic way," and "evaluating the utility of innovative ideas" – Cronbach alpha = .843). Respondents rated how often they exhibited the scale’s nine innovative work behaviors in the workplace, from "never" (1) to "always" (7).

Finally, individual sales performance was measured subjectively by asking salespeople to evaluate themselves, relative to other salespeople working for their company, on achieving quantity and quality...
sales objectives. We used five items from Sujan, Weitz and Kumar (1994), which included “I maintain a high level of current customer retention” and “I find and develop new customer relationships” (Cronbach alpha = .800).

We also included a number of additional factors that extent research has suggested to have an impact on innovative performance and sales performance. This would allow us to evaluate, over and above these well-established factors, what the impact of salesperson generativity should truly be. We therefore included self-efficacy (Brown et al. 1997 – Cronbach alpha = .924), expertise (Palmatier et al. 2006 – Cronbach alpha = .839), and creative self-efficacy (Tierney and Farmer 2002 – Cronbach alpha = .831) in our survey and analyses. And to determine the impact of generativity over and above what is expected in terms of innovation by salespeople in their firms, we also measured creative expectations (Unsworth, Wall, and Carter 2005 – Cronbach alpha = .841).

RESULTS

To statistically analyze the hypothesized relationships summarized in Figure 1, we ran 4 regressions with varying dependents—that is, Idea Generation, Idea Promotion, Idea Realization, and Subjective Performance—and their hypothesized predictors. The results, as well as the R² statistics for each model, can be found in Table 1.

Our first hypothesis stated that generativity should positively influence the first dimension of innovative performance, which is Idea Generation. In Model 1, after controlling for 4 factors that are creative expectations, creative self-efficacy, expertise, and self-efficacy, generativity proved to be a significant and positive predictor of Idea Generation (B = .187; p < .05). This provides empirical support for H1.

Our second hypothesis stated that generativity should positively influence the second dimension of innovative performance, which is Idea Promotion. After taking into account our 4 control variables, generativity is found to be a significant and positive predictor of this dimension (B = .481; p < .001). This provides strong support for H2.

Our third hypothesis stated that generativity should positively influence the third dimension of innovative performance, which is Idea Realization. After once again controlling for our 4 control variables, generativity is found to be a marginally significant and positive predictor of this dimension (B = .298; p < .01). This also provides empirical support for H3.

Hypotheses 4 through 6 predicted a positive impact of idea generation, promotion, and realization on sales performance. Our fourth model examined these relations after statistical control of the same 4 control variables that are creative expectations, creative self-efficacy, expertise, and self-efficacy. Only idea promotion turned out to be a positive and marginally significant predictor of sales performance (B = .160; p < .10). This provides weak support for H5 while H4 and H6 are not empirically supported.
TABLE 1
RESULTS

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*** p < .001 ; ** p < .01 ; * p < .05 ; † p < .10 ; ns p ≥ .10.

Note: We report standard errors only for significant effects.

DISCUSSION

This research proposed to explore the linkage between salespersons’ concern for the well-being of future generations (that is, generativity), their contribution to innovation within their firms (that is, their innovative performance, which consists in generating, promoting, and realizing ideas) and, in turn, the latter’s influence on their sales performance. We did find empirical support that generativity does impact all aspects of innovation. Over and above other variables such as self-efficacy, expertise, and creative expectations, salespeople’ generativity positively influences idea generation, promotion, and realization by salespeople in organizations. In other words, although it may not be the main aspect of their job description, and despite the fact that there may or may not be expectations or incentives for them to innovate, salespeople who show concern for the well-being of future generations do contribute significantly more to the innovation process within their firms than do non-generative salespeople.

However, contrary to our expectations, we found that a salesperson’s innovative performance does not influence their sales performance. In fact, only idea promotion seems to be positively impacting sales performance, but the effects are small and only marginally significant. That is to say that, at best, taking part in the innovation process of their firms might make salespeople slightly more performant but, in the worst of cases, it does not make them less performant. For managers, this means essentially one thing: If you wish for your salespeople to get involved in new product development and innovation within your firm, but still want these salespeople to do a good job selling your products, then consider hiring generative individuals to fill sales positions.

This research raises some questions for future research, however, the main one having to do with reconciling our hypothesized links between salespeople’ innovative performance and sales performance. It could be that there are two types of superior salespeople: those who simply do nothing but sell, and therefore will not take part in any form of innovation process, and those who are better at selling what they have indeed contributed to developing. If this was the case, it should come as no surprise that we find no statistical linkage between innovative and sales performances as both salespeople’ types would counterbalance one another. This remains to be explored in future research.
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Agency Theory and Alcohol Distribution: A Framework for Public Policy Discourse

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The author proposes a framework which expands the discourse of a well-discussed theory -- agency theory. The framework integrates elements of agency theory, transaction cost analysis (TCA), power-dependence theory, micro-level social contracts, and the Deterrence Doctrine to posit the relationships between different forms of ownership and the likelihood of contractual violations. The incorporation of micro-level social contracts into the model, as a primary moderator, coupled with firm-level ownership moderation, constitute contributions to this literature. Furthermore, a new dimension of contract enforcement, permanence, is proposed. Guided by an alcohol distribution framing, implications for managers and public policy-makers are proffered and discussed.

The "agency problem," a classical theoretical and substantive quandary prevalent within many disciplines, seeks to best align the goals of principals (those delegating tasks) and agents (those delegated to) in a multitude of diverse scenarios (Eisenhardt, 1989). In the context of firm structures, firms have long strived to mitigate the discrepancy between these distinct sets of goals, while balancing the level of behavioral monitoring requisite to accomplish this objective (Eisenhardt, 1989). Ramifications from the divergence of principal and agent goals may include a variety of opportunistic behaviors (self interest-seeking behaviors), disadvantageous outcomes, and violations of contractual obligations (Eisenhardt, 1989).

Though the confluence of discourse on agency theory has traversed many decades and, in the process, accumulated a wealth of academic breadth and depth, its application retains novel utility, yet. Agency theory, even as a seasoned theoretical mainstay, may still yield much to the theory, development, and practice of the marketing discipline -- through its application to untraditional contexts within the marketing domain. As such, a new framework is constructed -- navigated via a prospective scenario with a multitude of implications. The prospective scenario through which this framework will be considered is a melded matter of marketing and public policy, and one which undoubtedly both encompasses and embodies the classic notion of the "agency problem."

The distribution of alcohol in the United States is an issue rife with implications for marketing channels, as well as one with significant public policy ramifications. The dialogue of alcohol distribution is not incipient and, in the minds of many, the conversation is still far from being settled. Since the ratification of the 21st Amendment, repealing Prohibition (the 18th Amendment), the merits of each alcohol distribution channel have been debated feverishly (ARG, 2011). After the repeal of Prohibition, two options for the distribution of liquor were available. Federal law allowed states the autonomy to decide between distributing liquor directly, called state control, and licensing the retail duties to private...
establishments, deemed local option (ARG, 2011). This distribution decision, made by each individual state, is the focal point of the examination for the forthcoming framework.

As alcohol distribution is concerned, those on each side of the conversation have empirical support for the veracity of their position. Studies from Connor et al. (2011) and Grunewald (1995), serve as proponents for the local control option, while empirical investigations by Cook (2012), Her et al. (1999), Huckle, Pledger, and Casswell (2012), and Paschall (2009) all provide support for the state-controlled method of distribution. As such, the potential alcohol-related negative consequences of each method remain embroiled in controversy.

Thus, it is here that the examination begins and the framework aspires to contribute to the discourse on agency theory, alcohol distribution, and marketing and public policy. Due to the potential gravity of adverse consequences from the "agency problem," specifically pertinent to this context, the merits of such a framework become clear. Can one structure of ownership, as determined by the framework, be more effective at preventing transgressions of policies intended to stymie contractual violations within this principal-agent relationship (e.g., illegal distribution of alcohol [straw purchases], transactions to underage persons, failure to ask for identification, transactions beyond specified hours, etc.)?

It is because of the aforementioned utility of agency theory that it provides an appropriate theoretical foundation for this article. Additionally, when synthesized with the explanatory mechanisms of TCA, power-dependence theory, the Deterrence Doctrine, theories of control and monitoring, and micro-level social contracts, the author will present a predictive framework that may be used to further develop a multi-level marketing perspective.

Contributions of this conceptual development include: 1) theorizing as to the effect of firm-level moderation within a framework predicting the incidence of contractual violations, 2) positing the explicit effect of micro-level social contracts on the incidence of contractual violations, within the presence of increased behavioral monitoring, 3) the introduction of a new dimension of contract enforcement, permanence, to the Deterrence Doctrine, which provides a more comprehensive perspective on the notion of enforcement effectiveness.

Although a prospective scenario, alcohol distribution, is presented to serve as the lens through which the framework can be considered -- due to the large gravity of its implications for marketing managers and public policy-makers -- the proposed framework is intended to have the requisite robustness for application to a variety of marketing applications. The conceptual cultivation of the aforementioned framework is presented next.

CONCEPTUAL FRAMEWORK

Agency Theory

The "agency problem" that develops when cooperating parties have divergent goals is the basis for agency theory. The focus is placed squarely upon the relationship between a principal, one who delegates a task, and the agent, the individual performing the task which has been assigned (Eisenhardt, 1989). The primary ambition of agency theory is determining how to best resolve the conflict between the goals and desires of the principal and the agent, as well as how the principal can most (cost) effectively verify the behavior of its agents (Eisenhardt, 1989). The adversity which is characteristic of these situations is often derived from both the cost and the degree of difficulty inherent in monitoring the behavior of an agent (to determine if the agent is abiding by the contractual terms of the relationship). Multiple hurdles become salient in the quest to align the goals of principal and agent including: the self-interests of each, bounded rationality (i.e., limited processing ability and information), risk aversion of each, goal conflict, and the difficulty/costliness of obtaining information (Eisenhardt, 1989).

Theoretically, the most effective way to align the goals of principal and agent is situation-specific. Each individual relationship must be directed by a contract which is suitable for the context and parameters of the particular relationship. With the distinct differences between state controlled alcohol distribution and the local option, the ownership, behavioral monitoring, and contract agreements will all have different effects -- due to acute contingencies. These contingencies are discussed further next.
In the state control option, the individual state is responsible for operating its own retail establishments and hiring citizens as its agents to operate the stores. In a very different arrangement, the local option, states license the privilege to distribute alcohol to private establishments for a fee. In this situation, the employees are not only agents of their direct employer, but they are still required to adhere to the laws of the government agencies which oversee these operations. Therefore, it is reasonable to infer that the behaviors of agents in each situation are likely to be distinct. Differences in these forms of control are identified and explained further next.

**Enforcement and Deterrence Doctrine**

Enforcement literature, particularly in marketing, has placed its focus primarily upon severity -- defined as the magnitude of enforcement response (Antia et al., 2006). Enforcement is defined as "the severity of the principal's disciplinary response to an agent's violation of a contractual obligation" (Antia and Frazier, 2001, p. 67).

Deterrence, or the preventive effect of actual or threatened punishment on potential offenders (Ball, 1955), is the primary basis of the Deterrence Doctrine. In addition to the dimension of severity, the doctrine advocates a broader notion of enforcement, encompassing the additional dimensions of "certainty" and "speed" of the response (Howe and Brandau, 1988; Manson, 2001; Posner, 1985). Certainty can be defined as "the general propensity for a principal to undertake enforcement in response to violations" (Gibbs, 1975). For corrective action to be taken, however, the principal must be able to procure the appropriate information about violations once they occur (Dutta, Heide, and Bergen, 1999) and also have the motivation to enforce punitive corrective actions (Antia and Frazier, 2001). As proposed by the doctrine, it is the interaction of these three dimensions which is most effective in deterrence and enforcement (Antia et al., 2006).

Though the interaction of these three extant dimensions is likely to present a moderate to substantial deterrence effect, a comprehensive assessment of these dimensions leaves an opportunity to strengthen it further. Thus, a fourth dimension of enforcement is proposed: *permanence*. The notion behind this dimension serves to solidify the construct of enforcement, by crystallizing its conceptualization and reinforcing its effectiveness.

Permanence is hereby defined as: the degree to which a contract termination is perpetual. In other words, can the contract be reestablished after a violation that leads to its termination? Work by Antia et al. (2006) has previously defined severity as "the strength or intensity of corrective actions across detected violations." Tangential to this dimension, the costs associated with the termination of a contractual relationship (i.e., harsh degree of severity) are alluded to in the Antia et al. (2006) article; however, neither the ability to reestablish a contract (or not) nor the costs -- monetary or otherwise -- are captured within the scale items for this dimension. It is because of this void that the fourth dimension, permanence, is brought to the present discussion. The three dimensions mentioned previously, combined with the fourth proposed here, provide a more comprehensive picture of the enforcement elements that are required for effective deterrence.

As described later, multiple layers of enforcement may be present in principal-agent scenarios. The ramifications of each must be considered when applying such a framework. In this particular context, two distinct levels of enforcement are pertinent: 1) potential sanctions from an outside authority's monitoring (federal and state government) and 2) within-store managerial monitoring and sanctions. In a principal-agent relationship such as the alcohol distribution example used here, the primary source of enforcement is outside authorities, due to the ability to, ultimately, revoke retailing privileges. There are multiple levels to this governmental enforcement: 1) the state board that is responsible for enforcing the laws of that state (Alcohol Beverage Control Commission, Liquor Control Board, Business License Services, etc.) and 2) the federal alcohol enforcement agencies (Bureau of Alcohol, Tobacco, Firearms and Explosives). As such, the enforcement of each potential violation carries with it different penalties, depending on the state jurisdiction in which a firm is located. With this in mind, the following propositions posit the relationship between the dimensions of government enforcement, the monitoring of behavior, and the occurrence of violations.
Higher perceived likelihood of contractual violations will increase the level of behavioral monitoring of agents.

When each of the four dimensions of enforcement are enacted, less violations of the contractual agreement will occur.

The interaction of the four dimensions (permanence, severity, certainty, speed) will have the strongest deterrent effect.

Behavioral Monitoring

Information attainment on an agent's behavior is a primary goal of the principal in a principal-agent relationship. Through acquisition of this information, the principal can determine its agent's compliance with the contractual agreement and levy the appropriate enforcement, if necessary. This information can be purchased, at a cost, through increased behavioral monitoring (Eisenhardt, 1989). Although the financial element is usually considered here, costs associated with monitoring may also involve time, effort, and/or social expenditures. This monitoring can come in the form of direct observation, surveillance, or other methods of gauging behavioral outcomes.

When a principal makes a decision to monitor the behavior of its agents, the appropriateness of the monitoring intensity must be carefully considered. According to agency theory and TCA, the presence of behavioral monitoring should be an effective control mechanism for agent behavior, thereby reducing the occurrence of partner opportunism (Williamson, 1981). There is, however, literature that presents a contrary perspective regarding the effectiveness of behavioral monitoring. For instance, Frey (1993) suggested that in the presence of monitoring, a "crowding out effect" is likely to exist, increasing shirking behaviors (reducing work effort) by the agent. These shirking behaviors from the agent are due to a feeling of distrust which exists when/if the agent perceives a psychological contract (personal relationship) as having been diminished by the monitoring of their behavior.

However, the effect of these negative "reactance" behaviors to monitoring may be successfully attenuated by the presence of social norms, also described as micro-level social contracts (Heide, Wathne, and Rokkan, 2007). This attenuation is particularly effective in the case of behavioral monitoring, considered a more obtrusive form of control (relative to the monitoring of agents' outcomes). Rather than increasing partner opportunism due to the perception of tightly-controlled behavioral monitoring, these informal micro-level elements may serve as buffers which allow for the suppression of opportunistic behaviors in the presence of behavioral monitoring (Heide, Wathne, and Rokkan, 2007).

The relationship between the level of behavioral monitoring and the occurrence of contractual violations is theorized to be moderated by the presence of micro-level social contracts within this multi-level monitoring scenario. This moderation will be elaborated upon further later. However, the direct effect of behavioral monitoring is presented to be as such:

When behavioral monitoring is more intense, the incidence of contract violations will increase, due to the "reactance" effect.

Ownership Type

In the alcohol distribution scenario used here to examine the framework, the type of firm ownership is likely to have a direct impact upon the monitoring of the behavior of the agent. Further, the type of ownership has the potential to affect many facets of any agent-principal relationship. Depending on the ownership type, the implications for enforcement of potential contractual violations are very different. For example, when a state operates its own retail environments, the employee faces sanctions from the failure to properly perform its duties as an agent of the state. Since the retail premises are owned by the individual state, the state will not likely be inclined to enforce the termination of its own stores. In other words, depending on the type of ownership, the stakes are much different.

As mentioned previously, this dynamic is altered drastically when the ownership is local option. In this type of agreement, as a licensee (agent) of the state, the individual retailers are responsible for their own monitoring and enforcement of employee behavior. In addition to this, the licensee (owner) of the
A retail establishment is still under the state and federal jurisdictions of enforcement (outside sources). A licensee operating under the local option is subject to lose her/his very livelihood because of violations of the principal-agent agreement with the state (through its own agents/employees).

Let it be noted here that the designation of ownership type also includes franchises and plural governance structures, further reinforcing the applicability of the framework for other marketing scenarios. These forms of ownership/governance affect the behavior of agents in ways which are specific to each situation. From the examination of acute ramifications and responses in the present distribution example, other utility may be inferred and tested within the framework.

When specifically considering the distinctness of the local option and state control ownership types, the ownership form's ability to moderate the relationship between (government) enforcement and behavioral monitoring is made salient. Hence, the relationship between enforcement and behavioral monitoring is proposed as such:

\[ P4a: \text{Privately owned firms will face more behavioral monitoring, due to an additional level of monitoring within the principal-agent relationship.} \]

\[ P4b: \text{Privately owned firms will exhibit more effective enforcement, manifesting in the experience of fewer contractual violations.} \]

**Power-Dependence Theory**

The effect of the power structure on any given partner relationship is significant and well-established. Emerson (1962) and Gaski (1984) both extended the conversation on power-dependence, with work discussing themes such as power dynamics, social relations and mutual dependence, and interdependence. In particular, Emerson (1962) describes the power structure between any two parties as determined by the social relationship -- not by the attributes of the actors. In other words, power is not an attribute of an individual -- rather, it is defined by the relationship between two parties. Some degree of mutual dependence is necessary for the presence of power. One party must be able to grant/deny/facilitate/hinder the gratification of the other (Emerson, 1962). Therefore, one party's power in a relationship lies in the other party's dependency. Power can be alternatively described as "the amount of resistance to achieving one's goals that can be overcome" (Emerson, 1962, p. 32). Therefore, if one party may overcome the impediments to their goals that are controlled by the actions of the other party, the power asymmetry in the relations can be reduced, subsequently.

A definition of power offered by Gaski (1984, p. 10) defines it as "the ability to create a change in another's behavior." Stated differently, power can cause someone to do something that they would not otherwise do. The *perception* of power is what creates the power (and power asymmetries) in a relationship, rather than some actual source of power (Gaski, 1984). When these definitions are considered within the context of the example presented, it is not difficult to assess and reason the effect of the power dynamic between the federal and state agencies which regulate alcohol distribution and the dependence that local option licensees have in retaining their distribution privileges.

In the alcohol distribution structure, the two options of distribution are distinct in that the power-dependence dynamic is virtually nonexistent (on the firm level) for the state control option. More specifically, in the case of state control, these firm-level consequences are not apparent -- because the individual state runs the retail locations on their own behalf. As a source of revenue, it is highly unlikely that the state would enact sanctions beyond the employee level (ceasing operation of a store). With local option, however, these sanctions may take place at multiple levels. Employee-level and firm-level ramifications are apparent for contractual violations of local option licensees. Therefore, it stands to reason that the equity (or inequity) within the power-dependence dynamic dramatically alters the implications from contractual violations in each distinct form of firm ownership.

Since local option licensees operate retail establishments at their own peril and own cost, they are subject to penalties which are more likely to affect their personal livelihood. Due to this structure, the likelihood of behavioral monitoring is increased. These owners' dependence is highly asymmetrical and they may monitor agents' behavior more closely in an effort to protect their assets. The disadvantageous
outcomes from stricter behavioral monitoring (opportunism, distrust), however, may be attenuated by the presence of social norms and the micro-level social contracts which result from them.

Transaction Cost Analysis
Relational Governance and Relational Marketing

As described previously, the importance of relationships is not to be understated in marketing cooperation. TCA commonly suggests there are two primary forms of governance structure, hierarchical and market (Williamson, 1981). For some time, many marketing scholars focused on these forms of governance in empirical research and conceptual articles, adhering to the notion that these two forms of governance were mutually exclusive and the only two options which were available. More recently, however, a departure from this view has transpired.

Recognition of the importance of social elements in firm relationships has been emphasized of late. Bradach and Eccles (1989) outlined several forms of long-term relationships that exemplified the importance of relationships: cooperative arrangements, relational contracting, joint ventures, quasifirms, global coalitions, and dynamic networks. Moreover, Lusch and Brown (1996) discuss interdependency and contracting in a setting of intrafirm cooperation. They use the dependency between wholesalers and distributors to focus on constructs such as long-term orientation, relationship length, and relational behaviors. Although a significant proportion of empirical research has examined the importance of these social/relational components in intrafirm settings, relational marketing's importance can -- and has -- been expanded to interfirm marketing, as well.

The idea of "clean" distinctions in firm governance may have been a misnomer from the very beginning. In fact, most firms are likely to display some combination of multiple governance forms.

As a exemplar of the importance of relationships within firms, Morgan and Hunt (1994) have ratiocinated the significance of relationship marketing. Through their use of dual models, they describe relational exchange through supplier partnerships, lateral partnerships, buyer partnerships, and, most importantly -- for this conversation -- internal partnerships. The category of internal partnerships describes relationships between employees and a firm. All of the relationships in the key mediating variables (KMV) model are formed by antecedents (shared values, communication, opportunistic behavior, etc.) and are mediated by relationship commitment and trust (Morgan and Hunt, 1994). Constructs such as propensity to leave, cooperation, functional conflict, and uncertainty constitute the outcomes in the KVM model. It is within these outcomes that the imperativeness and significance of relationship marketing may be understood, for it is between the parameters of the firm-employee relationship that social contracts and social norms are of the utmost importance.

The Role of Social Norms, Relational Governance, and Social Contracts

Alternative governance mechanisms, such as norms of relational exchange, may be used to manage opportunism in marketing channels and marketing relationships (Brown, Dev, and Lee, 2000). Relational exchange characterizes cooperative agreements in which norms of relationship preservation, role integrity, and harmonization of conflict are intensified. The sharing of norms and values which typifies these relationships is a primary mechanism in limiting opportunism (Brown, Dev, and Lee, 2000). As such, these relational norms are likely to shape and guide the behavior of partners in both intrafirm and interfirm situations. Additionally, they may "play a very significant role in structuring economically efficient relationships" between partners (Heide and George, 1992 p. 32).

Relational governance, a firm structure described above, located on the continuum between hierarchical and market governance, shares multiple parallels with the notion of the "clan" structure (Ouchi, 1980). The clan structure of governance is typified by the normative requirements of reciprocity, legitimate authority, and common values and beliefs; traditions drive the formation of these normative requirements (Ouchi, 1980). Within these clan structures, all members of the transactional network must share the norms of the clan for efficient functioning. Clan structures and relational governance have both been found to have benefits, relative to other governance structures (market and hierarchical), such as a more positive corporate culture and increased job satisfaction (Lund, 2003).
Heide, Wathne, and Rokkan (2007) determined that micro-level social contracts, informal agreements "with notions of legitimacy and protection" which have a foundation in social norms, can moderate the relationship between behavioral monitoring and opportunism (or other negative relationship outcomes). According to Heide, Wathne, and Rokkan (2007) and Ouchi (1979), when discussing monitoring, an existing contract not only grants a party (e.g., a buyer) monitoring rights within a specified range, but also safeguards the exchange partner. Although these effects have been supported previously empirically, the potential for multi-level monitoring present in this context lends itself to additional inquiry. Due to this, these micro-level social contracts are theorized to affect the relationship between behavioral monitoring and contractual violations as such:

\[
P5: \text{Under intense behavioral monitoring, especially multi-level, instances of contractual violations will be decreased with the presence of micro-level social contracts.}
\]

Social governance (social norms) and clan structures share many of the same qualities and attributes. Due to this, they are likely to be highly correlated. The existence of social norms may happen without the presence of a clan structure; however, the foundation of a clan structure is based upon social norms (Ouchi, 1980). Clan structures, relational governance, and social norms are all posited as being more likely to be present in the local option form of distribution. This is primarily because of the likelihood of organizational identification due to the perception of less-formal social relationships in the governance structure and because of the social norms which are likely to be present. Employees are theorized to identify less with the perceived hierarchical governance structure of the state control distribution form and to identify more with the social governance and clan structure which is more likely to be present in the local option distribution structure. If the effects established by Lund (2003) hold true (more positive corporate culture and increased employee satisfaction), then the logic of the relationship between ownership structures and governance forms may prove viable.

In summary, the presence of micro-level social contracts should be more lucid in a local option form of distribution. These social contracts are likely to manifest as a direct byproduct of the social norms and clan structures discussed previously. Regardless of how these micro-level social contracts emerge, they remain a vital component of the framework. They may allow for the attenuation, or mitigation, of the negative effects of behavioral monitoring. Whether the social contracts are derived from a hierarchical governance structure, a market governance structure, or something in-between -- such as a relational/clan governance structure -- their importance in the framework is fundamental. It is posited, though, that the presence of these micro-level social contracts will be more prevalent in local option forms than in state control forms.

Figure 1, following immediately, represents a visual depiction of the conceptual framework narrated previously.
DISCUSSION AND CONCLUSION

The framework presented here integrates foundational marketing theories with other complementary theories of marketing to produce a framework with predictive viability for marketers and public policymakers. The development of this framework is intended to provide insight into the proposed scenario of alcohol distribution. It may, however, have the requisite robustness to be applied to an affluence of marketing contexts.

Although agency theory and TCA provide a foundation for the conceptual framework, its heart lies in ownership type, social norms, and micro-level social contracts. Thus, the ownership type of a firm is posited as determining the degree of social norms present. When a work environment is inclined to the formation of social norms (as is posited to be likely in the local option), micro-level social contracts are more likely to result. Moreover, when a firm is governed by a relational structure -- likely to contain more social norms -- a more positive organizational culture has been shown to be a consequence (Lund, 2003).
At this point, the second major portion of the framework takes hold. The relatively more productive and more positive firm environment which results from increased social norms and the clan structure/relational governance is theorized to beget the cultivation of, and adherence to, more micro-level social contracts. Once this occurs, micro-level social contracts assume the role of a "buffer" between any level of behavioral monitoring (particularly more-intensive) and have been supported to allow negative outcomes such as opportunism to be mitigated -- or at least severely reduced.

**Theoretical Assumptions**

The underlying assumptions of these theories provide cohesiveness to the integrated framework, as they are ostensibly in accord. Perhaps more importantly, however, is the lack of conflict present amongst the underlying theories. The theoretical harmony between these theories further supports the conceptual development of this particular framework and strengthens it theoretical potential.

For instance, the assumptions commonly accepted as being pertinent to agency theory are: self-interest, bounded rationality, risk aversion (human assumptions), goal conflict, efficiency as the effectiveness criterion, and information asymmetry between principal and agent (organizational assumptions), and information being available as a purchasable commodity (Eisenhardt, 1989). For TCA, assumptions include: bounded rationality and opportunistic behavior [behavioral assumptions] (Williamson 1981). The assumptions of some degree of mutual dependence, and power (some degree of inequity) are discussed previously for power-dependence theory (Emerson, 1962; Gaski, 1984). Finally, the Deterrence Doctrine has no discernible underlying assumptions.

As observed by the assumptions presented above, agency theory and TCA share multiple assumptions (i.e., bounded rationality, self interest/opportunism) and the framework meets the prescribed assumptions characteristic of power-dependence relationships. Thus, the theoretical synergy of these foundational elements is bolstered by the congruence of their respective assumptions.

**Managerial Implications**

Upon examination of the proposed relationships within the currently presented framework, the widespread managerial implications become clear. For a local option alcohol distribution firm -- or any firm which deems behavioral monitoring as a necessity -- these social norms and micro-level social contracts are essential. Additionally, when multiple levels of monitoring (enforcement) are present -- within or outside of a firm -- micro-level social contracts may have an even more prominent role.

In each of these instances, the appropriate level of behavioral monitoring to protect assets and investments may be deployed, while maintaining strong social ties, high levels of employee morale, employee job satisfaction, and, ultimately, less contractual violations. When these theorized relationships hold, an advantageous environment is created for the firm owner/proprietor and the employees, alike. Managers need not fear opportunistic behaviors, shirking, alienating employees, or jeopardizing carefully crafted social norms. In essence, the framework posits relationships which allow the "best of both worlds" for the employer (manager) and employee. The time, effort, financial, and other costs which are associated with the cultivation of these social relationships may begin to yield a favorable risk : reward ratio.

Managers should be aware of their unique situation-specific needs and move forward with appropriate monitoring and enforcement -- depending on their ownership type and their ability to forge micro-level social contracts. Retail firms in the example presented here, as well as corporations which franchise their valuable brands, the prospective franchisees, and those in plural forms, are likely to benefit from the framework.

**Public Policy Implications**

As discussed earlier, the dialogue concerning alcohol distribution and the potential adverse societal consequences is far from decisive. This framework intends to contribute to a seemingly perpetual discourse by theorizing in regards to principal and agent relationships, within the alcohol distribution context, which may prevent violations of contractual obligations. With the attenuation of contractual
violations at the retail level of alcohol sales, disadvantageous alcohol-related outcomes (e.g., underage consumption) are likely to be reduced, in turn.

When the decision to privatize is considered by individual states, the potential for *increased* alcohol-related contractual violations may not merit concern. In fact, the decision to privatize may allow licensees of the state to exercise *more effective* control over the retail distribution of alcohol. The consequence of this counterintuitive, increased effectiveness may yield dividends, in the form of desirable social outcomes, for the physical and psychological well-being of the public.

**Concluding Remarks**

Theoretically, the framework extends agency theory and TCA, allowing further empirical exploration and testing of the domains of the two theories. Additionally, the framework also expands the literature of control and monitoring, deterrence, social norms, and social contracts, by providing a strong theoretical link between the literatures. Whereas these streams once stood individually, or with weakly inferred relationships, the framework presented is likely to fortify their theoretical affiliations. Further, in a novel contribution to the deterrence and enforcement literatures, the construct of *permanence* is introduced. As the fourth dimension of enforcement, it may serve as the final element which solidifies the construct of enforcement.

It is the purpose of the author, within this work, to supplement the discourse of two domains: 1) marketing/channels of distribution and 2) public policy. As these conversations proceed, a new perspective may be offered to the respective issues of each. Though these dialogues progress, their trajectories are not always linear. Therefore, these dialogues do not necessarily move towards resolution. However, if the framework presented in this article augments the theory and substantive reach of each domain in a meaningful way, its purpose has been achieved. The predictive utility of the framework may be supported and refined through empirical inquiry, providing further guidance to marketing managers and public policy-makers, alike.

**REFERENCES**


Self-Congruity and the MOA Framework: An Integrated Approach to Understanding Social Cause Community Volunteer Participation

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Marketing efforts designed to increase participation in social causes have led to the creation of online and face-to-face communities. This study examines a not-for-profit organization and participation in a face-to-face and online community built around its social cause. The purpose of this study is to explore and test the relationships between participatory behaviors and self-congruity as moderated by motivation, opportunity, and ability as members of social cause communities. The authors present a framework which depicts the linkages between self-congruity and an individual’s motivation, ability, and opportunity to participate in the social cause community as a predictor of future participation behaviors.

INTRODUCTION

The Corporation for National and Community Service states that one out of every three Americans who volunteer during the previous year do not return the following year (Volunteering, 2010). Between 2009 and 2010, the retention rate for volunteers dropped 2 percentage points. Although it is difficult to place a value on volunteers’ time, The Corporation for National and Community Service (2012) estimated that in 2012, 64.5 million Americans volunteered 7.9 billion hours which was valued at approximately $175 billion. Given that there are an estimated 1.5 million not-for-profit organizations (NFPO) in the
United States, which account for approximately 5% of the GDP in the US (Sector Report, 2010), this drop in volunteer retention is cause for concern. McPherson and Rotolo (1996) suggested that the emergence of new competitors for the time and other resources of volunteers will impact existing not-for-profit organizations’ ability to retain existing members or attract new ones. This proposition is supported by recent reports which indicate that although volunteering has been steadily on the rise (Volunteering, 2010), there is also evidence (Corporation for National and Community Service, 2010) to suggest that because of the large variety of volunteer opportunities, individuals are demanding more flexibility and control over when and with whom they commit their time and financial resources. For managers of not-for-profit organizations the question that arises is “What can I do to get greater participation in my cause?”

To address the issue of increasing participation, one type of strategy is to focus on why individuals donate to or participate in not-for-profit organizations. From a sociological and consumer behavior perspective, an often-cited source (Smith, 1994; Clary, Ridge, Stukas, Snyder, Copeland, Hougan, & Miene, 1998; Houle, Sagarin, Kaplan, 2005) of motivation for volunteering is an individual’s need for affiliation. One of the marketing strategies implemented by not-for-profit organizations has been the creation of social events surrounding the organization’s cause. Examples of events that have evolved from social causes include the American Cancer Society’s Relay for Life, The Susan G. Komen 3-Day Walk, and the Muscular Dystrophy Telethon. Although these social cause events can be viewed as a form of social marketing, (originally defined by Kotler and Zaltman (1971) as an application of marketing concepts and techniques to the marketing of various socially beneficial ideas and causes), they differ in significant ways.

Social cause communities are generally composed of individuals that see themselves as part of a group that is organized around common values and possess social cohesion. The sharing of information and experiences among members promotes deep relationships within the social cause community. In this study, a social cause community is defined as a group of individuals whose interaction is based upon their shared emotional connections, values, and beliefs in relation to a particular not-for-profit-organization’s social cause (McMillan and Chavis, 1986; Bartle, 2009).

BACKGROUND

Social cause community marketing is one aspect of the broader scope of cause marketing. Cause marketing, social marketing, and non-profit marketing are terms that can become conflated. In general, cause marketing links commercial activity to a social cause (Boone and Kurtz, 2007; Eikenberry, 2009). For example, a manufacturer of a consumer product contributes money to a local or national charity for every item purchased. Social marketing is generally described as attempts to modify behavior towards an objective with social merit (energy conservation, fasten seat belts, avoid alcohol and drug abuse) with no direct benefit to the sponsoring organization (Kotler and Zaltman, 1971, Andreasen, 1994). Non-profit marketing can be characterized as simply urging people through various communication efforts to patronize their specific organization or to donate to it.

The differentiating factor among these definitions is the goal of the marketer. The goal of cause related marketers is for consumers to engage in philanthropy by consumption (Eikenberry, 2009), thereby raising funds and awareness for charities while, at the same time, increasing the corporation’s brand awareness and profits. In contrast, the not-for-profit organization’s marketing strategy of developing social cause communities is to build long-term communities of supporters who can sustain the organization’s work. Thus, it is important for the not-for-profit organization managers to understand the factors that influence the choice of participation behaviors by members of social cause communities when developing such marketing strategies.

Social Cause Communities

There are a number of ways in which individuals can participate in social cause communities. Although the specific goals and missions differ among not-for-profit organizations, they share the
objective of creating social cause events as vehicles for fundraising. Therefore, one way in which an individual can participate in the social cause community is by donating money. Individuals can also participate in the social cause by donating their time, effort, and talent. Offering individuals more than one way to donate their time helps the social cause organization reduce volunteer burnout. For example, the American Cancer Society’s Relay for Life volunteers are encouraged to only serve for about 3-4 years as event chairs (B. Savage, personal communication, November 29, 2010), after which time they are encouraged to participate in another role. This provides opportunities for other volunteers to increase their levels of participation via other types of involvement, thereby broadening the social cause community’s reach.

In addition to giving (1) money and (2) time, effort, and talent to face-to-face communities, technology has enabled these social cause communities to extend participation opportunities beyond the physical boundaries imposed by face-to-face communities to online communities. The use of social media platforms enhances participation in online social cause communities by promoting deep relationships through the sharing of information and experiences among members (Kane et al., 2009; Wu, Chen, and Chung, 2010; and Jang et al. 2008).

Social cause communities (both online and face-to-face) share similar characteristics to brand communities. Muniz and O’Guinn (2001) identified three characteristics that contribute to the formation of brand community: (1) consciousness of kind (bonds that exist between customers of a brand), (2) shared rituals and traditions (events, celebrations, and activities that are unique to that particular brand), and (3) a sense of moral responsibility (shared duty among the individual members of the community). Hassay and Peloza (2009) proposed that Muniz and O’Guinn’s (2001) concept of brand community be extended to the not-for-profit sector’s charity brand communities. In this regard, social cause community membership is based upon an individual’s identification with the cause (brand), the not-for-profit organization (brand manufacturer), and/or the social cause community (face-to-face or online community).

THEORETICAL FRAMEWORK

Research on what motivates a volunteer to participate in not-for-profit organizations is well established (Kessler, 1975; Smith, 1981; Clary, Snyder, & Ridge, 1992; Pike, 1992; Yeung, 2004; Laverie and McDonald, 2007; Kang, Lee, Lee, and Choi, 2007). However, this study seeks to extend this research into social causes in order to determine if individuals who seek participation in social causes do so because participation protects or enhances their self-image. To begin to integrate these concepts in this study, participation in the social cause is used as an identifier for the participant. In other words, the participation activity serves as an adjective describing that person (Barone, Shimp, and Sprott, 1999).

One stream of research focusing on the relationship between self-image and brand or product images considers Self-congruity Theory. An individual’s perception of self or self-image, also referred to as self-concept (Sirgy, 1982), is characterized as a multi-dimensional construct comprised of the actual self (how a person sees himself), the ideal self (how a person would like to perceive himself), and the social self (how an individual perceives how others perceive him). Self-congruity theory posits that a potential, prospective purchaser will more favorably evaluate those brands or products that most closely describe (match) his/her self-image (Barone et al, 1999; Sirgy, 1982; 1985). Thus, if the brand or product image closely matches (is congruent with) the consumer’s self-image, the self-congruity effect will occur. Beelri, Diaz, and Martin (2004) and Randle and Dolnicar (2009) extended the relevance of self-congruity theory beyond product marketing to volunteering. Beelri et al (2004) found that the self-congruence of volunteers has an influence on the type of not-for-profit organization chosen. Randle and Dolnicar (2009, 2011) found that images were more congruent between the images the volunteers had of themselves and the organizations in which they participated than the organizations in which they did not participate.

For marketers of social cause communities, the desired behavior resulting from self-congruity is the continued participation of existing members and the recruitment and retention of new members. These findings in the literature suggest that managers of not-for-profit organizations can attract or retain
volunteers by using marketing tactics to create the type of organizational image with which current
volunteers can identify and prospective volunteers would like to identify. Used in this application, a
perceived brand image or brand personality of an organization parallels the concept of a perceived brand
image or brand personality for a product. Therefore, the first purpose of this study is to extend those of
Beerli et al. (2004) and Randle and Dolnicar (2009, 2011) by applying self-congruity to the participation
behaviors in social cause communities to answer the question: Are the self-images of volunteers more
congruent with the activities in which those volunteers participate than with activities in which those
volunteers do not participate?

A second stream of research has focused on other factors that motivate participation. Clary et al.
(1992) asserted that volunteer activities fulfill (satisfy) more than one motivation and that volunteers are
satisfied and remain engaged with the organization to the extent that participation satisfies their needs
(e.g., the perceptions that they are not doing everything to enhance or protect their self-images). In effect,
the motivational factors are tied to the self-images for present, potential, and/or prospective volunteers.
This is a particularly salient issue for not-for-profit organizations because the roles of the social cause
community members in relationship to the social cause itself may change. For instance, people may
initially become involved in a social cause community built around a particular illness or disease as a
result of their need for support in their role as a caregiver to an afflicted individual. If the afflicted
individual succumbs to the illness, the person’s role as a caregiver may no longer be relevant, thereby
shifting his or her identification with the social cause and subsequent level of participation. Because
participation behaviors of not-for-profit social cause communities’ members reflect an underlying
direction and degree, motivation is implied. However, although participation may fulfill one or more of a
volunteer’s unmet needs, not all social cause community members participate in the same manner and to
the same degree. In effect, participation may be influenced by other factors.

MacInnis and Jaworski (1989) purported that an individual’s motivation to engage in a behavior is
moderated by ability and/or opportunity to engage in that behavior. Barone et al (1999) and Aaker (1999)
provided empirical evidence that self-congruity impacts on consumer behavior are influenced by
moderating factors. The moderating role of the constructs: motivation, opportunity, and ability (MOA)
have been examined in a variety of settings. Hung and Petrick (2011) found a moderating effect of self-
efficacy (perceived ability to travel) on the relationship between self-congruity and travel intentions.
Sundeen et al (2007) proposed that the availability of resources such as time (opportunity) or money
(ability) influences volunteering by imposing different constraints on the roles and resources of potential
volunteers. Therefore, we contend that the MOA framework can be extended to volunteerism and act as a
moderator between self-congruity and participation. Therefore, the second purpose of this study is to
examine the relationships among motivation, ability, and opportunity as a part of a person’s self-concept
and its effect on self-congruity including participatory behaviors of social cause community members.

Early empirical work focused on the congruity between selves (as a one dimensional construct) and
the image of consumer products such as automobiles (Birdwell, 1968; Grubb and Hupp, 1968). However,
tests of congruity between actual/ideal self-concept and product image were equivocal and varied from
product to product (Landon, 1974). Sirgy (1980, 1982, 1985) expanded the relationship by viewing the
self as a multi-dimensional construct focused not only on the actual self (how people see themselves) and
the ideal self (how people would like to perceive themselves), but also the social self (how people
perceive how others perceive them). Samli and Sirgy (1981) and Sirgy (1980, 1985) also found the direct
relationship between self-congruity and behavior to be equivocal. While studies have explored self-
congruity effects and the role of various moderating factors with regard to for-profit brand marketing
(Barone et al, 1999; Sirgy et al, 2005, 2008; and Liu, Lu, Liang, and Wei, 2010), this study proposes that
a moderated model is also needed to explain how self-congruity influences the participation behavior in a
social cause community. Therefore, the relationships between constructs depicted in Figure 1 will be
explored by integrating self-congruity and the MOA theoretical framework into a single model.
Figure 1 depicts the relationships between self-congruity, motivation, ability and opportunity and the individual’s choice of participatory activities. The dotted lines depicted in Figure 1 represent suppositions. The solid lines shown in Figure 1 represent the hypothesized relationships among the constructs. Listed below are the suppositions and hypotheses that will be tested in this study and their corresponding labels as depicted in Figure 1.

**S1** Images of self are positively related to participation.

**S2** Images of participatory behaviors are positively related to participation.

**S3a** An existing or potential participant’s motivation is positively related to participation.

**S3b** An existing or potential participant’s perception of ability (self-efficacy) is positively related to participation.

**S3c** An existing or potential participant’s opportunity is positively related to participation.

**H1a** Congruity is affected by images of participatory activities. Congruity is large if there is a small difference between self-images and images of participatory behavior. Congruity is small if there is a large difference between self-images and images of participatory behavior.

**H1b** Congruity is affected by images of self (as described by participatory behaviors). Congruity is large if there is a small difference between self-images and images of participatory behavior. Congruity is small if there is a large difference between self-images and images of participatory behavior.

**H2** Congruity between images of self and images of participatory activities is positively related to participation.

**H1a:** **H2** Congruity mediates the relationship between images of participatory activities and participatory behaviors.

**H1b:** **H2** Congruity mediates the relationship between images of self and participatory behaviors.

**H3a** Motivation is affected by congruity between actual, desired, and social self-images. High levels of congruity between actual, desired, and social self-images are negatively related to high levels of motivation.
Perception of Ability (self-efficacy) is affected by congruity between actual, desired, and social self-images. High levels of congruity between actual, desired, and social self-images are positively related to high levels of ability (self-efficacy).

Perceived Opportunity is affected by congruity between actual, desired, and social self-images. High levels of congruity between actual, desired, and social self-images are positively related to high levels of perceived opportunity.

The relationship between congruity and participation is moderated by motivation, ability and opportunity.

METHOD

To test the proposed hypotheses, data was collected from participants in an established social cause community known as the Relay for Life, which is associated with the national nonprofit organization, The American Cancer Society (ACS) through the use of an electronic survey. The Relay for Life was selected as an appropriate organization from which to gather data as it exhibits many of the characteristics of social cause communities described by McMillan and Chavis (1986) and Bartle (2009) as a group of individuals whose interaction is based upon their shared emotional connections, values and beliefs in relation to a particular not-for-profit-organization’s social cause. Participants completed a survey which included questions relating to past volunteering behavior, images of self, images of three general types of participation behavior related to the social cause community (i.e., donation of money, donation of time in face-to-face activities, and donation of time in online activities) and demographic information. Face-to-face activities were defined as any type of in-person activity related to the social cause such as attending events or chairing a committee. Online activities were defined as a participant’s donation of time to the social cause in a virtual setting such as posting comments on a discussion board, blogging, or interactions on other types of social networking sites. A total of 167 participants completed the survey. The data were analyzed using SmartPLS®, a software application that employs partial least squares (PLS) path modeling techniques.

RESULTS

The PLS model was analyzed and interpreted in two stages: the measurement model and the structural model (Henseler, Ringle, and Sinkovics, 2009; Anderson and Gerbing, 1988). In the first step, the measurement model was assessed for adequate validity and reliability of the items and constructs in the model. As shown in Table 1, each of the constructs shown in Figure 1 demonstrated good internal reliability and consistency.
In Step Two, we assessed the quality of the structural model. Using SmartPLS®, the structural model was assessed by path coefficients and the endogenous latent variable’s coefficient of determination ($R^2$) (Chin, 2003) in the dependent constructs. First the suppositions proposed in the outer model (dotted lines in Figure 1) were analyzed.

S1 Images of self are positively related to participation.

To test whether path coefficients differ significantly from zero, t-values were calculated using the bootstrapping procedure in SmartPLS® described by Chin (1998). All three images of self (actual, ideal, social) were significantly related to participation ($t = 10.2, 10.01, \text{ and } 11.4$, respectively; $p<.01$).

S2 Images of participatory behaviors are positively related to participation.

The three types of participatory behavior identified in this study are broadly defined as donation of money, volunteering time in face-to-face (in-person) activities, and volunteering time in a virtual activity. Therefore, each of the path relationships between images of participatory behaviors and participation was tested separately. For each of the path relationships, the t-values were significant ($t = 9.29, 8.945, \text{ and } 8.69$; $p<.01$).

S3a. An existing or potential participant’s motivation is positively related to participation.
S3b An existing or potential participant’s ability is positively related to participation.
S3c An existing or potential participant’s opportunity is positively related to participation.

All three constructs of the MOA framework were found to be significantly related to participation. PLA analysis yielded the following results: Motivation $\rightarrow$ Participation ($t = 17.9353$, $p < .01$); Ability $\rightarrow$ Participation ($t = 15.0831$, $p < 0.01$); and Opportunity $\rightarrow$ Participation ($t = 35.732$, $p < 0.01$).

HYPOTHESIS TESTING

Each of the hypotheses proposed in this study involves the self-congruity construct. Using a generalized absolute difference model (Dolich, 1969, Sirgy & Danes, 1982, Beeri, et al., 2004; Randle et al, 2011), three types of self-congruities constructs (actual self-congruity, ideal self-congruity, and social

![Table 1: Reliability Statistics](image)

<table>
<thead>
<tr>
<th>Construct</th>
<th>Composite Reliability</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Image_Donor</td>
<td>0.902</td>
<td>0.869</td>
</tr>
<tr>
<td>Image_FTF</td>
<td>0.900</td>
<td>0.865</td>
</tr>
<tr>
<td>Image_ONL</td>
<td>0.943</td>
<td>0.927</td>
</tr>
<tr>
<td>Actual Self Image</td>
<td>0.838</td>
<td>0.764</td>
</tr>
<tr>
<td>Ideal Self Image</td>
<td>0.889</td>
<td>0.853</td>
</tr>
<tr>
<td>Social Self Image</td>
<td>0.877</td>
<td>0.831</td>
</tr>
<tr>
<td>Participation</td>
<td>0.844</td>
<td>0.806</td>
</tr>
<tr>
<td>Motivation</td>
<td>0.909</td>
<td>0.868</td>
</tr>
<tr>
<td>Ability</td>
<td>0.826</td>
<td>0.693</td>
</tr>
<tr>
<td>Opportunity</td>
<td>0.842</td>
<td>0.634</td>
</tr>
</tbody>
</table>
self-congruity) were calculated. Following the assertion of Beerli et al. (2004, p. 41), that to find significant differences between the perceptions of self would be a sign of “serious psychological problems,” factor analyses for each of the three types of participatory activities (donation of money, face-to-face activities, and virtual activities) were conducted. Because these yielded only one factor of congruence (total variance explained > 72%), congruency was treated as one construct comprised of three latent variables for each type of participatory activity. However, since congruity between images of participatory behavior in a volunteer organization and images of self is being considered in this study as analogous to the congruity between images of self and images of an individual brand in a consumer marketing application, the three different types of congruity were analyzed as distinct “brands” (Figure 2 – Model A, B, and C).

FIGURE 2
INDIVIDUAL CONGRUITY FRAMEWORK FOR TESTING RELATIONSHIPS
Table 2 depicts the results for the hypothesized relationships (H1, 2, and 3) shown in Models A, B, and C.
TABLE 2
SUMMARY OF THE HYPOTHESIS TESTING RESULTS

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path Relationship</th>
<th>Standard Path</th>
<th>Standard Error</th>
<th>Critical Ratio (t-value)</th>
<th>p</th>
<th>Support of hypotheses</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1a_1a</td>
<td>BI_donation -&gt; Con_Don</td>
<td>-0.611</td>
<td>0.071</td>
<td>8.597</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>H1a_2a</td>
<td>BI_FTF -&gt; Con_Don</td>
<td>0.126</td>
<td>0.064</td>
<td>1.975</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>H1a_3a</td>
<td>BI_ONL -&gt; Con_Don</td>
<td>0.006</td>
<td>0.047</td>
<td>0.119</td>
<td>&lt;0.906</td>
<td></td>
</tr>
<tr>
<td>H1a_1b</td>
<td>BI_donation -&gt; Con_FTF</td>
<td>-0.196</td>
<td>0.074</td>
<td>2.654</td>
<td>**</td>
<td></td>
</tr>
<tr>
<td>H1a_2b</td>
<td>BI_FTF -&gt; Con_FTF</td>
<td>-0.220</td>
<td>0.087</td>
<td>2.531</td>
<td>**</td>
<td></td>
</tr>
<tr>
<td>H1a_3b</td>
<td>BI_ONL -&gt; Con_FTF</td>
<td>0.051</td>
<td>0.056</td>
<td>0.896</td>
<td>&lt;0.370</td>
<td></td>
</tr>
<tr>
<td>H1a_1c</td>
<td>BI_donation -&gt; Con_ONL</td>
<td>-0.097</td>
<td>0.081</td>
<td>1.201</td>
<td>0.2307</td>
<td></td>
</tr>
<tr>
<td>H1a_2c</td>
<td>BI_FTF -&gt; Con_ONL</td>
<td>0.218</td>
<td>0.140</td>
<td>1.562</td>
<td>0.1189</td>
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</tr>
<tr>
<td>H1a_3c</td>
<td>BI_ONL -&gt; Con_ONL</td>
<td>-0.561</td>
<td>0.078</td>
<td>7.188</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>H1b_1a</td>
<td>ACT_SELF -&gt; Con_Don</td>
<td>-0.181</td>
<td>0.081</td>
<td>2.242</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>H1b_2a</td>
<td>ID_SELF -&gt; Con_Don</td>
<td>0.137</td>
<td>0.074</td>
<td>1.847</td>
<td>&lt;0.065</td>
<td></td>
</tr>
<tr>
<td>H1b_3a</td>
<td>SS_SELF -&gt; Con_Don</td>
<td>0.069</td>
<td>0.065</td>
<td>1.058</td>
<td>&lt;0.290</td>
<td></td>
</tr>
<tr>
<td>H1b_1b</td>
<td>ACT_SELF -&gt; Con_FTF</td>
<td>-0.277</td>
<td>0.084</td>
<td>3.303</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>H1b_2b</td>
<td>ID_SELF -&gt; Con_FTF</td>
<td>0.143</td>
<td>0.075</td>
<td>1.905</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>H1b_3b</td>
<td>SS_SELF -&gt; Con_FTF</td>
<td>0.062</td>
<td>0.077</td>
<td>0.801</td>
<td>&lt;0.423</td>
<td></td>
</tr>
<tr>
<td>H1b_1c</td>
<td>ACT_SELF -&gt; Con_ONL</td>
<td>0.050</td>
<td>0.066</td>
<td>0.753</td>
<td>0.4519</td>
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</tr>
<tr>
<td>H1b_2c</td>
<td>ID_SELF -&gt; Con_ONL</td>
<td>0.001</td>
<td>0.077</td>
<td>0.019</td>
<td>0.985</td>
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</tr>
<tr>
<td>H1b_3c</td>
<td>SS_SELF -&gt; Con_ONL</td>
<td>-0.013</td>
<td>0.070</td>
<td>0.179</td>
<td>0.8582</td>
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</tr>
<tr>
<td>H2_a</td>
<td>Con_Don -&gt; Participation</td>
<td>-0.082</td>
<td>0.038</td>
<td>2.166</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>H2_b</td>
<td>Con_FTF -&gt; Participation</td>
<td>-0.018</td>
<td>0.034</td>
<td>0.545</td>
<td>&lt;0.585</td>
<td></td>
</tr>
<tr>
<td>H2_c</td>
<td>Con_ONL -&gt; Participation</td>
<td>-0.006</td>
<td>0.042</td>
<td>0.149</td>
<td>0.8816</td>
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</tr>
<tr>
<td>H3a_a</td>
<td>Con_Don -&gt; MOT</td>
<td>-0.224</td>
<td>0.046</td>
<td>4.908</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>H3a_b</td>
<td>Con_FTF -&gt; MOT</td>
<td>-0.236</td>
<td>0.058</td>
<td>4.094</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>H3a_c</td>
<td>Con_ONL -&gt; MOT</td>
<td>-0.052</td>
<td>0.045</td>
<td>1.160</td>
<td>0.2467</td>
<td></td>
</tr>
<tr>
<td>H3b_a</td>
<td>Con_Don -&gt; ABl</td>
<td>-0.272</td>
<td>0.043</td>
<td>6.346</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>H3b_b</td>
<td>Con_FTF -&gt; ABl</td>
<td>-0.229</td>
<td>0.046</td>
<td>4.959</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>H3b_c</td>
<td>Con_ONL -&gt; ABl</td>
<td>-0.121</td>
<td>0.053</td>
<td>2.288</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>H3c_a</td>
<td>Con_Don -&gt; OPP</td>
<td>-0.248</td>
<td>0.044</td>
<td>5.677</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>H3c_b</td>
<td>Con_FTF -&gt; OPP</td>
<td>-0.163</td>
<td>0.044</td>
<td>3.673</td>
<td>***</td>
<td></td>
</tr>
<tr>
<td>H3c_c</td>
<td>Con_ONL -&gt; OPP</td>
<td>-0.165</td>
<td>0.045</td>
<td>3.699</td>
<td>***</td>
<td></td>
</tr>
</tbody>
</table>

* p < 0.05  ** p < 0.01  *** p < 0.001

Tests of Moderation

Figure 2 (Line H4) shows that Motivation, Ability, and Opportunity are proposed to act as moderators for congruity between images of participatory behavior and images of self and participation. Motivation was found to have a significant moderating effect on the relationship between Con_FTF * Motivation → Participation (t = 2.535, p < .01) and Con_ONL * Motivation → Participation (t = 2.616, p < .01). Ability was found to have a significant moderating effect on the relationship between Con_FTF * Ability...
Participation $t = 2.49, p < .01$ and Con_ONL * Ability $\rightarrow$ Participation $t = 2.55, p < .01$. Opportunity was also found to have a significant and a moderating effect on the relationship between Con_FTF * Opportunity $\rightarrow$ Participation $t = 2.541, p < .01$ and Con_ONL * Opportunity $\rightarrow$ Participation $t = 2.68, p < .01$.

DISCUSSION

One purpose of this research was to determine if the concepts of self-congruity theory could be extended to the participation behavior of volunteers in social cause communities. More specifically, it was to examine the impact of congruity between a social cause community member’s self-image and the images of the participatory behavior on volunteer participation behavior. The results presented show that the social cause community’s images of self (actual, ideal, social) and the images of the participation behavior (donation, face-to-face, online) are positively related to the member’s participation behaviors (Suppositions 1 and 2). These findings are consistent with previous studies (Clary et al., 1998; Bowles and Gintis, 1986; Aaker et al., 2010; Houle et al., 2005). The findings also show that motivation, ability, and opportunity are positively related to participation behavior (Suppositions 3). By confirming the relationships posited in each supposition, the foundation for testing the hypotheses was established. It also provided support for integrating self-congruity and the MOA theoretical framework in a single model.

The second purpose of this study was to examine the relationships among motivation, ability, and opportunity as a part of a person’s self-concept and its effect on self-congruity including participatory behaviors of social cause community members.

The congruity relationships between images of self and images of the participatory behavior were examined separately in Model A, B, and C. In all three models, the images of participatory behavior were significantly related to their respective congruity construct (H1a). For example, in Model A, images of donation behavior were significantly related to the congruity construct, i.e., to self-image. Model A also revealed that images of face-to-face activities were related to lower levels of congruity between donation activities and images of self. Conversely, in Model B, images of donation behavior were related to higher levels of congruity between images of face-to-face activities and self-image. These findings may suggest that the order in which images of an activity are established or the strength of the activity’s image is related to self-congruity relationships involving other types of activities.

A social cause community member’s actual self-image and ideal self-image were shown to be significantly related to only donation activity: self-image congruency and face-to-face activity: self-image congruency, but not online activity: self-image congruency (H2a). This may be the result of underdeveloped image of online activities due to the relatively new emergence of social networking and other online tools. An individual’s social self-image was not a significant factor in any of the three models. These findings are in line with those from the study, “Why People Volunteer” (Pike, 1992, p.16) which noted that some do not like to talk about their volunteer work “for fear of being labeled a `do-gooder’ or someone who is seeking praise.”

Testing of hypotheses H4 (a, b, c) revealed that high levels of congruity between self-images and images of all three types of participatory activities were found to be positively associated with motivation, ability, and opportunity. Only the relationship between images of online/virtual activity: self-image congruency and motivation was not significant. These findings support the integration of self-congruity and the MOA framework into a single model.

Tests of the relationship between the congruity constructs and participation (H2) yielded mixed results. Of the three types of self-image:participation image congruity, only the relationship between donation behaviors: images of self congruity to participation behavior were significant. This result was surprising as previous studies (Beerli et al., 2004, Randle and Dolnicar, 2009) have shown that congruency between the volunteer’s self-images and the image of the NFPO did influence the choices and behaviors of the volunteer. However, Wu and Zumbo (2008) explained that the relationship between two constructs may be unexpectedly weak due to the presence of a hidden moderation effect. Further testing of the constructs motivation, ability, and opportunity did in fact show that each of these constructs had a
significant moderating effect on the relationship between face-to-face:images of self congruity and participation and on the relationships between online participation behavior: images of self congruity and participation. The moderating effect of motivation, ability and opportunity offers some explanation as to the lack of support found in Models B and C for hypotheses H2, H1a:H2 and H1b:H2. It also provides additional explanation for Samli and Sirgy’s (1981) and Sirgy’s (1980, 1985) equivocal findings on the direct relationship between self-congruity and behavior.

IMPLICATIONS

Several practical implications emerge from this study. First, how individuals perceive themselves (actual or ideal) or how others perceive them as well as the images of the participation behavior influences their participation in the social cause community. Thus, managers of not-for-profit organizations should seek to facilitate matched between images of participatory activities and the volunteer’s images of self. In addition, since congruity between a social cause community member’s self-image was not shown to be significantly related to online activity, this may indicate that the “brand image” of volunteer participation through online activities is not well established. Therefore, organizations may wish to explore promoting online participation activities in terms that are relatable to the volunteer’s actual or ideal self-image.

Second, motivation, ability, and opportunity were shown to be significant influencers on a volunteer’s participation behavior. Since motivation was operationalized using measures of involvement, it is important that managers foster a sense of inclusion among volunteers. Of the three constructs, opportunity had the strongest relationship to participation. Therefore, managers should find ways for volunteers to participate easily by reducing barriers caused by perceived time constraints.

Finally, motivation, ability and opportunity were found to be moderators between both the face-to-face and online congruity constructs and participation. Therefore, while managers seeking to maintain or increase participation in their social cause community need to ensure there is a strong match, they must also be aware that any of the three (motivation, ability and opportunity) can have an effect in whether or not the volunteer actually engages in some type of participatory behavior.

REFERENCES


Quick response codes (hereafter, QR codes) have become an emergent technology-enabled marketing tactic to encourage consumer engagement in advertising messages. QR codes, a type of matrix barcode developed largely for the automotive industry, have been adapted for use in promotions. Because QR codes are easily readable by mobile phones, the accessibility to consumers has grown exponentially. This is particularly evident in print media. QR codes have essentially redefined circulation and readership performance metrics because of the ubiquitous connectivity that extends beyond the print media. The present research is an exploratory study of consumers’ attitudes toward QR codes in magazine advertisements. The study begins to identify motivations for consumers to scan QR codes printed in magazine ads. The study finds that (1) information sourcing, (2) Web-navigation linkages (3) straightforward e-mail access and registration, and perhaps most insightful (4) impulse purchasing needs are key considerations in consumers’ propensity to scan QR codes in magazine advertisements.

INTRODUCTION

The unprecedented impact of wireless communication hardware and software has had an impact on what Czikszentmihalyi (1998) called the “psychology of engagement in everyday life.” The pervasive use of technologies such as mobile phones, hand-held devices and tablets impact consumers’ daily routines. These routines include but are not limited to the consumption of goods and services, as well as other interactions between buyers and sellers (i.e., using social media to like a marketing experience). The applications that run on electronic devices mark an important means of this process, facilitating common consumer activities from fitness tracking to playing games. On the marketing realm, QR code reader applications became the norm for reaching out to businesses. Recently, by printing QR codes on magazine ads, advertising professionals are making use of this trend. Reader responsiveness to these ads is inextricably linked to levels of cognitive engagement in the message (Dou and Li, 2008).

A QR code is an acronym denoting “Quick Response,” and it is engineered as a two-dimensional printed barcode that can be scanned by a mobile device. The relative difference between any other printed interaction (i.e., “scratch and sniff” in perfume advertisements) is the inherent coding to facilitate consumers’ connectivity to an external resource (i.e., the advertiser) vis-à-vis Uniform Resource Locator (URL), Short Message Service (SMS), or contact information implanted into the two-dimensional
platform. In short, the QR code is essentially a virtual pathway between buyer and seller, using the 2D image and the consumer’s own imaging device (eMarketer, 2012).

When consumers scan QR codes on magazine ads, they are banded together with the advertiser, thus enabling the consumer to seek out information regarding market offerings and promotional pricing. The real-time consumer-initiated involvement with the advertiser offers an opportunity for marketers to track consumer interests and consequent buying decisions.

The growth in QR coding applications parallels the unprecedented penetration of mobile and other hand-held Internet connectivity devices. In the U.S. market, as of first quarter of 2014, a majority of mobile subscribers own smartphones. The current smartphone penetration rate of over 70 percent continues to grow every day, with 85% of recent acquirers buying smartphones when picking new handsets (Nielsen, 2014). Mobile devices are increasingly used as a retailing tool with 8 out of 10 smartphone users reporting that they have been assisted by their mobile phones while shopping (eMarketer, 2014; Aisle411, 2014). Hence, the usage of QR codes in advertising is apace with these trends. Specifically, nearly two out of five Americans between 18 to 24 years old and 36% of Americans between 25 to 34 years old reports having scanned one or more QR codes from a magazine (eMarketer, 2013). Also, a recent inclination is that people who are QR code scanners are older. Fifty-seven percent of people who are QR code scanners in the first quarter of 2013 were aged 35 and older, up from 41% a year earlier. The 45-54 and 55+ groups represent rapidly growing proportions of people who are QR code scanners (Marketing Charts, 2013).

Overall, the number of QR code users is on the rise because the society is more welcoming of technology than ever before. Innovations such as QR codes in magazine ads has a place in the mainstream consumer culture with the potential to become an indispensable part of consumers’ day-to-day browsing habits.

Literature Review

There is a dearth of marketing and allied social science research attention afforded to this prevalent technology. The scant literature to date focuses largely on the technological aspects of the QR coding, and its ensuing uses in product tracking, merchandise identification and supply chain management. Accordingly, there is a paucity of research investigating the users’ attitudes and attributions; and purchase intentions, resulting from engagement in QR coded advertisements. One of the singular studies addressing behavioral aspects of QR coding investigated the effectiveness of QR code campaigns in Japan (Okazaki, Navarro and Campo, 2013). The major research gap in this study was the broad context: the exploratory study did not address any particular medium, disregarding the relevant differences between the imaging devices used and the attitudes toward the promotion.

Watson, McCarthy and Rowley’s (2013) study looked at consumer attitudes toward mobile marketing with particular foci devoted to QR codes among consumers residing in the United Kingdom. They found that QR codes have considerable potential to supersede text-based mobile marketing communications. They also found that QR codes assist organizations to overcome consumers’ negative attitudes towards mobile marketing communications. According to Watson, McCarthy and Rowley (2013), consumers feel more in control when using QR codes and thereby respond more positively to them than SMS marketing methods. Especially germane to the present research, the authors found that two most scanned media are magazines and outdoor media.

A study that looked at QR codes particularly in print advertising was conducted by Rajendra and Hemant (2013). They found that consumer goods marketers are the principal group that are deploying QR codes, and that the majority of QR codes are used for informative purposes rather than incentives. They also found that both the offline and online applications of QR codes in print advertising are feeble. However, this study was conducted in India. Due to different technology diffusion rates in India compared to other countries in the world, the results may not readily be extended to higher income markets like United States.

Sago’s (2011) exploratory assessment of college students’ actual behaviors (e.g., engagement with QR-coded advertisements) and ostensible outcomes (e.g., effectiveness of the advertisements) illuminated
the importance of QR-coded advertisements and the need for further research. At the same time, it appeared to foster a prevailing assumption among social science researchers: the notion that young, college-aged consumers constituted an appropriate sampling design. The respondent profile in this noteworthy article is inconsistent with actual usage rates for QR-coded advertisements. The focal market is much older, has greater spending power and possesses a multifaceted choice set in comparison to their younger counterparts. The stereotypical young, techno-savvy consumer often characterized as Generations Y and Z are not consistent with the actual users, buyers and payers of goods and services with QR-coded advertisements. These consumers tend to be part of the Generation X and Baby Boomer generations. Their attitudes toward advertisements involve greater cognitive engagement, and they have had greater experience searching, selecting and buying branded market offerings than younger consumers. In the domain of the QR-coded advertisement, the actual adoption of technology is largely among more mature, experienced consumers (Nielsen, 2013). Yet, the technology adoption models have not been widely applied to the primary target market. Accordingly, market data suggests greater research attention should be given to the more mature consumer market segments to consumers’ adoption of QR-coded advertisements.

As evidenced in the preceding literature, motivation theory has been the fundamental framework used in attempting to assess consumers’ attitudes toward QR-coded advertisements. Consistent with this practice, Japanese consumers’ use of and attitudes toward QR-coded advertisements were studied by Okozaki, Li and Hirose (2012), and they cited the smaller market size and suggested that North American consumers warranted greater research attention on this topic because of the competitive density and QR-coded advertising penetration rates.

While most of the research to date is grounded in motivational theory, there is a notable exception. Recently, Petty and Cacioppo’s (1986) dual processing theory known as the elaboration likelihood model (ELM) was used to describe how attitudes toward QR-coded advertisement attitudes are formed and changed. Narang, Jain and Roy (2012) introduced ELM to this stream of research; however, they also limited their sample toward Generation Y and Generation Z consumers; their respondents were between the ages of 18 and 26 years-old who resided in India.

An intensive review of the marketing literature recognizes the inadequate research investigations of American consumers’ attitudes toward QR-coded advertisements, and their actual engagement with the virtual pathways facilitated through this 2D matrix. The present research fills this gap, utilizing a qualitative research methodology to critically explore American consumers’ attitudes toward and engagement with QR-coded magazine advertisements. The qualitative approach attempts to foster a richer understanding of this technological phenomenon in American consumers’ everyday life. Given the extraordinary adoption of diffusion rates of linkages between two-dimensional printed labels and the virtual connectivity to resources via the Internet, we specifically frame the research in a single medium to isolate the focal domain.

There exists extensive support for the penetration and usage rates among American consumer. They indicate a greater familiarity with the scanning process of QR codes in printed media and on the Web (eMarketer, 2013). The focal medium, magazines, was selected based on two rationale. First, we wanted to select a print medium in which there existed a high likelihood of readership. Readership rates for magazines are far more stable than newspapers and other print media. Also, magazines boast a higher rate of QR-coded advertisements than many other media. The research also addresses the problematic and limited sampling domain on young consumers. Accordant with actual market data, we conducted focus groups with a more representative set of participant. The resulting respondents were pooled based on a qualifying question indicating their understanding of and engagement with QR-coded magazine advertisements. This demographic distinction is a marked departure to more adequately address the users and buyers of QR-coded advertised market offerings.

The structured focus group setting used discussion platforms that were pre-tested by expert panelists to ensure that it evoked responses toward the research objective of assessing the participants’ attitudes toward QR-coded advertisements in magazines. The focus group participants can be described as “mainstream consumers” with both awareness of and experience with the QR-coding. Based on market
data, an attempt was made to recruit participants who had a willingness to share their attitudes and actual usage of QR-coded advertisements, specifically those in magazines. The participants in the study represent a techno-savvy, mature consumer market segment that is aligned with our research objective.

METHODOLOGY

We chose qualitative research for our methodology because it has several advantages over quantitative research for our research question. According to Kelinger and Lee (2000), qualitative research may facilitate participants’ likelihood toward behaving naturally and hence makes real-world observations of group interactions possible. This is particularly suitable for delving into the investigation of the diffusion of innovations such as QR codes on magazine ads. The reasoning lies within the fact that the diffusion of innovations is an essentially group phenomenon.

We began our sessions with three introductory questions (I1, I2, I2p1) and collected verbal data on a list of open-ended, primary questions in three focus group sessions. We kept the order of questions identical in order to preserve consistency. Moderators audio taped their sessions. They later transcribed it and added a digest of their observations of social interaction. This helped fulfill Creswell’s (2009) suggestion that a qualitative procedure, in essence, reports the results with descriptions and themes for the data.

Our questions were aimed at probing into three components of consumer attitudes: cognitive, social and behavioral in addition to consumer notion of stereotypical QR code applications’ users (G1). We finished our questionnaire by asking for consumer product improvement recommendations (SFI1, SFI2). The extensity of behavioral component of attitudes were defined as: future usage intentions (BA6) and frequency of usage (BA2), impact of ability to scan on product purchase (BA1, BA4), and general usage (BA3, BA5). The dimensions of cognitive attitudes consisted of: ease of use (CA1), security, (CA3, CA3p) usefulness (CA2, CA4, CA5, CA6), and general cognitive attitudes (CAG1).

The questions used in Sessions A, B and C as well as the number of respondents and age is given in Tables A, B and C respectively. The moderators were admonished to ask probing questions whenever they identify a consensus or disagreement on any given question to dig deeper into reasoning. There were no probing questions on Session A. On Sessions B and C, (I2p2, STI2p1, STI2p2) and (SFI2p) were added as probing questions respectively. On Session C (SIT1) was modified to (SIT1M) in order to enhance respondents’ comprehension and questions (I2p1, CAG1) were omitted (Table 3).

ANALYSIS AND RESULTS

There were 19 study respondents from the target demographic in our sample with the demographic details provided on Table 4. All respondents own a device that can scan QR codes. More than half of the participants scanned a QR code on a magazine ad before the sessions, and remaining learned more about them during the sessions. Trained moderators selected from college business majors taking their independent research class conducted the sessions in a mid-size city in Midwest between the months of June through October in 2013. The respondent participation was voluntary.

There was a near consensus that it is simple to use QR codes on magazine ads (91% agreement – CA1). In Session A, Kevin argued that if the product in the ad interested him, then the QR code on the ad is more attractive. Gene concurred with this statement in Session B. Travis is session B added that once a new magazine comes out, he is more likely to scan the codes in it. Respondents agreed that ease of access to information about the products and ease of registering with the business attracts them to QR codes on magazine ads. They also mentioned that promotions such as coupons, fun things like games and winning something, and interactivity with the business for discounts are very attractive (CAG1).

Most respondents indicated that they are more likely to purchase a product if they are able to scan an ad in a magazine about it. This was more evident in Sessions B and C where almost all respondents agreed with this statement. Only 17% of the respondents indicated that scanning a QR code on a
magazine ad would not have an impact on their purchase intentions (BA4). Overall, most respondents stated that they would purchase a product through scanning the QR code in a magazine ad (BA1).

Consumers revealed that they are more likely to scan the QR codes in magazine ads at restaurants, doctor’s office, and when they receive their new magazine with a chance to win free items (SIT1). Consumers on all sessions agreed that they are not always on the lookout for a QR code in a magazine ad to scan (BA3), even though some have noticed them. Consumers characterized promotions such as coupons, discounts, free items and deals as the most useful elements of QR codes on magazine ads (58% of the respondents). Second most useful aspect that was mentioned (42% of the respondents) was the ease, speed, and convenience of information (CA4). In session C, Samantha stated that “it’s more efficient (information) that way because it’s fresh in your mind and you are obviously looking at it right then”. This statement received approval from all respondents in Session C. Respondents in general agreed that QR codes on magazine ads are useful to people who are interested in the products and who want to know more about their utility (CA2). However both in Sessions A and B, respondents noted that, for non-magazine readers, QR codes in magazine ads are not useful in this regard (CA2).

Almost all consumers indicated that security of their personal information is a concern to them (CA3p). Getting spam e-mails, security of mobile internet connection with credit card data and selling of personal information were major considerations (CA3). However, in session B, there were some respondents who were not worried about security because they had ordered many things online and they haven’t had any problems. Also, on Session C, a few respondents stated that they are not concerned about security, provided that the QR code in question belongs to a product of a well-known business.

The respondents indicated that there are some problems with the information provided by some codes. Problems about information include; not enough information, not the right information, or boring information; such as merely a link to a corporate website. Kevin in session A added that accessibility to the magazine itself may be a problem for some consumers who seek specific information about a particular product (CA5).

Consumers highlighted several points about QR codes on magazine ads that can positively affect consumer behavior. In Session B, Katie suggested that it will increase the amount that consumers interact with companies and their favorite products by encouraging communication. In Session C, Samantha added that it is a cost efficient way for companies to increase consumer interaction since businesses already pay for the ad itself. Respondents believed that it will make it easier for consumers to buy products and increase the sales for businesses. On the negative side, several respondents argued that consumers need to know more about the QR codes on magazine ads. They pointed at the need for marketing efforts aimed at educating consumers on their utility. They argued that this would help consumers to consistently use them (BA5).

Respondents had several suggestions for improvement. First they indicated that in order to make QR codes on magazine ads more accepted and used by consumers, there is a need for providing consumers with attractive promotions such as coupons for free items and interesting games. This issue was brought up on all sessions and agreed upon by all respondents in Sessions A and B. Secondly, respondents stated that there is a need for better promotion of the QR codes in the magazine ads itself. Some consumers do not fully know how to use them and their utility (SFI1).

In terms of situational influences, Kevin in Session A indicated the efficiency of QR codes in magazine ads make them helpful when a consumer has the urge to make an impulse purchase on an item that they liked in an ad, such as a pair of jeans. However, according to Kevin, this requires that the code takes customers to a website that allows them to make the purchase. The motivation to save money is another situational factor mentioned by several respondents, provided that promotions are available in the code. Finally, the need for quick information is another situational factor that is facilitated by QR codes on magazine ads, especially when a nearby computer is not available (SIT2).

On all sessions, mothers or parents who are looking for coupons or discounts were mentioned as the typical user of QR codes in magazine ads. On Session B, people between the age ranges of 20 to 55 and especially people who read magazines a lot, such as college students, were mentioned as the typical
consumers. On Session C, the typical user was thought to be consumers who are specifically seeking a
product with a need to sign up for it (G1).

Overall, the attributes that are most important to consumers about QR codes on magazine ads were:
the code getting them some kind of promotion (such as coupons, discounts, free shipping, games,
contests, or any other thing that is entertaining about the company); the code taking them to a useful link
and providing them relevant information; the code bringing them quick access to e-mail lists to sign-up,
in case they need to remain in touch with the company for a special product; the code providing them the
ability to see customer reviews about the product; and the code allowing them to make an impulse
purchase with a secure connection (CA6). Consumers almost as a whole agreed that they would use QR
code readers in the future (BA6).

DISCUSSION

Our qualitative investigation of consumer attitudes for QR codes focused on print advertising medium
and specifically American consumers. Our objective was to fill the gap in the literature on this important
issue. Qualitative research helps uncover primary drivers of consumer behavior with reference to specific
issues. This information can later be used in order to construct hypothesis for future empirical studies
(Burns and Bush, 2010). Thus, our analysis revealed that ease of information access and entertaining
promotions were very attractive about QR codes in magazine ads. Consumers also agreed that their
propensity to make an actual purchase increases if they are able to scan a QR code on a magazine ad that
they are interested in.

Our respondents indicated that QR codes help increase consumers’ engagement with the business and
its product offering through the magazine ads. Sourcing information by quick web-navigation linkages,
and practical e-mail access and registration helps interested consumers to stay in touch with the company,
especially in regards to a special product. The motivation to save money, effort and time seemed to
surface on QR code usage by the efficiency and practicality offered by its functionality. QR codes on
magazine ads are also liked due to its potential to aid impulse purchases. Finally, consumers pointed at a
concern for information security and information relevance as recommendation for improvement.

The results of this analysis indicates that future research on this topic hone on consumer deal
proneness, innovativeness, ad medium effectiveness, need for information security and its effect on
consumer behavioral intentions to scan QR codes in magazine ads. It would also be advised to examine
how impulse purchases and ad involvement would relate to presence of QR codes on magazine ads.

The authors would like to acknowledge the contributions of: Joshua Ferge, Lindsey Cass and Jason Swofford.
**TABLE 1**

**SESSION A QUESTIONS LIST**

<table>
<thead>
<tr>
<th>Questionnaire Items</th>
<th>Number of Respondents</th>
<th>Average Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>I1: Do you have a phone able to scan QR codes in magazine ads?</td>
<td>6</td>
<td>26.3</td>
</tr>
<tr>
<td>I2: Have you ever scanned QR codes in a magazine ad?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I2p1: What was the name of the product and name of the application that you used to scan the QR code in magazine ad?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA1: How difficult was it to scan the QR code in a magazine ad?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G1: Who do you think is the typical user of QR codes in magazine ads?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA2: How useful are QR codes in magazine ads?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BA1: Would you purchase a product through scanning the QR code in magazine ads?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA3: Are you comfortable providing personal information to link if the QR code in magazine ads directs you at?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA3p: Would security be a concern for you?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BA2: How often are you likely to scan QR codes in magazine ads?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CAG1: What attracts you to QR codes in magazine ads?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIT1: Where are you most likely to scan QR codes in magazine ads?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>BA3: Do you actively look for QR codes on magazine advertisements?</td>
<td></td>
<td></td>
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<tr>
<td>BA4: Are you more likely to purchase a product if you first scan an ad about it with a QR code on a magazine?</td>
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<td></td>
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<tr>
<td>CA4: What is most useful to you about QR codes in magazine ads?</td>
<td></td>
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<tr>
<td>CA5: What is a major concern to you about QR codes in magazine ads?</td>
<td></td>
<td></td>
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<tr>
<td>BA5: How do you think QR codes in magazine ads will affect consumer behavior?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SFI1: Do you have any suggestions for improvement for QR codes in magazine ads?</td>
<td></td>
<td></td>
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<tr>
<td>SIT2: In which situations is a QR code in a magazine ad useful?</td>
<td></td>
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</tr>
<tr>
<td>CA6: What attributes of QR codes in magazine ads are most important to you?</td>
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<td></td>
</tr>
<tr>
<td>BA6: Would you use QR codes in magazine ads in the future?</td>
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<td></td>
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<tr>
<td>SFI2: What features would you like to see in a QR Code in a magazine ad?</td>
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</tbody>
</table>
**TABLE 2**  
**SESSION B QUESTIONS LIST**

<table>
<thead>
<tr>
<th>Questionnaire Items</th>
<th>Number of Respondents</th>
<th>Average Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>I1: Do you have a phone able to scan QR codes in magazine ads?</td>
<td>9</td>
<td>37.1</td>
</tr>
<tr>
<td>I2: Have you ever scanned QR codes in a magazine ad?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I2p1: What was the name of the product and name of the application that you used to scan the QR code in magazine ad?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>I2p2: How would you estimate the usefulness of QR codes?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA1: How difficult was it to scan the QR code in a magazine ad?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>G1: Who do you think is the typical user of QR codes in magazine ads?</td>
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<tr>
<td>CA2: How useful are QR codes in magazine ads?</td>
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<td>BA1: Would you purchase a product through scanning the QR code in magazine ads?</td>
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<td>CA3: Are you comfortable providing personal information to link if the QR code in magazine ads directs you at?</td>
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<td>CA3p: Would security be a concern for you?</td>
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<tr>
<td>BA2: How often are you likely to scan QR codes in magazine ads?</td>
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<td>CAG1: What attracts you to QR codes in magazine ads?</td>
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<tr>
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<td></td>
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<tr>
<td>BA3: Do you actively look for QR codes on magazine advertisements?</td>
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</tr>
<tr>
<td>BA4: Are you more likely to purchase a product if you first scan an ad about it with a QR code on a magazine?</td>
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</tr>
<tr>
<td>CA4: What is most useful to you about QR codes in magazine ads?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA5: What is a major concern to you about QR codes in magazine ads?</td>
<td></td>
<td></td>
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<tr>
<td>BA5: How do you think QR codes in magazine ads will affect consumer behavior?</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>SIT2: In which situations is a QR code in a magazine ad useful?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIT2p1: If you were to come up with your own QR code scanner, what would it be like?</td>
<td></td>
<td></td>
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<tr>
<td>SIT2p2: If you were to create your own QR code, what would it be for?</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CA6: What attributes of QR codes in magazine ads are most important to you?</td>
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<tr>
<td>BA6: Would you use QR codes in magazine ads in the future?</td>
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</tr>
<tr>
<td>SFI2: What features would you like to see in a QR Code in a magazine ad?</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### TABLE 3
**SESSION C QUESTIONS LIST**

<table>
<thead>
<tr>
<th>Questionnaire Items</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>I1: Do you have a phone able to scan QR codes in magazine ads?</td>
<td>4</td>
</tr>
<tr>
<td>I2: Have you ever scanned QR codes in a magazine ad?</td>
<td>4</td>
</tr>
<tr>
<td>CA1: How difficult was it to scan the QR code in a magazine ad?</td>
<td>4</td>
</tr>
<tr>
<td>G1: Who do you think is the typical user of QR codes in magazine ads?</td>
<td>4</td>
</tr>
<tr>
<td>CA2: How useful are QR codes in magazine ads?</td>
<td>4</td>
</tr>
<tr>
<td>BA1: Would you purchase a product through scanning the QR code in magazine ads?</td>
<td>4</td>
</tr>
<tr>
<td>CA3: Are you comfortable providing personal information to link if the QR code in</td>
<td>4</td>
</tr>
<tr>
<td>magazine ads directs you at?</td>
<td>4</td>
</tr>
<tr>
<td>CA3p: Would security be a concern for you?</td>
<td>4</td>
</tr>
<tr>
<td>BA2: How often are you likely to scan QR codes in magazine ads?</td>
<td>4</td>
</tr>
<tr>
<td>SIT1M: Would you scan them at a place like Walmart or would you look for somewhere</td>
<td>4</td>
</tr>
<tr>
<td>to scan them, like a store to see if they have any?</td>
<td>4</td>
</tr>
<tr>
<td>BA3: Do you actively look for QR codes on magazine advertisements?</td>
<td>4</td>
</tr>
<tr>
<td>BA4: Are you more likely to purchase a product if you first scan an ad about it</td>
<td>4</td>
</tr>
<tr>
<td>with a QR code on a magazine?</td>
<td>4</td>
</tr>
<tr>
<td>CA4: What is most useful to you about QR codes in magazine ads?</td>
<td>4</td>
</tr>
<tr>
<td>CA5: What is a major concern to you about QR codes in magazine ads?</td>
<td>4</td>
</tr>
<tr>
<td>BA5: How do you think QR codes in magazine ads will affect consumer behavior?</td>
<td>4</td>
</tr>
<tr>
<td>SFI1: Do you have any suggestions for improvement for QR codes in magazine ads?</td>
<td>4</td>
</tr>
<tr>
<td>SIT2: In which situations is a QR code in a magazine ad useful?</td>
<td>4</td>
</tr>
<tr>
<td>CA6: What attributes of QR codes in magazine ads are most important to you?</td>
<td>4</td>
</tr>
<tr>
<td>BA6: Would you use QR codes in magazine ads in the future?</td>
<td>4</td>
</tr>
<tr>
<td>SF12: What features would you like to see in a QR Code in a magazine ad?</td>
<td>4</td>
</tr>
<tr>
<td>SF12p: Would QR codes be more effective if they had coupons or discounts on</td>
<td>4</td>
</tr>
<tr>
<td>products out of a magazine or do you find them more useful if they take you</td>
<td>4</td>
</tr>
<tr>
<td>directly to a website?</td>
<td>4</td>
</tr>
</tbody>
</table>
### TABLE 4
PARTICIPANT PROFILES

<table>
<thead>
<tr>
<th>Session</th>
<th>Moderator</th>
<th>Respondent Name</th>
<th>Occupation</th>
<th>Income Range</th>
<th>Education Level</th>
<th>Age</th>
<th>Marital Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>L. Cass</td>
<td>Chandra</td>
<td>Unemployed</td>
<td>$61,000-80,000</td>
<td>High School</td>
<td>31</td>
<td>Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Lane</td>
<td>Full-time</td>
<td>$61,000-80,000</td>
<td>Master’s Degree</td>
<td>30</td>
<td>Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Kevin</td>
<td>Full-time</td>
<td>Above $100,000</td>
<td>Doctoral degree</td>
<td>29</td>
<td>Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>MacKenzie</td>
<td>Part-time</td>
<td>Below $20,000</td>
<td>High School</td>
<td>19</td>
<td>Never Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Levi</td>
<td>Part-time</td>
<td>Below $20,000</td>
<td>High School</td>
<td>21</td>
<td>Never Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Jessica</td>
<td>Full-time</td>
<td>Above $100,000</td>
<td>Master’s Degree</td>
<td>28</td>
<td>Married</td>
</tr>
<tr>
<td>B</td>
<td>J. Ferge</td>
<td>Jim</td>
<td>Full-time</td>
<td>$41,000-60,000</td>
<td>High School</td>
<td>60</td>
<td>Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Gene</td>
<td>Full-time</td>
<td>$81,000-100,000</td>
<td>High School</td>
<td>38</td>
<td>Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mary</td>
<td>Full-time</td>
<td>$21,000-40,000</td>
<td>High School</td>
<td>52</td>
<td>Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Katie</td>
<td>Part-time</td>
<td>Above $100,000</td>
<td>Bachelor’s Degree</td>
<td>21</td>
<td>Never Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Tom</td>
<td>Part-time</td>
<td>$21,000-40,000</td>
<td>High School</td>
<td>53</td>
<td>Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Missy</td>
<td>Full-time</td>
<td>$61,000-80,000</td>
<td>High School</td>
<td>39</td>
<td>Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Leonard</td>
<td>Full-time</td>
<td>$21,000-40,000</td>
<td>Bachelor’s Degree</td>
<td>22</td>
<td>Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Nick</td>
<td>Part-time</td>
<td>Below $20,000</td>
<td>Associate Degree</td>
<td>21</td>
<td>Never Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Travis</td>
<td>Full-time</td>
<td>$61,000-80,000</td>
<td>Bachelor’s Degree</td>
<td>28</td>
<td>Never Married</td>
</tr>
<tr>
<td>C</td>
<td>J. Swofford</td>
<td>Kyle</td>
<td>Full-time</td>
<td>$21,000-40,000</td>
<td>High School</td>
<td>23</td>
<td>Never Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Aubrey</td>
<td>Part-time</td>
<td>Below $20,000</td>
<td>High School</td>
<td>21</td>
<td>Never Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Hailey</td>
<td>Unemployed</td>
<td>$21,000-40,000</td>
<td>High School</td>
<td>18</td>
<td>Never Married</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Samantha</td>
<td>Full-time</td>
<td>Below $20,000</td>
<td>High School</td>
<td>21</td>
<td>Never Married</td>
</tr>
</tbody>
</table>
REFERENCES


The Essential Role of Sense of Community in a High Customer-to-Customer Interaction Service Setting

Matthew P. Bunker
University of Northern Iowa

This research explores the impact of sense of community within a high customer-to-customer interaction (CCI) service setting. Sense of community was correlated with quality and commitment to explore the effect of sense of community on both constructs within a high CCI setting. 1500 surveys were sent to parents of a private high school and 500 surveys were completed. Results indicated that sense of community had a strong correlation with quality and commitment. Additionally there was an interaction between sense of community and quality. Results showed that sense of community is very important in a high CCI service setting.

INTRODUCTION

It is well established in the literature that sense of community within a service setting contributes to customers’ feelings of commitment toward a brand (Fraering and Minor, 2006). For example activities related to brand communities have increased loyalty intentions among small groups of Harley riders (Bagozzi and Dholakia, 2006) and Jeep owners (McAlexander, Schouten, and Koenig, 2002). Communities theoretically are instrumental in human well-being (McAlexander et al., 2002), due to the desire to belong to a group. So consequently feelings of community have a strong influence on customers’ intentions to continue patronizing a firm in the future (Drengner, Jahn and Gaus, 2012).

Furthermore, sense of community enhances consumers’ perceptions of service quality (Wooldridge, 1999). In fact, many consumers have come to expect social support within service settings (Adelman, Ahuvia and Goodwin, 1994). So when social support within a service setting is absent or low, consumers may lower their evaluations of the service quality offered by the organization. Social support is more than just service employees fulfilling interpersonal needs with customers, but also extends to customers fulfilling interpersonal needs with other customers (Adelman et al., 1994). If customer-to-customer social support is inherently high within a service setting, then that social support may have a much larger impact on service quality and commitment than expected.

Consequently friendships formed in settings outside the home and workplace can lead to those same settings as becoming meaningful in people’s lives because they fulfill companionship and emotional supportive needs (Rosenbaum, 2006). Sometimes these settings include locations such as cafés, bars, and hair salons, which provide a place for people to engage in conversation; a home away from home, and are referred to as third places (Oldenburg, 1999). The social nature of third places has a large impact on people’s lives beyond just feeling loyal to a particular service provider. For example, Rosembaum (2008) studied the impact of socialization among customers in a video arcade, Gold’s Gym, and Curves and found that customers reported improved senses of well-being and were willing to pay higher monthly fees.
if they received social support from other members and employees. In the larger picture of community, third places allow customers to share local unity, engage in social interaction, and create social bonds with people outside of their immediate kinship relationships (Varman and Costa, 2008). The act of sharing in the community component of service locations enables people to incorporate that service into their sense of identity (Rosenbaum, Ostrom, and Kuntze, 2005). For example, people may mention that they work out at Curves when asked to describe themselves, thus revealing that a part of their identity includes their membership at Curves.

Some service settings, such as private schools and churches may not have the close intimate feel of cafés and taverns, but helping customers feel a sense of community is still important in these settings, as the customers spend a significant amount of their time in that environment (Pretty, 1994). Also, assessing the importance of sense of community within these types of service settings is helpful since much cheaper and easier options exist, such as sending children to public schools or deciding to watch church on television. Specifically, management of expensive service establishments, such as private schools, should worry about other options available to customers, such as public schools, home-schooling, or charter schools, especially since customers are reducing their spending habits.

One important consequence of sense of community is the impact on loyalty. For example, community type activities have increased loyalty intentions among small groups of Harley riders (Bagozzi and Dholakia, 2006). Customers with a strong sense of community not only show loyalty towards a brand or service provider, but they also display oppositional brand loyalty. In other words, these customers define themselves as much by the brand they consume as by brands they do not consume (Muniz and O’Guinn, 2001). Oppositional brand loyalty can apply to services as well. For example, loyal consumers of local coffee shops may define themselves as people who do not patronize large, national coffee shop chains.

Although a sense of community, or feelings of belonging, are important among customers in third place settings, it is possible that other factors, such as perceived value and service quality may play a more important role in customers deciding to stay in an ongoing service relationship, even when community is a central part of that relationship. Consequently it is tempting to reduce prices or offer other financial incentives in order to increase perceived value in order to maintain customer loyalty. However with some services, customers exhibit a stronger sense of loyalty to the firm when they feel a sense of community as opposed to engaging in loyalty programs that do not utilize components of community, such as discount or purchase frequency loyalty programs (Rosenbaum, Ostrom, and Kuntze, 2005). So it is plausible to infer that sense of community experienced by customers of service organizations characterized by high levels of customer-to-customer interaction may have a strong effect on loyalty.

The literature has rarely explored the effect of sense of community in service scenarios in which customer-to-customer interaction is integral to the service. In these settings, sense of community may have a pronounced effect on customers’ perception of the service organization as well as their loyalty to that organization. The purpose of this paper is to test the impact of sense of community in a high customer-to-customer setting on customer perceptions of the service quality and their commitment to the service organization. It is difficult to test all of the dimensions involved with service quality, so this paper explores customers’ perception of service quality using specific dimensions of qualities unique to the service provider featured in this study (a private school). Additionally, commitment was used as a construct in this study as opposed to loyalty because commitment explains people’s intention to support a service organization as opposed to measuring actual loyalty, which includes behavioral as well as cognitive and emotional components (Anuwichanont, 2010).

LITERATURE REVIEW

Sense of Community

Sense of community is a subjective experience associated with a feeling of belonging (Lyons and Dionigi, 2007). Sense of community allows for members within a specific group to feel a sense of belonging to a larger collective from which they derive emotional safety (Obst and White, 2005). Consequently people feel that they are part of a readily available, supportive, and dependable structure in
which they feel accepted (McMillan, 1996). Sense of community in extended contact services environments such as schools, churches, and retirement communities may result in close friendship ties among customers and discourage them from switching to competitors. For example, students in a high school setting that reported a sense of community are more likely to report higher levels of happiness and interest in academic activities (Bateman, 2002). Similarly in a church setting, a sense of community offers members a sense of well-being and is a place of acceptance and healing. Research conducted by Miers and Fisher (2002) reported that sense of community was cited as one of the best things a church can offer. For example, people described others at church as welcoming and felt as if they were a part of a larger family. The importance of the sense of community has also been demonstrated in a café setting, in which customers who feel social-emotional support from others, not only are more committed to the establishment, but engage in behaviors which help the service provider and consequently have a positive influence on the overall service quality offered by that provider (Rosenbaum and Massiah, 2007).

But if customers feel alienated because of the behavior of other customers, they are not only likely to give a negative evaluation of the service experience, but also give a negative evaluation of the service provider (Martin and Pranter, 1989). For example, students in a university setting who felt less connectedness with their peers gave a negative appraisal of the overall campus climate (Lee, Keough, and Sexton, 2002). One possible contributing factor to the negative appraisal might be due to students feeling lonely. For example, Pretty et. al. (1994) tested the effect of neighborhood sense of community and school sense of community on adolescents’ sense of loneliness. The authors found that a sense of community for both school and community had a strong negative correlation with loneliness. In a church setting, people who reported a lack of sense of community tended to concentrate on the negative effects of fellow members of their congregation and inferred that fellowship with other members were the worst things a church can offer. Some of the negative comments of the disenfranchised church members towards their fellow members were: “people were unwelcoming, cliquish, and intolerant to newcomers” (Miers and Fisher, 2002), these types of comments were followed up by negative evaluations of the overall service offered by the church. A sense of community or lack thereof can have a profound effect on how people evaluate a service provider.

**Perceived Quality**

Quality is a key business performance and strategic driver and is related to increased customer loyalty (Mittal and Gera, 2012). Consequently, studying the components and importance of quality also enables managers and researchers to better understand what makes loyal customers. During the past decades many models of quality have emerged in the marketing literature, such as the technical and functional quality model (Gronroos, 1984), GAP model (Parasuraman et al., 1985), the attribute service quality model (Haywood-Farmer, 1988), and the performance only model (Cronin and Taylor, 1992). These are only a sampling of models, and there are many more in the marketing literature (for a review see Seth, Deshmukh, and Vrat, 2005). The fact that there are many quality models shows that quality has many components and dimensions and is dependent on service and cultural contexts (Mittal and Gera, 2012).

A difficult aspect of service quality as opposed to product quality is service quality cannot be determined before purchase though a pre-defined inspection method. Service quality is determined by the customer either during the actual consumption of the service or after the service is consumed (Pollack, 2009). Ultimately, service quality is made up of those components of a service that result in customer satisfaction (Yoo and Park, 2007). Quality can be perceived by customers as an outcome of a firm’s performance as well as their interactions with a firm’s personnel (Dedeke, 2003). Due to the complex nature of service quality, this paper used dimensions specific to the service provider that benefited from this research. These dimensions were determined through in-depth interviews with current customers as well as administrators of the actual service. The individual quality components were measured as: quality teaching, academics, sports, music, clubs, and Advanced Placement Courses (APC). These dimensions were measured separately as outlined in the methodology section as well as combined together as a single construct in order to test for the relationship between commitment, quality, and sense of community.
Commitment

Commitment is the intention to behave in a manner supportive of relationship longevity (Fournier, 1998). Committed customers exert more effort to maintain a relationship, are more resistant to persuasion by competitors, and in general can form the core of a good customer base (Morgan and Hunt, 1994). Commitment is also referred to as the customer’s ultimate relationship disposition in regards to the customer’s attitudes and behaviors towards the brand (Hess and Story, 2005). Customers that are committed to the organization not only patronize that organization in the present but would also have the intention of patronizing that same organization in the future. Some customers may even influence future generations to continue patronizing that same organization because they want their descendants to enjoy the same benefits offered by that organization.

Commitment is stronger if customer relationships are formed due to some positive interactions between the service provider and the customer, thus forming a relationship that is more psychological than structural (Barnes, 1997). One component of a psychological relationship between a company and its customers is the psychological sense of community. Past research has shown that a psychological sense of community correlates positively with commitment (Carlson, Suter, and Brown, 2008). Customers in service settings that are determined by the community (schools, country clubs, and retirement homes) would feel more committed to that particular service if they felt a stronger psychological sense of community. In other words, they have to not only be a part of the community, but believe that they are an important entity within that community in order to maintain commitment.

Customer-to-Customer Interaction (CCI)

Customer-to-customer interaction (CCI) has received increased attention over the last two decades (Nicholls, 2010) and is an important aspect of the service experience due to its effect on satisfaction and loyalty (Moore, Moore, and Capella, 2005). In certain service settings other customers are considered essential inputs to the service experience (Moore et al., 2005). So in these service settings, CCI is an integral and even planned component of the service offering (Parker and Ward, 2000). The context of this research, a private school setting, assumes that CCI is high as the potential for ongoing interaction among students and to some degree parents, is extremely high.

Positive CCI is especially important if the service is extended over time, has an affective component, and chances for intimate encounters are experienced by the customers (Price, Arnould, and Tierney, 1995). Customers that are satisfied in extended service situations characterized by CCI may also feel a sense of community, which not only increases satisfaction, but helps with the overall experience of the service encounter (Arnould and Price, 1993). So feeling a sense of community within a CCI service setting is important to enhancing customer satisfaction (Rosenbaum, 2008).

Conversely, negative social encounters in high CCI service settings lead to lower satisfaction and lower intentions to continue patronizing the organization (Raajpoot and Sharma, 2006). Even if customer misbehavior is perceived by the employees as uncontrollable, the people suffering from the misbehavior of other customers may perceive the firm’s management of the offending customer’s actions as an important aspect of the service process, which then can negatively skew the affected customer’s evaluation of the firm (Huang, 2008). It is difficult to control customer-to-customer interaction, especially since the negative and positive encounters between customers are unique to almost any given situation. Although it is difficult to control negative customer-to-customer encounters, it is possible to identify them and eventually plan alternative courses of actions when they do occur. Grove and Fisk (1997) used a critical incident technique to classify negative and positive interactions between customers and identified two categories of customer-to-customer interaction effects: protocol and sociability. Protocol violations were conceptualized as infractions of tacitly or expressly held norms by others. Sociability violations were conceptualized as occasions when others were hostile or antagonistic towards their fellow customers. These conceptualizations are useful in understanding customer interaction among each other in transactional settings, especially since the potential for sociability violations are likely to occur in high customer-to-customer interaction settings.
Furthermore, extended service settings involve customers’ behaviors among themselves that involve a network of customer interactions which evolve over time and affect customers’ perception of the service organization as well as self-worth (Baron and Harris, 2010). Social networks form through family, current friends, and even people who are initially strangers, due to people’s need to belong. The need to belong is among the strongest of human motivations and people go to extraordinary lengths to associate with others (Twenge and Baumeister, 2005). The need to belong is so strong, that when it is not met, people report feelings of isolation, loss of belonging, and lower self-esteem (Williams and Govan, 2005). In order to cope with these feelings, some people may extend their dissatisfaction beyond the personal and social variables to environmental variables. For example, William and Govan (2005) conducted a study in which three people were instructed to play a game in which they pretended they were on a train ride; two of the three people were instructed to ignore the third person. The ostracized person reported the actual game to be aversive and unpleasant. This finding suggests that people who are ostracized by others within a social setting, such as a school or country club, may extend their negative feelings due to social isolation to the establishment itself. More specifically, social ostracism by other customers in a high CCI situation results in less commitment towards the service provider in which that behavior occurred (Hitlan et al., 2006).

As previously explained, sense of community may even have a much bigger impact when there is high CCI within a service setting. This paper hypothesizes that a consumer who reports a high sense of community in a CCI setting may judge the organization as providing high quality service, even in regards to individual components offered by the service organization. Furthermore, customers who feel a high sense of community may indicate higher levels of commitment towards that organization. Also tested was the hypothesis that in a CCI setting, sense of community has a stronger effect on commitment than the individual components of quality.

\[ H_1: \text{Sense of community has a positive correlation with the individual components of quality (quality teaching, academics, sports, music, clubs, and Advanced Placement Courses (APC))} \]

\[ H_2: \text{The individual components of quality have a positive correlation with commitment.} \]

\[ H_3: \text{Sense of community has a stronger correlation with commitment than the individual components of quality.} \]

**METHODOLOGY**

**Sample**

1500 surveys were mailed to parents that either currently send or have sent their children to a Catholic school located in the upper Midwest. A total of 500 surveys were returned creating a 30% response rate. 329 parents educated all of their children through this parochial school district. 157 parents educated at least one of their children using the parochial school district and educated at least one of their children or all of their children in the public school district. 14 respondents opted not to answer the question regarding their choice to use parochial or public education. A demographic breakdown of the respondents is shown in table 1.
TABLE 1  
DEMOGRAPHIC CHARACTERISTICS OF SAMPLE

<table>
<thead>
<tr>
<th>Demographic Category</th>
<th>Demographic Segments</th>
<th>Total Number Within Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex</td>
<td>Male</td>
<td>102</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>392</td>
</tr>
<tr>
<td>Religious Affiliation</td>
<td>Catholic</td>
<td>444</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>40</td>
</tr>
<tr>
<td>Children Attend Catholic School</td>
<td>All children attend or will attend Catholic school</td>
<td>329</td>
</tr>
<tr>
<td></td>
<td>Some or none of the children attend Catholic school (Instead chose public schools)</td>
<td>157</td>
</tr>
<tr>
<td>Income</td>
<td>$35,000-$60,000</td>
<td>152</td>
</tr>
<tr>
<td></td>
<td>$60,001-$100,000</td>
<td>172</td>
</tr>
<tr>
<td></td>
<td>&gt; $100,000</td>
<td>87</td>
</tr>
</tbody>
</table>

Construct Measurement

Seven point Likert scales were created to test “sense of community” and were partially derived from McAlexander, Schouten, and Koenig (2002). Scale reliability of the community items was tested using Cronbach’s Alpha resulting in alpha = .893. The commitment scales were adapted from Harrison-Walker (2001) and scale reliability testing resulted in alpha = .883. The scale items along with the reliability scores are provided in table 2.

TABLE 2  
SCALE ITEMS WITH RELIABILITY SCORES USING CRONBACH’S ALPHA

<table>
<thead>
<tr>
<th>Community α = .893</th>
</tr>
</thead>
<tbody>
<tr>
<td>I have met wonderful people because of my association with the Catholic school system.</td>
</tr>
<tr>
<td>I have a sense of kinship with other parents of the Catholic school system.</td>
</tr>
<tr>
<td>I feel as if the Catholic schools are an extension of my family.</td>
</tr>
<tr>
<td>There is a sense of community within the Catholic schools.</td>
</tr>
<tr>
<td>People in the Catholic schools are real supportive of each other.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Commitment α = .911</th>
</tr>
</thead>
<tbody>
<tr>
<td>I want to help this community’s Catholic schools reach their goals.</td>
</tr>
<tr>
<td>I care about the future of this community’s Catholic school system.</td>
</tr>
<tr>
<td>This community’s Catholic school system inspires the best in my children in the way of being good students.</td>
</tr>
<tr>
<td>I like the Catholic schools.</td>
</tr>
<tr>
<td>Maintaining a relationship with the Catholic school system is enjoyable.</td>
</tr>
</tbody>
</table>

In order to test the quality perception of the individual components of the services offered by the Catholic schools, items were gathered from twenty in-depth interviews in addition to consultation with the Catholic school administration. The following items were determined as important components of the Catholic school educational experience: quality teaching, academic accomplishments, art, sports, music, drama, clubs, advance placement courses, discipline and safety. These components were tested using a graphic rating scale anchored by the options “Local Catholic Schools” and “Local Public Schools.”
Respondents were asked to place an “x” on the scale closest to the option that they felt did better in that particular quality component. The actual name of the Catholic school system and public school system were included on the survey items. Each response was individually measured using a ten centimeter ruler.

RESULTS AND DISCUSSION

Hypotheses 1 and 2 were tested by analyzing the zero order correlations between sense of community and the individual components of quality as well as zero order correlations between commitment and the individual components of quality were tested. All of the zero order correlations were significant at p < .001. Sense of Community has a positive and significant correlation with all of the components of quality. In turn, all of the components of quality have a positive and significant correlation with commitment.

Hypothesis 3 was tested by using a multiple regression with sense of community and the individual components of quality as the independent variables and commitment as the dependent variable. The only significant independent variable was “sense of community” with beta = .610. None of the elements of quality tested significant at p = .05. This finding was surprising in the sense that none of the elements of quality correlated with commitment which might be due to the multicolinearity of the sense of community items with the quality items. It appears that the correlations among the individual components of quality and sense of community were large enough to affect the relationship between the individual components of quality with commitment. The findings hinted that there might be an interaction between sense of community and quality. Table 3 shows the single order correlations between all of the variables as well as the result of the multiple regression.

TABLE 3
ZERO ORDER CORRELATIONS BETWEEN SENSE OF COMMUNITY, COMMITMENT AND ELEMENTS OF QUALITY. ALSO INCLUDED IS A MULTIPLE REGRESSION ANALYSIS WITH COMMITMENT AS THE DEPENDENT VARIABLE AND SENSE OF COMMUNITY AND COMPONENTS OF QUALITY AS THE INDEPENDENT VARIABLES

<table>
<thead>
<tr>
<th>Quality Components</th>
<th>Teach</th>
<th>Academ</th>
<th>Sports</th>
<th>Music</th>
<th>Clubs</th>
<th>APC</th>
<th>Comm</th>
<th>Commit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sense of Community</td>
<td>.412*</td>
<td>.434*</td>
<td>.370*</td>
<td>.275*</td>
<td>.324*</td>
<td>.349*</td>
<td>1</td>
<td>.707*</td>
</tr>
<tr>
<td>Commitment</td>
<td>.411*</td>
<td>.444*</td>
<td>.328*</td>
<td>.262*</td>
<td>.342*</td>
<td>.338*</td>
<td>.707*</td>
<td>1</td>
</tr>
<tr>
<td>Multiple Regression</td>
<td>DV = Commitment</td>
<td>.088</td>
<td>.090</td>
<td>.014</td>
<td>-.030</td>
<td>.068</td>
<td>-.011</td>
<td>.610</td>
</tr>
</tbody>
</table>

*p<.001

In order to test for a possible interaction between sense of community and quality with commitment as the dependent variable, a quality construct was created using the independent items tested earlier in the study. Cronbach’s alpha was used to test construct reliability which resulted in alpha = .859. A hierarchical multiple regression analysis was used to test for an interaction between sense of community and quality with the commitment dependent variable. The results showed a significant interaction between sense of community and quality (R^2 = .739, F = 467.000, F-change = 11.338, P < .001). Table 4 and figure 1 display the results of the interaction test including the standardized beta, the t-scores, and p-scores.
As table 4 and figure 1 indicate, there is a strong and significant interaction between quality and sense of community. If sense of community is positive then customers may also rate the overall quality of the service as positive. On the other hand, if sense of community is negative, then customers may consequently rate the overall quality of the service as negative. The interaction does indicate that quality perceptions may still be high if sense of community is low, but not as high if sense of community was high. Since the literature shows that quality is a predictor of satisfaction and commitment, then this paper proposes that sense of community has even a greater effect on commitment and possibly even an effect on satisfaction, although the satisfaction construct was not tested for this research.

CONCLUSIONS AND IMPLICATIONS FOR THEORY AND PRACTICE

As the results indicated, sense of community had a strong correlation with all of the individual components of quality. So consumers who feel a strong sense of community would judge the individual components of a service as high quality. Customers experience a sense of community when there is social support from other customers. Consequently the social support of other customers within a service setting is sometimes more important than social support from employees (Adelman et al., 1994). In other words, service settings become meaningful to customers because of their relationships with the people in those settings. Furthermore, people who continue to patronize a service provider because of the social support they receive perceive the service provider as a “home away from home.” Subsequently the service provider...
provider becomes a third place in consumers’ lives, where consumers can satisfy companionship and emotional needs as well as consumption needs (Rosenbaum, 2006). The results of this research carry the notion of third places a step further by showing that people who feel a strong sense of community within third places will also have a stronger tendency to rate the service quality offered by that service provider in a favorable manner.

Creating a sense of community has many positive outcomes, such as exhibiting more loyalty to the brand (Muniz and O’Guinn, 2001). So if a service has a strong customer-to-customer social component it is important to engage in strategies that would strengthen feelings of community among the members. As the results of this research show, strengthening a sense of community not only improves the perception of the service offerings, but also has a strong influence on customer commitment to the service provider. Other research has also shown that a high sense of community correlates with quality perceptions within educational settings. Roberts, Gentry, and Townsend (2011) found that socializing helps students navigate the ambiguities found in processes within the department. Furthermore, students who were socialized in the department also found their coursework to be more relevant to their own studies. The findings of this research project illustrates that the influence of sense of community on commitment may even be stronger than the influence of quality perceptions on commitment, especially when customer-to-customer interaction is high. So, if customer-to-customer interaction is an integral part of the service setting, the service provider must ensure that sense of community is felt by the customers, even if the quality of the service is reportedly high. Additionally, customers may show more loyalty to the actual social relationships within a service setting than to the actual establishment that these settings take place (Rosenbaum and Massiah, 2007). So it is important to separate commitment to an establishment from commitment to social relationships within that establishment because if the social relationships weaken then commitment towards the establishment may weaken as well.

Although not directly tested, the results indicate that customers who do not feel a sense of community in an extended service situation would judge the components of the service as low quality. For example, Research in school settings has found that sense of community was related to students’ engagement in school and a lack of a sense of community contributed to students’ thoughts of dropping out of school (Royal and Rossi, 1996). The effects of social ostracism, which is an extreme form of a lack of the sense of community, extends beyond the immediate context of the ostracizing event and influences perceptions of the larger organization and effects people’s attitudes as well as performance (Hitlan et al., 2006). So lack of sense of community has the potential of negatively influencing every aspect of a consumers’ experience to the point of completely distorting a consumers’ perception of that brand in a negative manner.

LIMITATIONS AND FUTURE RESEARCH

One limitation of this paper is the lack of discriminant validity between the constructs commitment and sense of community. This might be due to the fact that consumers in a high customer-to-customer interaction setting might not see much of a difference between the two constructs. If a person is feeling socially isolated from a situation or service setting, then they might already be thinking of ways to exit that service setting. This idea can possibly be tested with other settings and with a variable that measures the extent to which a person feels connected with or isolated from the people associated with the service provider.

Testing in another environment, such as a yacht club, church setting, or country club will also help determine if the hypotheses tested in this setting are generalizable beyond that of a private school setting. To do so, the components of quality would have to change and the research would have to be re-done in this particular setting so constructs would have stronger nomological validity as well.

Furthermore, the current study used a semantic differential scale to measure the perception of quality difference between a private, religious school and a public school within the same city. One problem with using that scale is it does not measure if customers believe the service to have high or low quality. Rather the scales measure if one school has higher quality than another school, so a customer may believe both
schools to have low quality and yet mark the private school as better, which is interpreted in this study as a high quality perception. For this reason, the quality scales should be standardized among the different settings, not only for generalizability purposes, but for scale consistency as well.

Although not tested in this paper, but previously tested in the marketing literature is the idea that commitment towards a service provider increases positive word-of-mouth behavior among the consumers (Harrison-Walker 2001). This would argue that satisfied and committed customers of service settings with high customer-to-customer contact would engaged in positive word-of-mouth behavior among their friends and families. On the other hand, in the same condition, customers who feel socially isolated will engage in negative word of mouth behavior to their friends and family. So maintaining a positive social atmosphere in a high customer-to-customer interaction service setting is imperative to that service’s success. Although this research was conducted in a single setting (private, religious school), it could also be tested in other contexts such as neighborhood associations, country clubs, and university settings.

REFERENCES


Mainstreaming, Counter-Co-Optation, and Depoliticization by a Counterculture

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Drawing on the social constructionist theory of social movement, this netnographic study examines the relationship between countercultures and the mainstream culture/dominant corporations in the context of free/open source software culture. The result shows that when a counterculture aims to change the social order in a domain of the marketplace, the counterculture or a sect of it could mainstream its subversive ideologies and practices, counter-co-opt certain tools (e.g., laws) of the mainstream culture and dominant corporations, preempt some forms of corporate co-optation, depoliticize its own ideologies and practices, and both confront and collaborate with the mainstream culture and dominant corporations.

The relationship between countercultures and the mainstream culture/dominant corporations has intrigued consumer culture researchers for decades (Frank, 1993; Holt, 2002; Marcuse, 1964). In the literature on the focal relationship there are three different theories. The classic co-optation theory (Ewen, 1988) conceptualizes this relationship as a confrontational one and assumes a doomed fate of countercultures. In contrast, the hip consumer variation of co-optation theory (Heath & Potter, 2004) conceptualizes this relationship as a symbiotic one. But the re-politicizing co-optation theory (Thompson & Coskuner-Balli, 2007) argues that by creating countervailing markets, a counterculture can reclaim its cultural meanings co-opted by corporations. Despite their differences, the three theories implicitly assume that countercultures avoid becoming mainstream, that only corporations depoliticize countercultures’ subversive ideologies and practices, and that the focal relationship is either confrontational or collaborative.

The social constructionist theory of social movement (Benford & Snow, 2000; Buechler, 2000; Swidler, 1986) suggests that a countercultural movement is a political-cultural process in which its members create and negotiate their ideological frames by tapping the mainstream culture to construct the social order of their own version. Accordingly, a counterculture could mainstream its ideologies and practices in a certain domain of the marketplace; a counterculture or a sect of it could depoliticize or reframe its ideologies and practices; there could be frame wars within a counterculture due to a sect’s depoliticization act; and the focal relationship could be both confrontational and collaborative. Drawing on this theory as my theoretical lens, I aim to contribute to the literature by examining these theoretical possibilities in the context of the free/open source software culture.

In the next section, I first review the extant literature and then develop a social movement theory-based view of co-optation as the conceptual lens for this paper. This conceptual development is followed by an explanation of my methodology and findings. Finally, this paper is concluded with a general discussion.
THEORETICAL FOUNDATION

Three Co-Optation Theories in the Extant Literature

Countercultures are social groups that co-construct and promote a set of ideologies and practices that contradict, subvert, and threaten those of the mainstream culture (Yinger, 1977). Individual members of a counterculture negotiate their ideologies and the meanings of their consumption practices in their interaction with each other and with the mainstream culture and dominant corporations. In the extant literature on the relationship between countercultures and the mainstream culture/dominant corporations, there are three different co-optation theories.

First, the classic co-optation theory sees countercultures as doomed challengers of the mainstream culture and dominant corporations (Ewen, 1988). Corporate co-optation is defined as the process in which the mainstream culture appropriates the consumption objects co-created by a counterculture but negates its subversive ideologies through corporations, which are major agents of the mainstream culture and market the goods and services that embody the negated versions of the counterculture. The consumption objects (e.g., images, symbols, expressions, meanings) co-created by a counterculture can be seen as its creative products (Kozinets, Hemetsberger, & Schau, 2008). For Ewen (1988, p. 247), corporations can easily co-opt an image (a creative product) of a counterculture, only requiring that the image (1) “be able to be disembodied, separated from its source” (i.e., ideological separability), (2) “be capable of being ‘economically’ mass produced” (i.e., economical mass producibility), and (3) “be able to become merchandise, to be promoted and sold” (i.e., merchantability and marketability). Through mass production and marketing, corporations commodify the subversive ideologies underlying a counterculture’s creative products like images. In this assimilating, negating, and commercializing process, the mainstream culture maintains and reproduces its dominant status, empties and decontextualizes the rebellious political and cultural meanings of co-opted countercultures, and keeps the rebellious styles in the fashionable commodities. Corporate co-optation makes the images of a counterculture become mainstream and “signals its eventual disposal” (Ewen, 1988, p. 253). In response, countercultures can only create new rebellious images, leading to a new cycle of corporate co-optation.

Second, the hip consumer variation of co-optation theory views the focal relationship as a symbiotic one. Holt (2002) argues that postmodern consumers need the co-opted countercultural styles to build their identities and thus countercultures are merely grist to the mill of corporations. For Frank (1997), the 1960s counterculture led to a hip consumerism with insatiable thirst for distinctiveness, originality, and rebellion, which perpetuates the ever-escalating consumption and production; and corporations offer products and services dabbed with the co-opted version of the counterculture and its distinctiveness, originality, and rebellion for the public to play identity games and to perform rebellion rituals. It is argued that the values of countercultures align with the capitalist mainstream ideologies. Claiming their subversive political agenda, countercultural consumers only pursue distinctiveness and social status through their creative consumption practices. So, corporations do not co-opt their practices but respond to and learn from these practices that are not subversive to but welcomed by corporations (Heath & Potter, 2004).

Third, the re-politicizing co-optation theory argues that a counterculture can re-politicize its subversive consumption practices after dominant corporations co-opt and depoliticize these practices. Thompson and Coskuner-Balli (2007, p. 137) contend that the first two theories questionably treat “all forms of commercial activity as manifestations of an undifferentiated global structure—consumer capitalism.” They argue that countercultural consumers can re-politicize their co-opted practices by building countervailing markets that “amplify, implement, and actively promote the countercultural principles, meanings, and ideals which have been attenuated by corporate co-optation” (Thompson & Coskuner-Balli, 2007, p. 138).

But, in some contexts, the focal relationship could be different from what the three theories explain. If a countercultural movement aims to change the social order in a certain domain of the marketplace (Buechler, 2000), its members may promote their subversive ideologies and practices to everyone in the relevant market and do their best to make their ideologies and practices become new dominant ones in the
market. Also, its members can co-opt the mainstream culture by tapping the mainstream culture as a tool kit (Swidler, 1986) to promote their ideologies and practices, and depoliticize or deradicalize their ideologies and practices to attain legitimacy for better growth (Benford & Snow, 2000). To comprehensively understand the focal relationship, we need to examine these theoretical possibilities. To do so, we can turn to the social constructionist theory of social movement for a new perspective.

**A Social Movement Theory-Based View of Co-Optation**

Social movements are intentional collective efforts by aggrieved groups to transform the social order that embodies the dominant ideologies of the mainstream culture (Buechler, 2000). These groups could launch countercultural movements to build a new social order that embodies their ideologies that subvert the mainstream ones. Countercultural movements often give birth to countercultures (Buechler, 2000). Different from members of a counterculture who aim to distinguish themselves from mainstream consumers via unique consumption practices (Hebdige, 1979), members of a counterculture resulting from a countercultural movement may aim to change the social order in a certain domain of the marketplace by replacing some mainstream ideologies and practices with their own subversive ones. So, countercultural consumers may promote their ideologies and practices to all other relevant consumers and aim to make their ideologies and practices become new mainstream ones in the relevant market.

The social constructionist theory of social movement (Benford & Snow, 2000; Swidler, 1986) assumes: (1) a social movement is embedded in the mainstream culture that provides a tool kit from which the social movement can select some tools to frame and to promote its own subversive ideologies and practices; (2) a social movement needs legitimacy for growth; and (3) the members of a social movement are heterogeneous. Thus, some members of a counterculture resulting from a countercultural movement can use tools of the mainstream culture to build their ideal social order and to mainstream their subversive ideologies and practices in the society; but other members can depoliticize their ideologies and practices to gain legitimacy for better growth. According to Benford and Snow (2000), a counterculture has two major framing tasks: (1) diagnostic framing (i.e., identifying social problems, sources of causality, and culpable agents) that defines who the enemies are and who we are and (2) prognostic framing (i.e., proposing solutions to the problems) that defines its practices and strategies toward the culpable agents. Members of a counterculture may engage in frame disputes if they have competing frames about their ideologies, the social problems, their own and the enemy’s identities, and their solutions.

The mainstream culture is a cultural context in which countercultures are embedded. According to Swidler (1986), the extant stock of ideologies, values, laws, and practices in a cultural context is a tool kit from which social actors like countercultural consumers can select some tools to construct their own lines of action. Because using a tool of the mainstream culture is more culturally resonant and legitimate for the society that is dominated by the mainstream culture, using a tool of the mainstream culture (e.g., current laws) in its own frames helps a counterculture recruit members and allies efficiently and effectively and is difficult for the mainstream culture and dominant corporations to counterframe (i.e., framing against the frames of the counterculture). Also, because the meanings of any tool of the tool kit are socially constructed and can be given different meanings for different interests, a counterculture can select a tool of the mainstream culture, imbue its own ideologies into this tool, filter out the mainstream ideologies underlying this tool, and redirect the reinterpreted tool against the mainstream culture and its major agents—dominant corporations. This means that a counterculture can selectively counter-co-opt some tools of the mainstream culture.

According to Benford and Snow (2000), a counterculture and the mainstream culture/dominant corporations could engage in ongoing, dynamic frame wars. Being diagnosed as problematic by a counterculture, the mainstream culture and dominant corporations may counterframe the social reality by delegitimizing the counterculture’s ideologies and practices as being against well-accepted ideologies, values, laws, and practices (e.g., culturally illegitimate, illegal). Delegitimizing a counterculture could limit its ability to recruit members and allies and limit its access to necessary resources for growth.
In response, the counterculture or some of its members (i.e., a sect of it) may deradicalize its frames by proposing new ideologies, practices, problems, and solutions that are more compatible with the mainstream culture. By deradicalizing, this counterculture or this sect can (1) gain a certain degree of legitimacy and access to some resources (e.g., friendly media exposure) from the mainstream culture and its agents (e.g., corporations, governments) and (2) recruit more members and allies in the society and thereby increase its influence in the society. As a result, this counterculture or this sect better grows, and the mainstream culture is less threatened. By deradicalizing its frames, this counterculture or this sect empties out some elements of its ideologies and practices and collaborate with the mainstream culture to a certain degree. That is, this counterculture or this sect strategically depoliticizes its ideologies and practices.

Reframing could cause frame disputes in a counterculture. By depoliticizing its ideologies, practices, problems, and solutions, a counterculture redefines itself and its enemies, practices, and goals. But, not all of its members would agree to depoliticize its frames. When some members reject the depoliticized frames, this counterculture would split into two sects; before it splits into two separate consumer cultures, the two sects coexist and compete with each other for members and allies. With two sects in this counterculture, its relationship with the mainstream culture and dominant corporations becomes complex. The sect adhering to its original subversive ideologies and practices continues to confront the mainstream culture and dominant corporations. But the sect depoliticizing its ideologies and practices both collaborates with the mainstream culture and dominant corporations to a certain degree and threatens the mainstream culture and dominant corporations to a lower degree.

Drawing on the social constructionist theory of social movement as my theoretical lens, I aim to contribute to the literature by examining the focal relationship in the context of a counterculture, which results from a countercultural movement that seeks to change the social order in a certain domain of the marketplace and engages in intra-communal frame wars related to the mainstream culture and dominant corporations. In doing so, I consider two research questions: How does a counterculture interact with the mainstream culture/dominant corporations and frame its own ideologies and practices? What are the political and cultural implications of this interaction for the consumers involved?

**METHODOLOGY**

Because the explored interaction, frame wars, and related political and cultural implications are sensitive to contexts, I used a netnography methodology (Kozinets, 2002) in this research. In particular, I sought a culture site where a counterculture resulted from a countercultural movement that aimed to change the social order in a certain domain of the marketplace and engaged in intra-communal frame wars. To this end, the free/open source software (FOSS) culture was selected. In 1979, the copyright law was applied to software in the U.S. and deprived programmers of the four freedoms of using software, modifying software, sharing software, and sharing modifications. In 1984, Richard Stallman launched the free software (FS) movement to challenge proprietary software firms (i.e., the dominant corporations in the global software market) and to restore the four freedoms by writing and using FS (whose source code is open to the public). The word free in free software means freedom rather than free of charge. Devoted FS programmers use certain software licenses to prevent firms from developing proprietary software based on the source code of FS. In 1997, seeing the word free as too radical and threatening for the mainstream business world, some FS programmers relabeled the programs they wrote as open source software (OSS), giving birth to the OSS sect, which is friendlier to proprietary software firms. Since then, the FOSS culture has consisted of the FS and OSS sects. Using its producing power, the FOSS culture challenges the dominating status of proprietary software firms in the global software market; and the FS and OSS sects continuously debate on whose ideology and practices better serve their community and the society.

In this article, the terms of FS sect, FS programmers (who emphasize the four freedoms more), OSS sect, and OSS programmers (who emphasize the pragmatic benefits of FOSS more) are used for analytical
convenience. Although the FS and OSS sects emphasize freedom and pragmatic benefits to different
degrees, they collaborate closely on many FS and OSS projects.

The growing global market of FOSS, the ongoing ideological debate between the FS and OSS sects,
and the confrontation-cooperation between the FOSS culture and proprietary software firms attest that the
FOSS culture is a proper cultural site to examine the relationship between a counterculture and the
mainstream culture and dominant corporations. Also, it has been used to study the political and cultural
dimensions of consumer creativity (Hemetsberger, 2005).

Data were collected from online archives of consumer discourses of websites of GNU Emacs,
Debian, Apache, Gentoo, Linux Virtual Server, OpenOffice, Org-Mode, Wine, and Zeuux projects (FOSS
projects) and the web sites of the Free Software Foundation (FSF) and the Open Source Initiative (OSI),
interviews with 14 FOSS programmers, and blogs, videos, online articles and books of FOSS
programmers. I conducted seven e-mail interviews (from six to 12 rounds), five phone interviews (from
50 to 120 minutes), and both e-mail interviews (both were 2 rounds) and phone interviews (from 80 to 90
minutes) with two extra persons. The phone interviews followed the existential-phenomenological format
(Thompson, Locander, & Pollio, 1989). The e-mail interviews followed an unstructured format. The 14
interviewed FOSS programmers came from China, Germany, Netherlands, the U.K., and the U.S. A data-
driven procedure was followed to collect data, which were ideology-ridden and rich in political and
cultural implications. The data analysis and interpretation followed a constant comparative method to
seek patterns of meanings and themes (Spiggle, 1994).

FINDINGS

Theme One: Fighting for All Inhabitants of Cyberspace

To fight against proprietary software that dominates the global software market and is protected by
the copyright law, FS programmers passionately promote their freedom-oriented ideology of software,
aiming to break down the constraining hierarchy in the market for all software users. In our interview,
Qing (male, aged 30, a member of the Zeuux project) said:

First, many proprietary programs require that you can use them for personal use free of
charge but you will be charged if you use them for commercial aims. In this way,
proprietary programs put a limit on our freedom. Second, source codes of proprietary
programs are encrypted. It is hard for users to read. So, you have no freedom to study
how the programs work. . . . The freedom to study it is deprived. Third, for example, one
colleague in my neighboring office does not have an operating system. If I let him to
install my windows XP, this is an illegal act. So, I have no freedom to share with people
around me. The last freedom, for example, if I feel that one aspect of Windows XP is not
good, I cannot improve it because I don’t have the freedom to enhance it. As a user, I, as
a living being, can only be controlled by Windows XP.

This quotation illustrates that FOSS programmers like Qing resent the social order in the software
market reinforced by the copyright law and frame proprietary software firms as “evil[s]” that “deprive”
users’ freedoms and “control” users’ living experience (quoted from Qing). If using, studying, and
modifying software are mainly for personal interests (e.g., solving problems, improving one’s coding
skills), sharing software and modified software has a broader implication. In an interview, Wisdom (aged
40, male, a member of the Zeuux project) said:

Among individuals, you help me, I help you, and I help others. It is very normal for
human beings. It is a universal value of human beings. . . . Why do you prevent me from
doing this? It is this software copyright system that prevents me from helping my friends,
my family, my neighbors, my colleagues, my classmates. Stallman’s ideas are such
simple ideas. So, he believes that software should be free. . . . I believe this is . . . a value
that everyone needs, everyone follows, and everyone hopes to gain in his or her own inner heart.

For Wisdom, sharing is a universal value embraced by all human beings in their inner heart and the freedom to share is pursued by everyone: sharing is of “human nature” (quoted from Wisdom; see Belk, 2010). However, proprietary software firms use the copyright law to prevent proprietary software users from sharing. In interviews, Qing and Wisdom frequently used “we” and “human beings,” suggesting their belief that all software users share the same existential state: they are unequally treated against their human nature by proprietary software firms. For FS programmers, FS is “a public good” (quoted from Arthur, male, aged 21, a member of the Wine project) which is owned by a specific FS project, freely accessible by the public, and embodies the ideology of public ownership, a “solution” (quoted from Qing) that helps them build a new social order in the global software market where all users can live a unconstrained life. With FS, all users can freely run a program for “solving problems” (quoted from Song, male, aged 22, a member of the Zeux project), study a program for “learning” and “self-development” (quoted from Song), modify a program for “actualizing” their “creativity” (quoted from Yuan, male, aged 40, founder of the Linux Virtual Server project), share a program with others for the “enjoyment of helping others” (quoted from Levy, male, aged 44, a member of the Debian, GNU Emacs, and Org-Mode projects). Thus, their community is seen as a space where human beings live freely and thereby naturally. But, Stallman pointed out:

Today's free software community works well enough to show that freedom in cyberspace is viable. But only a fraction of the inhabitants [of] cyberspace are in our community, and of those who do participate, most of them still use some non-free software. We have a long way to go to complete the liberation of cyberspace. (Mathias, year unavailable, pp. 2-3)

This quotation reveals that, like activists who aim to convert all other consumers to follow their own ideologies and consumption practices in the study of Kozinets and Handelman (2004), dedicated FS programmers see converting all consumers who use non-free software to FS users as their own long-term “liberat[ion]” mission. They want all software users to live freely and naturally. This is why Qing actively promotes the ideology of FS to other people by sharing FS with his colleagues when they need to solve some problems, posting news about FS in the Internet, and co-authoring a book related to FS with fellow Zeux project members. Similarly, the FSF initiates various events, public speeches, and conferences to promote its freedom-oriented ideology around the world (see the list of events initiated by the FSF at http://www.fsf.org/events/aggregator). In a certain sense, the FS sect’s mission is to mainstream their subversive ideology and practices of producing and using FS, or to co-create a new social order in the global software market (Buechler, 2000).

Theme Two: Counter-Co-Optation for Preempting Corporate Co-Optation

Consumers know the possibility of corporate co-optation and take actions against it (Thompson & Coskuner-Balli, 2007). To prevent firms from developing proprietary programs based on the source code of FS, in 1989 Stallman created the General Public License version 1 (GPL v1). The heart of the license is the term of copyleft, which requires all programs derived from a GPLed program to allow the four freedoms. Since then, GPL has been the most popular license in the FOSS community. Stallman explained in a message posted to a mailing list:

Copyleft uses copyright law, but flips it over to serve the opposite of its usual purpose: instead of a means of privatizing software, it becomes a means of keeping software free. The central idea of copyleft is that we give everyone permission to run the program, copy the program, modify the program, and distribute modified versions—but not permission
This quotation demonstrates that FS programmers promote a freedom-oriented ideology of public ownership, legitimize their ideology and practices, and safeguard FS as a public good with the copyright law by allowing “everyone” in the global software market to enjoy the four freedoms and by forbidding adding any restrictions on the four freedoms. Flipping the copyright law, copyleft legally preempts the opportunity for firms to directly co-opt the source code of FS, a creative product of FS programmers. Also, using the copyright law, a governance tool of the mainstream culture and dominant corporations, is more culturally resonant to the public (Swidler, 1986); with copyleft, the FS sect can more effectively frame FS as a legal alternative to proprietary software in the global software market. Ironically, when proprietary software firms originally lobbied for applying the copyright law to software in the U.S., they planned to use this law to protect their right to profit from proprietary software and to limit the four freedoms. This is fighting fire with fire (Stallman, 2009). With copyleft, the right to the four freedoms is safeguarded rather than restricted (1) by the copyright law that embodies the ideology of private ownership and judges copying, sharing, modifying, and redistributing software as illegal and (2) by proprietary software firms that rely on the copyright law to limit users’ creativity and control users’ usage. So, with copyleft, FS programmers creatively counter-co-opt the copyright law, emptying out its underlying ideology of private ownership, preempting direct corporate co-optation (i.e., dominant corporations directly integrate the creative products of a counterculture, with or without modification, into their own commodities), and safeguarding their own subversive ideologies and practices.

Because the GPL can effectively prevent firms from directly co-opting the open source code, many OSS programmers also use the GPL to safeguard the source code of their open source programs although they are not comfortable with the subversive freedom orientation of the GPL. By June 2006, the FOSS community won all legal cases against firms that violated the GPL v1 (details are available at http://www.gpl-violations.org/about.html#history). But, many FS and OSS projects do not use the GPL, opening a window for corporate co-optation. Thus, dedicated FS programmers actively promote the GPL in the FOSS culture.

The game of corporation co-option verse consumer counter-co-optation is dynamic. Some proprietary software firms have claimed that many free programs and open source programs violate their patents. Since the release of the GPLv.1, some firms have publically stated that if a program violates certain patents owned by these firms, and if the redistributor that offers the program to users does not get patent licences from these firms, these firms will sue against the users and the redistributor. Some business users and redistributors of FOSS made private deals with and paid huge money to some proprietary software firms to avoid being sued. Consequently, these proprietary software firms indirectly co-opted FOSS because these firms indirectly made profits from FOSS by receiving patent license fees and made the co-opted FOSS proprietary in a certain sense. In response, the FSF released the GPL version 2 (GPLv2) in 1991, which states that, when a redistributor offers a program under the GPL v2, the user automatically receives a license from the original licensor (i.e., a proprietary software firm who claims that the program violates some of its patents and gives patent licenses to the redistributor) to copy, distribute or modify the program; and the redistributor cannot put any further restrictions on the user’s freedoms. Again, using the GPL v2, FOSS programmers counter-co-opt the copyright law, emptying out its underlying ideology of private ownership, preempting a patent-law-based, indirect way of corporate co-optation, and safeguarding their subversive ideologies and practices.

However, as Stallman stated in a video, “the adversaries of freedom don't stand still, they've thought of new ways to separate users from their freedom since GPL version 2 came out. So, we have had to find ways to block them from doing this” (Free Software Foundation, 2007). One new strategy for a proprietary software firm to co-opt FS indirectly is entering into patent protection agreements with a redistributor of FS, which requires payments to each other, and allows the users of the programs of the two parties to legally use each other’s patents but the proprietary software firm does not give a patent license to the redistributor. For example, Microsoft and Novell signed such an agreement in 2006. To
prevent this new way of indirect corporate co-optation, in 2007 the FSF released the GPL version 3 (GPLv3), which requires that anyone who has written or modified a program under GPLv3 must provide users all patent licenses necessary for users to enjoy the four freedoms guaranteed by FS. If a redistributor cannot satisfy this requirement, it should not offer programs under the GPL v3.

The history of the evolving GPL has an important theoretical implication: legal safeguard is critical for corporate co-optation and consumer counter-co-optation. Not legally protecting their creative products (e.g., images) might explain why some countercultures are doomed as the classic co-optation theory argues (Ewen, 1988). But, if a counterculture safeguards its creative products with a legal tool, firms cannot legally co-opt the creative products although the conditions of ideological separability, economical mass producibility, and merchantability and marketability are satisfied (Ewen, 1988). So, the condition that a creative product of a counterculture lacks legal safeguard might be the fourth condition for corporate co-optation.

Although many FOSS programmers (especially those emphasizing freedom) use the GPL to prevent corporate co-optation and publically criticize proprietary software firms, to get more resources for growth, the FOSS culture also collaborates with proprietary software firms in some forms. Some proprietary software firms are involved in many FOSS projects by donating money, equipment, and code to these projects and by delegating their own employees to work on selected FOSS projects for learning programming skills from FOSS programmers, influencing future software trends, and developing a good reputation among FOSS programmers (O’Mahony, 2002). Thus, the FOSS culture both confronts and collaborates with proprietary software firms.

**Theme Three: Strategic Depoliticization and Frame Disputes**

Being framed as evils that limit users’ freedoms and threatened by the growing market of FS, proprietary software firms have counterframed FS programmers as pirates and FS as inferior software to delegitimize the FS culture, causing fear, uncertainty, and doubt about FS in the society and blocking the FS culture’s growth (Szczepanska, Bergquist, & Ljungberg, 2005). In response, some FS programmers replaced the term of FS with the term of OSS in late 1997. According to the Open Source Initiative, a leading OSS organization, open source “is a development method for software that harnesses the power of distributed peer review and transparency of process. The promise of open source is better quality, higher reliability, more flexibility, lower cost, and an end to predatory vendor lock-in” (Open Source Initiative, year unavailable, “Mission,” para. 2). The terms of “better quality,” “higher reliability,” “more flexibility,” and “lower cost” are highly business-like. This definition focuses on technological excellence and economic efficiency, which are consistent with the ideology of instrumental rationalism of the mainstream culture and dominant corporations (Marcuse, 1964), suggesting that the OSS sect depoliticizes the FS movement’s subversive freedom-oriented ideology. Eric Raymond, a leader of the OSS sect explained:

[Free software] makes a lot of corporate types nervous. . . . we now have a pragmatic interest in converting these people rather than thumbing our noses at them. There's now a chance we can make serious gains in the mainstream business world without compromising our ideals and commitment to technical excellence -- so it's time to reposition. We need a new and better label.

[. . . . . .]

We suggest that everywhere we as a culture have previously talked about “free software”, the label should be changed to “open source”. . . .

And, we should explain publicly the reason for the change. Linus Torvalds has been saying . . . that the open-source culture needs to make a serious effort to take the desktop and engage the corporate mainstream . . . this re-labelling . . . is part of the process. It says we’re willing to work with and co-opt the market for our own purposes, rather than remaining stuck in a marginal, adversarial position. (Raymond, 2007, para. 4, para. 6, and para. 7)
This quotation illustrates the OSS sect’s goals: to “work with and co-opt the market for” its own purposes and to avoid “remaining stuck in a marginal, adversarial position” or to become mainstream. This sect “pragmatically” depoliticizes the FS sect’s freedom-oriented ideology that threatens the legitimacy and market share of proprietary software firms (i.e., the mainstream businesses) and “makes a lot of corporate types nervous,” and promotes its own ideology that is acceptable to the mainstream culture and dominant corporations. Also, because OSS programmers focus more on technological excellence and economic efficiency rather than freedom, many OSS projects use non-GPL licenses, allowing firms to co-opt OSS or to develop proprietary software based on OSS. One benefit from such a practice is that it can attract more business users (who do not want to share their own modifications of OSS with the FOSS community) and thereby expand the market share of OSS more quickly. For the OSS sect, strategically depoliticizing its ideology and practices can help achieve its goals: to co-opt the market and to mainstream its practices (i.e., developing and using OSS) without talking a threatening ideology.

Consequently, on the one hand, proprietary software firms face a weaker ethics-based threat to their legitimacy from the OSS sect and thereby become more likely to collaborate with this sect. On the other hand, with more and more business users accepting OSS and proprietary software firms being involved in various OSS projects, OSS is becoming mainstream in the market. OSS programmers are also becoming mainstream, not being “marginal, adversarial” fighters against proprietary software firms but working with these mainstream corporations. For example, Microsoft hires some OSS programmers to contribute to its own OSS projects. So, the OSS sect does achieve its two goals as some feminist activists did by deradicalizing their ideologies to make their movement more acceptable by the mainstream culture (Meyer & Gamson, 1995).

However, such reframing has led to heated frame disputes within the FOSS culture (Benford & Snow, 2000). In an interview, Song critiqued the OSS frame as follows:

Open source software gives up some types of freedom. But this practice brings something what Stallman called short-term benefits or material benefits. It depends on what you focus on. . . . You might think Eric Raymond betrays the spirit of free software. They talk about the same thing but look at this thing from different angles. I think Eric can lower his commitment to freedom but we should not let everyone to lower his or her commitment to freedom. . . . It is a retreat, or giving up. Put a positive spin, it is adaption to the reality. I think, in essence, it is a kind of retreat.

For FS programmers like Song, although the OSS sect’s reframing may help business users accept the practice of opening source code and thereby help this practice become mainstream more quickly, such benefits are only “material” benefits lacking the essence of freedom. For FS programmers, although they aim to make FS become mainstream, it is not meaningful enough for their programs to become mainstream without the essence of freedom. The words “betray,” “retreat,” and “giving up” express Song’s negative attitudes toward the OSS sect’s reframing act. One big concern of the FS sect is that some proprietary programs can be very powerful and reliable; thus, according to Stallman (2007), the label of OSS that focuses on powerfulness and reliability might reward proprietary software firms in this situation. Insisting on the political nature of FS by focusing on its freedom orientation rather than practical or instrumental benefits, FS programmers like Qing and Stallman only use free programs in their daily life although some proprietary alternatives are more powerful and reliable. This insistence on the political nature of the FS movement is more explicitly shown in the following quotation:

For the free software movement, free software is an ethical imperative, because only free software respects the users’ freedom. By contrast, the philosophy of open source considers issues in terms of how to make software “better”—in a practical sense only. It says that nonfree software is an inferior solution to the practical problem at hand. For the free software movement, however, nonfree software is a social problem, and the solution is to stop using it and move to free software. (Stallman, 2007, para. 7)
This quotation displays the two sects’ differences in diagnostic and prognostic frames (Benford & Snow, 2000). Assuming software has ethical implications, the FS sect frames nonfree software as “a social problem” (i.e., the proprietary software firm-users hierarchy) and FS as “the solution” that is “an ethical imperative.” Taking an amoral approach, the OSS depoliticizes the frames of the FS sect, framing nonfree software as “an inferior solution to the practical problem” and OSS as a technologically superior solution. For Stallman, OSS does not solve the social problem that proprietary software firms divide users and control the ways users could use proprietary software. Instead, “What if the software is designed to put chains on its users? Then powerlessness means the chains are more constricting, and reliability that they are harder to remove” (Stallman, 2007, “Powerful, Reliable Software Can Be Bad,” para. 2). Clearly, for dedicated FS programmers like Stallman, more technologically powerful and reliable software more strongly limits its users’ freedom and the ideology of instrumental rationalism is wrong without being enlightened by ethics. Despite their different assumptions, ideologies, and practices, FS and OSS programmers collaborate with each other on various FOSS projects to build a new social order in the global software market where they can live freely and naturally.

DISCUSSION

Drawing on the social constructionist theory of social movement (Benford & Snow, 2000; Buechler, 2000; Swidler, 1986), this research examines the relationship between countercultures and the mainstream culture/dominant corporations in the context of the FOSS culture. Three themes emerge from the data: (1) fighting for all inhabitants of cyberspace (i.e., the FOSS culture seeks to mainstream FOSS that embodies their subversive ideologies and practices by actively promoting FOSS to the general public), (2) counter-co-optation for preempting corporate-co-optation (i.e., some FOSS programmers counter-co-opt the copyright law to safeguard the source code of FOSS), and (3) strategic depoliticization and frame disputes (i.e., OSS programmers intentionally depoliticize their ideologies and practices to mainstream them more quickly, leading to the ongoing frame disputes between the FS and OSS sects).

These themes have four theoretical implications. First, in contrast to the extant theories that assume that countercultures avoid becoming mainstream, these themes suggest that a counterculture may actively mainstream its ideologies and practices if it aims to change the social order in a certain domain of the marketplace. Such a counterculture may result from a social movement that aims to replace the dominant social order with its own ideal one (Buechler, 2000), for which becoming mainstream may indicate its success rather than disposal (Ewen, 1988). Differently, countercultures that aim to be different from the mainstream culture or seek otherness (Hebdige, 1979) may do their best to avoid becoming mainstream. Distinguishing the two types of counterculture could refine our understanding of their different consumption practices and relationships with the mainstream culture and dominant corporations.

Second, similar to the re-politicizing co-optation theory but different from the other two extant co-optation theories, the second theme suggests that a counterculture or a sect of it could safeguard its creative products that embody their subversive ideologies and practices and preempt some forms of corporate co-optation by counter-co-opting some governance tools of the mainstream culture and dominant corporations and by emuting out the mainstream ideologies underlying these tools (Swidler, 1986). Specifically, a counterculture or any other independent consumer community (that is legally independent from the control of a firm), can use some legal tools to prevent some forms of corporate co-optation. For example, the FSF has released a document that discusses how FOSS projects can use the copyright law, the corporate law, and trademark law to safeguard their creative products (Fontana, Kuhn, Moglen, Norwood, Ravitcher, Sandler, Vasile, & Williamson, 2008).

The possibility for a counterculture to counter-co-opt the current legal system is critical for us to theorize co-optation. For Ewen (1988), corporations can easily co-opt a counterculture’s creative products if the creative products can satisfy three conditions: ideological separability, economical mass producibility, and merchantability and marketability. But, this study shows that lacking legal protection might be another necessary condition for corporate co-optation. The history of the evolving GPL also
shows that a counterculture and dominant corporations may adapt to each other, leading to an ongoing game of co-optation versus counter-co-optation.

It is possible for general consumers to counter-co-opt current laws, limiting firms’ ability to co-create value with consumers (Vargo & Lusch, 2004). A firm may arguably claim its ownership of the designs created by its consumers who use the design tool kits provided by the firm to design new products. But, if a consumer community that is legally independent from firms uses some legal tools (e.g., the copyright law, the trademark law) to safeguard its own creative products (e.g., designs, expressions, symbols, brands), a firm may not freely co-create value with this community or co-opt the community’s creative products without the community’s permission. Thus, co-creating value with consumers may face legal barriers set by consumers.

Third, different from the three extant theories that assume that only corporations depoliticize countercultural ideologies and practices, the third theme suggests that a counterculture or a sect of it could resort to some mainstream ideologies (e.g., instrumental rationalism) and strategically depoliticize its own subversive ideologies and practices to gain legitimacy and resources for mainstreaming itself more quickly. But, the counterculture or the sect of it still, to a lower degree, challenges the mainstream culture and dominant corporations.

Finally, different from the three extant theories that assume the relationship between countercultures and the mainstream culture/dominant corporations as either confrontational or collaborative, the third theme suggests that the focal relationship could be both confrontational and collaborative. When some countercultural members depoliticize their own ideologies and practices but still challenge the dominant ideologies and practices in a certain domain of the marketplace, the counterculture as a whole both challenges and collaborates with the mainstream culture and dominant corporations.

This study contributes to the literature on co-optation by developing a contextualized, social constructionist view of the relationship between countercultures and the mainstream culture/dominant corporations. It is suggested that when a counterculture aims to change the social order in a certain domain of the marketplace, countercultural consumers could actively mainstream their subversive ideologies and practices, selectively counter-co-opt certain tools of the mainstream culture and dominant corporations, creatively preempt some forms of corporate co-optation, strategically depoliticize its ideologies and practices, and simultaneously confront and collaborate with the mainstream culture and dominant corporations.

This study suggests that, for a firm to co-create value with a creative consumer community successfully (Vargo & Lusch, 2004), the firm must pay attention to legal issues. The firm must know whether the consumer community uses certain legal tools to safeguard its communal creative products (e.g., product designs, linguistic expressions, symbols, communal brands). If so, the firm must avoid commercializing the communal creative products directly. The firm might consider the following actions: sending its own employees to be involved in the creative process of the consumer community to learn creative skills from the community, hiring some leading members of the consumer community to tap their relevant knowledge and skills, developing complementary products to a creative product of the community to benefit from the popularity of the product of the consumer community in the market, and contributing its own technical expertise and knowledge to the consumer community to influence the technical directions of the consumer community. Even if the consumer community does not legally protect its creative products, the firm might need to consider sharing some benefits with the generator of the creative ideas (a specific consumer or the community as a whole) which the firm wants to integrate into its own products or services. Helping the generator of the creative ideas to apply for copyrights or patents, paying the generator for a license that permits the firm to use the creative ideas commercially, or cross-licensing with the consumer community might help the firm co-create value with the consumer community legally and legitimately without being perceived as an exploiter.

Future research could explore other strategies that countercultures use to deal with the mainstream culture and dominant corporations in other countercultural contexts. We also need research on how firms could co-create value with a counterculture as authentic supporters or members of the counterculture...
without being seen as unfairly co-opting countercultural consumers’ competency. Such research will enrich our understanding of countercultures, co-optation, and co-creation (Vargo & Lusch, 2004).

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Role of Brand Familiarity in Combatting Rumors

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This research investigates why companies are not always successful in combating damaging rumors about their brands. Findings reveal that a well-crafted denial statement that provides sufficient evidence against the rumor is only successful in curbing transmission intention when a well-known brand is involved in the rumor. However, well-known brands also serve as common grounds for conversation amongst consumers. As such, they are more prone to being victims of rumors as they are more likely to be talked about. This way, brand familiarity act as a liability, instead of being an advantage for well-known brands in the context of rumors.

INTRODUCTION

Does a significant portion of Proctor & Gamble’s income go to the Church of Satan?

Does McDonalds use earth worm in their hamburger?

These are examples of some of the most widely spread rumors on brands.

Brand rumors can bring companies into the limelight causing substantial damage to the company’s reputation, consumer loyalty and financial performance (DiFonzo and Bordia, 2007). Rumors often cause irreparable damage to the reputation of the company as they contain information that signals violation of trust (Darke, Ashworth and Ritchie, 2008; Kim et al., 2004). Even though consumers may not completely believe the content of the rumor, mere processing of such damaging information can eventually influence consumer judgement and attitude (Schaller, Conway and Tanchuk, 2002). In addition, mere exposure to rumors may eventually increase perceived believability of the rumor due to its forgotten association with discounting cues, a phenomenon also known as sleeper effect (Jacoby et al., 1989). Negative information is also perceived as more diagnostic than positive information (Ahluwalia, 2002; Herr, Kardes and Kim, 1991). Higher accessibility of negative information may develop negative disposition in consumers’ mind towards the brand and lead to lower perceived diagnosticity of any new positive information to be encountered in future (Herr, Kardes and Kim, 1991). Therefore, negative rumors may overshadow the positive effect of communications from the company in future.

Rumor literature is inconclusive about effectiveness of rumor denial strategy. Nonetheless, it is believed that rumors should be denied immediately to reduce belief in the rumor (e.g. Bordia et al., 2005). Absence of any response from the company may lead to generation of speculations about the plausibility of the rumor and cause further damage to company’s reputation. Moreover, a denial response provides the necessary information to help consumers evaluate the relevance of the rumor.
On the contrary, anecdotal evidence suggest that even after repeated efforts denying the validity of rumors such as the ones listed at the beginning of the paper, companies like P&G and McDonald’s have failed to eliminate rumors completely. For instance, P&G adopted a number of initiatives in order to refute the above stated rumor against their company. They recruited high-ranking religious leaders, compiled a ‘truth-kit’ and sent to individuals who inquired about the rumor and to churches in locations where the rumor was breaking out, launched nation-wide press campaign denying the validity of the rumor and finally, sued the competitors successfully who were involved in spreading the rumor (Austin and Brumfield, 1991). The rumor generated 15,000 phone calls from customer every month to the company’s customer service division. On the other hand, McDonald’s reported a loss of 30% of sales in the region in which the above rumor broke (Tybout et. al. 1981). The management of the fast food chain tried to convince consumers that earth worm actually costs more than beef, hence, the company would rather lose money if they used it in burger. The company also posted a letter from the Secretary of Agriculture certifying the quality of beef used in making burgers by McDonald’s. In addition, they published ads promoting their “100% pure beef”. While P&G’s refutation strategies were somewhat successful in dampening the spread of the rumor, McDonald’s extensive efforts to combat rumors were less than effective at best. Denying the rumor did not help the management to gain back lost business. Based on anecdotal evidences such as these, it can be inferred at most that the effectiveness of rumor quelling strategies is yet to be known.

Brand familiarity is another factor that may further influence consumers’ evaluation of the denial information and intention to transmit rumors. Consumers should find rumor about well-known and trusted brands to be less plausible and therefore, less share-worthy. Nonetheless, anecdotal evidence suggests that well known or up-and-coming brands are actually more likely to become the target of rumors than are unknown or less known brands (Fearn-Banks, 2007).

In this backdrop, this paper examines whether a company’s response to the rumor can effectively limit or moderate the likelihood of transmission of damaging rumors about brands. In particular, I examined whether an explicit denial of the validity of the rumor by the company would be effective in this respect. I also examined the role of brand familiarity in rumor transmission in this study. More specifically, I explored if the effectiveness of a rumor quelling strategy varied depending on the familiarity of the brand. Findings revealed that a well-crafted denial statement providing sufficient evidence against the rumor is only successful in curbing intention to transmit it when a well-known brand is involved in the rumor. However, such well-known brands are also more prone to being victims of rumors as they are more likely to be talked about. This suggests that brand familiarity acts as a source of liability rather than an advantage for well-known brands in the context of rumors. Therefore, it is imperative for branded firms to combat rumors. On the contrary, less known firms may want to ignore rumors to minimize the risk of informing additional consumers about the rumor in the process of combating it. Future research should explore how less known brands can minimize damage to reputation and sales when they become targets of rumors.

Next, I develop the theoretical background of this research and present the empirical findings.

THEORETICAL BACKGROUND

Gordon W. Allport and Leo J. Postman, the two pioneers of rumor research defined a rumor as an unconfirmed or unverified statement or report (Allport and Postman, 1947). As evident from this definition, the key attribute that differentiates a rumor from other types of information, such as news or facts, is that rumors are unverified. Hence, it is unknown to the bearer of a rumor whether it is true or false. The definition of rumor evolved over time with improved understanding of the rumor spreading phenomenon and it accounted for important factors that drive transmission of such unverified information. For instance, Rosnow and Kimmel (2000) defined a rumor as an “unverified proposition for belief that bears topical relevance for the persons actively involved in its dissemination” (p. 122). As this definition suggests, rumors are unverified news or propaganda which may or may not be true, yet they
offer both informative and persuasive discourse on a topic relevant to the participants involved in its transmission.

It is believed that rumors are shared for the purpose of achieving a commonly shared understanding of social reality and reducing uncertainty via a process of group level sense-making (Goodman and Ben Ze’ev, 1994; Rosnow, Yost and Esposito, 1986; also see Bordia and DiFonzo, 2004; Festinger, 1950; Higgins, 1981). Participants in the rumor transmission process attempt to inform as well as persuade others to believe or disbelieve the rumor by providing confirming or disconfirming information and evidence from personal experiences or trusted formal sources (Bordia and DiFonzo, 2004). Therefore, rumors are more likely to break out in situations of uncertainty, particularly when a formal source of information is missing (e.g., Bordia and DiFonzo, 2004; DiFonzo and Bordia, 2007; Mills, 2010; Rosnow, 1991). Through exchange of such information, transmitters: seek closure and cognitive clarity, find credible explanations regarding the uncertain situation, develop realistic expectations regarding possible future outcomes, and restore a sense of predictive control over the ambiguous event (Bordia and DiFonzo, 2004; Mills, 2010; Prasad, 1935; Rosnow, 1980).

Rumor literature suggests that the life cycle of a rumor can be divided into three stages: generation, evaluation and transmission (DiFonzo, Bordia and Rosnow 1994). A refutation strategy should be crafted to suit the need of the stage at which the rumor stands. For instance, filling up consumers with adequate information and providing them with a sense of emotional security can reduce uncertainty at the early stage of a rumor’s life and thereby, curb rumor generation (review DiFonzo and Bordia 2007, p207-209 for a comprehensive review). On the contrary, rebutting the rumor with appropriate spokesperson and developing faith on management’s communication can help reduce belief in the rumor in the evaluation stage (Esposito and Rosnow 1983). Lastly, not repeating the rumor is the most commonly suggested strategy for combatting rumors during the transmission stage. The company may also benefit during the transmission stage by campaigning deliberately against rumor mongering and taking strict actions against rumor instigators. In the organizational context, companies have also curbed transmission successfully by ensuring that employees are not having idle and monotonous times to get involved into rumor transmission. Irrespective of what specific rumor quelling strategy is adopted by a company, ignoring the rumor and being silent about it has been found to be one of the least effective responses in combatting rumors.

Alternatively, a cognitive approach to understanding rumor transmission suggests that any response to rumor from the company actually leads to increased memory of the rumor itself because of rehearsal effect (Tybout, Calder and Sternthal, 1981, p. 74). Information is stored in our memory systematically in the form of associations. When consumers are exposed to a brand rumor, the negative information contained in it is added to the existing schema of the brand as a new association. When the brand information is retrieved from memory at a later time, all associations with the brand are retrieved along with the negative association contributed by the rumor. This leads to rehearsal effect by making associations even more strongly tied with the brand. In the context of rumor refutation, because of the rehearsal effect, company’s denial statement in effect activates associations between the brand and the negative information contained in the rumor, and lead to both increased awareness and increased perceived believability of the rumor. As a result, denial does not lead to more positive evaluations of the target brand. Therefore, it is recommended that companies should avoid taking any measure that strengthens the association between the brand and the content of rumor. Rather, one possible strategy could be to imbue the accused brands with positive attributes to weaken the association between the rumor and the brand in consumers’ mind (e.g., Tybout, Calder and Sternthal, 1981). This can be done by either making new positive associations with the brand or by changing the perceived negative opinion about the content of the rumor by proving additional information.

In contrast, support for the response strategy suggests that rumors should be denied immediately as denial reduces belief in the rumor and anxiety (Bordia et al., 2005; Bordia, DiFonzo and Schulz, 2000; Bordia, DiFonzo and Travers, 1998; Kimmel and Audrain-Pontevia, 2010). This alternative perspective suggests that when consumers’ opinions about a company become negative, the burden of proof is on the company to supply evidence against the accusation (Fearn Banks, 2007; Kim et al., 2004). Absence of
any response from the company may lead to generation of speculations about the plausibility of the rumor and cause further damage to company’s reputation. Even when consumers are not highly involved with the crisis in consideration, repeated exposure to rumors may lead to cognitive illusions and motivate people to believe these dubious stories. Therefore, a positive attitude towards the company can be restored only when active effort is taken by the company to reinforce positive beliefs (Fearn-Banks, 2007). Given rumors are born due to cognitive obscurity resulting from the absence of reliable and correct information, the transmission of rumors is more likely to be impeded by providing information that denies the validity of the rumor (for details, see Darke, Ashworth, Ritchie, 2008). Moreover, a denial response may provide the necessary information to help consumers generate counter arguments against the rumor. A denial response may be issued in the form of a press release, newspaper advertisement, information released on the company website, statements made by top management of the company and testimonials and endorsements by third parties (DiFonzo and Bordia 2007). The specific information contained in the response may also influence its ability to successfully impede rumor transmission. Presence of the original rumor with the company response has been found to influence the effectiveness of the denial strategy (Koller, 1993). When a company denies a rumor without specifically mentioning the original story, the communication may be perceived by consumers as puzzling and suspicious, and taken as a reflection of the company’s guilt. Mere denial may not provide the audience with sufficient information to judge the plausibility of the company’s response. Further, the Gricean maxim of quantity suggests that a speaker should be enough to provide all necessary information required by the context of conversation (Grice 1975). A denial in the absence of the original story may violate this rule of conversation making the communication less effective. Lastly, a general denial may not be effective enough to reduce belief in the rumor. Rather a point by point rebuttal will be more effective in increasing skepticism towards the rumor and restoring trust in the brand (DiFonzo and Bordia 2007). A comprehensive response that addresses the acquisition point by point and provides all necessary information is also likely to make the communication episode more effective by making the content of communication more relevant for the audience. A different research conducted by DiFonzo and Bordia further revealed that denials that aided people to regain a sense of control were more effective in reducing belief and anxiety (p. 217).

The above arguments lead us to believe that the primary goal of any management dealing with rumors should be to develop a response strategy that effectively curbs the motivation behind transmission of brand rumors, without changing any pre-existing positive belief about the company or the brand (Darke, Ashworth and Ritchie, 2008; Johar, 1996). Social psychologists propose the idea of instilling “critical sense” in the transmitter’s mind as a strategy to break the transmission process (Bartlett, 1932; Esposito and Rosnow, 1983). Critical sense is defined as one’s ability to differentiate rumor from truth with the help of relevant knowledge, as well as the motivation to be more accurate. A well-argued response from the company may further aid counterarguing by providing the transmitter with the necessary knowledge to effectively engage in such processing.

Brand familiarity is an additional factor that may further influence consumers’ intention to transmit rumors. Brand familiarity can operate in a number of ways. First, a familiar brand can act as a simple heuristic cue for liking (Chaiken, 1979) or trust (Petty, Cacioppo and Schumann, 1983), which could lead to lower willingness to transmit a negative rumor about the brand. If so, brand name would be expected to produce a main effect by reducing the likelihood of rumor transmission regardless of whether a denial is actually offered or not. While this is theoretically possible, anecdotal evidence suggests that well known or up-and-coming brand rumors are actually more likely to become the target of rumors than are unknown or less known brands (Fearn-Banks, 2007). For example, a rumor on Bubble Yum chewing gum was born when the company was breaking sales records (DiFonzo and Bordia, 2007). Pre-existing knowledge about familiar brands creates common ground for social interaction between consumers, and therefore becomes a natural topic of discussion. For this reason, rumors on familiar brands are likely to draw more attention and generate greater curiosity among consumers compared to rumors on less known brands. Brand name can become somewhat of a liability for a company in this respect, which would suggest that managers of well-known brands need to be more vigilant about rumors.

Next, I present the methodology and empirical findings of the current research.
CURRENT RESEARCH

Method
A 2 (Brand familiarity: known vs. unknown) X 2 (Company response: no response vs. response) between-subjects experiment was designed in which both brand and company response were manipulated variables. The main dependent measure was transmission intention. Participants were 99 undergraduate students from a business school.

A rumor for Domino’s pizza delivery was constructed based on similar stories concerning pizza delivery that were available online. A baseline story was used as the control condition. The base rumor involved a story about Domino's Pizza and its ‘30 min delivery or free’ campaign in which the delivery person accidentally hit a parked car in a quiet residential neighbourhood while attempting to deliver a pizza. The rumor further suggested that the parked car that was hit in the accident actually belonged to the customer who requested the 30 min delivery option.

Brand familiarity was manipulated by replacing Domino’s pizza, the well-known brand, with a fictitious pizza store name (Daniele’s pizza) in the unknown brand name condition. The company’s response was manipulated by adding point-by-point information at the end of the story explaining why the rumor is not true. The response included denial statement from the management as well as a press release with supporting evidence from reliable third parties. More specifically, the response details suggested the company had denied the rumor indicating that the accident described in the story never happened. In addition, the management directed audience to a press release published on the company website which presented statements from the delivery guy and his picture with the delivery car showing that the vehicle was intact. The press release also included statements from people living in the neighbourhood who reported not hearing about any such accident and a quote from the local police officer suggesting he did not have record of any accident happening in the neighbourhood.

Participants were randomly assigned to one of the four conditions of the study. Each participant read a version of the rumor and then responded to a number of measures. The rumor was presented in the form of screen print of a blog posting on yahoo (answers.yahoo.com). The main dependent measure was intention to transmit the rumor to others, which was rated on a seven-point scale.

Results
Manipulation Checks
A two-way ANOVA revealed that participants were significantly more familiar with Domino’s pizza compared to Daniele’s pizza (Ms = 5.96 and 1.24; F(1,95) = 384.94, p<0.001). No other effects were significant. In order to determine effectiveness of company response manipulation, participants were asked at the end of the study to identify the company response information they read in the story from a list of responses. A chi-square analysis indicated that the majority of the participants could correctly identify the company response information provided in the rumor (χ²(3) = 91.58, p< 0.001).

Main Analyses
A two-way ANOVA revealed a significant interaction effect of brand familiarity and company response on intentions to transmit the rumor (F(1, 95) = 5.06, p < 0.05). No other effects were significant. Therefore, company response alone did not lead to lower rumor transmission intention.
The interaction revealed two important findings. First, when participants read about the rumor only (i.e. no company response group), brand familiarity significantly increased participant’s intentions to pass on the story to others (Ms = 4.30 and 3.00 for Domino’s and Daniele’s; F(1,95) = 7.135, p < 0.01). Second, company response significantly decreased intentions to pass on the Domino’s rumor (Ms = 3.38 and 4.30 for response and control; F(1,95) = 3.55, p<0.07), but not for the Daniele’s rumor (Ms = 3.63 and 3.00, p>0.2). Contrast analysis revealed that the company response was effective enough to reduce transmissions for well-known brands down to the level of unknown brands (Ms = 4.30 vs.3.38, 3.63 and 3.00; F(1,95) = 5.90, p<0.05).

Company response also had a significant effect on perceived relevance of the rumor (F(1,95) = 8.05, p<0.01), such that the rumor was perceived to be less relevant when the company responded (Ms = 3.33) compared to the control condition (Ms = 4.17). Brand familiarity, on the other hand, did not have any significant main effects or interactions on perceived relevance of the rumor (ps>0.2). Findings also suggested that perceived relevance had a significant effect on transmission intention (β = 0.27, t = 2.75, p < 0.01). Although there was no significant main or interaction effect of brand familiarity on relevance; together, these findings indicated that relevance of the rumor probably mediated the effect of brand name and company response on transmission intention indirectly.

Mediation

I ran mediation analysis within each of the brand familiarity conditions in order to test this possibility. For the known brand (Domino’s), company response significantly predicted perceived relevance of the rumor (β = -0.40, t = -2.95, p< 0.01) and perceived relevance significantly predicted intentions to transmit (β = 0.515, t = 4.07, p < 0.001). Following the steps suggested by Baron and Kenney (1986), I found that relevance significantly mediated the relationship between company response and transmission intentions (βs from -0.288 to -0.098, ps from 0.047 to 0.483; Sobel’s = -2.39 p< 0.05). On the contrary, for the unknown brand the relationship between company response and relevance (p>0.2) as well as relevance and transmission intention (p>0.5) were non-significant. Therefore, relevance mediated the brand familiarity x company response effect on transmission intentions such that company response
reduced subject’s intention to transmit the rumor to others by lowering perceived relevance of the story only when the brand name was familiar. When the brand was unfamiliar, company response and perceived relevance of the rumor had little impact on transmission intention. Therefore, brand familiarity bolstered the persuasiveness of company response information by driving subjects to consider the relevance of the rumor and the supporting evidence contradicting its validity. It was rather the lower relevance of the information that became the significant driver of lower transmission intentions for known brand condition.

DISCUSSION AND MANAGERIAL IMPLICATIONS

Consumer-to-consumer interaction about brands has increased substantially in recent years. In addition to face to face exchanges on brands, social network sites (e.g., Facebook.com, Twitter.com, etc.) and other technological innovations have increased the amount of information exchanged through networks of consumers exponentially. However, information shared amongst consumers often involves highly damaging rumors on brands. Well-known companies, like McDonald’s, Proctor & Gamble, Apple Inc., just to name a few, have suffered significantly in terms of lost sales, reduced stock price as well as damaged reputation and consumer confidence due to spread of false negative rumors (e.g., Bordia and DiFonzo, 2004; DiFonzo and Bordia, 1997; Zivney, Bertin and Torabzadeh, 1996). Anecdotal evidence suggests that rumor refutation strategies may not be effective at all times. The current research investigated when rumor refutation strategies are more likely to be effective and why.

This research revealed a number of interesting findings. Contrary to expectations, neither brand familiarity nor company response alone could influence participants’ intentions to transmit rumors. It is rather a combination of these two factors that lowered the likelihood of a rumor being transmitted. More specifically, when a company provided evidence to contradict the rumor and when this information came from a well-known brand, consumers became less inclined to share the rumor. In comparison, when rumors were presented without any response information from the management regarding its validity, brand familiarity actually increased consumers’ intention to transmit the rumor to others. This is consistent with anecdotal evidence reported in rumor literature which suggests that rumors on well-known brands spread more than rumor on less known brands (Fearn-Banks 2007). It is likely that brand familiarity created a common ground for social interaction between consumers and therefore, increased the likelihood of transmission of rumor on a well-known brand. Thus, brand familiarity became a liability for companies in the context of rumors, contrary to much of the literature on brands that suggests branding largely has positive effects on word-of-mouth and other important outcomes. The study further revealed that the decrease in transmission intention was observed due to lower perceived relevance of the information presented in the rumor. Therefore, consumers were more likely to evaluate the information contained in the rumor in terms of its information quality when point-by-point corrective information was presented in detail from the company’s end. Company’s response had little impact on transmission intention when the brand was unknown.

The findings of this study have important theoretical as well as managerial implications. Social psychologists through years of research revealed conflicting findings regarding the effectiveness of rumor combatting strategies in curbing rumor transmission. This study identifies brand familiarity as a boundary condition of the relationship between company response and transmission intention, and suggest that effectiveness of the corrective information depends significantly on the level of familiarity of the brand involved in the rumor. In terms of managerial relevance, this study reveals that it is possible to combat the spread of rumors by directly providing consumers with specific information to refute its validity. It also suggests that brand familiarity actually acts more as a liability, particularly when rumors are not refuted. Therefore, it is especially important for recognized brands to directly refute the false rumor to minimize spread. Although unknown brands are less prone to rumors, managers of unknown brands need to be careful in dealing with corrective measures if and when there is outbreak of rumors. While less known brands may actually enjoy the popularity of being in the limelight because of rumors, it is important for managers to ensure that extremely negative information capable of damaging consumers’ confidence and
trust towards the brand is not spread widely. Future research should focus more on how denial statements against rumor from unknown brands may be made more effective.

Additionally, this research offers rich insight for practitioner on rumor combating strategies. Companies often end up spending substantial amount of money into crisis management in order to kill rumors. The insight that rumor transmission can be curbed by having consumers focus on its information value is an important learning for managers. It can help managers develop a more successful response strategy. Marketers could have consumer pay more attention to the rumor’s relevance by offering a denial statement with objective and strong argument against validity of the rumor regarding a well-known brand. It further informed that well-known companies will be in more advantageous position by issuing a denial response when negative rumors break out about them.

FUTURE RESEARCH

This research leads to a number of avenues that offers potential for additional investigation.

First, future research should explore boundary conditions, other than brand familiarity, that may explain why refutation strategies cannot always curb rumor transmission successfully. It may be possible that the effectiveness of refutation strategies depends on the age of the rumor. Rumors which have been floating around for many years may already have formed strong belief in the minds of consumers in favor of these stories. Once an impression about a brand is formed based upon these unreliable stories, it may become very difficult for the management to change it. On the contrary, consumers are likely to have much less exposure to a relative new rumor on a brand and thereby, are less likely to have formed any opinion regarding its truth value. Accordingly, pre-existing judgment about the rumor is less likely to influence processing of information included in the denial statement for a relatively new rumor compared to that of an old rumor. Future research should examine whether age of the rumor may moderator the relationship between denial statements issued against rumors and intention to transmit.

Second, it is important for marketers to know how companies can motivate consumers to evaluate the rumor content in terms of its information value. Kamins Folks and Perner (1997) found that labelling the content as rumor decreased its credibility and transmission to others. Rumor, as a label, has negative connotations associated with it and is perceived unfavourably. While this can be one possible strategy to combat rumors, rarely information is presented to consumers with labels. In addition, the effect of labeling may not be equally strong if the party labelling the content as rumor is the company accused by it. Information labelled as rumor by independent third party or other consumers may add more credibility compared to when it is done by the company. Apart from labeling, increasing the transmitter’s moral hazard may help curb transmission of false rumors (Frenzen and Nakamoto, 1993). Consumers may perceive higher moral hazard in a communication context when they are held accountable for their communication behaviour and there is potential for future interaction with the recipient. It is plausible that consumers would pay more attention to the information value of the rumor when moral hazards are high and salient. Consumers may also be made more careful about transmission of false rumors by making them informed about the potential consequence a company may go through (e.g. lost sale) for transmission of false rumors. Future research should explore of these possibilities as ways to make consumers more accuracy oriented while transmitting information on brands.

Finally, it is important to explore the role of familiarity between the transmitter of rumor and the recipient as well as gender of the recipient in transmission of rumors. Consumer experience heightened self-presentation goals when interacting with someone less familiar and/or of opposite sex (Leary et al., 1994). It is plausible that similar effects of familiarity and gender will be observed in the context of transmission of brand related information. Gender of the audience also influences how information is shaped before sharing. Transmitters highlight different details of the story depending on the gender composition of the audience, i.e. all-female, all-male or mixed gender audience (Sugiyama, 1996). It would be interesting to examine how gender influences transmission of rumor as well as refutation information. Future research should also identify other audience related characteristics that may influence rumor transmission.
REFERENCES


Self-Congruity: A Determinant of Brand Personality

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Self-congruity and brand personality are important concepts. Self-congruity may be as much a determinant of brand personality as it is a product of brand personality. Two new concepts, false congruity and real-ideal image discrepancy, are introduced as factors that could explain self-congruity’s role in perceived brand personality. Before launching a brand, marketers should take steps to ensure probable early adopters of their product are indeed the marketers’ target consumers. Existing brands should be monitored for brand personality changes due to false congruity, real-ideal image discrepancy, or innovative or creative consumer behavior. A healthy brand image may depend on it.

SELF-CONGRUITY

The relationship between self-congruity and brand personality is an extensively studied aspect of self-congruity theory and is an important concept for marketers to understand in order to get the most out of their brand. This paper will review the literature on self-congruity theory, include discussion of self-concept and brand personality, and explore how the theory has evolved since its inception in the 1950s. Most of the literature has focused on how brand personality affects self-congruity, but this paper will propose that the reverse can also happen; self-congruity may affect brand personality. Two new concepts, false congruity and real-ideal image discrepancy, will be introduced as factors that could explain self-congruity’s role in perceived brand personality.

Self-congruity is the extent brand personality and self-concept are compatible. It is “the match between the product’s value-expressive attributes (product-user image) and the audience’s self-concept” (Johar & Sirgy, 1991, p. 24). Self-concept, according to self-congruity theory, influences consumer behavior in a way that results in the purchase of a product (Johar & Sirgy, 1989).

A crucial factor in market segmentation, self-congruity provides insight concerning positioning and advertising research for marketing managers (Sirgy, Grewal, Mangleburg, Park, Chon, Claiborne, Johar, Berkman, 1997). With deep psychological knowledge of target consumers rather than surface-based demographics, marketers can more accurately position their products in a way that appeals to their customers. Developing a congruence model for their specific target market enables marketers to choose
the product image attributes (self, ideal, social, or ideal social) that create the greatest level of congruity (Johar & Sirgy, 1989).

SELF-CONCEPT

An understanding of self-congruity theory relies heavily on a grasp of the term self-concept, which is considered “a meaningful mode of market segmentation” (Kassarjian, 1971, p. 413). Self-concept refers to the “totality of the individual’s thoughts and feelings having reference to himself as an object” (Rosenberg, 1979, p. 7). Or alternatively, self-concept can be thought of as a collection of self-schemas made up of generalizations about the self (Shimp, Barone, & Sprott, 1999). Although self-concept has been consistently defined in the literature, general acceptance in definition does not provide a universal understanding of the relationship between self-concept and consumer behavior, and there were some growing pains in this regard in the process of theory formation. Disagreement about the extent of self-concept, that is, the number of sub-concepts it should be divided into, has historically led to confusion and uncertainty in self-congruity research (Sirgy, 1982).

The main issue was consistency; each researcher came up with his or her own way to define and describe the components of self-concept. Some early researchers broke it down into two components—actual self-concept and ideal self-concept, the former defined as how one believes he or she is in reality, and the latter defined as how one would like to be rather than how one believes he or she actually is (Sirgy, 1982; Dolich, 1969). Self-concept continued to evolve in the literature, and most now treat self-concept as having four components: actual self-image, ideal self-image, social self-image, and ideal social self-image (Johar & Sirgy, 1991; Johar & Sirgy, 1989; Sirgy, 1982). The first two components remain consistent in definition, while social self-image refers to the beliefs one has about how he or she is viewed by others, and ideal social self-image denotes the image one aspires others to have of him or herself (Johar & Sirgy, 1989).

For example, a certain brand of shoe may have a product-user image, here defined as the image associated with the expected user of a product, of the outgoing, youthful, and active user, and potential consumers may think of themselves as having the same qualities—they believe they are also outgoing, youthful, and active. This is a case where there is congruence between the product-user image and the actual self-image of the consumer. Individuals tend to perceive products in terms of symbolic meaning (Dolich, 1969), and the greater the congruence between this symbolic meaning (e.g., a youthful and exciting shoe) and the consumer's self-concept, the more likely there will be a positive evaluation of, and ultimately purchase of, the product (Kassarjian, 1971). If the consumer wishes he or she is outgoing, youthful, and active, whether in reality he or she is or not, there is congruity between brand image and ideal self-image. Congruence with the consumer's social self-image occurs when the symbolic qualities of the shoe match up with the consumer's perception of the qualities others believe he or she has. And finally, ideal social self-image congruity is achieved when the image the consumer wishes to portray to others is in congruence with the brand image. The consumer believes wearing this brand of shoe will encourage others to see him or her the way he or she wants to be seen.

The reason consumers seek out congruity between product-user image and self-concept is fulfillment of certain needs: self-esteem, self-consistency, social consistency, and social approval (Sirgy & Johar, 1992). The self-esteem motive denotes the tendency for individuals to enhance self-concept by being discriminatory in choosing experiences, and the self-consistency motive explains the tendency for behavior consistent with actual self-image (Sirgy, 1982). Social consistency needs are met by congruence between product-user image and the social self-image. Greater degrees of congruity promote more positive attitudes toward the brand or product (Johar & Sirgy, 1991). Likewise, social approval needs are better met the greater the congruence between the product-user image and the ideal social self-image, and this congruence again leads to positive attitudes toward the brand (Johar & Sirgy, 1991).

Epstein (1992) explained the need for self-congruity with just one all-encompassing motive, “maintaining the coherence of a personal conceptual system” (p. 35). Once this belief set is established, individuals strive to maintain it, sometimes in the face of distress or lack of external reinforcement.
Individuals will not only modify their behavior and interpretation of events to confirm their self-concept, but will also encourage behavior in others that will reinforce their beliefs about themselves (Epstein, 1992). Thus, consumers have a tendency to try to preserve their self-concept and will buy products that promote its maintenance.

Sirgy (1982) summed up the importance of self-concept in self-congruity theory like this:

1. Self-concept is of value to the individual, and behavior will be directed toward the protection and enhancement of self-concept.
2. The purchase, display, and use of goods communicate symbolic meaning to the individual and to others.
3. The consuming behavior of an individual will be directed toward enhancing self-concept through the consumption of goods as symbols. (p. 289)

**BRAND PERSONALITY**

Brand personality is “the set of human characteristics associated with a brand” (Aaker, 1997, p. 347), and is an important aspect of advertising (Plummer, 1984). Consumers think of brands in terms of human personality traits. Use of advertising strategies that utilize this fact, such as anthropomorphization, personification, and creation of user imagery, can give the brand a personality that, like human personalities, is distinct and lasting (Aaker, 1997). A brand’s personality is affected by its user imagery, the “set of human characteristics associated with the typical user of a brand” (Aaker, 1997, p. 348). User imagery is the image transferred to a brand from the individuals considered to be the typical users of the brand. This is where brand and human personality formation differ. Human personality traits are based on a person’s behavior, physical attributes, attitudes, beliefs, and demographic characteristics (Aaker, 1997). Brand personality traits form through communication of any kind between the brand and the consumer. There is usually nothing intrinsic to a brand that makes it, for example, young, exciting, or traditional; instead these qualities are formed through the direct or indirect contact a consumer has with a brand, including the product-user image (Aaker, 1997; Plummer, 1985).

A distinction to note is the difference between brand personality and product personality. Product personality refers to the image of a specific product within a brand, and is defined as “the set of human personality characteristics used to describe a specific product variant” (Govers & Mugge, 2004). This distinction was important to Govers and Mugge’s (2004) study on product attachment. Product attachment is “the emotional bond a consumer experiences with a product” (Mugge, Schifferstein, & Schoormans, 2008, p. 325). Govers and Mugge (2004) iterated there is an emotional tie between products and their owners, and the product is meaningful to the owner in a deep and important way. When a consumer becomes attached to a product, the product provides additional benefits to him or her that go beyond those of other products in the same product category (Govers & Mugge, 2004).

One reason consumers become attached to their products is self-expression (Govers & Mugge, 2004). When products are seen as self-congruent (i.e., having a similar personality to the consumer’s self-image), their consumption serves the symbolic function of self-expression. Govers and Mugge (2004) contributed to self-congruity research by showing consumers become more attached to their products the greater the congruence they experience with them. Higher congruence increases the product’s symbolic meaning to the owner, and the owner consequentially becomes more attached to the product (Govers & Mugge, 2004).

In addition to brand and product personality, consumers can also experience congruity with store personality (Willems & Swinnen, 2011; d’Astous & Levesque, 2003; Martineau, 1958). Store personality is the way the shopper sees the store in his or her mind, an image that considers the store’s functional qualities as well as its psychological attributes (Willems & Swinnen, 2011). Consumers are able to hold distinct images of stores and the products they carry (Rocereto & Mosca, 2012). In other words, a store’s personality is not automatically derived from the products on its shelves, and marketers of the store must therefore take care to actively position the store to appeal to its target market (Rocereto & Mosca, 2012).
Consumers use store, product, and brand personality to simplify buying decisions. People use symbolic images to “summarize a vast complexity of values and meanings” (Lindquist, 1974-1975, p. 29), which enables individuals to easily comprehend and interact with the object at hand, much like he or she would another person. In situations of uncertainty, these symbolic representations serve as decision heuristics (Stern, Zinkhan, & Jaju, 2001).

**SELF-CONGRUITY AND CONSUMER BEHAVIOR**

The validity of self-congruity has been tested and retested, and research is still being done to determine self-congruity theory’s reliability and practical applications in marketing (Hughes & Guerrero, 2012; Boksberger, Dolnicar, Laesser, & Randle, 2011; Aaker, 1999; Aaker, 1997; Sirgy, et al., 1997; Sirgy, 1982). An exploration of self-congruity research should provide enough information to draw conclusions necessary for the sake of marketing theory, not to mention curiosity. Where has the research brought us? How can marketers make use of this information?

**EVOLUTION OF SELF-CONGRUITY THEORY**

The notion of congruity between self-concept and brand image affecting consumer behavior was first sparked by Gardner and Levy (1955) and expanded on by Levy (1959). It was determined that “modern goods are recognized as essentially psychological things which are symbolic of personal attributes and goals and of social patterns and strivings” (Levy, 1959, p. 119). Furthermore, products have a symbolic character and the consumer will choose products that have a symbolic value set consistent with the way he or she thinks about him or herself (Levy, 1959).

Sirgy (1982) agreed with previous research that consumers’ self-images interact with the symbolic images they see in products, but he began to see a problem with self-congruity research methods. Most research was being done with semantic differential scales, which assume equal weighting of image attributes. But, Sirgy claimed, different attributes carry different weights of importance for each consumer. The current testing also did not naturally account for product and user attribute salience across different situations. It is possible that only a few attributes are salient in a given situation, and therefore only the relevant attributes need to be tested. This was the beginning of situational congruity, which was introduced by Schenk and Holman (1980), and expanded on by later researchers (Aaker, 1999; Johar & Sirgy, 1991; Shavitt, 1992). Depending on the situation, individuals express a different self in order to “create particular impressions and to obtain positive reactions” (Schenk & Holman, 1980, p. 613). Individuals develop a repertoire of self-images that are called for in different situations (Shenk & Holman, 1980). Thus the consumer’s situational self-image depends on the parameters of the social situation; a consumer may experience congruity with a certain brand in one situation and not another.

Sirgy (1982) hypothesized ways to curb some of these methodological shortcomings, which also included possible halo effect bias, social desirability bias, and self-disclosure problems. His recommended solutions for these problems, respectively, were: protocol procedures and free elicitation procedures; selecting neutral self-image attributes or using both positive and negative dimensions and informing consumers that their responses will remain anonymous; and making the testing environment more conducive to self-disclosure—for example, making the environment a cozy room with pictures on the walls and comfortable furniture or using a non-threatening interviewer.

Further improvements to self-congruity measurement were later suggested with the intention of measuring self-congruity more directly, reducing measurement error, and approaching self-congruity from a holistic standpoint (Sirgy, et al., 1997). The new method measured the self-congruity experience more directly than the old method, which first measured product-user image and self-image separately and then used a difference index to combine them (Sirgy, et al., 1997). This use of discrepancy scores can lead to greater error due to forcing the subject to rate self-congruity on non-salient dimensions (Sirgy, et al., 1997). The new method put less emphasis on the compensatory decision rule, the idea that a good congruity rating on one dimension can make up for a poor rating on another (Sirgy, et al., 1997). This is
done by focusing on global or holistic measures (in tune with how images are processed) instead of analytic or piecemeal measures that must then be integrated using complex decision calculus (Sirgy, et al., 1997). Sirgy, et al.’s (1997) new method addressed some of the measurement challenges regarding issues of salient attributes and situational congruity brought up by Sirgy (1982) and Aaker (1999).

**FUNCTIONAL CONGRUITY**

Situational congruity was essentially a refinement of self-congruity theory, while functional congruity is in stand-alone contrast to self-congruity. In terms of functional congruity, consumers want products not for the physical products themselves but for the benefits they receive from using the products (Lefkoff-Hagius & Mason, 1993). Functional congruity is “the match between the beliefs of product’s utilitarian attributes (performance-related) and the audience’s referent attributes” (Johar & Sirgy, 1991, p. 26). Referent attributes are the criteria used to evaluate the performance of the product (Johar & Sirgy, 1991; Sirgy & Johar, 1999). They represent the ideal attributes a consumer seeks in a product. Functional congruity is the comparison between these ideal attributes and the product’s actual performance. Like self-congruity, functional congruity is predictive of brand attitude (Sirgy & Johar, 1999). The greater the congruence between the product’s utilitarian and value-expressive attributes, the more positive the evaluation of the product will be (Sirgy & Johar, 1999). Functional congruity answers the questions “How well will this product meet my needs?” or “Will this product do what I want it to do?”

**Attitude Functions**

Both utilitarian (functional) attributes and value-expressive (symbolic) attributes affect product preference (Sirgy & Johar, 1999; Johar & Sirgy, 1989), and are important concepts to understand in the self-congruity literature. Katz (1960) introduced utilitarianism and value-expressiveness as functions of attitudes, meaning they are reasons for holding or for changing attitudes. Also introduced were the ego-defensive and knowledge functions, the former describing an individual’s need to protect him or herself from harsh realities about him or herself and the latter describing the need to search for meaning, understanding, and clarity (Katz, 1960). Due to theoretical and measurement issues with the ego-defensive and knowledge functions, the utilitarian and value-expressive functions began to monopolize the conversation, and the ego-defensive and knowledge functions began to fade away in the literature (Johar & Sirgy, 1991).

Utilitarian attitudes are based on product attributes and their inherent benefits, and product attitudes that serve a utilitarian function “have the goal of maximizing rewards and minimizing punishments associated with the product” (Shavitt, 1992, p. 47). The utilitarian function deals with the notion of expected reward (Johar & Sirgy, 1991). Consumers buy products for their utilitarian attributes when they expect to reach a certain goal with their purchase.

An attitude about a value-expressive product “allows for a positive demonstration of one’s central values and self-concept” (Johar & Sirgy, 1991, p. 26). In other words, attitudes that serve a value-expressive function are perceived to symbolize one’s own identity and values (Shavitt, 1992). A value-expressive product might be Apple’s iPhone, which has a young, cool brand personality and is consumed for symbolic purposes. This is in contrast Android’s Droid, which is has a more functional (utilitarian) appeal relative to the iPhone (Aguirre-Rodriguez, Bosnjak, & Sirgy, 2012).

The success of value-expressive brands is largely determined by the self-congruity effect (Aguirre-Rodriguez, et al., 2012), and functional congruity is the determining factor in the success of utilitarian brands (Shavitt, 1992). Johar & Sirgy (1991) presented value-expressive and utilitarian appeals as two different routes to persuasion. They developed a model that demonstrated a value-expressive appeal will be more persuasive for a product of high rather than low product value-expressiveness, and a utilitarian appeal will be enhanced by a product that is highly utilitarian (Johar & Sirgy, 1991). The self-congruity route to persuasion “can be viewed as a psychological process in which the audience focuses on source cues and matches these cues to their self-concept (actual, ideal, social, and/or ideal social self-image)”
And fittingly, the functional congruity route to persuasion relies on utilitarian appeals (Shavitt, 1992).

Johar & Sirgy (1991) referenced Petty and Cacioppo’s (1986) Elaboration Likelihood Model (ELM) as support for two persuasive mechanisms, the central and peripheral routes to persuasion, and their close relationship with value-expressive and utilitarian appeals. The central route describes attitude change resulting from a consumer highly involved in the message and who diligently considers the meaning of the message and the product’s functional attributes (Petty, Cacioppo, & Schumann, 2001). The audience focuses on and processes the quality of the argument (Johar & Sirgy, 1991). The peripheral route to attitude change is a more passive process. Attitude changes caused by the peripheral route occur because of some positive or negative cue associated with the product, not because the consumer has considered the merit of the finer points in the message (Petty, et al., 2001). ELM provides support for the distinction between self-congruity and functional congruity (Johar & Sirgy, 1991). Persuasion via self-congruity can be seen as a form of peripheral processing, and the functional congruity route a form of central processing (Johar & Sirgy, 1991).

Strength of Self-Congruity Theory

Self-congruity has not always been widely accepted, and for a length of time researchers struggled to prove its significance (Hughes & Guerrero, 2012; Boksberger, et al., 2011; Aaker, 1999; Aaker, 1997). The theory has reached a state of general acceptance, however. Self-congruity’s significance has been supported in varying venues, including retail store choice (Willems & Swinnen, 2011), sponsorship events (Mozodier & Merunka, 2011), the housing market (Sirgy, Grzeskowiak, & Su, 2005), tourism (Boksberger, Dolnicar, Laesser, & Randle, 2011), and even career choice (Nolan & Harold, 2010). In response to progression in self-congruity research that suggested conflicting conclusions about the theory’s validity, Aguirre-Rodriguez, et al. (2012) conducted a meta-analysis of self-congruity and found evidence of a robust self-congruity effect. Their results show that “the self-congruity construct is a valid and robust foundation for current and emerging consumer identity and symbolic consumption research” (Aguirre-Rodriguez, et al., 2012, p. 1184).

SELF-CONGRUITY AND BRAND PERSONALITY

Since the 1950s when self-congruity theory was proposed, there has been an effort on the part of researchers to get self-congruity theory to a place where it is practical for marketers to apply it in a methodical way in everyday situations. Most research focused on moderators of the relationship between self-congruity and consumer choice. The research tested which moderators were significant, the extent of their influence, and the conditions necessary for their relevance. Product conspicuousness (Sirgy, 1982; Dolich, 1969), product personalization (Sirgy, 1979), time (Sirgy, 1982), response mode (Hong & Zinkhan, 1995), and product ownership (Barone, Shimp, & Sprott, 1999), were all shown to moderate the effects of self-congruity.

Research on human personality, another extensively studied ingredient in self-congruity theory, initially produced few results to support self-congruity’s significance (Kassarjian, 1971). Aaker (1999) hypothesized this was due to the malleable self-concept, the idea that personality can vary across situations. Traditional measures used the personality model, which assumes personality traits remain consistent under all conditions (Aaker, 1999). The situation model, in contrast, assumes different personality traits become salient in response to different situations (Aaker, 1999). For example, a student may see him or herself as both a good student (smart) and a good athlete (athletic). Though he or she may possess both traits, in a given situation (e.g. a basketball game) one trait may become more salient (athletic) than the other (smart).

Situations activate self-schemas, which are “comprised of cognitive information representing generalizations about one’s self” (Barone, Shimp, & Sprott, 1999, p. 77). These self-schemas are what consumers draw on to determine self-congruity, and they are contingent on the brand and its perceived relevance to the self (Barone, Shimp, & Sprott, 1999). Thus situation congruity, the match between salient
personality traits and situation (Aaker, 1999), is an important aspect of self-congruity. Situation congruity was one of the first real attempts at providing theoretical support that brand personality can determine self-congruity (Aaker, 1999).

**Self-Congruity as a Function of Brand Personality**

Brand personality is defined as “the set of human characteristics associated with a brand” (Aaker, 1997, p. 347). Brands can serve a symbolic or value-expressive function as well as a utilitarian function (Keller, 1993). When the brand is serving a value-expressive function, brand personality becomes the route to self-congruity.

Some researchers indicate there is still little empirical evidence in support of self-congruity theory (Boksberger, Dolnicar, Laesser, & Randle, 2011; Aaker, 1997). The problem may lie in something as simple as measurement of brand personality. Early researchers struggled to find a consistent way to measure brand personality; often they would develop ad hoc scales for their specific study, using only traits that were tailored to the brands being studied (Branaghan & Hildebrand, 2011). Aaker’s (1997) framework of brand personalities opened the door for future researchers to consistently measure brand personality and its significant role in self-congruity. A mirror to the “Big Five” human personality dimensions (i.e., Extraversion, Emotional Stability, Agreeableness, Conscientiousness, and Openness to Experience; Barrick & Mount, 1991), the brand personality framework is now the standard for brand personality measurement (Willems & Swinnen, 2011). In her research, Aaker (1997) asked 631 subjects to rate a subset of 37 brands based on 114 personality traits. Employing an exploratory principal components factor analysis, Aaker (1997) narrowed these 114 traits to the five personality dimensions seen as most distinct by consumers: Sincerity, Excitement, Competence, Sophistication, and Ruggedness.

Aaker then conducted a facet identification study to further enhance the understanding of each dimension (Branaghan & Hildebrand, 2011). This process identified 15 facets that best describe the five dimensions (see Figure 1).

**FIGURE 1**

This brand personality framework provided some relief for those disappointed with the “weak empirical support for self-congruity effects” (Aaker, 1997, p. 353). Recognizing the fundamental differences between human personality and brand personality allows researchers to better understand the nature of the match between them. Rather than forcing human personality traits onto brands, researchers can study the relationship between distinct human and brand characteristics. For example, the congruity between a person who possesses the quality “open to experience” and a brand of shoe that has the quality...
“rugged” can be examined more effectively using the respective human and brand personality frameworks. The brand is not forced to be rated on the same scale as the person (and thereby take on a trait artificial to the brand, like *open to experience*), but is allowed to take on the trait more naturally associated with brands like it, such as *rugged*.

Measurement challenges may not be exclusive to problems with scale consistency. Socially desirable responding, the tendency respondents have to answer questions in a way that makes them look good, can undermine the reliability of brand personality and self-concept research (Steenkamp, De Jong, & Baumbartner, 2010). Respondents may try to conceal congruity with preferred brands if they are embarrassed about experiencing congruity with the brand (Helgeson & Supphellen, 2004). Socially desirable responding does not, however, have the same effect on brand personality questions because the respondent’s self-concept is not explicitly addressed (Helgeson & Supphellen, 2004). Researchers can reduce the effects of socially desirable responding with appeals to be honest, promising confidentiality, demonstrating anonymity, and careful question wording (Nancarrow, Brace, & Wright, 2001).

**Measuring Self-Image and Brand Personality in the Same Associative Network**

While Aaker (1997) broke the mold by developing different measurement scales for human personality and brand personality, Branaghan & Hildebrand (2011) revamped the old mold by being the first to measure self-image and brand personality images in the same associative network. The advantage of measuring brand personality images and self-image in the same associative network is comprehensiveness. Marketers can visually see how the self relates to selected brands while simultaneously seeing how these brands relate to each other (Branaghan & Hildebrand, 2011).

Self-congruity can be measured and represented in networks because “brand personality and self-image are knowledge structures, and facets of brand personality also describe the self” (Branaghan & Hildebrand, 2011, p. 304). Cognitive psychologists see an associative network as a culmination of organized memory; nodes represent concepts, and links are the connections between concepts (Keller, 1993). Concepts have a better chance of receiving a direct link if they have a higher level of relatedness (Branaghan & Hildebrand, 2011). The degree of relatedness of concepts (i.e. proximity in the network) determines the amount of spreading activation that occurs when a node is thought of.

When someone thinks about a concept, that concept’s node is activated and the activation spreads to adjacent nodes. The degree to which the activation spreads depends on the semantic distance from the activated node. From the standpoint of cognitive theory, brands, attributes and the associations among them are simply instances of associative networks, and can be represented in this manner. (Branaghan & Hildebrand, 2011, p. 305)

Self-image can be considered the network representation of one’s personality (Branaghan & Hildebrand, 2011). The same spreading activation seen in brand associative networks is present in the self-image associative network, and thus is the rationale for measuring both in the same associative network and treating them as interchangeable concepts (Branaghan & Hildebrand, 2011).

Branaghan and Hildebrand (2011) applied the Pathfinder network scaling algorithm to their data on the perceived relatedness of twelve automobile brands (see Figure 2). The participants of their study rated the brands on Aaker’s (1997) fifteen brand personality facets, and rated their self-image on the very same scale (Branaghan & Hildebrand, 2011). This made it possible to measure the distance between self-image and the automobile brands in a network (Branaghan & Hildebrand, 2011).
Figure 2 is a network showing the relationship between the average consumer personality of a group of college students and images of various automobile brands (Branaghan & Hildebrand, 2011, p. 308). The consumer (self) is only one link away from both the Honda Civic and the Toyota Camry, which indicates the consumer shares the same personality attributes, in this case sincerity and competence, with the two brands. The Mazda Miata, Chevy Impala, and Ford Focus are two links away from the self. This representation makes sense because these cars tend to be seen as reliable and moderately priced, certainly vehicles on students’ radars. The brands farthest away from the self, and therefore least congruent with the self, are more expensive brands associated with older individuals.

Branaghan and Hildebrand’s (2011) research suggested that self-congruity can in fact be measured by geodesic distance, or the number of links between concepts. Their research effectively created the option to transform self-congruity into a tangible map that can be seen and understood by anyone—marketers, managers, CEOs, and customers alike. It is easy to illustrate how brands close to the self will be preferred, while brands farther away in the network will be less desirable. Marketers can use associative networks to gauge a consumer’s reaction to the marketing strategy. For example, a marketer might consult an associative network to determine if a certain change in a product’s packaging will improve its position in the network or instead increase the number of links between the product and the target consumer’s self-image.

Another exciting possible application of this research lies in market segmentation (Branaghan & Hildebrand, 2011). Using associative networks, marketers could look deeper than topical demographic segments and segment consumers according to their networks. Consumers could be targeted and consumer preferences could be determined per deep psychological characteristics instead of solely physical, financial, or geographic ones.

Associative networks could be used in market research to determine before launching a product or brand exactly who will be buying the brand. As will be discussed later, early adopters are influential when
it comes to brand image, and using networks to learn about how a brand will be received by consumers can better prepare a brand for launch and alert managers of potential brand image problems.

**Self-Congruity’s Effect on Brand Personality**

Like that of Aaker (1999; 1997), all research consistent with self-congruity theory considers self-congruity to be at least partially a function of brand personality (Govers & Mugge 2004; Sirgy 1982; Sirgy 1979; Dolich 1969; Levy, 1959), and holds that brand choice reveals the personality of the consumer (Sirgy 1979). But researchers have thus far failed to explore the possibility that the reverse is also true; that is, brand personality is a function of self-congruity. In other words, the extent to which consumers see a brand as having a personality congruent with their own self-image can influence the brand’s perceived personality. There is room for research considering a dynamic, two-way relationship between brand personality and self-congruity.

Conventional thought is brand personality is determined by factors such as advertising, price, and other marketing associations, all of which are under the control of marketing managers (Sirgy, et al., 1997; Plummer, 1984). This paper proposes to make a contribution to this list of brand personality determinants by suggesting self-congruity is a determining factor of brand personality.

Helgeson and Supphellen (2004) examined the relationship between brand personality and self-congruity, but their research focused mainly on whether the two constructs are empirically discriminant, which they were indeed found to be, and also spoke to the moderating effect of socially desirable responding. It was Phau & Lau (2001) who pioneered the idea that consumers can influence how a brand personality is perceived, rather than the traditional thought that brand personality is solely the creation of marketers and advertisers and is exclusively dependent on their actions and intentions.

When consumers build a trusting relationship with a brand as a result of a favorable perception of the brand, they are likely to form a preference for the brand (Phau & Lau, 2001). This initial favorable perception of a brand could be attributed to self-congruity between the consumer and the brand. Once brand preference is developed, consumers will “reinforce positive attitudes (which include their personality) on to the brand” (Phau & Lau, 2001, p. 429-429). Put another way, high brand preference skews perceived brand personality; consumers will see what they want to see in a brand’s personality. Interaction between brand and consumer not only causes the consumer to actively receive the personality projected by the brand, but the consumer’s personality can be transmitted to the brand, changing or replacing the existing brand personality (Phau & Lau, 2001).

Past research has shown that individuals can transform the social meanings of objects (Phau & Lau, 2001). Consumers tend to see their own behavior and judgments as normal and alternative behavior as uncommon or inappropriate, a concept known as egocentric attribution or false consensus (Berkowitz, 1977). The specific image an individual attributes to a brand is affected by his or her egocentricity, a person’s tendency to assume that the personality of a product he or she uses must necessarily be similar to his or her own personality (Sirgy, 1982). For example, say a woman sees herself as fashionable and trendy. When she buys a new article of clothing, she will assume that the item she buys will be trendy because she herself is trendy, and the product she buys must possess the same qualities she does. On a macro scale, egocentricity could lead to brand image change. Marketers must be aware of egocentricity and other brand image influencers about to be discussed to prevent unwanted brand image change.

**INTRODUCING FALSE CONGRUITY AND REAL-IDEAL IMAGE DISCREPANCY**

Brand preference may stem from self-congruity, and Phau and Lau (2001) found that high brand preference affects brand personality. Inversely, self-congruity, according to self-congruity theory, depends on brand personality. And so arises an apparent catch-22; how can self-congruity both shape brand personality and also be, by definition, a product of brand personality?

One possible explanation is false congruity, meaning the initial congruity experienced with the brand may be imperfect. Consumers often have imperfect information and their purchases reflect it (Ratchford, 1975). A consumer may come home with a brand that he or she is not congruent with because of a
misunderstanding. Transmissions are very often unclear and ambiguous (Plummer, 1984). Perhaps a potential customer only catches the first half of a TV commercial and does not receive the entire message, or maybe the ad tries to be funny, provocative, or clever and the intended message is misunderstood. Consumers view brands through a number of filters: experience, perceptions, misconceptions, value systems, and noise (Plummer, 1984). These and other factors (e.g. a lack of advertising, faulty word-of-mouth, or selective attention and retention) could be drivers of skewed perceptions of brand image and false congruity.

The key with false congruity is the congruity the consumer experiences is with a brand personality that is not intended by the marketer. If early adopters consume a brand as a result of false congruity with the brand, the consumer’s image will still nonetheless be projected onto the brand (Phau & Lau, 2001), and if subsequent consumers are to experience self-congruity with the brand, it must be with the personality given it by early adopters.

Examples of marketers trying to save their brand image from use by untargetted consumers are Dr. Pepper Ten’s “it’s not for women” plea or Volkswagen’s “it’s a boy!” campaign for the 2012 relaunch of the Beetle (Avery, 2012, p. 322). Marketers of both brands may be concerned their target market, men, will not consume their brand if its product-user image is feminine. Avoiding unwanted brand associations is vital to brand positioning. Bosnjak and Brand (2008) stressed the need for marketers to “find an optimal strategy which simultaneously maximizes the closeness to desired symbolic meanings and the distance to undesired symbolic associations. That both aspects are clearly not just two sides of the same coin, has been demonstrated in this research” (p. 681).

Ideal congruity may have an even stronger effect on brand attitude than actual self-congruity (Helgeson & Supphellen, 2004), and consumers acting on ideal congruity may cause an undesired change in brand personality. Real-ideal image discrepancy describes the case where there is no mistake in brand personality and the consumer experiences ideal or ideal social congruity with the brand, but there is a discrepancy between his or her real self-image and his or her ideal or ideal social self-image. The terms real self-image and actual self-image have been used interchangeably in the literature (Dolich, 1969; Sirgy, 1982). Both terms are used to describe how consumers believe they are in reality, as opposed to how they wish they were (ideal self), how they believe others see them (social self), or how they think they should be (ought self). For the purposes of this paper, actual self-image refers to how consumers believe they are in reality (the traditional definition), and real self-image refers to the image consumers project to others in reality, or how others see them. Real self-image is distinguishable from social self-image in that social self-image refers to the image one believes others have of him or her, and real self-image is the image others actually have of the individual.

When early adopters acting on ideal congruity consume a brand, they project their real personality—not their ideal one—onto the brand and the brand image may change as a result, as in the case of false congruity. For example, a company may launch a new line of sunglasses aimed at teenagers. But to this company’s dismay, the first to pick up their sunglasses (i.e., the early adopters) are middle-aged consumers looking for products that will project a youthful image. When teenagers see their parents’ generation wearing the brand, they may form an unfavorable image of the brand. Instead of the sunglasses’ image being projected onto the middle-aged consumers, the reverse happens; the sunglasses are seen as having a middle-aged user.

Early adopters may also consume an incongruent brand for reasons other than false congruity and real-ideal image discrepancy. Depending on and individual’s personality, incongruity produces different reactions. Early adopters and innovators may see incongruity as a challenge rather than a turn off (Hughes & Guerrero, 1971). They may even be out looking for incongruity due to “boredom with equilibrium, a desire to be different, or the adoption of new aspirations” (Hughes & Guerrero, 1971, p. 126). For other consumers incongruity may only produce frustration and destructive behavior, and they may find it a threat to their psychological equilibrium (Hughes & Guerrero, 1971).
LIMITATIONS AND RECOMMENDATIONS

The majority of this paper was written in the span of one semester, so the relatively short amount of time available did not allow for an actual study to be conducted on how self-congruity affects brand personality. In addition, no funding was available for a formal study. Future research could do what this paper could not and test self-congruity as a determinant of brand personality, and explore further the relationship between self-congruity and brand personality. False congruity and real-ideal image discrepancy could also be the subject of future research. Further research could determine if there is empirical evidence of the existence of false congruity and real-ideal image discrepancy and if their presence is strong enough to affect self-congruity, brand personality, and ultimately consumer choice.

CONCLUSIONS

The relationship between brand personality and self-congruity is anything but static. Self-congruity may be as much a determinant of brand personality as it is a product of brand personality, and marketers must understand this relationship as it applies to their specific brand. Marketers must take care to account for the power consumers have over brand personality. Before launching a brand, marketers should take steps to ensure probable early adopters of their product are indeed the marketers’ target consumers. Existing brands should be monitored for brand personality changes due to false congruity, real-ideal image discrepancy, or innovative or creative consumer behavior.

Marketers do need to focus on positioning their brand for the target market, but marketers’ attention must not be so narrowly focused as to forget the effect non-targeted users can have on their brand. Brand image is not a set it and forget it concept. Brand image should be constantly monitored for undesired change. A healthy brand image may depend on it.

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