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# JOURNAL OF MARKETING TRENDS

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## The impact of Premium Private Labels on store loyalty

The paper investigates the contribution of a specific type of PLs, namely Premium Private Labels (PPLs), to store loyalty, intended in a conative perspective. This is done by also considering the main antecedent of store loyalty, that is customer satisfaction, and commitment with the store.

The research consisted in a survey conducted by administering a structured questionnaire to a sample of Italian retail customers in-store. Data was then processed applying a hierarchical multiple regression.

Results indicate the superiority of the suggested complete model, and the significant and positive impact that the investigated constructs show on store loyalty. Theoretical and managerial implications are derived.

*Key words: Premium Private Label; store loyalty; customer satisfaction; commitment; grocery retailing.*

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### Introduction

Private labels (PLs) are traditionally considered as an important product offering, able to strengthen the relationship that grocery retailers would entertain with consumers (Cortjens and Lal 2000; Dick et al. 1995). PLs have progressively reached a large number of users, gaining increasing consumer preferences. This resulted in a constant upsurge in their market share. In Europe, PLs have now reached a market share equal to 36,7% in value terms and 47,1% in volume terms, contributing to nearly half of the growth of the Fast Moving Consumer Goods (FMCG) sector (SymphonyIRI Group 2014). On the basis of the Nielsen data (2014) collected for The Private Label Manufacturers Association (PLMA), today PLs represent at least 30% of all the products sold in 15 (out of 20) European countries. Even if based on lower levels compared to what is happening in other EU countries, in Italy PLs are achieving an interesting development rate, reaching a value market share equal to 18,4% in 2013 (SymphonyIRI Group 2014).

The market success that PLs are experiencing is attracting the interest of the scientific community too. Studies have been mainly focused on a generic PL conceptualization (Hyman et al. 2010). But today retailers are pursuing a segmentation strategy in their way of dealing with PLs, following a 2-tier (Yang and Wang 2010) or 3-tier approach (Lamey et al. 2007). Accordingly, the literature should revise its focus and investigate PLs looking at the different positioning and perceptions coming from this multi-tiers approach. Following this perspective, the current paper aims to investigate the impact that a specific kind of PLs, namely Premium Private Labels (PPLs), exerts on store loyalty, intended in a conative perspective. This is done by comparing this impact with the effects exerted by some other constructs, whose contribution to store loyalty is widely and commonly recognized, namely: customer satisfaction and store involvement (Bloemer and De Ruyter 1998; Kumar et al. 2013). Hence, our research question is as follows: does loyalty to the PPL contribute to store loyalty?

The impact of PLs on store loyalty has been recently investigated by Kremer and Viot (2012). But these authors based their work only on a generic concept of PLs, expressly excluding PPLs, and, in doing so, they limited their contribution to the PLs literature. On the contrary, we believe that focusing on a specific PL tier and, in particular, on the upper-level PL tier, namely PPL, could be of great interest, both from a scientific and managerial viewpoint. As a matter of fact, the interest of the scientific community for the multi-tier PLs strategy that retailers are implementing is growing (Sayman and Raju 2004), chiefly when it comes to PPLs (Braak et al. 2014; Huang and Huddleston 2009), quite "in fashion" now as research

topic, and understanding the contribution of the different PLs tiers to customer loyalty is particularly appealing, as this relationship remains poorly investigated so far. On their side, grocery retailers are heavily investing in PPLs, not only widening the presence of these brands in their product assortment, but also opening retail outlets branded with the PPL (Lincoln and Thomassen 2008). Even if PPLs market share is still limited at the moment, these products are experiencing the most interesting development rates within the entire range of store brands managed by retailers, evidencing a very high potential: in Italy, for instance, PPLs showed an increase of 14,7% in value and of 13,2% in volume in 2013 (SymphonyIRI Group 2014). This is quite amazing in a market context deeply affected by the economic crisis, if we consider that PPLs are offered with a high/top price level within the product category they belong to. Therefore, it would be pretty interesting to understand if this brand offer is chosen by the broad part of customers of a certain retailer or only by the most affluent. From this perspective, our paper could be of interest to retail managers and consultants too.

The paper begins by reviewing the literature on PLs focusing on the role that the latter plays in the retailer-consumer relationship. The conceptual framework and the research hypotheses are then described, followed by the depiction of the methodology employed to meet the research objectives. At this point, findings are presented and discussed. Limitations and the illustration of possible further research avenues, together with managerial implications, will end the manuscript.

### Literature review

Starting from the 60s, the retail and marketing literature showed an increasing interest for the study of PLs, thanks also to its raising market share.

PLs are strongly impacting on the relationships that retailers entertain with consumers, suppliers and competitors (Ezrahi and Bernitz 2009). By offering PLs, grocery retailers are able to increase store traffic (Dick et al. 1995), customer loyalty (Cortjens and Lal 2000; Dekimpe et al. 1997), profitability, and their bargaining power towards manufacturers (Ailawadi et al. 2008), as well as differentiating themselves from competitors (Sprott and Shimp 2004).

The literature on the subject concentrated on three main areas of study: the contribution of PLs to retailers' sales and profitability; the impact of PLs in the supplier-retailer relationship; the role played by PLs in the retailer-consumer relationship. This work is related to the latter study area.



Focusing on the way in which PLs are considered by consumers, these brands have been generally perceived as low price/good value-for-money offerings in comparison with NBs (Richardson et al. 1994; Sprott and Shimp 2004), owing to the higher buying risk they traditionally generate in consumers' perceptions (Batra and Sinha 2000; Liljander et al. 2009). However, this attitude has increasingly changed (Batra and Sinha 2000; Hoch and Banerji 1993; Quelch and Harding 1996). Objective tests revealed that there is often little, if any, quality difference between PLs and NBs (Apelbaum, Gerstner and Naik 2003), and Steenkamp et al. (2010) found that, on average, the perceived quality gap is small too. This result is also to be ascribed to the changing positioning strategies progressively implemented by grocery retailers (Pastore et al. 2007). Today, not only all major grocery retailers carry PLs in their portfolio (Geyskens, Gielens, and Gijsbrechts 2010), but they have also increasingly enlarged this offering. In fact, PLs are now present in almost any Fast Moving Consumer Goods (FMCG) category, increasingly existent in the non-food ones (e.g. clothes, appliances, etc.) and even in services (financial services, travel booking, etc.). At the same time, the depth of PLs offerings has increased and different lines of store brands are now present within the same category on the shelves (Sayman and Raju 2005). Within these PLs lines, PPLs are raising a special interest (Kumar and Steenkamp 2007). They are defined as "the consumer products, produced by or on behalf of retailers with high quality and priced close to national brands, that contribute to differentiating the retailer from its competitors" (Huang and Huddleston 2009, p. 978). This is a brand offering able to deliver high value, performance and quality. Examples of PPLs brands offered by grocery retailers operating in Italy are as follows: Conad's "Sapori e Dintorni"; Coop's "Fior Fiore"; Pam's "I tesori", etc..

Only recently the literature started to investigate loyalty to PLs as brand per se (Ailawadi et al. 2008; Binninger 2008; Corstjens and Lal 2000; Dhar et al. 2001; González-Benito and Martos-Partal 2012; Martenson 2007; Richardson et al. 1996; Steenkamp and Dekimpe 1997): in fact, "researchers have commonly neglected the possibility that consumers have strong preferences for or even feel loyal toward a particular PL [...] Empirical evidence, on the contrary, increasingly suggests that at least some PLs command loyal customer bases" (Nies and Natter 2012, p. 280). Empirical results are limited and call for more research on the topic. The few papers focused on this subject present divergent or unexpected results. For instance, Ailawadi and Harlam (2004) found that the relationship could be nonlinear, even monotonic. Moreover, apart from the study of Martinelli and Vergura (2014), the studies that analyze this research theme with particular regards to PPLs are limited and mainly theoretical.

## Research Model

Starting from the 90s, customer loyalty has become a key topic in the marketing discipline. The benefits that firms could derive by pursuing the strategic goal to maintain and boost customer loyalty are well supported in the extant literature on the subject. Loyal customers are less sensitive to price (Krishnamurthi and Raj 1991) and to the promotional and advertising policies of competitors (MøllerJensen and Hansen 2006); moreover, they act as very convenient brand communication channels as they are able to generate a positive word-of-mouth (Shoemaker and Lewis 1999). Additionally, by maintaining their customer base retailers can secure themselves with lower costs in comparison with the ones they should support in order to acquire new customers (Reichheld 1993), especially in very mature and competitive markets as the grocery sector appears today (Ehrenberg and Goodhardt 2000). As a consequence, in this sector, pursuing customer loyalty has become a strategic objective for retailers (Flavián et al. 2001; MøllerJensen 2011).

In grocery retailing, customer loyalty has been traditionally studied at the store level (Bloemer and De Ruyter 1998; Huddleston et al. 2004; Mägi 2003; Sirohi et al. 1998; Sivadas and Baker-Prewitt 2000). This is mainly due to the fact that, in this sector, proximity to the store, together with price convenience, are crucial factors in order for consumers to select the preferred buying store. In purchasing for groceries, consumers tend to adopt a buying behavior aimed at minimizing their cognitive efforts as well as their search and logistical costs. As a matter of fact, for this low-involvement products, consumers tend to adopt simplified heuristics in their decision-making buying process. The present paper is in line with this prevailing perspective and consequently considers shopper loyalty as a store-specific concept (Castaldo 2001). In the retailing context, customer loyalty has been traditionally measured through indicators of behavioral intention such as the intention to purchase again at the same store and/or the propensity to recommend the store to relatives and/or acquaintances (Sirohi et al. 1998; Sivadas and Baker-Prewitt 2000). Consequently, the store loyalty concept we are going to investigate in this paper is to be intended in conative terms.

Amongst customer loyalty antecedents, the literature recognizes a role of great importance to customer satisfaction (Kumar et al. 2013). Even if a number of authors expressed doubts on the direct and deterministic link between customer satisfaction and loyalty (Kamakura et al. 2002; Kumar et al. 2013), these constructs remain crucial in the scientific debate and for managerial practice; accordingly, their measurement is essential. Customer satisfaction has been proved as being one of the main determinant of store loyalty (Garbarino and

Johnson 1999; Jones and Suh 2000). Thus, our first hypothesis is as follows:

*H1: Customer satisfaction is an antecedent of store loyalty.*

But to be loyal customers does not only mean to be satisfied customers. Consumers establish an affective link with the brand when they have a nice experience with the product. This is what the literature calls affective commitment. The latter is a kind of emotional loyalty consisting in the affective involvement towards a brand, able to evoke positive feelings and to which the consumer could be psychologically attached (Worthington et al. 2010). The literature evidenced that measurement scales including emotional measures are able to better gather the behavioral intentions of the demand (Andrade 2005). Moreover, they are able to verify a direct link between affective commitment and intention to re-buy (Erci et al. 2012; Smith and Reynolds 2009; Verhoef 2003). Therefore, the second hypothesis that we are going to test is as follows:

*H2: Store involvement is an antecedent of store loyalty.*

Traditionally, PLs have been considered as a brand extension of the retailer parent brand (e.g.: Aaker and Keller 1990; Völckner and Sattler 2006). On the basis of this perspective, the PL success depends on its capacity to incorporate the brand equity gained by the store. But also the inverse could be true today, as PLs are increasingly perceived by consumers as a brand “per se” (Burt 2000).

The relationship between PL purchase and store loyalty has been investigated from an empirical viewpoint, evidencing a positive correlation (Ailawadi et al. 2001; Corstjens and Lal 2000; Kumar and Steenkamp 2007). Considering that Corstjens and Lal (2000) analytically demonstrated that PLs can generate store differentiation, store loyalty and store profitability only if the PL quality is sufficiently high, the current paper focuses on the upper PL tier, namely PPLs. Kumar and Steenkamp (2007, p. 41) stated that “the emergence of the ‘premium’ [PL] is one of the hottest trends in retailing”. In relation to this high positioning and role, PPLs should be more apt to generate customer loyalty to the store. This is an empirical aim that the current literature has not verified in a thorough way. Binninger (2008) showed that customer satisfaction and loyalty towards the PL influence store loyalty, but this author did not distinguish between different PLs tiers. Kremer and Viot (2012) proved that PLs contribute to store image, but they did not verify this impact with specific reference to the PPL-tier. Huang and Huddleston (2009) debated on the impact of PPL on customer loyalty from a theoretical point of view, but they did not prove it empirically.

A consumer loyal to a specific PL would have a better perception of the retailer who is offering it (de Wulf et al. 2005). Consumers declaring to be loyal to a certain PL are much more prone to develop loyalty to the store in which they buy this PL (Binninger 2008; Steenkamp and Dekimpe 1997; Uncles and Ellis 1989). Hence, we can postulate this last hypothesis:

*H3: Intention to buy the PPL is an antecedent of store loyalty.*

TABLE 1 : Constructs and items

Constructs	Items	References
Customer Satisfaction CSS	I am satisfied when I do my shopping at this store	Olsen and Johnson 2003; Garbarino and Johnson 1999
	This store exceeds my expectations	
	I am pleased when I purchase at this store	
Store Involvement COMMS	I feel good when I shop at this store	Chaudhuri and Holbrook 2001
	Shopping at this store makes me happy	
	The shopping experience at this store is pleasant	
Store loyalty CLS	I will shop again at this store	Macintosh and Lockshin 1997
	I intend to continue shopping at this store	
	Should I need to do grocery shopping again, I will return at this store	
PPL Loyalty CLPPL	I will buy again the PPL “X” products	Sivadas and Baker-Prewitt 2000; Roberts, Varki and Brodie 2003
	Next time I’ll go grocery shopping, I will purchase PPL “X” products	
	I intend to buy again PPL “X” products	

All the measurements used to evaluate the constructs investigated reached good or optimal reliability levels (CSS = 0.77; COMMS= 0.97; CLPPL= 0.88; CLS= 0.98). Moreover, no items were deleted from the analysis. A factor analysis with Maximum Likelihood (ML) has then being performed in order to verify the unidimensionality of the constructs observed, supported by a parallel analysis (Keeling 2000) evidencing the accuracy of the number of factors employed, four in our case. The KMO = 0.86 indicates the sample adequacy to the analysis performed. Bartlett’s test of sphericity  $\chi^2(66) = 4664.320$ ,  $p < .001$ , shows that correlations between items are sufficiently high and adequate. Simultaneously, the four factors extracted allowed to obtain an explained variance equal to 81.4%. This procedure allowed to confirm the unidimensionality of the constructs employed (Table 2).

TABLE 2 : Pattern Matrix<sup>a</sup>

	Factor			
	1	2	3	4
CLS3	1,003			
CLS2	,996			
CLS1	,952			
COMMS2		1,018		
COMMS1		,914		
COMMS3		,887		
CLPPL1			,998	
CLPPL3			,981	
CLPPL2			,628	
CSS3				,821
CSS2				,771
CSS1				,464

Extraction Method: Maximum Likelihood.  
Rotation Method: Promax with Kaiser Normalization.  
a. Rotation converged in 5 iterations.

### Findings

All the constructs investigated obtained good evaluations (Table 3), very close or superior to 6 as the mean value. In particular, descriptive statistics show high levels of store loyalty (mean value equals to 6.43), while the other constructs obtained similar evaluations on an average, slightly lower (around 5.7).

TABLE 3 : Descriptive statistics: means and standard deviations

	Mean	Std. dev.
CLS	6.43	1.40283
CSS	5.77	1.46009
COMMS	5.72	1.75539
CLPPL	5.74	1.82833

Data was then processed applying a hierarchical regression analysis where the independent variables (IV) are inserted in the model according to the order of the three hypotheses postulated. In step one, only customer satisfaction was inserted; in step two, store involvement was added and, last but not least, these constructs were jointly analyzed together with CLPPL in the third step. The VIF test did not evidence multicollinearity effects (as it was found inferior to the recommended cutoff of 4). Results (table 4) support our hypotheses, evidencing that the third model - in which all the IVs were included - shows a positive and significant variance in the store loyalty construct as dependent variable (DV) ( $R^2 = .07$ ,  $p < .001$ ). Furthermore, the observed constructs show a positive and significant impact on the DV. Thus, H1, H2 and H3 are fully supported. Standardized beta values show that PPLs play a prominent role as store loyalty determinant in comparison with the other two IVs, whenever inserted in the model.

TABLE 4 : Hierarchical Regression Models

Model	Non standardised Coefficients		Standardised Coefficients Beta
	B	Std. Error	
Step 1			
(Costant)	3,915	,296	
CSS	,435	,050	,453*
Step 2			
(Costant)	3,630	,286	
CSS	,180	,065	,187**
COMMS	,307	,054	,385*
Step 3			
(Costant)	2,868	,302	
CSS	,167	,062	,173**
COMMS	,230	,053	,287*
CLPPL	,224	,039	,291*

$R^2 = .21$  Step 1;  $\Delta R^2 = .08$  step 2 ( $p < .001$ );  $\Delta R^2 = .07$  step 3 ( $p < .001$ ).

\*  $p < .001$

\*\*  $p < .01$

As PPL products are offered at a pretty high price level and in any case in line or superior to the NB leader into the product category, and taking also into consideration that the literature on PLs traditionally shows that PLs price is set at a level strongly lower than that of NBs (Hansen et al. 2006; Bontemps et al. 2008), we were also interested in checking for the presence of possible statistically significant differences in the distribution of the evaluations relative to conative loyalty towards the PPL coming from respondents belonging to different classes of household income (table 5).

TABLE 5 : Income classes: means and standard deviations

	N.	Mean	Std Dev.	Std. Error
< 36.000	145	5.6828	1.87436	.15566
36.000-70.000	124	5.7984	1.79308	.16102
70.000-100.000	22	5.6136	1.93914	.41343
> 100.000	8	6.1875	1.36113	.48123
Total	299	5.7391	1.82833	.10574

The univariate Anova analysis performed did not evidence statistically significant differences between income classes [ $F(3, 295) = .282$ ,  $p > 0.05$ ].

Lastly, we add a step to the regression analysis previously performed in order to verify the possible impact of household income classes on the tested model. Lower income respondents, as most numerous income class, were employed as baseline and three dummy variables were created in relation to the other income classes investigated. This further analysis did not brought to any significant improvement in the model whenever income classes were included.

### Discussion

The valuable and strategic contribution coming from acquiring and consolidating customer loyalty is mutually recognized in the extant marketing literature. But, even if the benefits coming from customer loyalty have long been acquired, the mechanisms and the determinants on which it is based still constitute fertile ground for academic debate and research. Following this perspective, PLs play a crucial role in the strategies pursued by grocery retailers and understanding PLs buying behavior and its capacity to develop store loyalty is a critical backbone both for academics and retail managers and professionals. The review of the literature on PLs states that there is a growing interest in understanding the influence that PLs could exert on customer loyalty, strengthened by the awareness that the focus on generic PLs is less and less explanatory of buying behaviors and intentions. This is the rationale underpinning the current research focusing on a specific PLs tier, namely PPLs, particularly prone to potentially developing customer loyalty due to their positioning as premium brands. Our findings support this

perspective: the analysis performed showed that PPLs positively impact store loyalty and permit to improve the predictability of the theoretical models in which the constructs traditionally identified by the extant literature as the most significant in generating store loyalty are present, that is, in primis, customer satisfaction and, then, store involvement.

This work contributes to the body of knowledge in this study area by focusing on a specific PL tier, namely PPLs, and empirically examining their role as activator of customer loyalty. In doing so, the paper confirms the empirical evidence found by Kremer and Viot (2012), but in relation to a specific PL tier too.

Results also show that the role played by PPLs as a store loyalty determinant is not at all secondary but crucial when considered together with more traditional variables such as customer satisfaction, as the standardized beta values showed. This is not a foregone result, also because it is in line with the recent tendency showed by the literature to scale down the role that customer satisfaction played till now in relation to customer loyalty (Kumar et al. 2014). On the basis of this perspective, as retail customers that are more prone to buy PPLs show a higher level of store loyalty, the paper also supports the role of PLs as store differentiation tools, in line with Sudhir and Debabrata Talukdar's paper (2004). Furthermore, considering that recent studies evidenced that not only PLs market share behaves countercyclically, but that part of the boost in PLs share during contractions is permanent (Lamey et al. 2012), the current tendency to increase PPLs reinforces the impact of our findings in terms of use of this PLs tier to the benefit of customer loyalty.

Our paper also evidenced that household income does not play a significant role in the proposed model and that PPLs encompasses a tendency to re-purchase that is generalized between household income classes.

### Limitations and further research

The present study evidences that customer loyalty to the PPL, as intended in conative terms, exerts a positive and significant impact on store loyalty. However, this is a preliminary work on the subject, and consequently it could be affected by some limitations.

First of all, the survey requested interviewees to give evaluations on the PPL products offered by a certain retailer as a whole, without distinguishing between specific product categories branded with the PPL. However, as previous literature found differences in the impact of PLs on loyalty and profitability depending on the product category investigated, further studies should be performed analyzing definite product categories branded with the PPL.

Then, the customer loyalty conceptualization employed in this study regards only buying intentions and not actual behaviors. Customers satisfied with buying into a specific

store could state their intention to repurchase at that store, but this proneness could not translate into a real buying behavior (Oliver 1999). This is why it should be important to also measure indicators of behavioral loyalty to the store (Chandon et al. 2005). Thus, in future works both loyalty dimensions - attitudinal and behavioral - should be included to measure true store loyalty (Dick and Basu 1994).

Moreover, we are aware that other constructs not considered in the current study could affect store loyalty. Relational variables, such as trust and commitment (Morgan and Hunt 1994), rather than psycho-economic variables, such as value, could be included in the analysis in order to enrich the theoretical model proposed, evaluating their role as possible moderators in the satisfaction-loyalty relationship (Garbarino and Johnson 1999). Other variables can then impact or moderate the effect of PPL on customer loyalty, such as PLs attitude, the level of familiarity with the PPL, etc. Future research avenues could take into consideration these variables in order to foster the scientific and managerial knowledge on the PPLs effect in the retailing context.

### Managerial Implications

PLs possess a position of increasing importance in the marketing strategies implemented today by grocery retailers and understanding the role that the different PLs tiers play in shoppers' choices is a matter of certain interest for retailers. This is particularly true as regards to the recently introduced PPLs on which the attention is particularly high and the investments that retailers have done in the latest years. Our study findings may help retailers in their decision-making processes regarding PPLs correct market positioning. Following this perspective, the findings of this study could support the investments made by retailers in these brands. Favoring customers preferences for the PPL, retailers would strengthen loyalty to their stores. This is why it is important to attentively manage some related aspects such as the layout and display of these brands in-store and on the shelves, posing particular attention to the communication policies adopted, in order to reinforce the positive perception of the optimal value for money that PPLs possess. This should be addressed to create and support their brand distinctiveness, so as to generate satisfaction and stimulate affective and sensorial aspects to these brands in order to consolidate loyalty.

Findings confirm the important role played by customer satisfaction in nurturing store loyalty, leading to foster the importance of paying due attention to the retail policies able to satisfy customers, namely retail service quality, considered as a key antecedent of customer satisfaction (Brady and Robertson 2001; Iacobucci et al. 1995; Martinelli and Balboni 2012).

Nevertheless, the standardized beta values obtained by the tested models allow to state that loyalty to the PPL



is the major predictor of store loyalty, with a similar effect as the one reached by store involvement. From this point of view, our results state that even in the case of grocery purchases, traditionally considered as a routinely activity, for which consumers show low level of involvement, the capacity of the retailer to develop an involving and affective relationship with the PPL is an important backbone in order to stimulate customers to become loyal. This would result in the acknowledgement that the creation of pleasant buying environments, in which the shopping experience created for the demand is carefully nurtured - acting in particular on the tools concerned with store atmosphere, layout, sensory marketing - could become a critical factor in order to support the virtue process of customer loyalty.

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## Could the greenbashing be a solution for the environmental advertising failures?

Green bashing is a new type of environmental ads, based on the sarcasm of the environmentalists (Monnot and Renniou, 2013). Toward green advertising. Rare are the research that studied green bashing ads. This research is the first attempt to enrich the marketing literature and to provide a framework to analyze green bashing ads. We conducted a qualitative research to study how consumers and experts in the advertising field perceive green bashing. We used two methods to collect data: the netnography and interviews with experts in the advertising field. The results show that green bashing is perceived negatively by consumers and seems to have a negative impact on the brand image and the consumer's purchase behavior.

*Key words: Brand image, consumer's skepticism, green advertising, green bashing.*

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## Introduction and objectives

Green advertising have boomed in recent years (Delmas and Burbano, 2011). This increase is mainly due to the growth of the environmental awareness of consumers. Green advertising was initially integrated as a marketing strategy by large industry entities such as chemical and energy companies, which are often criticized as responsible of environmental degradation. These companies launch green advertising in order to create positive attitudes toward environmentally friendly companies (D'Souza and Taghian, 2005), to address the link between the product and the environment and to improve the socially responsible corporate image of firms (Banerjee et al., 1995; Prane, 2010). But, green advertising has failed to convey real environmental benefits for the brand (Chan, 2004), and did not guarantee a green image based on honesty and trust (Peattie and Crane, 2005). Actually, three main problems confront green advertising: poor credibility, consumer skepticism, and consumer confusion (Winn and Angell, 2000). Many companies try to overcome these problems by launching greenbashing ads.

Greenbashing is a new type of environmental ads, based on the sarcasm of the environmentalists (Monnot and Renniou, 2013). The term of green bashing was coined by Shapiro in 2009 to describe catastrophic costs and unforeseen dangers that undermine the progressive environmental programs. In practice, many journalists, bloggers, advertising professionals and websites specified in ads analysis have used this term to describe ads that mock the ecologists (Figure 1). Thus, we employ in this research the term of greenbashing as an eco-sarcasm in advertisements.

The eco-sarcastic ads are a new wave of environmental ads used extensively in recent years especially by the industrial sector. These ads are distinguished from other classical environmental communications by the sense of irony and the proactive attempt of the companies to criticize the "greens".

Although much several papers has been published in academic journals about green advertising (Leonidou and Leonidou, 2011; Richards, 2013), much less has been published about green bashing ads. The main theoretical objective of this research is to enrich the marketing literature and to provide a framework to analyze these ads. Furthermore, this research has a managerial objective, as it aims to give managers recommendations to improve the efficiency of their green communication, and to better respond to the consumers' expectations.



Figure 1: Examples on the use of professionals, journalists, bloggers and advertisers for the term greenbashing as eco-sarcasm.

This paper will attempt to contribute to the green advertising literature by exploring the concept of greenbashing ads. We begin by reviewing literature on green advertising and provocative ads. Next, we describe the research methods used in this research. Further, we expose the main results obtained. Finally, we consider limitations of our study, identify promising avenues for further research and suggest some managerial implications.

The research problematic is the following: Why do some companies use greenbashing in their ads? To what extent has greenbashing been effective?

Several research questions arise out of this problematic and are grouped into three sub-categories: descriptive, explanatory and prospects: (1) What are the principle characteristics of greenbashing? (2) How consumers perceive these ads? (3) Why have companies chosen greenbashing compared to other conventional environmental ads? (4) What are the principle limits of this type of ads? (5) What is the future of greenbashing?

## Literature review

A question mark might be asked on greenbashing about its classification as green advertising. In reality, despite the eco-sarcasm, these ads transmit to the consumer the environmental benefit and the environmental promise of a product, for example: it consumes less CO<sub>2</sub>, tires which consume less fuel, a hybrid car, etc. Green advertising by definition is a means to stimulate the demand for environmental products (Carlson, Grove and Kangun, 1993). Accordingly, we consider greenbashing as a new kind of green ads. In effect, this research will provide a framework to analyze these ads, based on research on consumer skepticism toward green advertising (Obermiller and Spangenberg, 1998; Mohr et al., 1998) and work on the provocative ads (Paul and Vezina, 1997).

## Green advertising and consumer's skepticism

Based on bibliometric tools (Scopus and Web of knowledge), we observe that there is a gradual increase in the academic research dealing with the topic of environmental advertising. We can justify this progressive increase in research by several factors. First of all,

green marketing and green advertising practices have increased (Delmas and Burbano, 2010), which requires academic research studying the strategic benefits of these practices. Secondly, the environmental concern has now become a major issue for consumers which also justifies the importance of these research (Bush, 2008). And finally, we cannot ignore that green advertising has become an important theme for several academic journals, such as "Journal of Consumer Marketing" and "Journal of Advertising". This evolution in the academic research production dealing with green marketing and environmental advertising will not stop. The management of the environment is among the emerging themes in marketing (Beji-Becheur et al., 2013).

The research addressing environmental advertising have sought to identify primarily, the role of consumers' psychographic characteristics in the explanation of attitudes and pro-environmental behavior (Davis, 1993; Shrum et al., 1995; Diamantopoulos et al., 2003). Further, other authors have examined the influence of the environmental ads content on consumer behavior toward the product and the brand (Manrai et al., 1997; Dardis and Shen, 2008).

In addition, an important stream of research on the credibility of environmental ads has been developed (Kangun and Polonsky, 1995; Mohr et al., 1998; Obermiller and Spangenberg, 1998; Winn and Angell, 2000; Peattie and Crane, 2005; Do Paço and Reis, 2012). In effect, some critics have accompanied the evolution of the environmental ads. The main critics that researchers have mentioned are the lack of credibility of those ads and the confusion among consumers regarding environmental claims (Mohr et al., 1998; Obermiller and Spangenberg, 1998; Chang, 2011). These limitations of environmental ads cause skepticism from the consumer's side. The literature studied the main causes of the decline in the credibility of environmental ads, and examined the effect of the consumer's skepticism on the consumer behavior (Do Paço and Reis, 2012; Richards, 2013; Matthes and Wonneberger, 2014; Bailey et al., 2014). According to Richards (2013) and Fowler and Close (2013), the consumer skepticism toward environmental advertising is growing more and more. Many companies have changed their communication strategies in order to gain more confidence and to avoid skepticism among consumers. The new ads called greenbashing are based on humor and provocation.

### **Provocative advertising**

The provocation-based execution strategy is actually one of the most important strategies executed by advertisers (Laadhar and Romdhane, 2013). The provocative ads use initiatives that were previously foreign to the traditional ads, like death, violence, religious political issues and nudity. The provocation in advertising

has emerged since the 80s and many firms have used it in their advertising campaigns (Laadhar and Romdhane, 2013). In fact, the brand Benetton was the pioneer in launching such provocative ads; the brand shocked consumers by using taboo topics like religion, sex, war, etc.

Academic attention to the provocative ads dates back to the 1980s, but interest in such ads has grown exponentially after 1995. The evolutionary path in this research has witnessed the definition of these ads and more particularly, the introduction of various new concepts like sexuality in ads (Jacobson and Mazur, 1995), social taboos (Tissier-Desbordes and Manceau, 1999) and violence in ads (Bushman and Bonacci, 2002). However, a key unifying concept in the development of this literature is the provocation. The principle of provocative ads is to use taboo subjects and try to target consumer's feelings (De Pelsmacker and Van den Bergh, 1996). In fact, the effect of the provocative ads on the receiver's attitudes has been the focus of plenty of research (Vezina and Paul, 1997; De Barnier et al., 2004; Pope et al., 2004). Other authors have also investigated the negative effect of some provocative ads on consumer behavior and on brand image (Kirchler and De Rosa, 1998; Tissier-Desbordes and Manceau, 1999). On the other hand, the provocative environmental ads had rarely been probed.

Greenbashing is considered as a humorous provocative advertising, the latter is regarded as the mixture of humor and provocative appeal (Morris et al., 2004). The provocation is defined by Vezina and Paul (1997), as "*deliberate appeal, within the content of an ad, to stimuli that are expected to shock at least a portion of the audience, both because they are associated with values, norms or taboos that are not challenged in advertising, and because of their distinctiveness and ambiguity*". From this definition, we deduce that the provocation is based on three criteria: the difference or the originality, the ambiguity of the advertising message and transgression of norms using taboos. Although greenbashing ads have not used ancient taboos topics like sexuality and violence, they were able to be original and different from the other environmental ads in mocking on the environmentalists (Monnot and Renniou, 2013). Moreover, these ads have stimulated a shock to the citizens and to a portion of the company's target. An advertisement which promotes an environmental benefit for a product and mocks environmentalists in the same time, made a shock for the consumers. In addition, the eco-sarcasm in these ads while the consumers have become more aware about the ecology, and while the environmental associations are active more than ever (Szarka, 2013) make these ads provocative. All of these factors have served to receive a great deal of discussion in social media websites and in blogs of professionals in the field of advertising.

### Method

In this research we mobilized semi-structured interviews and the netnography. We conducted 23 semi-structured interviews with experts in the field of advertising. We used the criterion of saturation as a stopping criterion of interviews (Miles and Huberman, 2003). The experts interviewed were corporate communication managers in different enterprises (Examples: Daddy sucre, Arbrevet, Ecover, Lea nature, Cetelem), marketing and communication consultants and directors of advertising agencies (Examples: RC2C Agency, Icom agency, Sidièse Agency, Greenbox).

The interviews were conducted by telephone and recorded. The interview guideline was structured into several parts, as recommended by Gavard-Perret and his colleagues (2008). The first part was the introduction and aims to explain the approach taken during the interview, and then to ask a general question to the experts. In the second part of the interview, we asked the interviewees the principal questions about greenbashing (the characteristics of these ads, the limits and the advantages of these ads). The last part was a conclusion and aimed to reformulate and validate the contents of the interview. The average duration of the interview was 35 minutes. Three tasks have followed the conduct of the interviews: 1) the interview transcription; 2) the codification through Nvivo and 3) the presentation of the data (Miles and Huberman, 2003).

Concerning the netnography, the objective of using this method is to explore how consumers perceive greenbashing from their comments on these ads in social media and from their posts on several blogs and websites. The netnography allows the researcher to observe the interaction between the individuals online without interfering (Bernard, 2004). The first stage of the netnography is to make an "entry" (Kozinets, 2002). First of all, we have identified on the Net some virtual communities with a concordance with our research questions. The following step was to filter the pages and the most relevant blogs compared to the research problem. The communities that had a flow of information, included active members and presented the richest data in link with our research problem were selected. In addition to these communities, it was also important to choose websites that provide a high degree of interaction with the participants (Kozinets, 2010). To do this, we have observed also the comments on "Youtube" about greenbashing ads, where we have seen a significant level of interactions between the members discussing these ads. Then we downloaded all of these messages through "copy-paste" in a Word file. Then, we have carried out several roundtrips between the marketing literature and the data before being able to generate relevant interpretations of the data. Finally, we coded these messages using Nvivo in order to generate and organize

the coding. Concerning the verification by the members, we have adopted the posture of Langer and Beckman (2005) which recommends that the researcher does not come into contact with the members of the community. The netnographic study was conducted between January and June 2014.

### Findings

The results from netnography and the interviews are summarized below.

#### *1) The principle characteristics of greenbashing*

We aim in this research to provide a better comprehension of greenbashing ads. For the interviewed, these publicities have emerged after the year 2009. Volkswagen was the pioneer in launching these ads. Later on, "*many brands followed Volkswagen and started to make these ads, there is more than 30 greenbashing ads till now* (Alexandre Pasche, consultant)". The first characteristic of these ads concerns the irony in the messages content. In effect, since the existence of environmental advertising, the consumer was accustomed to a specific type of ads which highlights the congruence between the values and actions and those expected by the company (Suchman, 1995). The classical environmental ads have been characterized by a narrative and argumentative content in order to give meaning to these actions and to persuade consumers in the environmental benefit of the product. But the new wave of environmental ads (the greenbashing ads) is characterized by the sarcastic content and differs from other conventional environmental ads. The advertisers use "*the sarcasm on the ecologists and play on the overexposure of sustainable development and the annoyance of some consumers*" (Christophe Bultel, Director of advertising agency). We often find in the greenbashing ads "*environmental militants who try to promote a product in a ridiculous way, poking fun of the speech and the requirements of the "greens" for a world without ecological problems*" (Solange Hemerey, consultant). Other ads have diverted terms often used by ecologists like eco-responsible product, ecological product and green brand. For example, "*Honda diverts the expression "eco-responsible to display the slogan ego-responsible"* (Lisa Buono, communication manager) (Appendix 1). The second characteristic of greenbashing ads is the promotion of the environmental commitment. These ads convey environmental benefits for product, "*We always see in the last part of these ads a description of the product and more especially the environmental commitment of the product and its environmental benefit*" (Christophe Bultel, Director of advertising agency). The third characteristic lies in the ability of these ads to attract the consumers' attention, "*greenbashing ads are able to draw attention of the consumers and the advertising*



professionals for a new type of ads” (Franck Bigot, Director of advertising agency). The last characteristic evoked by the experts is related to the international aspect of the greenbashing ads as these latter were used in many countries, “These ads were launched in Europe, especially in France and in Australia and U.S.A by many brands” (Alexandre Pasche, Consultant).

### **2) The reasons of choosing greenbashing ads**

The experts have given some justifications for launching greenbashing ads. Firstly, the advertisers sought to launch a memorable ad. On this issue, one respondent admitted that “the companies wanted to have a memorable ad because memorization of ads is one of the criteria of ads efficiency” (Daniel Luciani, director of an advertising agency). Secondly, the advertisers were seeking to capture customers’ attention, “these ads aim to attract the consumers, the ads are not liked anymore by the consumers and the advertiser knows that. The advertisers try to attract the consumers, and in my opinion, these ads were able to attract the consumers. We can see the number of views in YouTube for these ads, over 200000 views, while the other conventional ads have 1000 views” (Alexandre Pasche, consultant). Thirdly, the greenbashing ads appear to be a response to the consumers’ weariness from the ecological issues, “the consumers have begun to express a kind of weariness from the ecology, we can see that in social media, and even some politicians have expressed this weariness. And I think that greenbashing is a reaction from the firms to this weariness and an attempt to exploit this weariness” (Charlotte Arnal, director of advertising agency). Fourthly, the interviewed have mentioned the identity of the company as one of the main reasons for choosing these ads. The companies that have launched these ads are industrial companies that are not involved in the sustainable development, and because these companies do not want to comply with the requirements, or because the other competitive brands are more innovative in this area. These companies ridicule and mock the ecology to show that the environmental issue is not important. Finally, firms choose to adopt greenbashing ads because of their differentiation benefits: “the firms have chosen the greenbashing to differentiate from other brands and to distinguish itself from other conventional environmental ads” (Yves Cappelaire, consultant). Moreover, the advertisers seek through these ads to enhance the company’s notoriety, “the companies wanted to launch an advertising campaign that can make provocation in society and gain notoriety” (Daniel Luciani, director of an advertising agency).

### **3) Perceptions and impacts of greenbashing ads**

The interviewed have cited many critics to greenbashing ads. The main one is that the sarcastic

content of these ads is easily criticized by the stakeholders, “I don’t think it is a good strategy because firms will face 3 enemies: NGOS, Medias and blogs that will disassemble and criticize these ads easily. And moreover these ads will be criticized by the customers who have become more aware and concern about the ecology and will not accept this type of ads that mocks the environmentalists” (Alexandre Pasche, consultant). According to the experts, greenbashing ads seem to present some limitations. In effect, greenbashing ads are perceived as irresponsible and this for many reasons. First of all, because these ads poke fun on the ecologists “these ads make fun of the environmentalists and it’s not a responsible act to critic a large community” (Christophe Bultel, director of advertising agency). Second, because these ads do not promote ecological and social behavior, “there is a great risk to send a signal to citizens to raise the feet on efforts already started to solve the environmental problems, so it takes the risk of depreciating the value of the efforts in ecology” (Gildas Bonnel, director of advertising agency). Greenbashing ads were perceived as an anti-ecological practice. They correspond to an anti-ecological phenomenon in the society. For the consumers, this movement is dangerous, unacceptable and should be prohibited by law, Anthony affirms that “an anti-ecology» mode begins to democratize via advertising and Internet: social network and other, etc. It is for me, a criminal limit practice! This kind of ideas and movements should be reprimanded by the law in the same way as racism!”

The consumers either in Europe or in Anglo-Saxon countries have criticized these ads on Internet, and have showed strong discontent and rejection of greenbashing ads. The critiques have been addressed on the credibility of the content of these advertisements. The word “hypocrisy” has been largely used in the messages in the virtual communities and refer to the inconsistencies in these ads. From the consumer’s point of view, an advertisement mocking ecologists and trying to persuade the consumer in an environmental benefit for a product in the same ad is not a credible advertisement, Michael comments: «What hypocrisy on the part of Volkswagen, it defends fossil energy by ridiculing the ecology (under the guise of humor), on the other, it boasts to reject low CO2 emissions, thereby admitting even pollution that it includes! They turn to ridicule the environmental problem, it is appalling”. Other criticisms were addressed by consumers to greenbashing ads, especially on the humor based on the sarcasm. This type of humor is considered as unacceptable and has skipped the comedy by issuing an advertisement which affects negatively the consumers’ emotions. Thus, this provocative humor has a negative impact on the affective attitude of the consumer and makes him more skeptic toward the ad, Georges says: “This is not funny to hurt people feelings like the ecologists who combat for a better world without

*pollution,” “my first reaction was smiling! But on the merits, these ads that mock the environmental problems grow my doubts in the firms”. Furthermore, greenbashing ads have disappointed consumers and did not meet their expectations, Sarah adds: “the environmental promise is everywhere in this ad and misleading the consumer while it is in fact a CO2 transmitter product, and encourages consumers to travel by car and not use other soft modes of travel. I am really disappointed because that sarcastic, or exactly the cartoonish tone and the vilification against environmentalists tend to make believe that they are utopians and Good Year is realistic, while this company uses the content and the form of its advertising to go against the ecological approach.”*

Consequently, the negative perception toward greenbashing may lead the consumers to reject products promoted in these ads: *“Thanks for this ad; this is another reason for not buying Volkswagen”* (Simon) and even more to boycott the brand: *“Let’s boycott this brand; this is not even worth that it offers tires “badyear” to my next change of tires”* (Peter). Also, these ads seem to impact negatively the brand image, *“the disadvantage of these ads that the customer could believe that it is a “greenbasher” company that it is not concerned about the ecology* (Ricky Dackouny, director of advertising agency). Another expert told us, *“these ads have given a tainted image on the company to consumers”* (Lisa Buono, communication manager). For these reasons, the experts think that greenbashing will not be used extensively in the coming years, *“I don’t think the companies will use these ads in the future, because the environmental issues have become very important for the consumers. So, I don’t believe that the companies will make fun again of the ecological topics”* (Thomas Albisser, director of advertising agency).

### Discussion

In this research we aimed to contribute to enrich the green advertising literature by exploring the concept of greenbashing ads. Several interesting findings emerged from our study. First, when comparisons between the conventional green ads and the greenbashing ads, it appears that the irony in greenbashing ads content and the superiority in ability of these ads to capture attention are the main elements of difference between these types of advertisement. In effect, advertisements containing irony are at risk of being misunderstood and publicly denounced (Lagerwerf, 2007). By contrast, the ability of these ads to attract the consumer’s attention is an advantage for the advertisers (Pieters et al., 2002). On the other hand, the results of our research show that greenbashing ads and the conventional ads, both, seek to transmit the environmental benefit for a product and to improve the socially responsible corporate image (Pranee, 2010).

Second, the results of this research show a negative effect of provocative ads on the consumer behavior and the brand image. In fact, greenbashing ads did not coincide with the expectations and the perceptions of consumers and did not guarantee a green image for brand. This supports the previous conclusions (Kirchler and De Rosa, 1998; Tissier-Desbordes and Manceau, 1999), which underline that some provocative ads had a negative impact on brand image. Greenbashing ads have failed also to avoid the skepticism among consumers toward green advertisements in general (Mohr, Eroglu, and Ellen, 1998; Helm, 2004; Jacques, 2006; Do Paço and Reis, 2012). Greenbashing ads seem to not be able to win the trust and confidence of customers. The difficulty of specifying the company’s true environmental stance in these ads has resulted in skepticism and has increased suspicious on these ads. So, greenbashing ads did not achieve two of its main goals: to decrease the skepticism among consumers and to guarantee a green image for brand. Also, the greenbashing ads lack credibility and lead to confusion among consumers. If these problems were not overcome by greenbashing, then the effectiveness is doubtful and the choice of these ads instead of the conventional green ads is questionable.

Third, the findings of this research reveal that many firms have issued greenbashing ads because their competitors are more developed in term of sustainable development and have already the environmental commitment as a competitive advantage. So, companies issuing greenbashing ads avoid actually to take the green root and give up on the environmental challenge with other competitors. These results confirm the previous findings of some research (Moquet, 2005; Robert-Demontrond and Joyeau, 2010) that showed a «resistance» of some companies towards the integration of sustainable norms.

Last, according to many researchers, a humorous advertisement elicit a positive attitude towards the brand, grab attentions and attracts viewer’s interest, increase purchase intentions and generate a strong memory for the brand claims (Spotts et al., 1997; Clow, 2007). But greenbashing ads like other ads which use the offensive humor become the target of criticism and resentment from audiences (Gulas et al., 2006). In effect, the humor which targets at a particular individual, a public figure or a social group can offend the target and the people who have an affinity with the target (Gulas et al., 2006). This type of humor can be found offensive to those who belong to this social group (the ecologists in case of greenbashing ads), leaving the effectiveness of humor questionable as it may work as a negative factor.

### Limitations

Our results should nonetheless be considered with some caution in view of certain methodological limitations. The first limitation is linked to the fact that

the study did not mobilized communication managers of companies which have already launched greenbashing ads. Interviewing these persons would enrich our research by providing us more details on the efficiency of these ads. Another limitation is that the consumers' perceptions of greenbashing ads have been studied by using the netnography. Actually, the netnography focuses only on online communities, and in the case of our research this method is insufficient to generalize the findings obtained from a particular online group to other groups (Kozinets, 2002).

### Future research

Future research should take into account the limitations indicated. It would be enlightening to conduct an experimental study to examine the perceptions of a representative sample of consumers toward greenbashing ads. This would confer greater validity to the results. Future studies should also investigate the impacts of greenbashing on some important variables like the consumers purchasing behavior toward the products promoted in greenbashing ads (Ankit and Mayur, 2013), the attitudes towards the brand (Hartman et al., 2005) and the pro-environmental consumer behavior (Diamantopoulos et al., 2003).

### Managerial Implications

On final element to which this paper draws attentions is the managerial implications. The effectiveness and reliability of environmental ads are an important issue for marketing and communication managers, who try to be more environmentally responsible (Alniacik and Yilmaz, 2012). This research offers important new insights for marketing managers into greenbashing ads efficiency. A clearly important finding of this study involves the consumers' reject to greenbashing ads. Managers need to step back and take a fresh look at green advertising. Green advertising, when applied honestly and based on realities of the environmental commitment of the firm, will lead to greater impact for the customer, company and society (Peattie and Charter, 2003). Marketing managers should carry out more credible green ads in order to gain the customer's confidence. The advertisement must be able to justify the discourse by a label or a scientific source. In addition, advertisement should not mislead the stakeholders on the reality of the actions or the properties of the product. Brands must issue a message explaining the progress and the environmental objectives that they have yet to achieve. Assuming the weaknesses, the brand will demonstrate maturity to its target and the environmental ads will be more credibly perceived. Also, the advertisers who want to convey messages about their environmental commitment and integrate the humor in their ads, are ought to pay attention to the "eco-sarcasm" in these ads. We observed that the eco-sarcasm is rejected by the consumers. Marketers and policy makers

should continue to address the increasing environmental concern and the humor and must not go into provocation and mock.

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## Appendix 1





## Sustainable supply chain in the context of primary studies of the polish Market

The aim of this paper is to determine barriers and advantages connected with SSC implementation and reasons for undertaking socially responsible actions in a supply chain. The research was conducted among the Polish companies with the usage of structure questionnaire. As a result of the research, it has been assumed that despite the increase of the awareness of SSC importance, there is a research gap in terms of primary analysis regarding SSC implementation in the Polish market and the questions formulated in the context of the paper's aim have been answered.

*Key words: sustainability supply chain*

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## Introduction

The interest in Sustainability Supply Chain (SSC) has been growing year after year, which is exemplified by many review studies in which the increase of interest in SSC from theoretical and practical side is stressed. Carter and Rogers define Sustainable Supply Chain Management (SSCM) as the strategic achievement and integration of an organization's social, environmental, and economic goals through the systemic coordination of key inter-organizational business processes to improve the long-term economic performance of the individual company and its value network (Carter and Rogers 2008, p. 368); The United Nations Global Compact refers to supply chain sustainability (SSC) and defines this as the management of environmental, social and economic impacts and the encouragement of good governance practices, throughout the lifecycles of goods and services (2010, p. 7). SSC is a development of Corporate Social Responsibility (CSR) in the context of horizontally integrated companies. CSR is a concept whereby a company accepts economic, legal and ethical accountability for the effects of its operations and also is involved.

## Sustainability supply chain-theoretical background

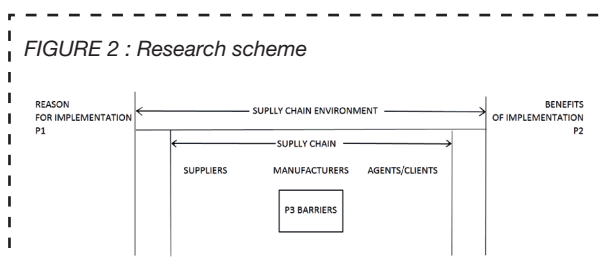
The current literature reviews on SSC include:

- the literature review on sustainable supply chains during the last decade: 2000–2010. The review form different perspectives (Hassini, et al., 2012),
- the literature review on sustainable supply chain management taking 191 papers published from 1994 to 2007 into account (Seuring and Mueller, 2008),
- the nine theories (Complexity; Ecological Modernization; Information; Institutional; Resource Based View; Resource Dependence; Social Network; Stakeholder; Transaction Cost Economics), which can be useful when building and implementing green (sustainable) supply chain (Sarkis, et al., 2011),
- the review of the literature on identifying six themes applied to SSCM-related research, i.e. Reporting, Governance, Integration of CSR, Performance measurement, Standards and monitoring, Collaboration (Morali and Searcy, 2013),
- the literature review on the major elements of implementing sustainability in a manufacturing supply chain according to APICS, i.e. Process innovation, Clean production, Closed-loop manufacturing, Reverse logistics, Sustainable procurement or green purchasing, Life Cycle Management (So, et al., 2012),
- the theoretical overview of existing concepts and theories in supply chain management and buyer - seller relationships literature, which might be of particular relevance to SSCM (Chkanikova, 2012).

## Research question and conceptual framework

The issue of a supply chain is the most frequently discussed topic within CSR, as one of its elements. There is still too few studies focused only on SSC and too few research on the character of its implementation in a particular country. The discussion on SSC is the most frequently led as one of the elements of CSR, particularly in the context of relations with suppliers. For example, in one of the study concerning the Polish market the idea of CSR is interpreted in relations between retail chains and suppliers in the context of: offering suppliers a longer period of cooperation, guaranteeing minimal order volumes, meeting payments, avoiding dishonest practices, as well as a straightforward specification of who and to what extent bears the cost of e.g. developing packaging, or launching new products. It is equally significant to create the basis for optimization of costs, reducing risk, improvement of image, or cooperation in developing new products and services (Bilinska-Reformat and Stefanska 2014, p. 5).

The focus of the following research is to present the level of the selected CSR actions in the supply chain on the example of the Polish companies. The presented analyses are simultaneously the attempt to fill in partially the research gap connected with the fact that in the Polish or foreign literature regarding the Polish market the studies have mainly a theoretical character (Brzozowska i Nowakowska 2013; CSR w łańcuchach dostaw 2012; Cwik 2011, Gołaszewska-Kaczan 2011; Jałowiec 2012; Jastrzebska 2011; Kisperska-Moron 2012; Klopott 2009; Płaczek, 2012; Rudnicka 2011; Sieniawski i Porter 2012; Stefanska 2014a, 2014b; Szpreglewska i Zieba, 2013) and rarely refer to primary studies (Dzoga et al. 2010; Kostrzewa 2013; Odpowiedzialny łańcuch dostaw 2010; Small Suppliers in Global Supply Chains 2008). The research attempted to identify the barriers and advantages connected with implementing the idea of SSC and reasons for which companies undertake CSR actions in a supply chain– Figure 2.



Source: Own work.

Summing up, the following research questions have been formulated:

- (P1) What factors determine undertaking SSC actions?
- (P2) What kind of advantages gives the involvement in SSC actions?
- (P3) What kinds of barriers are on the way to implement SSC?



### Research methodology and sample characteristics

The research had an identification character and can be an introduction to further developed analyses. It was conducted among the Polish companies, which undertake at least to a minimum degree the actions within CSR along the supply chain. The characteristics of the companies selected for the research is presented in Table 1.

TABLE 1. Characteristics of the companies

Company size	Number of responses	Percent
small+micro	38	36,9
medium	37	35,9
large	28	27,2
<b>Total</b>	<b>103</b>	<b>100,0</b>
Chain of sales	Number of responses	Percent
manufacturers	19	18,4
service	37	35,9
trade	35	34,0
others	12	11,7
<b>Total</b>	<b>103</b>	<b>100,0</b>
Capital	Number of responses	Percent
Polish	55	53,4
foreign	29	28,2
mixed	19	18,4
<b>Total</b>	<b>103</b>	<b>100,0</b>
Scope of actions	Number of responses	Percent
regional	16	15,5
domestic	36	35,0
international	51	49,5
<b>Total</b>	<b>103</b>	<b>100,0</b>

Source: Ownwork.

The research was conducted in 2014 on the purpose sample of companies. The method of snowball sampling was used in the implementation of the research. This method is used in case of population consisting of the specific entities which are difficult to identify and to reach and in situations when there is lack of a sampling frame or when the researcher has little budget. Snowball sampling, despite many limitations and dangers, broadly discussed in the literature of the subject (Biernacki and Waldorf 1981; Shaghghi et al. 2011) might be a starting point for the development of the research with the use of triangulation and be the ground for identification the problematic issues in the research area. The choice of the method was determined by the difficulty of data gathering about the topic which is not spread in the Polish market and the lack of sampling frame.

The fact that very few companies report CSR in a professional and comprehensive way (<http://odpowiedzialnybiznes.pl/>) and at the same time report less issues regarding SSC, justifies the low level of SSC implementation and even implementing it to a lesser extent (Stefanska 2014a, 2014b). Therefore there is few companies, which have a complex SSC programme.

These which implement it are usually at the initial stage of its development, which is difficult to communicate as an advantage or anything which a company should boast and inform about. The following criteria have been taken into account when sampling the companies:

- the company has been recognized in the business world as a one which has undertaken SSC initiative,
- the representative of the company agreed that the research was conducted.

In order to increase the credibility of the responses the research was conducted in the area of WielkopolskieVoivodeship. Adopting such limitation allowed to conduct the interviews directly with the company representatives with the use of a structured questionnaire. In the questionnaire the questions was constructed with the use of nominal and ordinal scales. During the research there was an opportunity to explain the possible merit doubts and check the correctness of the answers. As a result of the research, 103 questionnaires were correctly filled in. The data was encrypted and processed with the use of SPSS software.

### Findings

#### 1. Factors determining the implementation of SSC

Among the factors which determine SCC actions one can distinguish these which come from the interior of the company (the existing corporate culture, attitudes and ideas which influence the company, leading social strategy to differ from the competition, employee requirements) and these which come from the exterior of the company, which depend on:

- elements of a supply chain (supplier requirements, agent/recipient requirements, client/customer requirements, policies of logistic companies, which provide services to the chain),
- market (investors requirements, level of competition, globalization of actions and international pressure, business and industry organization pressure) and
- farther company environment (pressure of local society, pressure of media, public opinion, governmental policy and local government policy, rules and regulations regarding environmental protection, human rights, international conventions and contracts etc.).

The review of many research results has been a basis to distinguish several meaningful factors having influence on undertaking actions within SSC (Brammer et al. 2011).<sup>1</sup> These are: consumer pressure/concerns, government legislation/regulation, societal/public concern, NGO/pressure groups.

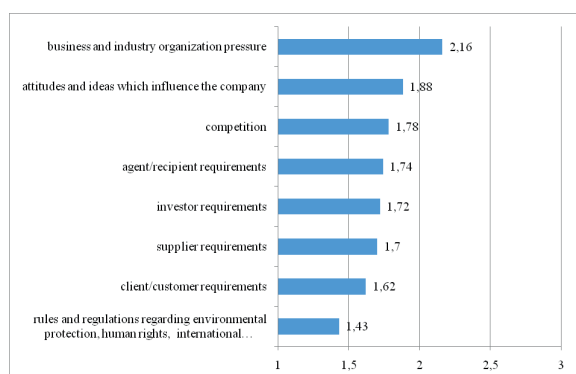
It results from the conducted studies that only some of the mentioned factors have significant statistical meaning for undertaking SSC actions – Figure 3. To these belong factors connected with natural environment and

<sup>1</sup> The analysis was conducted on the basis of the literature review using widely available search including the Web of Science and EBSCO Business source Premier databases.

key stakeholders in the supply chain. It may be therefore assumed that there is a lack of systemic solutions on the central and regional level which would activate the companies to such types of actions and that there is a little awareness of the society in this area.

The fact that respondents draw more attention to environmental issues results clearly from the regulations of law, which make companies draw more attention to environmental protection.

FIGURE 3. Reasons for undertaking SSC actions



Variables statistically significant, test Chi sq.,  $p < 0.01$ ; 1- important factor, 2 – moderate meaning factor, 3-non-important factor

Source: Own work

Moreover, the SSC initiatives of the supply chain participants can be justified from the one side by expectations of the weaker supply chain elements, and from the other side by the willingness of companies dominating the chain to be socially responsible companies. The second case is therefore about making the market effects. The lack of systemic solutions and the SSC policies developed both on regional and national level as well as low level of the culture in this area causes that the farther environment of the investigated companies, directly not connected to business is not an incentive for SSC actions.

Summing up, the results of the analysis show that the respondents draw the most attention to undertaking SSC actions by the supply chain participants. External stakeholders were put on the second position, whereas each of the four main groups were assigned medium values so it is difficult to point out to an explicitly significant group.

## 2. Advantages from SSC implementing

The companies gain many multi-dimensional advantages through implementing SSC actions. For example, according to Blackhurst et al. these are (2012)<sup>2</sup>:

- using high standards referring to suppliers (in terms of complying with applicable laws of their country,

restricting bribery, respecting basic human rights, restricting employment of children, prisoners, indentured, bonded labor, and corporal punishment, establishing zero tolerance of harassment, discrimination, physical or mental punishment, or other abuse),

- using new sources and raw materials more environmentally friendly,

- making maps the entire cycle of a product,

- striving for activities of the closed-loop supply chain,

- using alternative energy means (wind, solar, biomass),

- tracking their carbon emissions,

- optimizing routes,

- using minimizing waste technologies, which allow to (Blackhurst et al. 2012):

- improved fleet efficiency,

- improving electric energy, water and gas energy management,

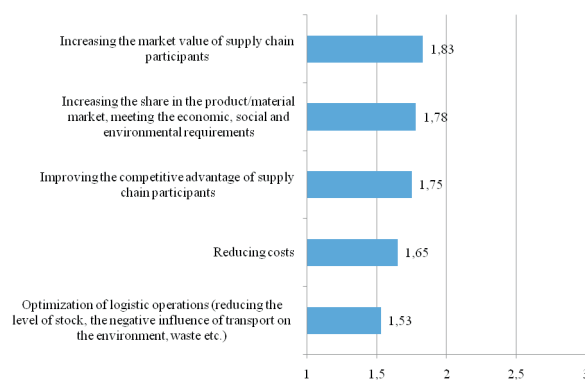
- improving security and working conditions in a supply chain

- reduce the amount of waste in the whole product life cycle

- deliver more sustainable products to the end consumer

The following research attempted to determine advantages resulting from SSC implementation in the context of the interests of the investigated companies.

FIGURE 4. Advantages resulting from SSC implementation



Variables statistically significant, test Chi sq.,  $p < 0.01$ ; 1- important factor, 2 – moderate meaning factor, 3-non-important factor

Source: Own work.

According to the respondents, the development of SSC is connected with the operational advantages regarding logistics (reducing the level of stock, reducing the negative influence of transport on the environment etc.), the reduction of operational costs and the

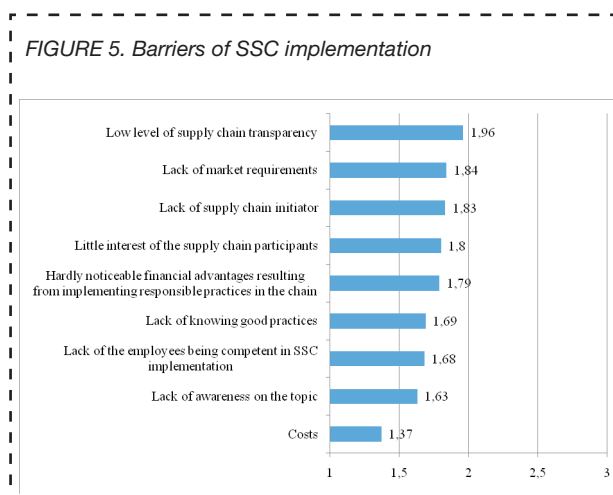
<sup>2</sup> The research conducted on the basis of the six case study analysis in the context of SSC implementation.

improvement of competitive advantage. The respondents notice in the first place the factors which indirectly influence market effects – Figure 4.

### 3. Barriers of SSC implementation

Despite many advantages of SSC, the companies notice many barriers connected with it. Among significant barriers on the way to implement SSC, the following can be distinguished: the lack of return on investment, cost to implement and maintain, not enough resources, lack of knowledge [AlixPartners' 2013 Executive Survey]<sup>3</sup>. It results from the conducted study that costs and the low level of SSC awareness are the most important limitations – Figure 5.

To statistically non-significant variables belong: the lack of initiatives from the side of government (central/regional and local) and governmental organizations, the differences in perceiving social responsibility by different chain elements and the low level of the integration in the chain as well as hardly noticeable non-financial advantages.



Variables statistically significant, test Chi sq.,  $p < 0,01$ ;  
1 - important factor, 2 – moderate meaning factor, 3-non-important factor

Source: Own work

It can be therefore concluded that the barriers on the way to implement SSC result from misunderstanding of its idea. It is connected with the fact that companies perceive SSC as cost-generating, associated mainly with sponsoring, charity actions and social security of employees.

### Discussion of results

Identifying the involvement level of manufacturing chain elements in conducting CSR actions along the supply chain in the Polish market explains the SSC issues and is an incentive to further research challenges. With

reference to the investigated companies it has been concluded that:

- the greatest role in undertaking SSC actions is assigned to supply chain participants,
- conducting socially responsible actions in a supply chain firstly generate indirect market effects,
- the main barriers connected with SSC implementation regard the lack of understanding of its idea.

The research results and the literature analysis are the ground for concluding that the issues of SSC is undoubtedly a new trend on the way to the industrial development and a new trend in scientific research (Alexander and Walker 2012). The so far conducted analyses are diverse and relatively limited in terms of their number (Brammer et al. 2011). The results of world's analyses show that there are still many challenges in the process of permanent integration in SSC in terms of supply chain risk management, SSCM standards, co-operation with suppliers or measuring the research results gained in this field (Moralinad Searcy 2013).

Till now, the researchers have undertaken mainly topics regarding reasons for implementing SSC (Teuteberg and Wittstruck 2010) such as public reporting obligations and standards, reverse logistics and waste avoidance management act, framework for supply chain risk management, development of a reference model for SSCM. Moreover, they have analyzed the issues of CSR in a supply chain first of all, in economic and organizational context (above all with the use of case studies, argumentative deductive research and formal deductive research).

### Managerial implications

SSC idea will support cooperation between supply chain partners and make it more competitive in some circumstances. Among factors which are drivers for SSC are factors connected with natural environment and key stakeholders expectations in the supply chain. These factors strongly influence a strategy of cooperation, and it may be assumed that there is a strong need for systemic solutions in that area. Also although the list of benefits coming from SSC is long, supply chain members are often not aware of it. They concentrate mainly on optimization of costs. What's more, they perceive a long list of barriers which slow down the process of its' implementation. This makes communication crucial for tightening cooperation based on SSC and competitive advantage of the supply chain.

### Further research

It is therefore reasonable to go a step further in the future analyses and concentrate on posing strategic, instrumental and methodological questions. On the

<sup>3</sup> AlixPartners conducted a Web-based survey of 150 C-level and other senior executives at a broad range of companies in the United States and Europe across more than 10 industries.

strategic level it is reasonable to answer the following questions:

- in what direction should SSC management develop?
- how different cultural conditions of the same supply chain should be overcome in the process of SSC implementation?
- how does the process of SSC implementation look like in the countries at the different stage of development and what conclusions can be generated according to that?
- in what segments of intellectual capital is there the biggest deficiency of SSC?

On the instrumental level it is reasonable to discuss the following issues:

- which instruments of SSC implementation succeeded and which failed and which problems occurred as a result of the failure?
- what should the best sequence of implementation of standards and guidelines look like?
- how to combine measure indicators with decision-making processes regarding SSC development?
- why does the knowledge transfer in the discussed area run with different intensity in the case of different chain elements?

On the methodological level the following should be discussed:

- what research method should be used the best to solve the given SSC problem?
- is the fact that SSC research is conducted from one and not from the other research perspective is justified regardless of the frequency of its occurrence in the research?
- what paradigms (ontological and epistemological) are appropriate to solve SSC problems?

The above requirements are getting more and more important facing the occurring statements in the literature that in the context of SSC and intraorganizational integration, knowledge sharing and distribution are crucial (Harm 2011).

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## Counterfeiting and Culture: Consumer Attitudes towards Counterfeit Products

This paper examines how culture influences consumer attitudes and behavior towards counterfeit luxury products. By using structural equation modeling and multigroup analysis on survey data, this paper shows how consumers' attitude towards counterfeits is stronger in Individualist and Feminine countries, and mainly influenced by social consensus and purpose of purchase. To reduce the demand for counterfeits, marketers must therefore adopt culture-specific strategies to address subtle differences among various cultural groups. While counterfeiting should be emphasized as a shameful practice in Individualist countries, more emphasis should be placed on the overall society's well-being rather than individual rights in Collective countries.

*Key words: Counterfeiting, Culture, Cultural influences, Consumer behavior, Counterfeit luxury products*

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## Introduction

In recent years, the world market for counterfeit products – i.e., low quality, unauthorized replicas of products protected by Intellectual Property (IP) rights, usually sold through unauthorized channels at a fraction of the originals' cost – has dramatically increased (ICC, 2011). Among other product categories, luxury products are the most counterfeited, given their high dependence on brand name, reputation and image; they are also very popular with consumers and require relatively simple production technologies (Nia and Zaichkowsky 2000; Penz and Stöttinger 2005; Yoo and Lee 2009). However, counterfeiting cannot be attributed solely to sellers: demand from consumers who knowingly purchase counterfeit goods is, in fact, a major cause for the existence and growth of the phenomenon (Gentry et al. 2001; Norum and Cuno 2011).

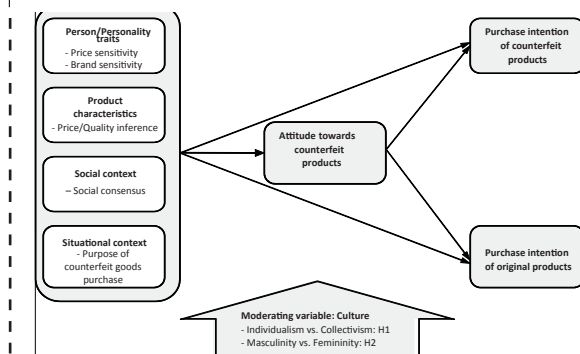
Culture has been identified as a key factor in influencing attitude and purchase intention of counterfeits (Chakraborty et al. 1996; Wan et al. 2009; Ang et al. 2001; Bian and Veloutsou 2007; Chapa et al. 2006; Penz and Stöttinger 2008). With respect to previous studies, however, this work takes into account the fact that culture is a multidimensional issue that affects counterfeit purchases in a complex manner.

The objective of this paper is thus to address such a complexity by studying the moderating effect of culture on the relationships between determinants, attitudes and purchase intentions of counterfeit (vs. original) luxury products. The approach taken is to measure cultural differences through two of Hofstede's (1980) cultural dimensions (Individualism-Collectivism and Masculinity-Femininity, since together they can better represent countries' cultural traits) on a sample of consumers from around the world.

## Conceptual Framework, Research Model and Hypotheses

Previous research has investigated the determinants of consumers' attitudes and purchase intentions of counterfeit products (Staake et al. 2009; Phau and Teah 2009; Bian and Moutinho 2011; Kim et al. 2012; Poddar et al. 2012; Liao and Hsieh 2013). The model proposed here is derived from the studies of Eisend and Schuchert-Güler (2006) and Yoo and Lee (2009), to which we added the cultural moderating variable (Hofstede 1980; Steenkamp et al. 1999). As Figure 1 shows, consumer's purchase intention of counterfeits and of originals is influenced by five determinants, whose effect may be (partly or totally) mediated by consumers' attitude.

Figure 1: Theoretical framework



## Determinants

**Price Sensitivity (PS).** Consumers who are sensitive to price have been found to be more prone to buying counterfeit products rather than original products (Nia and Zaichkowsky 2000). Thus, a high sensitivity to price has a positive effect on counterfeit products' evaluation by the consumer (D'Astous and Gargouri 2001). Price sensitivity can also be representative of a whole set of personal attributes ranging from monthly income to perceived risk (De Matos et al. 2007), value consciousness (Wang et al. 2005) and product involvement (Bian and Moutinho 2011).

**Brand Sensitivity (BS).** Also brand sensitivity positively affects counterfeit purchases (D'Astous and Gargouri 2001). If the consumer has a high sensitivity to the brand, this turns into attraction towards the counterfeit product, as the fake still conveys a 'prestigious' image. Consumers buying luxury products aim to show that they can afford the high prices of famous brand names, purchasing more of both original and counterfeit products (Nia and Zaichkowsky 2000). Developing this idea, brand sensitivity is used in this model to represent personal image (Chuchinprakarn 2003), self-identity (Yoo and Lee 2009), personal gratification and novelty-seeking (Wang et al. 2005).

**Price/Quality inference (P/Q).** In general terms, price advantage associated to counterfeit goods is one of the main motives for their purchase (Albers-Miller 1999). More specifically, however, previous studies have demonstrated that some consumers (*smart shoppers*) will choose counterfeits if they believe that such products are equal to the genuine, except for the fact that they offer a higher price advantage; others, alternatively, believe that the price cut more than compensates the loss of quality (Poddar et al. 2012).

**Social Consensus (SC).** Social consensus refers to the acceptance or rejection of consumers' behavior by a social circle of family members, friends or business associates (Tan 2002). The more adverse the social consensus towards counterfeiting, the lower the intention to purchase fakes by a consumer, and vice



versa. Social consensus also accounts for influences of group membership and aspiration (Chuchinprakarn 2003), ethical conceptions, moral judgments and integrity (De Matos et al. 2007), legality (Wang et al. 2005) and religious beliefs (Penz and Stöttinger 2005).

**Purpose of purchase (PU).** Bian and Veloutsou (2007) tested the effect of the purpose of purchase on attitude towards counterfeit products. They made a distinction between personal use and use as presents, showing how consumers were more willing to buy counterfeits for themselves rather than for others. In turn, counterfeit purchases are usually made for (in descending order) personal use, family member use, gifts to other, exchange with others, and other (Prendergast et al. 2002), and are more likely to occur on holiday rather than at home (Eisend and Schuchert-Güler 2006).

## **Culture as a moderating variable**

Over this basic model, we considered the moderating role played by the cultural dimension. Culture is a subtle factor underlying attitudes, behaviors, perceptions and ideologies that is very difficult to change. Each culture around the globe has its own norms for what its citizens should think, say, do and wear (Lee and Workman 2011). It determines systematic differences in consumer behavior and also affects the needs consumers satisfy through the acquisition and use of goods (Steenkamp et al. 1999). Since counterfeiting is a global phenomenon, analyzing how culture can influence attitudes and behaviors becomes particularly relevant (Penz et al. 2009). Previous studies have demonstrated that culture-specific influences (values, legal norms, ethical codes) push different ethnic groups to behave differently on counterfeiting issues (Chakraborty et al. 1996; Husted 2000). However, the mechanisms through which culture affects consumers' attitudes and purchase intention have not been fully addressed by previous literature.

To empirically analyze cultural influences, this study makes use of Hofstede's (1980) cultural paradigm, and focuses on the role played by Individualism and Masculinity out of the five cultural dimensions identified in the original study<sup>1</sup>. These two variables were chosen since individualistic and masculine countries would likely share many of the same characteristics, such as the desire for individual achievement and preference for autonomy (Clements et al. 2009), and since it has been proven that differences of perceptions of ethicality are associated with both individualism and masculinity (Arnold et al. 2007).

Individualism and collectivism define the degree to which individuals are integrated into groups. They represent the way people relate to others in their society and reflect emotional and cognitive attachments to

particular networks of individuals (Husted 2000). In collectivist cultures, morality is defined in terms of good of the well-being of the group, which means the maintenance of solidarity. On the other hand, in individualist countries, equity is preferred over equality. Collectivistic cultures emphasize mutual obligations and concerns for the needs of the group before those of oneself (Swaidan 2012). Therefore, when referring to counterfeit products, collectivist cultures will propend more towards sharing, since "individual claims on intellectual property are subordinated to more fundamental claims of social well-being" (Steidlmeier 1993). In these societies counterfeiters should flourish since greater product variety and consumption with the purpose of differentiating the purchaser from others are the widespread cultural norms (Santos and Ribeiro 2006). Individualist cultures, by contrast, will tend to condemn counterfeiting much more since individual rights prevail over group interests. Therefore, we claim:

**H1:** *Individualism* will moderate the relationships between determinants, attitudes and purchase intentions. The lower the *Individualism* of a country, the stronger the effect of determinants on purchase intention of counterfeits.

Masculinity vs. femininity refers to the solutions given by countries to the distribution of roles between genders, but also to the emphasis put onto wealth, success, ambition, material things, and achievement (in masculine countries) versus helping others, preserving the environment, and equality (in feminine countries). In masculine countries, ethical issues regarding business are less strongly perceived; such cultures tend to stress competition among people, performance, material success, ostentatious manliness and the pursuit of visible achievement. Therefore it has been suggested that the "success-oriented" mentality of masculine countries fosters corruption, ethically questionable business practices and, therefore, the development of favorable attitudes and purchase intentions of counterfeit goods (Ronkainen and Cusumano 2001; Paul et al. 2006; Santos and Ribeiro 2006; Moores 2008). We therefore state:

**H2:** *Masculinity* will moderate the relationships between determinants, attitudes and purchase intentions. The higher the *Masculinity* of a country, the stronger the effect of determinants on purchase intention of counterfeits.

## **Methodology**

### **Sample and Data Collection**

A sample of university students from various countries was employed for this study. Students were chosen as our respondents in order to increase homogeneity of the sample and to minimize random error caused by selecting the general public (Calder et al. 1981); furthermore, they were chosen since they fall in the age group with a

<sup>1</sup> Hofstede's cultural model was chosen since many studies in international marketing have proved the validity of its variables for cross-cultural analyses (Clark 1990; Soendergaard 1994; Soares et al. 2007, etc.).

# JOURNAL OF MARKETING TRENDS - COUNTERFEIT

financial income that doesn't usually allow them access to genuine luxury products, making them attracted to counterfeits (Gentry et al. 2001). The data was collected on through a website where students took one out of two identical self-administered questionnaires, diverging only on the brand of the products tested. Participation was voluntary; anonymity was ensured and the demographic details were requested purely for statistical analysis. Given the cultural and linguistic diversity of respondents, the questionnaire was developed and submitted only in English under the assumption that all international university students have the same medium-high English knowledge, face the same difficulties in comprehension, and likely interpret the questions in the same way (Lowe and Corkindale 1998). A total of 204 complete responses were received.

## Research Instrument and Measures

The questionnaire consisted of 6 sections and 30 questions. The survey instruments were built by adapting scales validated in previous research. All scales had a good reliability and a good consistency of measure (Cronbach's values are greater than 0.7, except for PS (0.63) - Table 1). Table 2 shows Pearson's correlation tests among individual variables.

TABLE 1: Scales, items, Cronbach's and sources

SCALE ITEMS	AVG	STD DVT	Cronbach e	Source
<b>Section 1. PERSON / PERSONALITY TRAITS</b>				
<b>Price Sensitivity (PS)</b>			0.630	D'Astous & Gagné (2001)
I shop a lot for specials	4.12	1.36		
I find myself checking the prices in the grocery store even for small items	4.74	1.50		
A person can save a lot of money by shopping around for bargains	5.02	1.44		
For me, the price of a product is crucial information	5.37	1.02		
<b>Brand Sensitivity (BS)</b>			0.828	D'Astous & Gagné (2001)
When making a purchase, I always give attention to the brand	4.47	1.48		
In general, a brand tells a lot about a product's quality	4.86	1.37		
For me, a brand name is a very important information	4.46	1.55		
<b>Section 2. PRODUCT CHARACTERISTICS</b>				
<b>Price-Quality Inference (PQ)</b>			0.742	Lee & Workman (2001)
Buying counterfeit products demonstrates that I am a wise shopper	2.48	1.48		
I like counterfeit products because they demonstrate imitative abilities on the part of the counterfeiter	2.48	1.57		
I buy counterfeit products because the prices of the designer products are unfair and overpriced	4.04	2.04		
Counterfeit products are just as good as designer products	2.63	1.63		
<b>Section 3. SOCIAL CONTEXT</b>				
<b>Social Consensus (SC)</b>			0.777	Tan (2002)
Your friends, relatives or associates are against buying counterfeit products	3.83	1.56		
Your friends, relatives or associates regard the act of buying counterfeit products as unethical	3.82	1.54		
<b>Section 4. SITUATIONAL CONTEXT</b>				
<b>Purpose of Counterfeit Products Purchase (PU)</b>			0.790	Bian & Veloutsou (2007)
I am willing to buy counterfeit products for my own use	3.36	1.89		
I often buy counterfeit products for my own use	2.45	1.61		
I am willing to buy counterfeit products as presents	1.89	1.30		
I often buy counterfeit products as presents	1.80	1.17		
<b>Section 5. ATTITUDE</b>				
<b>Attitude (A)</b>			0.872	De Maro et al. (2007)
Considering price, I prefer counterfeit Gucci D&G sunglasses	3.44	2.04		
I like shopping for counterfeit Gucci D&G sunglasses	2.23	1.53		
Buying counterfeit Gucci D&G sunglasses generally benefits the consumer	2.79	1.64		
There's nothing wrong with purchasing counterfeit Gucci D&G sunglasses	3.06	1.82		
Generally speaking, buying counterfeit Gucci D&G sunglasses is a better choice	2.85	1.61		
<b>Section 6. PURCHASE INTENTIONS</b>				
<b>Purchase Intention of Counterfeits (PIC)</b>			0.912	Coyte & Thomson (2001)
It is very likely that I will buy counterfeit Gucci D&G sunglasses	2.31	1.57		
I will purchase counterfeit Gucci D&G the next time I need sunglasses	1.98	1.38		
I will definitely try counterfeit Gucci D&G	2.31	1.57		
Suppose a friend called you last night to get your advice in his/her search for sunglasses. Would you recommend him/her to buy counterfeit Gucci D&G sunglasses?	2.43	1.55		
<b>Purchase Intention of Originals (PIO)</b>				
It is very likely that I will buy original Gucci D&G sunglasses	4.01	1.89		
I will purchase original Gucci D&G the next time I need sunglasses	3.87	1.84		
I will definitely try original Gucci D&G	4.01	1.92		
Suppose a friend called you last night to get your advice in his/her search for sunglasses. Would you recommend him/her to buy original Gucci D&G sunglasses?	4.46	1.68		

TABLE 2: Correlation Analysis

PS	1							
BS	.206**	1						
P/Q	.204**	-.092	1					
SC	-.003	.142*	-.445**	1				
PU	.041	-.086	.613**	-.453**	1			
A	.071	-.022	.594**	-.460**	.594**	1		
PIC	.044	-.030	.616**	-.348**	.597**	.735**	1	
PIO	.118	.187**	-.206**	.327**	-.248**	-.417**	-.251**	1
PS		BS	P/Q	SC	PU	A	PIC	PIO

$\chi^2=234.716$ ;  $df=106$ ;  $\chi^2/df=2.21$ ;  $p=.000$ ; CFI = .900; GFI = .900; RMSEA = .077 (Bollen & Long, 1993). Further details upon request.

Section 1 through 5 used 7-point Likert-type scales ranging from "Strongly Disagree" (1) to "Strongly Agree" (7). Section 6 collected information on the respondents' demographic characteristics, i.e. gender, age, education, occupation, nationality and income (table 3).

TABLE 3: Sample's demographic characteristics

Variable	n	% of total
<b>GENDER</b>		
Male	93	45%
Female	112	55%
<b>AGE</b>		
19-21	53	26%
22-24	111	54%
25-27	25	12%
28-30	8	4%
>30	8	4%
<b>EDUCATION</b>		
1 <sup>st</sup> year	3	1.5%
2 <sup>nd</sup> year	19	9%
3 <sup>rd</sup> year	57	28%
4 <sup>th</sup> year	40	19.5%
5 <sup>th</sup> year	59	29%
6 <sup>th</sup> year	10	5%
7 <sup>th</sup> year	5	2.5%
>7 <sup>th</sup>	12	5.5%
<b>OCCUPATION</b>		
Yes, working while studying	76	37%
No, not working while studying	129	63%
<b>MONTHLY INCOME (€)</b>		
<500	106	52%
500-1,499	69	34%
1,500-2,499	7	3%
2,500-4,999	4	2%
>5,000	2	1%
No answer provided	17	8%

In regards to the two cultural variables, each respondent was assigned to a "high" level or a "low" level of Individualism (IDV) and Masculinity (MAS), depending on whether the value of the two variables for their country-of-origin (taken from Hofstede's 1980 original study) was higher or lower than the average of the respective variables computed across all respondents (table 4).

## Product and Brand Stimuli

Table 4: High vs. Low Individualism and Masculinity

	IDV		MAS	
	n	%	n	%
HIGH (H)	143	70.09	120	58.82
LOW (L)	61	29.91	84	41.18
TOTAL	204	100	204	100

In order to involve the respondents in a hypothetical purchase-intention situation, sections 5 and 6 were about specific products and brands. Given the budget constraints that students usually face, we excluded from our analysis luxurious product categories that were considered too expensive (e.g. dresses, watches, cars). We thus focused on sunglasses since this product

category is widely used among young people. Gucci and Dolce&Gabbana brands were chosen since both are famous Italian luxury brands and among the most counterfeited worldwide.

### Procedure

After having collected all responses to the questionnaire, we first performed descriptive statistics on the data; then, using AMOS 17 software, we performed a Confirmatory Factor Analysis (CFA) to verify the consistency of the measurements of our constructs; finally, we ran the overall model using Structural Equations Modeling (SEM) and performed multigroup analysis in order to test the cultural moderation of Individualism and Masculinity. Critical ratios for difference between parameters were calculated in order to verify whether the differences for each parameter between high and low IDV/MAS countries were statistically significant.

### Findings

#### Econometric Model

We used Structural Equations Modeling (SEM) to analyze the overall model and the model with cultural moderation.

According to the results of a Confirmatory Factor Analysis (CFA)<sup>2</sup>, we decided to use the mean values of question items as representative of the 5 unobserved determinants.

After running the overall model with SEM, multigroup analysis (Byrne 2001) was carried out to test cultural moderation. Results of the analysis are reported in table 5.

Only three determinants (**P/Q**, **SC** and **PU**) resulted to have a significant effect on **Attitude**. Direct relationships

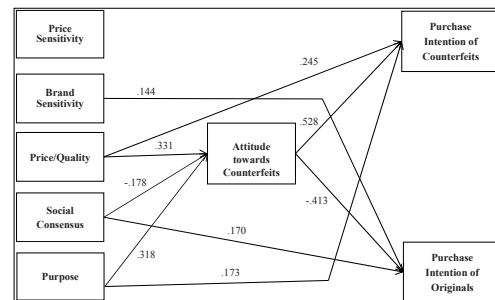
Table 5: SEM models

	Overall Model	Low IDV Countries	High IDV Countries	Significance of Difference H.L. IDV	Low MAS Countries	High MAS Countries	Significance of Difference H.L. MAS
<b>Proposed Path</b>	<b>Coef.</b>	<b>Coef.</b>	<b>Coef.</b>		<b>Coef.</b>	<b>Coef.</b>	
PS → A	-.024	-.038	-.032		.017	-.062	
BS → A	.066	-.011	.078		-.049	.117	
PQ → A	.331 *	.397 *	.299 *		.320 *	.360 *	
SC → A	-.178 *	-.027 *	-.258 *	*	-.040	-.277 *	**
PU → A	.318 *	.447 *	.257 *	*	.507 *	.165 **	**
PS → PIC	-.055	-.150 **	-.027		-.082	-.058	
BS → PIC	.019	.109	-.010		.013	.025	
PQ → PIC	.245 *	.180 **	.366 *		.160 **	.279 *	
SC → PIC	.079	-.034	.119 **		.011	.115	
PU → PIC	.173 *	.073	.216 *		.039	.224 *	
PS → PIO	.098	.354 *	-.038	**	.332 *	-.087	**
BS → PIO	.144 *	.002	.166 *		.027	.181 *	*
PQ → PIO	.092	-.169	.243 *	**	-.078	.249 *	*
SC → PIO	.170 *	.134	.172 *	*	.102	.219 *	*
PU → PIO	.027	.312 *	-.159	**	.179	-.114	*
A → PIC	.528 *	.680 *	.480 *	*	.703 *	.469 *	*
A → PIO	-.413 *	-.344 *	-.479 *	*	-.383 *	-.480 *	*
<b>RMSEA (&lt;0.05)</b>	0.015		0.023			0.024	
<b>RMSEA (&lt;0.08)</b>	0.017		0.071			0.062	
<b>CFI (&gt;0.95)</b>	0.999		0.996			0.997	
<b>NFI (&gt;0.95)</b>	0.998		0.994			0.993	
<b>NNFI (&gt;0.95)</b>	0.997		0.920			0.900	

\*p<0.1; \*\*p<0.05

between determinants and purchase intentions were significant for **P/Q** and **PU** towards purchase intention of counterfeits (**PIC**) (positive relationships), and for **BS** and **SC** towards purchase intention of originals (**PIO**) (positive relationships). **Attitude** was found to significantly affect both **PIC** (positive relationship) and **PIO** (negative relationship) (Figure 2).

Figure 2: Significant relationships in the overall model



### Cultural Influences

While a general comparison between the original model and the model with cultural moderation will be discussed further below, in this section we focus our attention on the moderating effect of the two cultural variables, IDV and MAS.

As table 5 shows, in both high and low IDV countries, Individualism influences purchase intention of counterfeits. First, relative to high IDV countries, in low IDV (collectivistic) countries **SC** and **PU** play a stronger role in determining a positive attitude towards counterfeits. Then, once consumers have formed a positive attitude towards counterfeits, the effect of **Attitude** on **PIC** is greater in collectivistic countries relative to more individualistic countries. Thus, Hypothesis 1 is largely supported, even though the moderating role of Individualism has not been confirmed for all determinants.

Table 5 shows that also Masculinity affects consumers' purchase intention of counterfeits. With respect to IDV, however, we obtained counterintuitive results. First, contrary to expectations, **SC** and **PU** play a weaker role to induce a positive **Attitude** towards counterfeits in more masculine countries (high MAS). Furthermore, the effect of **Attitude** on purchase intention of counterfeits (**PIC**) is weaker for more masculine countries relative to less masculine countries, albeit positive in both cases. Thus, Hypothesis 2 does not find support in this study.

### Discussions and Conclusions

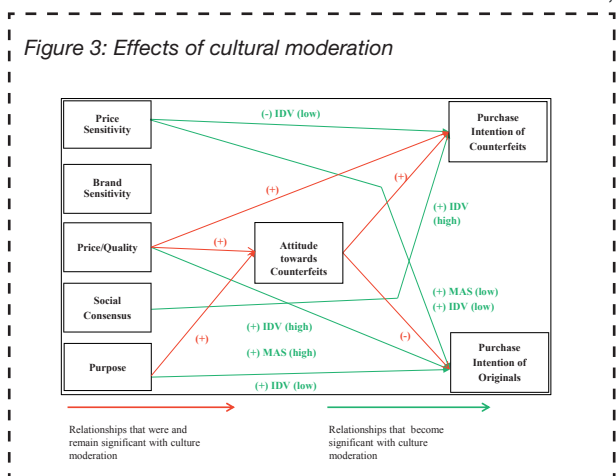
#### Discussion

This study offers some contributions to the literature on counterfeit products. First, the inclusion of culture within the model intended both as nationality/country-of-origin and as the shared values, practices, and experiences which characterize groups of people, allows a better understanding of the counterfeiting phenomenon, in contrast with previous studies that treated culture as a residual, generic variable.

Second, since counterfeiting is a global phenomenon, this study reassessed the applicability of previous research (Chakraborty et al. 1996; Penz and Stöttinger 2005) to a broader context. Our analysis shows how culture does have a moderating effect on the relationship

between determinants, **Attitude** and **PIC**. When the original model was re-run with the cultural variables, some relationships that were significant in the original model remained significant (and culture simply reinforces or weakens the original relationship), while others that were not significant in the original model became significant (Figure 3).

The effect of **Attitude** on **PIC** is lower for consumers from more Masculine countries, like Croatia, Bulgaria or Italy, compared with those from more Feminine countries, like Sweden, Holland or Finland. The effect of **Attitude** on **PIC** is lower for consumers from Individualistic cultures,



like USA, Australia or Germany, compared with more Collectivist cultures, like China, Taiwan or South Korea.

## Managerial and Political Implications

The results of the study provide interesting managerial and political implications on how to reduce consumer complicity and consumer demand for counterfeit products. Each national group has a different attitude towards counterfeits: global marketers must therefore be alert of the subtle cultural differences among consumers and reflect them in advertising messages and social communication campaigns aimed at curbing consumer complicity and increasing awareness on the damaging consequences of counterfeiting. For instance, in Individualist countries it should be stressed that counterfeiting is a shameful practice that brings loss of face upon family, school and business firms. In Collectivist countries, more emphasis could be placed on the overall society's well-being rather than individual rights.

Given the higher propensity of people in Collectivist cultures to purchase counterfeits, more resources should be destined to fight the phenomenon in these countries. Anti-counterfeiting campaigns, carried out by brand owners on their own or with the patronage of institutions/anti-counterfeiting associations (such as, for example, the Quality Brands Protection Committee -

QBPC - China) should emphasize the unethical nature and limited social benefits of the phenomenon. Firms need to be more proactive in Collectivist countries by convincing governments that counterfeiting negatively affects countries' economies, societies and individual consumers, and that stricter regulations and enforcement should increase the overall well-being of the society.

A further comment should be made for the role played by Price/Quality inference (**P/Q**) in determining consumers' purchase intention of counterfeits. Even though no difference has emerged in the study between low and high IDV/MAS countries, **P/Q** remains a significant determinant for both **Attitude** and **PIC** across both cultural variables. In turn, firms should think about modifying consumers' perception of counterfeits' price/quality relationship and increasing the perceived value of buying the "real thing" (Penz et al. 2009). To further deter consumer demand for counterfeits, marketers could also activate specific anti-counterfeiting strategies (*protection, cooperation, prosecution and in-formation*) and use different technologies, either *track-and-trace*, *overt* or *covert* (Pastore and Cesareo 2012; Pastore and Cesareo 2013).

## Limitations, Further Research and Conclusion

The study suffers different limitations. First, the limited heterogeneity of the convenience sample implies low generalizability of results. Second, only one product category was tested, affecting respondents' attitude and purchase intentions. Finally, even though Hofstede's data is the 'normal science' approach to cross-cultural business studies, it is somewhat outdated. More methodological and statistical fine-tuning is therefore required.

In order to address such limitations, the study could be extended to different product categories that require different involvement, knowledge and perceived risk (such as very luxurious jewelry, cars or clothing), thus making the results more generalizable. Furthermore, the study could be replicated using Hofstede's variables measured at the individual level (Yoo, Donthu and Lenartowicz 2011) to test cultural differences more accurately, (Husted and Allen 2008). Similarly, the cultural dimensions could be combined with demographic variables.

Albeit these limitations, this study makes an important initial contribution to the project of examining the influence of cultural differences on consumers' attitudes and purchase intentions towards counterfeit products. Our work suggests that firms and governments' policies for the prevention and control of counterfeiting need to be sensitive to the cultural heterogeneity of consumers around the world.



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## Does tie-strength matter in the recommendation of consumer?

### How receivers respond to incentivized Word-Of-Mouth

This paper explores the perspective of receivers on incentivized WOM by analysing incentive components, which can propel the success of WOM campaigns. The relationship between senders and receivers is taken into consideration to foster the dynamics of WOM interactions. An experiment is conducted, using mobile coupons as a novel tool of WOM. Results show that the size of incentives provided to senders has a negative influence on receivers' attitude towards the WOM campaign. The action of receivers is further influenced by incentive conditionality, the relationship to the sender as well as by situations of reciprocity. Finally, a comparison of Indonesian and German responses reveals significant socio-cultural effects on WOM activities.

*Key words: Incentivized WOM, Component of Incentive, Sender and Receiver Perspective, TPB (Theory Planned Behaviour)*

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## 1. Introduction

Offering consumer with incentives to engage in WOM activity is a commonly applied method in companies' marketing strategy (Ryu&Feick 2007). It is undeniable that consumers can have various motives which make them being involved in WOM activities. One motive to engage in WOM activity can be economical, if there is an incentive involved in WOM activity (Hennig Thureau, Gwinner, Walsh&Gremler 2004). Encouraging consumers to engage in WOM activity with an incentive is, however, not a simple issue. The incentive in WOM activity might not only be directed towards the sender of WOM, but also towards its receiver, particularly, when firms offer incentives to both, sender and receiver. This process is called "reward both" strategy (Ryu& Feick 2007).

The underlying relationship between sender and receiver is a key background aspect in WOM activities, whether incentivized or not. Consumers interact with many parties which come from the various tie-strength spectrums. The tie-strength spectrums reach from strong-tie (family) up to weak-tie (friends and acquaintances) (Wirtz& Chew 2002). Ryu& Feick (2007) argued that senders tend to address incentivized WOM to weak-ties rather than to strong-ties, because the communication to strong-ties occurs without consideration of incentives. In a weak-tie relationship, senders are more likely to value the economic benefits of a reward and do not worry as much about any social costs and benefits.

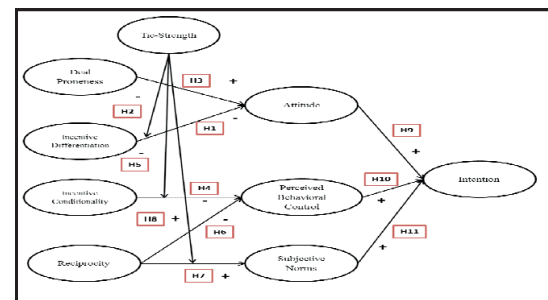
Consumers are confronted with various decision issues when they intend to engage in incentivized WOM. Senders and receivers, as the key actors of WOM activity, take different and partly opposing perspectives. Senders focus on the decision about choosing the suitable receivers of incentivized WOM. Receivers, however, might think of the underlying reasons of senders and the fairness in the distribution of incentives. So, receivers' appreciation of an incentivized WOM influences attitude and intention to act accordingly.

Receivers' action ultimately matters to the company. Even though, their perspective is neglected in most of the studies. To provide a comprehensive perspective on the response of receivers towards incentivized WOM, this paper thus addresses the following research theme: "Is there any influence of incentive components, namely difference of incentive and condition of incentive, on the attitude of receivers, as well as their intention to participate in incentivized WOM?" Our study utilizes a simple form of incentivized WOM through mobile technology, namely "mobile coupon sharing" by forwarding the coupon to others. According to (Hsueh & Chen 2010), the sharing of mobile coupon has not been addressed in most eWOM studies to date.

## 2. Theory and Hypotheses

To understand the attitude of receivers and their behavioral intention in redeeming mobile coupons (m-coupons), we refer to the theory of planned behavior (TPB). This theory provides a conceptual foundation on how a receiver should respond to incentivized WOM. It identifies personal attitudes, behavior control and subjective norms as three drivers of behavior. To provide new insights, regarding the design of incentives, we investigate two key components of incentives that effect sender and receiver, namely: (1) Differences of monetary incentives provided to either sender or receiver (Thaler 1988; Xiao, Tang & Wirtz 2011; Ahrens & Strahilevitz 2007); (2) Conditionality of incentives, where a receiver has to redeem the m-coupon so that the sender can get the incentive (Myerson, Green, Scott Hanson, Holt & Estle, 2003; Libai, Biyalogorsky & Gerstner 2003). In addition, this study also considers the tie-strength between sender and receiver. Figure 1 summarizes the research model, which will be outlined below.

Figure 1: Research Model



According to research in the behavioral economics field, people are more motivated to perform a particular behavior, if they receive a large amount of incentives (Ahrens, Coyle & Strahilevitz 2013). This fact constitutes a dilemma and a budget allocation problem – even more, when incentives are provided for both parties of incentivized WOM (senders and receivers). Should a company provide senders and receivers with equal or unequal incentives? As the distribution of incentives between senders and receivers will influence their specific reaction patterns, it is important to find an answer to this question.

We investigate two components of incentives: the difference of incentives and its conditionality. Our choice is guided by theories which relate to those incentive components. We draw upon a concept called "Ultimatum game" (Thaler 1988) to substantiate the first component of incentives that is the difference of incentives. The "Ultimatum game" has been used as a concept for business entities to determine the number of incentives in the "reward both" program. The original study, done



by Thaler (1988), suggests that receivers are concerned with a sense of “fairness”, particularly, if the size of the incentive is sufficiently large.

Previous research on the “reward both” program by Ahrens et al. (2013) suggests that receivers are more likely to become new customers when they are granted with a larger proportion of incentives. Becoming a new customer through the engagement in incentivized WOM activity is thus a consequence from the provided stimuli, such as incentives. However, the psychological conditions which affect their actual behavior, as explained by Ajzen (1991), remain unexplored. Adopting the viewpoint of TPB, we can infer that attitude is the underlying psychological condition which is directly influenced by the difference of incentives. This leads to the following hypothesis:

**H1: An incentive differentiation between sender and receiver weakens a favorable attitude of receivers toward the m-coupon.**

In the “reward both” program, marketers have to consider the both perspectives of receivers as well as senders. When a sender intends to send an m-coupon with unequal incentives in it, he might consider receivers from particular tie-strengths. Ryu and Feick (2007) emphasize that an incentive is particularly important in encouraging WOM to weak ties. In such a relationship, senders tend to maximize their own outcomes and minimize their costs – without any concerns about their responsibility to the welfare of the receivers. Meanwhile with strong-tie receivers, senders tend to have general concern about the benefit to the receivers. Here, the reaction of receivers, when they receive incentivized WOM from particular tie-strength, is still unexplored. To shed light on the attitude which receivers may develop, we postulate:

**H2: The negative relationship between incentive differentiation and attitude is moderated by tie-strength: negative effects are stronger when the sender is from a weak-tie relationship (as compared to a strong-tie relationship).**

The aim of promotional activities from a company is to get responses from target consumers, mainly purchases. However, marketers cannot expect the same response across the target consumers, because every consumer has different trait characteristics related to promotional activity (d'Astous & Jaco, 2002; Montaner, Chernatony & Buil 2011), especially his deal proneness character. Results of previous research show that deal proneness has a positive effect on deriving a favorable attitude on the promotional activity on particular products (Burton, Lichtenstein, Netemeyer, & Garretson, 1998). Later on, this favorable attitude leads to the purchase behavior (Lichtenstein, Netemeyer, & Burton, 1990). Thus, on the basis of the discussion above, we offer the following prediction:

**H3: Deal Proneness has a positive impact on receiver's attitude of m-coupons.**

Conditioning the incentive is a common strategy applied by marketers (Biyalogorsky, Gerstner & Libai 2001). Methods such as “pay per lead” and “pay per performance” are successfully employed to stimulate the behavior of senders and to reduce free rider problems (Libai et al. 2003). The conditioning of incentives provided to senders seems less relevant from the perspective of the receivers. Their financial position remains unchanged, whether it is “pay per performance” or “pay per lead”. However, receivers have to deal with psychological consequences, which can influence their behavioral intention to engage in incentivized WOM activity, when the information of incentives is disclosed. In such a transparent situation, receivers are aware that their action will influence the well-being of others.

Theory of Planned Behavior (TPB) by Ajzen (1991) suggests to define the action of a person as a function both of his behavior intention as well as of his perceived behavioral control. Perceived behavioral control measures how well a person can perform the actions required to deal with specific situations (Ajzen 1991). The situation which can influence perceived behavioral control is represented by the presence of factors that may facilitate or hinder the performance of a particular action, especially the inner beliefs of people regarding their capabilities (Kang, Hahn, Fortin, Hyun & Eom 2006; Becker, Clement & Schaedel 2010; Clement, Rangaswamy & Vadali 2012). Extending this line of thoughts, research on the PBC of receivers to engage in incentivized WOM should give consideration not solely on the belief of persons regarding their capabilities, but also on the well-being of others. To shed light on the possible behavioral intention which receivers may perform, we postulate:

**H4: Incentive conditionality intensifies the negative effects on receiver's perceived behavioral control on redeeming m-coupons.**

**H5: The negative effect of incentive conditionality on perceived behavioral control is moderated by tie-strength: the negative effect is stronger in a strong-tie relationship than in a weak-tie relationship.**

Senders and receivers assume different roles in WOM activity, thus they react differently on stimuli they receive. The action of receivers might be based on their previous experience with sender. In particular, a reciprocity situation might influence the perceived behavioral control of a receiver, whether the receiver has to return back some favors to the sender by redeeming the m-coupon, or just simply expects the sender to thank nicely, if the receiver redeems the m-coupon. Even though, the receiver has all the resources he needs to perform the action (internal factor), a reciprocity situation may weaken his perceived

behavioral control. Thus, the following hypothesis can be proposed:

**H6: Reciprocity intensifies the negative effects on receiver's perceived behavioral control on redeeming m-coupon.**

Reciprocity is about equilibrium and fairness. Receivers with reciprocation motives have a desire to achieve equilibrium and reduce existent stress (Walster, Berscheid & Walster 1973). In order to achieve equilibrium, people tend to do anything they have to do at all cost. Other opinion becomes the social factor which can pressure a person to perform or not perform a particular behavior. Ajzen (1991) labeled this phenomenon as subjective norm. All in all, the intention of receivers to redeem the m-coupon can be based on reciprocation motives, but doesn't have to be motivated solely by reciprocation motives. However, the extent to which a receiver wants to comply with others opinion maybe different between receivers with reciprocation motives and without reciprocation motives. To sum up the relation between reciprocity and subjective norm, the following hypothesis is developed:

**H7: Reciprocity exerts a positive influence on subjective norms in redeeming m-coupons.**

**H8: The positive relationship between reciprocity and subjective norm is moderated by tie-strength: it is stronger in a weak-tie relationship than in a strong-tie relationship.**

Completing the decision model of the TPB, the three intermediating variables discussed above (attitude, behavioral control as well as subjective norms) are linked to intention: First of all, a positive or negative attitude toward the object or activity will lead to positive and negative intention to engage to particular activity. Previous research already has demonstrated a positive influence of attitude on behavioral intention (Becker et al. 2010; Clement et al. 2012). Thus, we expect that attitude has a positive influence on receiver's behavioral intention to redeem the m-coupon. To support our assumption regarding the relationship, we hypothesize as follow:

**H9: The attitude of a receiver towards m-coupon has a positive influence on his behavioral intention to redeem the m-coupon.**

According to TPB, behavior intention also depends on subjective norms. Subjective norms are defined by Ajzen and Fishbein (1980) as a normative factor, which refers to the perceived social pressure to perform or not perform the particular behavior. In the context of the intention of a receiver to redeem the m-coupon, Kang et al. (2006) stated that subjective norms about redeeming the m-coupon become more important when a receiver

is status oriented. This means, that a receiver has a low capacity to perform a particular behavior. Therefore, he relies on the opinion of others. With regard to the two components of incentivized WOM, differentiation and conditionality, we expect that a positive opinion from others will positively influence the intention of receivers to engage in incentivized WOM activity by redeeming the m-coupon. Thus, the following hypothesis is derived:

**H10: Subjective norms have a positive impact on receiver's behavioral intention to redeem the m-coupon.**

TBP's third predictor of a persons' behavioral intention is the perceived behavioral control (PBC), which represents the personal inner control over the behavior. According to Ajzen (1991), PBC measures how good a person can perform a certain action within a specific situation to deal with. One person might perceive a specific situation as an opportunity or an impediment. The effect of perceived behavioral control on persons' behavioral intention has attracted the attention of many researchers from different fields, for example the behavioral intention of a person to spread negative WOM (Cheng, Lam & Hsu 2006), the intention to use e-coupons (Kang et al. 2006), the motive to engage in online game (Lee 2009) or the intention to download legal music (Clement et al 2012). It is shown that perceived behavioral control is a solid predictor which influences the behavioral intention of a person. This leads us to the following hypothesis:

**H11: Perceived behavioral control has a positive impact on receiver's behavioral intention to redeem the m-coupon.**

### 3. Method

Our experimental study aims at investigating hypotheses H1 – H11. Findings should provide the basis to understand the influence of the attitude, perceived behavioral control and subjective norms on behavioral intention to redeem the m-coupon of receivers. We conduct an experimental design with the intention to test the hypotheses. We manipulate the variable incentive differentiation (different versus no different), incentive conditionality (conditionally versus unconditionally) and tie-strength (strong versus weak). Furthermore, we utilize two product categories (McDonald's versus Starbucks) as prototypical examples in our experiments. As we are interested in generalized results, we do not differentiate the results between those two product categories.

The survey consists of consecutive sections. In the first section, we retrieve the names of weak and close partners of respondents, using the "mentioning name" method: based upon Granovetter (1973), participants are asked two questions about joint activities, which are typically linked with strong ties (talk about personal

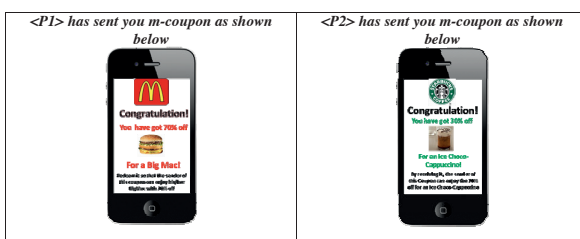
matters, looking after apartment during leave, asking for money). Then, in a second step, the participants shall respond to two questions which are typically linked with weak ties (casual conversation, job or school assignments). In each of their two answers they should mention two persons. This leads to eight (8) names, which, later on, represent the simulated senders of m-coupons.

In the next section, each participant receives four m-coupon scenarios which systematically vary in their incentive scheme: incentives were either equally distributed between sender and receiver or split unevenly with sender receiving the larger share of incentive. A balanced incomplete block design varies the sequence of both archetypal product categories within the fast food sector, i.e. McDonald and Starbucks. This ensures that participants have a balanced perception, without encountering fatigue effects due to several repetitions.

The scenarios are represented in a realistic visualization (Figure 2). A header informs the participants about the sender of the m-coupon. The names of P1 to P8 are automatically inserted and appear in the questions. For each scenario, participants answer sixteen questions regarding their attitudes, their subjective norms, their reciprocity and their intention to redeem the m-coupon (see Table 1). The measurements of the dependent variables were based on established scales, and the constructs for manipulation checks were self-designed.

Finally, the attitude of the receiver regarding the product (Starbucks and McDonalds) is measured by a single-item question. The deal proneness character of a

Figure 2: Example of scenario in m-coupon format



person is measured using a six-item scale adapted from Lichtenstein, Netemeyer and Burton (1990). All items are measured on five-point Likert scales. Demographic information of participants are gathered at the end of the questionnaire.

#### 4. Data Collection and Measurement

The online survey results in a net response of 80 participants from the German sample and 80 participants from the Indonesian sample. These two countries were selected because previous research revealed a strong influence of individualistic and collectivistic cultures on

WOM sent to close-tie versus weak-tie partners (Lam, Lee & Mizerski 2009). Analyses at the level of both subsamples are thus compared to indicate generalizability of findings across different cultural contexts. Each respondent participates in four out of sixteen scenarios. After executing a manipulation check, we obtained 252 responses from the German group and 272 responses from the Indonesian group

We test the proposed hypotheses by employing SmartPLS3.0 (Ringle, Christian M., Wende, Sven & Becker, Jan-Michael 2014) to obtain parameter estimates for the measurement and structural model. We eliminated some indicators to increase the composite reliability as suggested by Henseler, Ringle and Sinkovics (2009). Table 1 summarizes the statistical measures of the derived constructs. Details about the measurement instruments are provided in the Appendix A.

Table A: Measurement instrument

Items	Standardized Factor Loadings	
	German	Indonesia
<b>Attitude</b>		
The m-coupon that I received from ..... (the name of sender) is:		
Useless - Useful	0.89	0.81
Unpleasant - Pleasant	0.89	0.89
Unfair - Fair	0.76	0.77
<b>Perceived Behavioral Control (PBC)</b>		
I feel free to redeem the m-coupon, because it is my own decision	0.86	0.84
I am in control when I have to redeem the m-coupon because I only redeem it from a particular sender	Deleted	0.53
I am in control when I have to redeem the m-coupon because I only redeem the m-coupon if it is valuable for me.	0.89	0.76
<b>Intention</b>		
I have strong possibility to redeem the m-coupon from ..... (the name of sender)	0.97	0.91
I have high intention to redeem the m-coupon from ..... (the name of sender)	0.98	0.93
I intend to redeem this kind of m-coupon in the near future	0.97	0.89
<b>Subjective Norm</b>		
Most people who are important for me would think that it is ..... to redeem this m-coupon		
Waste of time - Wise of time	0.90	0.87
Worthless - Worthly	0.94	0.84
Useless - Useful	0.95	0.87
<b>Deal Proneness</b>		
I enjoy looking for rebate offers	0.79	0.68
Redeeming rebates makes me feel good	0.86	0.77
Rebates have caused me to buy products, even though I did not plan to buy it.	0.68	0.76
I enjoy using rebates, regardless of the amount I save by doing so.	Deleted	Deleted
When I use rebates, I feel that I am getting a good deal.	Deleted	Deleted
I have favorite brands but most of the time I buy the brand that offers a rebate.	0.80	0.69
<b>Reciprocity</b>		
I expect that sender would do the same, if I redeem this m-coupon	0.85	0.70
I expect that the sender will thank me nicely, if I redeem this m-coupon	0.83	0.76
I redeem this m-coupon because I repay back the favour that sender has done to me	0.86	0.83
I redeem the m-coupon because the sender always treat me well	0.87	0.83

Table 1: Composite reliability and average variance extracted

	AVE		CR		R <sup>2</sup>	
	German	Indonesia	German	Indonesia	German	Indonesia
Attitude	0.72	0.68	0.88	0.86	0.10	0.09
Perceived Behavioral Control (PBC)	0.77	0.52	0.87	0.76	0.04	0.012

## 5. Hypotheses tests and findings

Table 2 summarizes the results of the structural model, which investigates all hypotheses simultaneously. It will be explained and interpreted in the following.

The path between incentive differentiation and attitude is significant for the German group ( $p < .01$ ) with a coefficient of  $-.15$ . In contrast, we observe an insignificant result  $p > .1$  with  $\beta = -.04$  for the Indonesian group. Thus, the result supports hypothesis 1 only in one subsample. German receivers gain an unfavorable attitude when they receive m-coupons with incentive differentiation, whereby the receiver obtains less incentives than the sender. Meanwhile, for receivers in the Indonesia group, incentive differentiation between sender and receiver does not necessarily lead to an unfavorable attitude.

Table 2 Results for structural model

Hypothesis	Relationship	Estimates		P-value		Result	
		German	Indonesia	German	Indonesia	German	Indonesia
H1	Incentive Differentiation Attitude	-0.15	-0.04	0.00	0.29	Not Rejected	Rejected
H2	Incentive Differentiation x Tie strength Attitude	0.04	0.04	0.51	0.29	Rejected	Rejected
H3	Deal Proneness Attitude	0.27	0.29	0.00	0.00	Not Rejected	Not Rejected
H4	Incentive Conditionality PBCControl	-0.13	-0.04	0.02	0.34	Not Rejected	Rejected
H5	Incentive conditionality x Tie Strength PBC	-0.01	0.06	0.78	0.19	Rejected	Rejected
H6	Reciprocity PBCControl	-0.15	0.20	0.02	0.00	Not Rejected	Not Rejected
H7	Reciprocity SubjNorm	0.42	0.26	0.00	0.00	Not Rejected	Not Rejected
H8	Reciprocity x tie strength SubjNorm	-0.06	0.10	0.06	0.01	Not Rejected	Not Rejected
H9	Attitude Intention	0.68	0.36	0.00	0.00	Not Rejected	Not Rejected
H10	SubjNorm Intention	0.22	0.11	0.00	0.04	Not Rejected	Not Rejected
H11	PBCControl Intention	-0.17	0.29	0.00	0.00	Not Rejected	Not Rejected

The postulated interaction effect of tie strength and incentive differentiation on attitude (Hypothesis 2) is not significant both in the German and the Indonesian group. We found insignificant results both in the German group ( $\beta = .04$ ,  $p > .1$ ) and in the Indonesian group ( $\beta = .04$ ,  $p > .1$ ), thus leading to dismissal of hypothesis 2. This result indicates that, no matter whether the senders are from strong or weak tie, incentive differentiation generates an unfavorable attitude on m-coupon for German receivers. For Indonesian receivers, incentive differentiation does not influence their favorable attitude toward m-coupon regardless of the tie-strength to the sender.

The direct path between deal proneness character and attitude is significant both in the German group ( $\beta = .27$ ,  $p < .01$ ) and in the Indonesian group ( $\beta = .29$ ,  $p < .01$ ). Thus, hypothesis 3 is supported. Results indicate that receivers with deal proneness character have a more positive attitude toward the m-coupon.

Regarding hypothesis 4, we found a negative significant relationship between incentive conditionality and receiver's perceived behavioral control in the German group ( $\beta = -.13$ ,  $p < .05$ ). We observe an insignificant result in the Indonesian group ( $\beta = -.04$ ,  $p > .1$ ). This

leads to dismissal of hypothesis 4 for the Indonesian group. The result in the German group denotes that conditionally of incentives in m-coupons weaken the perceived behavioral control of receivers. Meanwhile, for the receivers in the Indonesian group, conditionally of incentive does not influence their perceived behavioral control.

Hypothesis 5 postulated an interaction effect between tie-strength and incentive conditionality on perceived behavioral control. It was assumed that the conditionally of incentives weaken the perceived behavioral control of receivers stronger if the senders are weak-tie relationships. The analysis shows a non-significant moderating effect of tie-strength on the condition of incentives and perceived behavioral control both in the German group ( $\beta = -.01$ ,  $p > .1$ ) and the Indonesian group ( $\beta = .06$ ,  $p > .1$ ). This leads to the dismissal of hypothesis 5. Incentive conditionality exerts an influence on perceived behavioral control independent of the tie-strength between sender and receiver.

Hypothesis 6 predicts a negative relationship between reciprocity and perceived behavioral control. This hypothesis is supported by the German group with a path coefficient of  $-.15$  ( $p < .05$ ). In contrast, a significant positive coefficient of  $.20$  ( $p < .01$ ) in the Indonesian group exhibits an effect in the opposite direction of the hypothesis. It seems that the impact of reciprocity in the perceived behavioral control of consumers is highly cultural specific. Indonesian consumers experience more behavioral control in situations of reciprocity, probably due to a general more collectivistic cultural setting.

Hypothesis 7 predicts a positive relationship between reciprocity and subjective norm. The positive significant result in the German ( $\beta = .42$ ,  $p < .01$ ) and Indonesian group ( $\beta = .26$ ,  $p < .01$ ) supports this hypothesis. Findings indicate that both, receivers in Germany and Indonesia, perceive subjective norms towards the redeeming of m-coupons, when they are confronted with a reciprocity situation.

In hypothesis 8 we proposed an interaction effect between tie-strength and reciprocity on a subjective norm. We assumed that receivers are influenced more strongly by a reciprocity situation, if the sender of the m-coupon stems from a weak-tie relationship. This hypothesis is supported by receivers in the German group: here, receivers perceive a higher subjective norm to redeem the m-coupon in a reciprocity situation, if the sender of m-coupons stems from a weak-tie relationship ( $\beta = -.06$ ,  $p < .1$ ). The contrary is true for receivers in the Indonesian group: the tendencies that the receivers will rely on other opinions, regarding the redeeming of m-coupon, is higher when the senders of m-coupon stem from a strong-tie relationship ( $\beta = .10$ ,  $p < .05$ ). Again, the different individualistic versus collectivistic cultural backgrounds (Lam, Lee, & Mizerski 2009) might provide an explanation for these opposite findings.



Hypothesis 9 is accepted in both, the German and the Indonesian group. A positive attitude leads to a positive intention in the German ( $\beta = .68, p < .01$ ) and the Indonesian group ( $\beta = .36, p < .01$ ). The result indicates that, when a receiver has a positive attitude toward am-coupon, he/she will also have a positive intention to redeem the m-coupon – no matter if the senders are from strong- or weak-tie relationships. Interestingly, the relationship between attitude and intention is higher in the German group than in the Indonesian group, probably due to a more rational culture.

In hypothesis 10 we proposed a positive relationship between subjective norms and intention. The results from the German and the Indonesian group support this hypothesis. We obtained a positive significant result for both groups, Germans ( $\beta = .22, p < .01$ ) and Indonesians ( $\beta = .11, p < .05$ ). This result implies that subjective norms towards redeeming am-coupon lead to a higher factual intention of the receiver to redeem.

Finally, we proposed a positive relationship between perceived behavioral control and intention. In support of hypothesis 11, we obtained a positive significant result in the Indonesian group ( $\beta = .29, p < .01$ ). In contrast, we obtained a negative significant result in the German group ( $\beta = -.17, p < .01$ ). Therefore, the result from the Indonesian group indicates that receivers have a high intention to redeem the m-coupon when they perceive a high behavioral control. On the other hand, receivers from Germany tend to have a higher intention to redeem m-coupons when they perceive less behavioral control. This indicates a certain lack of internal motivation to redeem, possibly due to a more negative valuation of the monetary benefits of the offered coupons as compared to the Indonesian subgroup.

## 6. Summary of the main findings

To shed light on the context of incentivized WOM, our study highlights receiver perception concerning incentives provided for both sender and receiver by applying the theory of planned behavior (Ajzen 1991). We discover that receivers have an unfavorable attitude towards different amounts of incentives provided to sender and receiver, no matter if the sender stem from a strong-tie or a weak-tie relationship. In addition, receivers who have a deal proneness character tend to have a favorable attitude on redeeming m-coupons.

This paper also sheds light on the context of the receivers' perspective on incentive conditionality. We explore how conditionality influences the perceived behavioral control of receivers. Results show that receivers perceive a loss of behavioral control when the incentive provided to the sender depends on their action to redeem am-coupon, no matter whether senders are from strong or weak ties. Given that conditionality of incentivized WOM is seen as best strategy for marketers to reduce

the "free riding" problem (Biyalogorsky, Gerstner & Libai 2001), marketers need to better understand receiver's response to conditionality of incentives.

The nature of the sender-receiver relationship influences receivers' perceptions of costs and benefits. According to Frenzen and Nakamoto (1993) people tend to be concerned about other's welfare within strong-tie relationships and thus they respond to other's needs but do not expect anything in return. Complementary hereto, Ryu and Feick (2007) argue that reciprocity is more important within weak-tie relationships, as people prefer a balanced situation. If it is unbalanced, they tend to adjust it. This study adds a new perspective on reciprocity in the context of incentivized WOM by connecting reciprocity with receiver's perceived behavioral control. We show that a situation characterized by reciprocity influences receivers' perceived behavioral control. In the German group, we discovered that a reciprocity situation weakens receivers' perceived behavioral control to redeem the m-coupon. For receivers from Indonesia, a reciprocity situation does not weaken their perceived behavioral control to redeem it.

Our findings provide a cross-cultural insight concerning the handling of reciprocity situations. When Indonesian receivers deal with a reciprocity situation, they rely more on the opinion of others with regard to redeeming am-coupon when the sender is from a strong-tie relationship. It might be that receivers from Indonesia do not want to make a wrong decision which might influence their strong-tie relationship with the sender. Meanwhile, German receivers rely on the opinion of others in a reciprocal situation, particularly when senders are from weak-tie relationships. When senders stem from strong-tie relationships, German receivers tend to redeem the m-coupon regardless of reciprocity contingencies. Reciprocity thus impacts redemption behavior only when the sender stems from a weak-tie relationship. These controversy findings indicate a strong cultural impact on the effects of reciprocity regarding the action of a receiver.

According to the theory of planned behavior (Ajzen 1991), attitudes, perceived behavioral control and subjective norms jointly influence the intention of receivers to redeem am-coupon. Our results show in accordance with Dickinger and Kleijnen (2008) that a positive attitude of the receiver leads to a positive intention to redeem m-coupons. This result is consistent for the German and the Indonesian group. Next, we obtain a significant positive relationship between subjective norms and intention to redeem m-coupons in both groups. This result is in accordance with a previous study by Ashworth, Darke and Schaller (2005), who stated that consumers are really concerned about what other people say regarding the using of coupon.

Furthermore, our results illustrate that perceived behavioral control influences the intention of receivers to



redeem m-coupons. However, we discover unexpected differences between the two countries: In the Indonesian group, there is a positive significant relationship between perceived behavioral control and intention. This is in accordance with previous research by Dickinger and Kleijnen (2008) and Kang et al. (2006). Meanwhile, in the German group, perceived behavioral control had a negative relationship with intention. This might hint towards the need to build up some social pressure for initiating consumer actions in saturated markets.

## 7. Implications

This paper contributes to the scientific literature in various ways. First of all, we added a new perspective to WOM-research by investigating attitudes and behavior of receivers in incentivized WOM. An experiment was executed using mobile-coupons as a novel tool of WOM. Components of incentives were investigated that can be used by marketers to design WOM campaigns and to allocate resources for incentives provided to the participants of WOM activity. Previous research (Verlegh, Ryu, Tuk & Feick 2013) suggested that incentivized WOM leads to an unfavorable attitude when the sender stems from a weak-tie relationship. By investigating incentivized WOM, we obtained insights, which are in accordance with, and complement, this previous research. Our results show that receivers gain an unfavorable attitude towards m-coupons when they obtain a smaller incentive than the sender, no matter whether the sender of the m-coupon stems from a strong-tie or weak-tie relationship.

On more general terms, this paper contributes to the refinement of the Theory Planned Behavior for future applications on social consumption issues. In particular, an antecedent of perceived behavioral control is revealed. Former research in this field (Dickinger & Kleijnen, 2008) assumed that behavioral control stems solely from the ability of a person and resources to redeem a coupon. Our study extended this view and showed that perceived behavioral control is not only influenced by within-person considerations, but also by external considerations, especially by social duties stemming from reciprocal situations.

The limitations of our study indicate opportunities for further research. A key limitation relates to the sample of this study. A convenience sample of university students was employed both in the German and in the Indonesian group. Therefore, the generalizability of findings is somehow limited. Our suggestion for future research is to add heterogeneity in the sample. Furthermore, a replication in other countries is needed to generalize insights about socio-cultural effects on WOM behavior.

This research has several practical implications. Our results suggest that firms need to carefully establish a "reward both" strategy. Previous research (Frenzen & Nakamoto, 1993; Ryu & Feick, 2007) found out that

incentivized WOM lead senders to share it with weak-tie receivers. In addition hereto, our study discovered that unequal incentives lead to an unfavorable attitude of receivers, albeit of a strong- or weak-tie relationship with senders. A solution to this dilemma may be to implement a non-transparent strategy. The attitude of receivers towards m-coupons cannot be determined by the incentive scheme when receivers do not have any information regarding the incentive provided to the senders. In addition, senders are likely to choose receivers, who have an especially high probability to redeem the m-coupon, independent of their relationship status. Thus, marketers can expect to gain better short-term responses from senders as well as receivers by applying non-transparent incentives.

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## “Lost In Translation?” Which Language In Promotional Material For B2b Communications?

**Purpose.** Adapting the language of promotional material affects levels of commitment and trust of international B2B customers in the healthcare industry?. This work aims at providing insight regarding behavioral intentions of B2B customers as a result of adapting or standardizing promotional material used by a leading Clinical Research Organization (CRO) involved in R&D for pharmaceutical drugs. Promotional material per se does not create customer loyalty, however it represents an indirect way of encouraging it. Adapting the language of promotional material demonstrates an extra effort that is recognized by clients in certain situations (conflicts). It can help to establish affective ties, like trust and commitment, which may potentially lead to customer loyalty in the future.

*Key words:* Relationship Marketing; B2B; Adaptation vs. standardization; Promotion; Healthcare Industry; Qualitative Research

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## I.-Introduction

Growing competition among organizations reinforces the need for strong relationships with B2B clients (Ravald and Gronroos, 2005), where successful business communications through intercultural contexts are key drivers of competitiveness. Accordingly, promotional material should therefore clearly depict services and expertise, while influencing the emotional context and commitment to business relationships (Puntoni et al. 2009). Relative to such issues, it is any company's objective to appeal as a global brand that is familiar with needs across international markets to assure that the promotional message is not lost in translation. Literature on communication and sociolinguistic competence has proved for long that language choices have an effect on the behavioral outcomes derived from intercultural exchanges (Bendapudi and Leone, 2003; Callaghan, 2005; Hornikx, Van Meurs, and De Boer, 2010; van Vaerenbergh, and Holmqvist, 2013); in this sense, in promotional material, the non-verbal aspects of communication related to language transcend the use of words, and appear to be crucial for a cultural understanding of a business communication. It is known how traditionally, English has been the international business language. Because of this, it has been used for business relationships to alleviate misinterpretation of valuable material when facilitating a professional work environment (Puntoni et al., 2009). In this sense, while standardization and adaptation has been addressed for global marketing of products or services (Okazaki et al., 2006) and language has been explored as an indicator of affective communication for advertising in international markets (Hornikx et al., 2010; Puntoni et al. 2009), little research has been empirically conducted in order to identify whether adapting the language of promotional material used for relationship marketing affects levels of commitment and trust of international B2B customers.. Furthermore, in B2C contexts, recent research has shown that, in bilingual countries, the use of first or second language in service encounters is related to positive behavioural outcomes towards the service provider (Van Vaerenbergh, and Holmqvist, 2013). Indeed, assuming the existence of an important psychological dimension of value co-creation in both B2C and B2B environments (Bendapudi and Leone, 2003), more knowledge on the effect of language on this psychological dimensions is relevant for providing insight regarding behavioral intentions of customers as a result of adapting or standardizing promotional material.

There is one industry, health services, in which all these issues are extremely relevant, because of its high degree of internationalization (Shuchman, 2007)) and because of the level of expertise needed for business exchanges in health services (Apker, 2001; Dutta, 2007). In the case of Clinical Research Organizations (CROs ), successful

relationships among different stakeholders and value co-creation in different settings may be facilitated by the correct communication of service benefits to companies contracting out their services.

In this context, the present work aims at analysing in what sense perception and understanding of current promotional material may influence B2B relationships, by investigating how this material is perceived by clients of CROs, when adapting to local language or standardizing to English language.

For this purpose, methodologically, focus will be placed on one of the world's leading public CROs (named XXX in the paper, for confidentiality reasons) as an example of how adapting or standardizing the language of promotions may affect relationship marketing in a B2B environment. This company strives to maintain and acquire long-standing relationships through continued partnering with manufacturing companies through what is known as its Compound Partnering Program (Loo, 2010). By means of a qualitative research of 12 in-depth interviews to Business Development Managers, this study will explore, from a managerial perspective, the topic of language adaptation and its influence on service encounters with industrial clients.

The originality and value of this paper stands in the very precise scope pursued. Although the area of relationship marketing starts being addressed in the healthcare industry (e.g. McStravic, 1999; Shuchman, 2007; Ulrey and Amason, 2001;) , this work seeks to provide precise insights on the utilization of B2B promotional material, by analysing its effects on relationship management regarding levels of trust and commitment among international business partners. In more detail, this paper will examine the opinions of 12 Directors or Senior Directors of International Business Development, with experience on direct customer interaction and account management, related to promotional material used by a leading Clinical Research Organization involved in research and development for pharmaceutical drugs, Through several open-ended questions, this population of experts will provide knowledge on how adapting the language of this material across international markets may impact business relationships within the CRO subsegment of the healthcare industry.

## II.-LITERATURE REVIEW

### *II.a. Language adaptation in multicultural healthcare industry*

Addressing cultural influences in the healthcare industry is relevant to better understand the topic of language adaptation and its influence on consumers. Theorists of relationship marketing agree that it is important to recognize the implications and difficulties for Multinational

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*1 The acronym CRO is used all across the paper, to refer to Clinical Research Organizations understood as organizations providing a wide range of pharmaceutical and medical research services like product development and formulation, clinical trial management, or laboratory services for trial samples (Shuchman, 2007).*



Companies (MNCs) that must respond to differing cultural dimensions in various countries of operation (Hewett and Bearden, 2001). With the emergence of globalization and the presence of subsidiaries in numerous national markets, success in these markets is often dependent on the global management of marketing efforts (Hewett and Bearden, 2001). Critical to success is the tendency of MNCs to adapt or standardize global marketing activities and cultivate managerial relationships across markets of operation. Success in cultivating relationships is often dependent on subsidiary's trust and dependence on headquarters (Hewett and Bearden, 2001). Customer Relationship Management (CRM) is included in these marketing activities as a key function of successful B2B relationships to be applied across international markets.

Industry consolidation has led to standardize advertising strategies for some global companies as means to facilitate cost savings while coordinating strategy across segments. Standardizing campaigns rather than local advertising may benefit relative to economies of scale, control of marketing activities, and a unified global brand image in international markets (Hornikx et al., 2010). In this sense, US companies are slightly more inclined to standardize their advertising strategy in the European Union market, based on the desire for a unified brand identity. Though flaws are seen to exist, successful standardization has resulted in costs savings when appropriately applied (Okazaki et al., 2006). Global image is often achieved through instruments such as brand name, logo, slogan and headlines and the English language may be a determinant of how slogans and headlines are achieved (Hornikx et al., 2010). Adaptation has been seen as a precondition of successful advertising (De Mooij, 2005) based on cultural value hierarchies relative to individual cultures (Hofstede, 1980).

The globalization of advertising implies that marketing messages are increasingly delivered in a language that is different from consumers' native tongue. When advertising internationally, language must be used as a basis for standardization or adaptation. It should therefore be identified whether advertisements in English as a standard are more persuasive than those using a locally adapted language (Hornikx et al., 2010). According to this ideal, language can be interpreted as literal or symbolic relative to how consumers interpret the message across various international markets. "foreign languages are mainly used as a symbol, for which the literal meaning of the utterance in the foreign language does not matter" (Hornikx et al., 2010, pp. 173). While there has been research regarding the preference of English and emotional connections among local and standard advertising (e.g. Callahan, 2006) and also on behavioural outcomes such as tipping, derived from the choice of one or another language in the service encounter (e.g. van

Vaerenbergh, and Holmqvist, 2013). this only applies to the B2C markets. In B2B settings, where value creation derives from both intensive and long term relationships (Lapierre, 2000) value co-creation processes rely on broader understandings of both cognitive (information seeking) and emotional (affectively driven) bonds, by means of addressing different but complementary roles to the service consumer and the service provider.

In this sense, within this value co-creation in industrial contexts, the role of language choice can be crucial for identifying emotional connectivity and positive effects on B2B relationship management.

Cultural diversity is becoming increasingly more important in healthcare industry where effective intercultural communication and cultural sensitivity have been found to be related (Ulrey and Amason, 2001). The study of health care communication, especially in these intercultural contexts, have been recognized as a relevant field of analysis (Apker, 2011; Candlin and Candlin, 2003; Gibson and Zhong, 2005). Besides, it has been highlighted how culture affects healthcare organizational behaviour, especially in the territory of language (Bhagat and Steers, 2009). So, health care communication should be categorized from a culture-centred approach (Dutta, 2007).

From this perspective, this study will analyze promotional material presented to clients regarding the services provided by XXX and their preference for locally adapted or standardized English promotional material. It will then determine how adapting the language will affect trust and affective commitment and the possible connection in the development of customer loyalty. Now, we are going to highlight why these concepts are so relevant from a healthcare marketing perspective.

### **II.b. Relationship marketing, trust and commitment**

According to the *Service Profit Chain* model, there is a strong relationship between profitability and customer loyalty (Heskett et al., 1994). And, at the same time, customer loyalty can be achieved through trust and commitment in a relationship context. So, we are going to focus on these concepts in our literature review.

First of all, it is important to identify the basic definitions that apply as the basis for founding framework, for what purpose Table 1 is upon our literature review.

*Table 1: Key concepts on relationship marketing: a selection of definitions*

Relationship Marketing	"Relationship marketing is defined as "attracting, maintaining and – in multi-service organizations – enhancing customer relationships." (Berry, 1983, p. 25)
	"Relationship marketing refers to all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges" (Morgan and Hunt, 1994, p. 22).
Trust	"Trust is defined as one party's belief that its needs will be fulfilled in the future by actions undertaken by the other party" (Wetzels, De Ruyter and Van Birgele, 1998, p. 411).
	"The firm's belief that another company will perform the actions that will result in positive outcomes for the firm as well as not take unexpected actions that result in negative outcomes" (Anderson and Narus, 1990, p. 45).
Commitment	"A psychological sentiment of the mind through which an attitude concerning continuation of a relationship with a business partner is formed" (Wetzels, De Ruyter and Birgele, 1998, p. 409).
	"An exchange of one party's willingness to remain in, and safeguard a valued (business) relationship" (Abdul-Muhmin, 2005, p. 620)

Since the 80s, services marketing has changed the focus from simple transactions to relationships (Kotler y Keller, 2006; Vargo y Lusch, 2004; Palmer, 2005). It is seen as a managerial orientation that allows establishing a customer relationship in order to get their loyalty (Grönroos, 1997; Lovelock, 1996; Palmer, 2005; Zeithaml et al., 2013). It tries to serving customers from an academic and managerial perspective based on a contemporary approach (Ravald and Grönroos, 1996). This perspective emphasizes both the affective commitment to a service provider and the repeat-purchase or repatronage intentions, underling a comprehensive understanding of loyalty behavior (Dick and Basu, 1994).

In a growing context, relationship marketing represents a differentiation source based on a long and strong relationship between customer and provider (Palmer, 2005). From this point of view, concepts like trust and commitment become essentials (Bateson, 1995; Gummerson, 2008; Palmer, 2005), especially in the healthcare industry (Gummerson, 2008; Lovelock, 1996; Zeithaml et al., 2013). In fact models like the *Loyalty Marketing Wheel* highlight how companies should encourage trust and commitment in the relationship in order to get feedback and value from the customer (MacStravic, 1999).

Commitment is a previous concept in order to get customer loyalty (Boora and Singh, 2011; Fullerton, 2003; Mellens et al., 1996; Morgan and Hunt, 1994; Oliver, 1999; Pritchard et al., 1999). The role of commitment is seen as a sentiment that is critically important in the development of long-term channel relationships or as a favorable affective or emotional reaction (Kumar et al., 1995). Therefore, commitment is a psychological sentiment by which preference towards continuation of a relationship with a business partner is present (Wetzels et al., 1998).

Previous literature has identified two key views characterizing organizational commitment as either affective or calculative. Affective commitment is an emotional response or mind-frame adopted by an individual or partner toward a relationship with another individual or partner (Wetzels et al., 1998). That occurs when a person identifies or shares the values of the organization and is defined as a sense of liking or emotional attachment with a partner (Morgan and Hunt, 1994). Calculative commitment is more behavioral than affective and evolves from instrumental worth of a continued relationship in which all advantages and disadvantages are combined and calculated in the form of investments and allocation of resources among business partners (Geyskens et al., 1996; Morgan and Hunt, 1994; Williamson, 1985). Previous research demonstrates that affective commitment is the most substantial for developing and facilitating relationships among partners to strengthen intentions and desire for

continued investment and relationship maintenance (Wetzels et al., 1998). According to this, it is essential to focus on getting customer affective commitment.

Regarding the role of trust, it has been defined as the belief by one party that the actions taken by the partnering party will provide benefit and fulfil needs in the apparent future (Wetzels et al., 1998). Morgan and Hunt (1994) clarify that trust is one party's assurance in the reliability and integrity of its partner. Social psychologists further identify trust consisting of awareness and reliability on one's honesty and benevolence. As mentioned, commitment is seen to be influenced by trust and it may be determined that trust must be present prior to the development of commitment in relationship marketing. The presence of trust and commitment in relationship management can be viewed as indicators or contributors to value and quality business relationships.

These two concepts, trust and commitment, are especially relevant in the healthcare industry because we are dealing with a critical service (Thom et al., 2004; Vertinsky et al., 1974). So, getting trust and commitment makes customer more loyal and that allows improving profitability (Thom et al., 2004).

Finally, about the role of customer loyalty, previous findings support that customer satisfaction is related to customer behavior in the form of loyalty, which as a result is related to profitability (Heskett et al., 1994; Storbacka et al., 1994). This is demonstrated in the mentioned *Service Profit Chain* (Heskett et al., 1994) and theorizes that: customer satisfaction leads to customer loyalty, and so to profitability.

Literature states that customer satisfaction is a result of relationship value after considering relationship opportunity costs and benefits compared to that of conducting business with competitors (Hallowell, 1996). Additionally, satisfaction has been discovered to influence purchase intentions as well as post-purchase attitude with loyalty defined between two categories (Hallowell, 1996). Loyalty as an attitude has been associated with an individual's feelings of overall attachment to a product, service or organization (Fornier, 1994) and is characterized as a cognitive process (Hallowell, 1996). The second type of loyalty, behavioral loyalty, is the result of a customer's perception that value received from a business partner is greater than that of other potential relationships and is identified with relationship continuance, increased scope/ scale of the relationship, and recommendations by word of mouth (Halloweel, 1996). Ravald and Grönroos support this ideal by stating that "a satisfied customer is supposed not to defect but to stay loyal to the company for a long period of time and to buy more and more often than other, not so loyal, customers" (1996, p. 20). As a result, profits are believed to increase through enhanced revenues, reduced costs associated with the acquisition of new customers, lower customer-price sensitivity and

lower costs when serving customers familiar with service delivery (Reicheld and Sasser, 1990).

According to this conceptual framework, it may be thus concluded that successful relationship marketing is a combination of trust and commitment to result in behavioral loyalty from successful relationships between business partners. Marketing activities must incorporate successful proponents of relationship marketing to yield positive behavioral responses. So, from a healthcare industry perspective, customer loyalty has been seen the most important concept in order to healthcare company success (MacStravic, 1999; Reichheld, 1996; Spake y Bishop, 2009). Because of this, in order to get their loyalty, it is important to encourage trust and commitment from a relationship perspective.

### III.-METHOD

#### III.a. The case of the CRO subsegment of the healthcare industry: CRO industry profile

The CROs market consists of about 800 companies worldwide with about 33% of revenues generated by the top five publicly traded CROs (Loo, 2010). Most revenue from CROs is generated from providing research and development (R&D) to pharmaceutical and biotechnology companies with global pharmaceutical R&D expenditures towards CRO services expected to be approximately \$17 billion, increasing by about 10%-12% annually over the past several years (Loo, 2010). The company chosen for the qualitative research is a leading CRO providing drug discovery and development services to companies manufacturing pharmaceuticals, biotechnology, and medical devices in 41 countries of operation. Development services specialize in a first phase of clinical testing, and lab services while the following phases services focus on clinical trial management, study design and management, and market development.

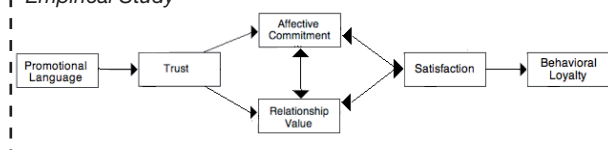
#### III.b. Research questions

For the purpose of this study, the conceptual framework has focused on relationship marketing, commitment, trust and customer loyalty. Considering trust as a determinant of affective commitment, literature states that affective commitment positively influences satisfaction (Wetzels et al., 1998) and that commitment, satisfaction and trust then influence relationship value (Morgan and Hunt, 1994; Ulaga and Eggert, 2006). It can then be interpreted that relationship value and affective commitment both influence one another, with trust as an antecedent for both. Additionally, affective commitment and relationship value are necessary to develop satisfaction and vice versa. This means that affective commitment, relationship value, and satisfaction are reliant on one another in the creation of behavioral loyalty, perception that relationship value outweighs that of other potential B2B relationships resulting in

relationship continuance (Halloweell, 1996). While the order and contribution of constructs composing relationship marketing differ among theorists, based on the aforementioned description and interpretation of previous work, the conceptual framework for this study is indicated in Figure 1.

A chain of six main components are considered. To

Figure 1: Conceptual Framework to be followed in the Empirical Study



better understand the composition of these components, they can be described as follows:

1.- Language: A facilitator/ or contributor when communicating or gaining trust through promotional material (Hornikx et al., 2010).

2.- Trust: Direct determinant of affective commitment and relationship value (Morgan and Hunt, 1994; Wetzels et al., 1998)

3.- Affective commitment: Dependent on trust with relationship value as a contributing factor (relationship value also inversely influenced on the development of affective commitment) (Wetzels et al., 1998)

4.- Relationship value: Composed of trust, satisfaction and affective commitment (which is also inversely influenced by relationship value) (Morgan and Hunt, 1994; Ulaga and Eggert, 2006).

5.- Satisfaction: Composed of affective commitment and relationship value (with trust required for the development of both) (Wetzels et al., 1998)

6.- Behavioral loyalty: A result of satisfaction (satisfaction being composed of affective commitment, relationship value and trust)

These constructs should be analyzed according to the conceptual framework to ultimately determine how the promotional language affects trust, affective commitment, and relationship value to then influence satisfaction and loyalty among business customers. Specifically, promotional language should be considered as an initial factor in the formation of relationship marketing. The contributions of promotional language in the development of these constructs should be analyzed as follows:

- Promotional language effects on trust
- Trust's influence on affective commitment and relationship value
- The reciprocal dependency between relationship value and affective commitment (both dependent on the development of trust)
- The contribution of all of these constructs in the creation of satisfaction to then develop loyal relationships

Based on the conceptual model indicated in Figure 1, research questions for the purpose of this study are defined as you can see in Table 2.

### III.c. Methodology

Table 2: Research Questions

RQ1	Partners in countries where English is the standard language are more loyal to the analyzed company when presented standard English promotional material.
RQ2	Global company partners where English is not the standard language prefer promotional material to be adapted using the local language(s).
RQ3	There is a positive relationship between adapting the local language(s) of promotional material and customer loyalty among global company partners.

This study was composed of qualitative research: 12 in-depth interviews were conducted with XXX International Business Development Managers of whom have direct contact in providing promotional material to business customers for relationship development and maintenance worldwide. These managers, considered as a convenient sample of the CRO subsegment of the healthcare industry, are able to directly observe customer reactions and preferences towards promotional material across international markets to recognize trends that may be related to cultures or specific business partners. They were Directors or Senior Directors of International Business Development and had extensive knowledge when managing customer accounts due to direct customer interaction and account management. So, they were chosen based on their experience and personal interaction with clients and the use of promotional material when recruiting, acquiring and managing business accounts. The background information of these managers was collected at the beginning of each interview to be categorized in Table 3.

More than half of the respondents were domestically

Table 3: Managers' Sample Profile

Sex	Age	Education	Geographic Location
Males: 7	Ages 31-35: 3	University: 3	North America (US): 7
Females: 5	Ages 36-40: 3	Post Grad: 7	Europe (UK): 3
	Ages 41-45: 2	Doctorate: 1	Asia (China): 1
	Ages 51-55: 3		Latin America (Argentina): 1
	Ages 56-60: 1		

based in the US (7 out of 12 managers) and travelled regularly with continuous contact among international business partners via multiple forms of contact. The gender distribution consisted of 7 males and 5 females. The age of these managers ranged from 31-60 years.

The participants were provided a questionnaire, which provided some general definitions and concepts that apply to relationship marketing to be referred to throughout the course of the interview. This questionnaire was developed and then pre tested during one preliminary/ test interview with responses audio recorded and then transcribed for analysis. After reviewing the

mock interview responses, gaps in research objectives not covered by the questions were identified with new questions developed to better assess the specific area of focus. A revised interview questionnaire was developed to more efficiently gather participant opinions relative to the topic of study and then used for the interviews to follow.

Confidentiality was assured prior to assure managers that their responses would be generalized in the results section with the intention of providing conclusions and recommendations based on overall opinions. Interviews were scheduled based on managerial availability to incorporate any time differences with an hour time block designated to each manager. Managers were instructed that they would be contacted at their office or on their mobile, depending on their travelling schedules, from a PPD landline according to the time scheduled. Contacting the interviewees from a PPD phone room, allowed for clarity and security in recording the conversation in a quiet and secluded environment conducive to conducting interviews. This also allowed for consistency after the conclusion of each interview when transcribing and interpreting responses.

## IV.-RESULTS AND DISCUSSION

### IV.a. Evaluation of RQ1: The Influence of English on levels of trust and loyalty

From the interviews contents, it can be interpreted that there is a language effect on trust and that trust positively influences loyalty, as first research question was suggesting.

#### Effects on trust and loyalty

Most managers agreed to some extent that levels of trust and loyalty differ according to the country/culture where English is a primary or second language. They felt that if the company has a stronger presence or brand recognition in certain countries where it is more well established, it may therefore be easier to acquire trust and loyalty. This was a possibility said to exist by the majority of managers; however, most reinforced that trust and loyalty are generally partner specific rather than country specific and that the country of operation may somewhat influence tendencies when building trust and loyalty due to brand recognition. The partner, however, is ultimately the determining factor for establishing both. It was also seen to be easier to communicate capabilities and credibility to those countries using English as a standard, which may permit for trust to be more easily acquired in the development of loyalty.

It is important to note that three of the five international managers from Europe, Asia and Latin America felt that trust does not depend on the use of English as a primary or secondary language but instead is dependent on previous experience with the company



based on satisfaction with its services and relationship value. These managers felt that trust is partner specific, with language having no impact on the creation of trust. Similarly, two international managers, one from Europe and one from Asia, and one US manager felt that loyalty was also partner specific based on previous satisfactory experience with language not affecting the development of loyalty.

One European manager recognized that speaking or communicating in the same language helps to initiate trust and loyalty but this doesn't depend on the use of English. This for example would be the same for communicating in Spanish to for companies with Spanish as their native language, French to French, Japanese to Japanese, etc... By adapting the language, whether it is for promotional material or for developing an interpersonal relationship, it is easier to communicate trust, which may lead to loyalty in the future. It has also been brought to attention by one manager in Latin America that the meaning of trust and loyalty are different among countries: *"trust and loyalty is more personal for some cultures and the reputation of the company also may be a factor."* From this perspective, trust and loyalty are dependent on the country and the partner but are not influenced by language.

According to another view of one manager located in Asia agreed that there is no significant difference in trust for those countries or cultures where English is a standard. His reasoning for this opinion differed in that the use of the local language does not help to achieve trust because English is commonly used as a business standard. This was consistent to his opinion of English as a preferred standard for conducting business due to the limited number of clients that are able to speak, in his example, Chinese and his reference to English as the international language: *"Business professionals in China strive to achieve a high proficiency level in English so as to appear more astute and educated."* Under these circumstances, English is used as a clearer and more concise means of communication. It was also communicated that English is perceived as more professional, technological and scientific and that it is the goal of many professionals to learn English in order to gain respect in the business world. This view of English alone demonstrates the symbolic value of English as the international language and the cultural differences that exist among geographical regions.

US managers use English as their native language and because other countries may not be as familiar with the use of English, it may be derived that these US managers perceive levels of trust to be different to some degree based on less familiarity in the use of English. The contrasting view of foreign managers shows that the influence of language is perceived differently among cultures and that in their experience, international managers have not believed language to be an influence

on trust among business partners. It should be noted that these managers might have more exposure to multiple languages due to their location outside of the US. If language barriers are to exist, the emphasis on the personal relationship and satisfactory service will strengthen levels of trust and loyalty.

Two main concepts support this research question, which were agreed upon by the majority of managers. Firstly, the company has a stronger presence or brand recognition in certain countries where it is better established, it may therefore be easier to acquire trust and loyalty. Secondly, it is easier to communicate capabilities and credibility to those countries using English as a standard that may permit for trust to be more easily acquired in the development of loyalty.

From these opinions, it can be concluded that levels of trust and loyalty differ according to the country/culture where English is a primary or secondary language. It can then be determined that countries where English is the standard are more loyal to XXX when presented standard English promotional material than other countries. It may therefore be determined that locally adapted promotional material would create or facilitate stronger levels of trust and loyalty among companies in countries where English is not the primary language.

### *Promotional material content, delivery and monitoring*

About cognitive or affective content, the majority of managers (4 out of 7 US managers and 4 out of 5 International managers) feel that promotional material for new customers should include mostly factual (cognitive) information describing the service capabilities and expertise that XXX provides. Most responses reveal that managers feel information should be basic for new clients and therefore more detailed promotional material may be presented based on specific client relationships with more emotional messages used to reinforce relationship value. The communication of relationship value through tailored and emotional content was especially noted in the opinion of international managers, with only one manager that did not agree with this perspective. It may therefore be determined that factual (cognitive) information should first be presented to new clients and that more detailed information can then be presented as the relationship progresses.

According to delivery of promotional material, international managers placed more emphasis on how promotional material should be presented physically as an extra step in reinforcing the value of business relationships for both new and existing customers. Face to face presentation of material is fundamental in the first step for establishing a business relationship; however, it is dependent on the client. Some clients may prefer electronic access to promotional material while hard copies provided in person may be useful for others.



US managers place more emphasis on the ease of electronically presenting the material and the preference by clients, both new and existing, to receive material electronically.

This shows that international managers recognize the need for more personalized emotionally connected relationships through face-to-face interaction while US managers place more value on providing necessary material in the most convenient means of delivery relevant to business transactions.

Regarding to monitoring of promotions, the majority of managers were either neutral or disagreed to some extent that promotional material was monitored about effectiveness after presented to business customers. However, two international managers agreed promotional material was effectively monitored saying that this was achieved by taking record of who is present at certain events where promotional material is provided to then identify which participants follow up via requests for proposals. An internal database was said to be used for providing other promotional material to therefore link who is receiving what and how this correlates to the business relationship. Additionally, when providing promotions through email if clients are interested they often reply to the email indicating that the promotional material is generating interest. When presenting promotional material via a sales person feedback is then relayed by way of the client to indicate whether they are interested in entering into a relationship with the company.

Most managers, however, responded that they disagree to some extent or are neutral based on no real knowledge of how promotional material is monitored. Others feel that promotional material is presumed to be effective with no real system in place to their knowledge. This shows that effectiveness of promotional material, if monitored, is not shared or communicated consistently across departments.

#### **IV.b. Evaluation of RQ2: Use of the native language**

Most managers agreed that the use of the native language more effectively communicates emotional benefits of services provided by the analyzed company, due to the lack of a language barrier. One manager stated *"The intangible and unsaid is often more important than the information provided within the (promotional) material."*

It was also communicated by managers that it could be contradictory to appear as global when everything is provided in English. This shows that actually "acting global" is not a real priority. It is true that sometimes English makes information more accessible, but under other circumstances it does the opposite. When promotional material is provided in the native language, more commitment is seen on the part of the company providing the information to its customers to foster a

sense of cultural awareness.

The use of the English language as a standard for business is often based on the culture where business activities take place. For some cultures, to attain a great level of business efficiency and professional standing, English proficiency is something to achieve. This may be true for places where the client's native tongue is not commonly used worldwide, for example China. Other cultures may prefer to use the local language based on a sense of pride. According to Hornikx (2010), language can be interpreted as literal or symbolic relative to how consumers interpret the message across various international markets. The use of language as symbolic is evident in the responses provided by Asian, European and US counterparts. In their analysis of how adapting the language is perceived across cultures, they feel that the English language in some instances provokes more meaning regarding not the literal meaning but instead the symbolic meaning associated with the English Language. According to managerial perspectives, there are obvious cultural implications that may be associated with the use of language for different cultures when the language is not adapted.

Additionally, promotional material was viewed as a tool for keeping clients informed to be viewed as well received when providing updated company specific material. Continuing to keep the client informed demonstrates the company's desire to involve the client. This helps to facilitate loyalty down the road by creating relationship value by keeping clients informed and allowing them to be a part of the company's development.

Most managers agree that it is necessary to adapt the language of promotional material to optimize affective ties for a healthy and profitable relationship with customers. This confirms that the use of promotional material can help create affective ties among clients and that the native language is preferred in communicating emotional benefits. However, most managers did not agree that promotional material creates loyalty; adapting the language of promotional material not directly influences loyalty, it is an extra effort that is recognized by clients. So, this adaptation to the native language may help to establish affective ties that may potentially lead to loyalty in the future.

#### **IV.c. Evaluation of RQ3: Relationship between adaptation and customer loyalty**

As mentioned, managers believe that the use of promotional material can create affective ties among clients and that the native language is preferred in communicating emotional benefits. When asked if the relationship may be strengthened through promotional material to create loyal relationships, managers believed loyalty to be experienced based and not directly associated with promotional material. Managers

did agree; however, that adapting the language of promotional material, though it may not directly affect loyalty, establishes affective ties that may potentially lead to loyalty in the future. It may therefore be determined that adapting the promotional material does not directly impact loyalty among global partners. The statement provided for RQ3 could then be reworded to state that: There is an indirect positive relationship between adapting the local language(s) of promotional material and the creation of affective ties that facilitate loyalty among global company partners.

According to these findings, research questions 1 and 3 will be identified as "Supported" and research question 3 as "Not Supported."

## V.-CONCLUSIONS

This study has addressed the effects of promotional material in the development of affective ties (trust and commitment) and the possible impact on customer loyalty in B2B environments of the health care sector. Thereby, key findings are identified below, to be followed by the acknowledgement of some limitations.

These are findings considered to be most significant in the conclusion of this research:.

Cognitive and factual material should be presented to new clients. More detailed material, to focus on relationship benefits, should be provided for existing clients.

Delivery of promotional material in person to new clients helps facilitate trust initially and sets a standard for the remainder of the business relationship.

Personal interaction, such as the physical presentation or follow-up thereafter, should be used in accompaniment with promotional material. This supports the idea that promotional material potentially sets the pace to initiate affective ties in a relationship to be developed through personal interaction.

It is easier to communicate capabilities and relationship benefits when using the native language and English promotions are able to do this for countries with English as a primary language.

The use of the English language may be perceived differently among different cultures based on the symbolic, rather than literally meaning, that it represents.

Promotional material does not alone create loyalty, which is achieved through previous satisfactory experience. Adapting the language of promotional material demonstrates extra effort that is recognized by clients. This may help to establish affective ties that may potentially lead to loyalty in the future.

These findings confirm the relevance of language adaptation in a multicultural healthcare industry (Apker, 2011; Bhagat and Steers, 2009; Candlin and Candlin, 2003; Dutta, 2007; Gibson and Zhong, 2005; Ulrey and Amason, 2001). Besides, they show how, in order to

get customer loyalty, it is important to encourage trust and commitment from a relationship perspective (Boora and Singh, 2011; Fullerton, 2003; Mellens et al., 1996; Morgan and Hunt, 1994; Oliver, 1999; Pritchard et al., 1999; Wetzels et al., 1998).

Several limitations ought to be acknowledged at the end of this work. First, one important limitation to this study is obviously related to the sampling method: a larger number of participants would have been more representative of the overall opinion of international managers. Second, cultural diversity could have been better addresses: in this sense, this study would further benefit by interviewing more managers located outside of the US. Interviews with managers from all major regions of operation would have allowed for a better overall opinion relative to cultural variations that may have been more evident when evaluating results.

Third, because of the methodological approach followed, is also assumed the lack of direct feedback from customers receiving the promotional material. This would identify directly the differentiations among partner specific, cultural, and geographical tendencies to then be applied to the option of adapting promotional material. Managers' opinions provided a general view of how promotional material may be viewed, but opinions from real clients would allow for specific and applicable recommendations to then be tailored to participating clients and possibly those clients sharing similar characteristics, cultural backgrounds or location depending on results. Indeed, direct feedback from clients would also allow for more precise and applicable results; in addition to conduct interviews, focus groups would allow for customers to speak freely about the use of promotional language and its effects on business relationships.

Further research can develop additional research questions relevant to direct connection with what languages should be used among different cultures and differing perspectives of trust, commitment and loyalty. Additional cultural tendencies, could further analyze the behavioral tendencies among various cultures to then be connected with language more directly and its influence among various countries/cultures where business is conducted. The conceptual model could be expanded to incorporate cultural differences according to Hofstede's cultural dimensions (Hofstede, 1980; The Hofstede Center, 2014) and also more directly assess credibility, expertise and quality services as components contributing to the development of affective ties, satisfaction and behavioral Intentions (loyalty or others, such as willingness to pay more or positive word of mouth) in business relationships.

Furthermore, more and new knowledge on the use of language in B2B context can further be interpreted consistently with contemporary theoretical approaches on value-in use and value-in-exchange, in line with

the service-dominant logic and the value co-creation processes (Grönroos and Voima, 2013).

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# The role of marketing and branding in creating value for charitable organisations

The marketing and branding of not-for-profit organisations, and specifically UK 'Charities' is changing significantly. This study aims to examine how Charities' performance was impacted by the recent economic crisis and secondly, the roles that charity branding has played. Specifically, it examines the relationships between income and spending levels and a charity's rank in the «Charity Brand Index.» A significant relationship was discovered between Charity spending, voluntary income, and the Charity brand index ranking. This relationship was true for both current year measures, as well as lag effects. These relationships have managerial implications for the ways that small Charities and large Charities manage their brands, as well as their donors.

*Key words: Not-for-profit marketing; Charities; Charity marketing; Charity branding*

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## Introduction

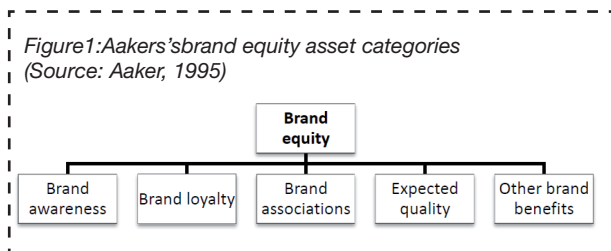
The way that the world views charities has changed dramatically over the past 200 years. Charitable organisations now exceed 160,000 in the UK alone. Income for the charitable sector has soared to new heights and now brings in an estimated gross income of over £ 62 Bn. The number of players entering the sector on time to grow and there are now 1005 charities bringing in an income of over £10Mn. Alongside this growth, a rise in branding practices and marketing principles used in the industry to better differentiate and communicate each charity's values, mission and work. Given the rise in prominence of charity brands, and the increased competition, this study set out with the aim of exploring two complimentary aspects of the charity industry. First the overall performance of the charity industry was explored to see how things had changed in recent years, especially give events like the economic crisis of 2008 and 2009 and secondly, the roles that charity branding has played for both individuals and charities were further examined.

## 1.0 Literature Review:

### 1.1 Brand Equity

Aaker defines brand equity as:

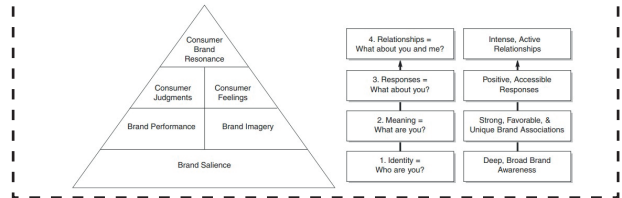
*"A set of assets (and liabilities) linked to a brand name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm's customers" (Aaker, 1995).* For Aaker, brand equity is composed of four major asset categories which include; brand associations, brand awareness, perceived quality, and finally brand loyalty.



Keller by comparison describes brand equity as:

*"A brand has positive customer-based brand equity when consumers react more favourably to a product and the way it is marketed when the brand is identified than when it is not" (Keller, 2008).* Keller's CBE "branding ladder" refers to four "building blocks" - "Who are you?" (brand salience), "What are you?", (brand performance and brand imagery), "What about you?", (consumer judgments and consumer feelings) and "What about you and me?", (consumer brand resonance), (Keller, 2008).

Figure 2: Keller's customer based brand equity pyramid (Source: Keller, 2008).



### 1.2 UK Charity Sector Overview

Throughout time, charities have comprised a large section of what is commonly referred to as "the third sector", non-governmental and non-profit-making organisations or associations, including charities, voluntary and community groups, and cooperatives. A charity is more generally defined as an organisation that is set up to provide help and raise money for those in need. In the UK alone, the charity sector is enormous; over 160,000

charities are registered in England and Wales alone. Total income from these charities amounted to £ 62.1 Bn in 2013, with total spending in the same year £ 58.6 Bn (Charity Commission, 2013). A relatively small number of players are responsible for the contribution a majority of income collected. In the UK, 69% of all income collected is earned by a mere 1.2% of large charities. The charity sector has many subsectors: Education and Training; Medical and Health; Disability; Relief of Poverty; General Charitable Purpose; Housing; Community Development; Arts and Culture. The Charity Commission splits income into five different categories:

**Voluntary Income:** comprises incoming resources generated from the following sources:

- gifts and donations received, including legacies; any tax reclaimed on amounts received under gift aid; grants from the government; membership subscriptions, donations; gifts in kind - (i.e. the donor receives nothing in return for their donation).

- **Trading to Raise funds:** Income from trading, by providing goods and services to the public - (i.e. the donor receives something in return)

- **Investment Income:** includes dividends, interest and rents.

- **Charitable Activities Income:** Income received as fees or grants specifically for goods or services, supplied by charities to meet the needs of their beneficiaries.

- Other: including gains on the disposal of own assets

- **Spending,** is split into six different categories by the Charity Commission. However, for the sake of this paper, only one part of charitable spending will be defined as this has perhaps the largest impact on branding:

- **Spending to generate voluntary income:** Defined as the costs incurred in encouraging other parties to make

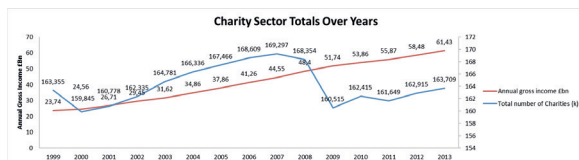
grants, gifts or legacies to charities. The costs may include:

- fundraising; advertising; marketing and direct mail materials; payments to an agent; assembling funding applications (Charity Commission, 2013).

### 1.3 Charity Sector Performance over Time

The global financial crisis of 2008 and 2009 impacted upon all or most industries. The UK Charity sector, competing for individual and enterprise donations, was not wholly exempt. In 2009 alone, 4,839 charities left the sector, however gross income continued to grow (Charity Commission, 2013).

Figure 3: Total gross income and number of UK charities over the last 15 Years (Source: Charity Commission, 2013)



The Charities Aid Foundation (CAF) found that between 2007 and 2009 charities with an income less than £10 million experienced little to no effect on the amount of voluntary donations (increase of 2.2%), whereas those above £10 million, with less than 11% drop in voluntary income (Arnott, 2011). This could possibly be linked to the fact that people prefer to donate to more smaller charities, and less in long-term structure commitments with larger charities when times are hard. In the most recent compilation by the Charity Commission, the total current £62 Bn has two primary elements, charitable income (32%) and income from charitable activities (52%).

Table 1: Breakdown of 2013 total charity income and spending into components (Source: Charity Commission, 2013)

2013 Total Income Breakdown	2013 Total	Breakdown*
Voluntary income	19,77	32%
Trading or raise funds	4,91	8%
Investment income	3,5	6%
Charitable activities income	32,55	52%
Other	1,39	2%
Total	62,12	100%
Generating voluntary income	2	3%
Trading or raise funds	2,6	4%
Investment management	0,51	1%
Charitable expenditure	52,75	89%
Governance	0,79	1%
Other	0,95	2%
Total	59,6	100%

\*in £Bn

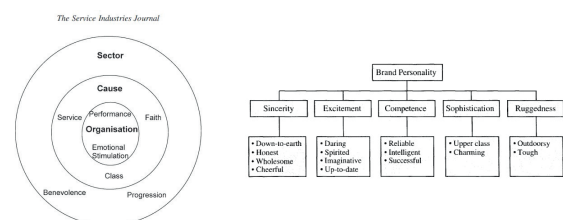
The CAF also shows that the UK is the 6th most generous nation in the overall ranking, 2nd worldwide in terms of the percent of people who donate monthly to a charity or organisation (76% of individuals surveyed), 9th in terms of helping out a stranger (65% of people surveyed), and finally they ranked 26th in terms of volunteering anytime

monthly (29% of individuals surveyed) (Charitable Aid Foundation, 2013).

### 1.4 Branding within the Charity Industry

Branding and brand management within the charity sector appear to be in their nascent phases. In general, not-for-profit organisations (or NFPs) have been relatively slow in implementing branding practices. This is attributed to issues such as the difficulties in committing internal stakeholders to the process (Grounds and Harkness, 1998) and the opinion that branding is too "commercial", some non-profit marketers even view the practice as immoral (Ritchie, Swami, and Weinberg, 1998). However, NFPs have long been concerned with "maintaining a consistent style and tone of voice", an essential branding principle (Tapp, 1996). Sargeant and Ford (2007) have also suggested that charity brands even have a different brand personality distinctive from commercial brands (Sargeant, Hudson and West, 2008). Their proposed structure has many parallels with Jennifer Aaker's original framework.

Figure 4: A Comparison of brand personality frameworks. Left: Hypothesised structure of a charity brand personality (Source: Sargeant and Ford, 2007) Right: J. Aaker's brand personality framework (Source: Aaker, 1997)



As branding in the charity and NFP sectors has become more prominent, organisations such as Third Sector Research have formulated charity brand metrics such as the "Charity Brand Index" (CBI) (Third Sector Research, 2013). In their approach to determining the top 130 brands in terms of effectiveness and performance, a survey of over 3000 UK adults is carried out by external agency, Harri Interactive, measuring attributes such as recognition, willingness to donate, trust, and attitudes towards the charity's causes.

### 2.1 Research Question and Hypotheses:

How have UK charities performed in response to the economic recession, and how have current charity branding practice is affected the way these charities perform? Hypotheses were then derived to address the central research question:

- Hypothesis 1: The use by practitioners of a 'Charity Brand Index' can be shown to be grounded in the literature on customer based brand equity (CBE).
- Hypothesis 2: Charities were relatively immune to the economic crisis

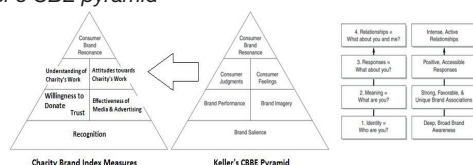
- Hypothesis 3: There is a positive relationship between Charity branding activity and brand performance
- Hypothesis3a: There is a positive relationship between total charity income and the charity brand index
- Hypothesis3b: There is a positive relationship between voluntary income and the charity brand index
- Hypothesis 3c: There is a positive relationship between spending to generate voluntary income and the charity brand index rank
- Hypothesis 3d: There is a positive relationship between voluntary spending and voluntary income

## • 3.0 Analysis:

### • Testing Hypothesis1

• Although access to the individual factors and their relative contribution towards the brand rank was not publically available, the objective was to try to relate the CBI to existing brand equity models, such as that of Keller.

Figure5: Charity Brand Index Measures compared with Keller's CBE pyramid

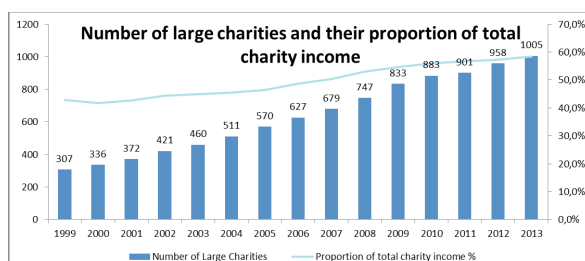


The charity brand index attempts to address the first step of the branding ladder by measuring the recognition level of different charity brands, ( Keller's brand salience) and directly answers Keller's mention of " the ease in which a brand is recalled or recognised"(Keller, 2008). Brand imagery is addressed with questions in regards to the effectiveness of media coverage and advertising. It appears that this reflects the "reinforcing the extrinsic properties of the product or service such as meeting the customers' social needs"(Keller, 2008). Willingness to donate as well as trust levels appear to be the selected metrics in terms of measuring the reinforcement of the ways in which customers' functional needs or demands are met by the underlying product or service, or what Keller refers to as " brand performance" (Keller, 2008). For measuring the upper levels of brand equity, Third Sector Research investigate consumer understanding of, and their attitudes to charity's work, which reflects what Keller refers to as " consumer judgments and consumer feelings". One caveat here could be that Keller's measure does not fully encapsulate consumer response, i.e. behaviour (loyalty, repeat purchase, sales, share, etc.), (Halliburton and Bach, 2012). Also, it appears that the consumer brand index does not address the final step in the branding ladder , Keller's " brand resonance" (Keller 2008). Overall therefore, the hypothesis can be partially accepted in that this measure is able to provide a reasonably accurate insight into current levels of brand awareness and brand equity within the UK charity sector.

## Testing Hypothesis 2

Data from the Charity Commission as well as from the CAF showed a remarkable growth rate over the period for the 15 years of data available with a CAGR of total income of 7.03% for the total charity sector. The number of large charities (income >£ 10 MN.) has nearly tripled over the past 15 years growing at a CAGR of 8.84%.

Figure6: Number of large charities and their proportion of total income (Source: Charity Commission)



Once the data for sample set 1 was collected, their relevant financials (total spending and total income over the past five years) as well as their associated CBI ranking over the past 5 years was created. Total income for the sample set grew (mean 4.7% from 2008- 2009 and 2.1% from 2011 to 2012).

Having tested the first sample set for consistency with the overall trends in the charity sector, we analysed the relationship between brand ranking and income and spending. Following this initial analysis the sample set was refined to allow more detailed analysis and to allow for outliers. The second sample set had a CAGR for total income of only 2.62% compared to 5.59% for the overall charity sector over this period. Hypothesis 2 therefore is partially supported as charity income and spending continued to grow throughout the recession, but at a slower growth rates and different charity sizes were differentially affected.

## Testing Hypotheses 3a to 3d

Regression analyses were undertaken for all four sub-hypotheses. For hypothesis 3a, no significant relationship was found between total income and the charity brand index (CBI). This could perhaps be explained by examining the different charity categories where some of them are less dependent upon the brand awareness and image (such as trading income and investment income).

Hypotheses 3b, 3c and 3d were investigated also using lag effects of current and previous two years. Significant positive results were found and the regressions stayed relatively similar throughout the period.

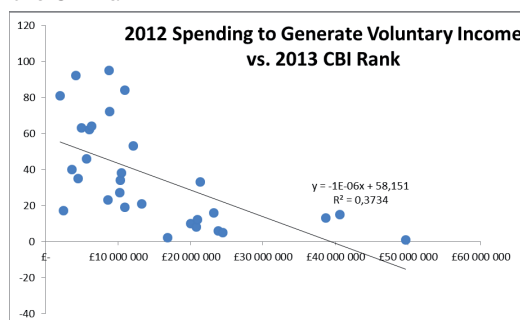
Hypothesis 3b was partially supported as significant relationships were found over three of the four periods, either from the same period or a one year lag..

Table 2: Voluntary income and Consumer Brand Index (CBI) ranking

FY_2009_VOLUNTARY_	PearsonCorr	-.476**
	Sig.(2-tailed)	.008
	N	30
FY_2010_VOLUNTARY_	PearsonCorr	-.329
	Sig.(2-tailed)	.076
	N	30
		CBI_RANK_
FY_2010_VOLUNTARY_	PearsonCorr	-.261
	Sig.(2-tailed)	.163
	N	30
FY_2011_VOLUNTARY_	PearsonCorr	-.307
	Sig.(2-tailed)	.099
	N	30
		CBI_RANK_
FY_2011_VOLUNTARY_	PearsonCorr	-.345
	Sig.(2-tailed)	.062
	N	30
FY_2012_VOLUNTARY_	PearsonCorr	-.370*
	Sig.(2-tailed)	.044
	N	30
		CBI_RANK_
FY_2012_VOLUNTARY_	PearsonCorr	-.372*
	Sig.(2-tailed)	.043
	N	30

For hypothesis 3c a significant relationship was found between spending to generate voluntary income and the CBI with a stronger link in period n-1 compared to n-2. For example the 2013 CBI showed a significant relationship with voluntary income spend in 2012 (and a slightly weaker relationship in 2011).

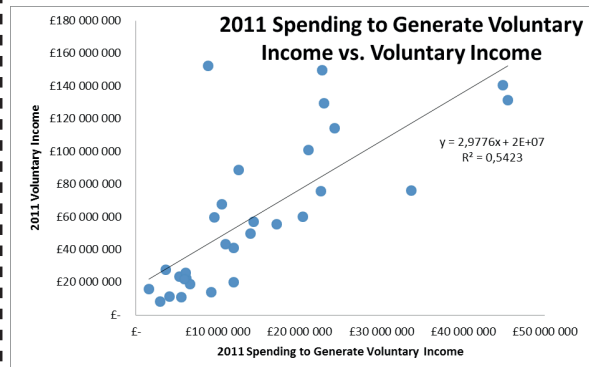
Figure7:2012 Spending to generate voluntary income and. 2013 CBI Rank



For hypothesis 3c, the results showed a significant relationship between the CBI and voluntary income over 3 of the 6 periods, therefore hypothesis 3c is only partially supported.

Finally hypothesis 3d was investigated .Voluntary income showed a strong relationship at significant levels for the whole period- see Figure 8 as illustration.

Figure8:2011 Spending to generate voluntary income and voluntary income



## 5. Conclusion

The Charity Brand Index appears to be consistent with the established models of consumer brand equity (as evidenced by frameworks such as Aaker and Keller) and therefore can reasonably be used by charity practitioners to assess charity brand awareness as well as other aspects of brand equity. Thus hypothesis 1 is confirmed.

Charities do not appear to have been wholly immune to the economic crisis. In 2009, drops in growth that crossed the charity sector saw a hole and within the sample data set show that the sector did appear to be affected. However, the effect of the crisis appears to have been more of a wing effect rather than an absolute decline.

Following refinement of the sample set only the relationship between the CBI and spending to generate voluntary income was determined to be statistically significant. This relationship held for hypotheses 3a, b & c for both period n-1 and period n-2. Over time, the strength of the correlations as well as the R squared values fluctuated, but only by a small amount. These assurances for period n and period n-1 appear to have moved in the same direction over time and show no large differences in any specific year. In looking into whether the CBI had an effect on income collected in the future, only a weak relationship was found for periods n+1 and n+2; however a strong relationship between spending to generate voluntary income and voluntary income was confirmed.

## 6 Managerial Implications:

The market is not only becoming more competitive in the sense that more charities are making more money, but the fact is that more charities are becoming more developed in their approaches to generating income and communicating their values. Differentiation is becoming an even greater factor and branding holds so many of the keys to bringing about this differentiation. More than ever therefore the argument in favour of a clear branding



strategy is becoming stronger. Charity managers are not only going to need to start recognizing the importance that a brand holds for a charity, but also, they will need to start investing more in brand building activities, as competition for fundraising is becoming more contested.

This is especially true for the portion of charities which are listed further down in the brand index. As shown in the analysis, brand awareness and perceptions appear to fluctuate more rapidly as a charity's rank decreases. This means that in order for charities to secure that their message, values and work are consistently well communicated charities need to place themselves as high as possible in these types of indexes. The only way to do this is to invest in spending to generate voluntary income and/or more creative and effective brand communications. Even for the charities in the list which did not have large voluntary incomes, this measure appears to be moving with the charity brand index ranking. Furthermore, this relationship appears to be stronger for mid and lower ranked charities.

There search showed that larger charities were impacted more by the financial crisis, while donation patterns as a whole seemed to reflect a "fairly recession proof trend," it appears that large charities may need to better balance their revenues teams between do not who are greatly impacted by the crisis and donors who are likely to continue giving even during times of recession. This may mean shifting focus more towards private individuals and becoming less dependent upon relationships built with business entities.

## 7. Limitations and future areas of research:

Access to the detailed charity industry data was limited to the years 2007-13. Charities are not required to go into heavy detail with respect to the individual aspects and line items that compose categories such as "voluntary income" and "spending to generate voluntary income." Charities do not directly report "marketing expenses" or "brand based expenses."

In terms of the CBI, the method and weights given to the different metrics of measurement are not publically available. The application of the different measures using Keller's branding pyramid could be subject to different interpretations.

The charity brand index only collects information on a group of 150 charities and these cond sample set was reduced to 30 total charities to allow for collection relevant information across the different income and spending categories. This information could be collected for a larger number of charities. The influence that social media is having on all of these different measures could be explored.

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## Comparison between Qualitative and Quantitative Validity: from a theoretical perspective

A literature review of marketing papers and social science has identified new methods of assessments of qualitative research in marketing. The results show that the qualitative validity does not respond to traditional paradigms of validity and that the rules of internal validity, external validity are not applicable to it. New criteria are proposed. They bear the names of interpretive validity and Strategic validity to assess the validity of the qualitative results.

*Key words: qualitative validity, quantitative Validity, Marketing, Interpretive validity, Strategic validity, Internal and External validity*

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## Introduction

The question of the validity of marketing qualitative research raises from their origin much debate. Everyone (managers or researchers) questions the legitimacy of the results obtained from small samples. In view of the traditional criteria, qualitative studies should establish the accuracy of their analysis according to the rules of the *internal validity* and *external validity* (Acker, Kumar, Day, 2000). They would have to report on the accuracy of their observations using validity test. *These precepts are not applicable, because the determination of the validity is usually based on statistical methods from quantitative research.*

*Recent social scientist proposed other criteria of validity* (Denzin, Lincoln 2000). They abandoned conventional tracks they considered *too theoretical* (Guba, 1981) and sought to *establish a more pragmatic validity*. Their goal was to *focus on the findings* to achieve more operational validity. The validity of qualitative research can be designed in a different way with a new definition and new criteria (see table 1).

In this paper we wish to review the various methods of validity of both traditional and new through a review of the marketing literature and social sciences. We pursue two objectives: first take stock of the results validity criteria (internal and external validity ) and new qualitative criteria; secondly deepen the methods of qualitative validity.

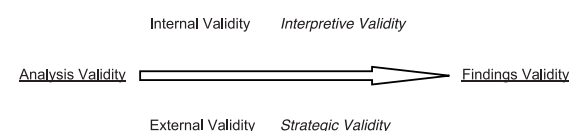
This paper does not address *the measurement validity*, the three indicators defined by Churchill (1999) - *construct validity, content validity and predictive validity*- so it does not address *the validity of history* which is their equivalent in qualitative research, that is to say *the capacity of the qualitative instrument to trace the living history of consumers*, to tell what happened and to give meaning to observations and ideas.

The first change proposed by the qualitative research is *how to assess the validity of the conclusions of the research*. It is to evolve the concept of analysis validity (Campbell and Stanley, 1966) results to a valid design (Denzin, Lincoln 2000). Usually (Craig and Douglas, 2000) *the validity criteria examine the accuracy of the analysis and generalizations (internal and external validity)*. The quality of the facts highlighted is estimated from *statistical relationships between variables and possibilities of extrapolation to the total population* and other areas. Originally, in 50s these validity criteria were developed by psychology scientists who sought to gain a more scientific approach. *Assisted by statisticians, they establish that the research is objective and that can have a real vision of its unique and universal information* (as positivist CONTE paradigm).

## Need for renewal criteria

The qualitative researchers are uncomfortable with the traditional criteria of validity for several reasons (Andreani, Conchon, 2005): 1 / *the language and ideas associated with it seem esoteric*. They are far from their concerns. 2 / *the validity of concepts are suitable for quantitative variables and statistical measures* often psychometric scales. Qualitative measures are in another field. They explore the thoughts, rituals or the imagination of respondents. 3 / *verification of validity is based on correlation statistical tests* and independence that are poorly suited to the material collected in qualitative surveys. This is why qualitative researcher prefer assess the veracity of their information from their judgment. 4 / *demonstration of truth is often done in reverse by refutation or acceptance of hypotheses* in a process hypothesis formulation - hypothesis testing. The qualitative researcher has the opposite reasoning. They have the ambition to *identify the different facets of reality and not to demonstrate the refutation*. 5 / *There is a fundamental misunderstanding* What caused the original criteria, quantitative researcher *relegating the qualitative survey in an exploratory paradigm (qualitative) - confirmatory (quantitative)*. According to them, the qualitative phase is an intermediate phase that does not own legitimacy. In contrast, qualitative research aspire to not be a pre-investigation, but to be free of the other search modes by entering their method in a different discipline. 6 / finally, and this is probably the most important reason, the validity of the objectives are not shared by some and by others. The qualitative researcher believe that *reality is multiple, subjective and evolutionary* (postmodern position in contrast to the positivist conception) and that *the measure must also be multiple, subjective and scalable*. The main criticism that they are the traditional criteria is *to deliver "theoretical" results far from reality*, out of their context and not applicable to concrete cases. For example, if a mail order company can show that the shopping basket persons bearing the name "john" is statistically the highest (large customers), what to do with this information is meaningless? What about the conditions for re-use? The intention of qualitative researcher will instead seek a *"valid explanation"* by carrying back and forth between the field, the resulting analysis and assumptions, *which may not establish statistical validity*.

Table 1: Validity Trends



### Qualitative validity

Qualitative approaches offer innovating and assess the validity of qualitative research *from the validity of the findings*. A definition might be *"a qualitative research is valid in marketing if these conclusions are correct and if the ideas and actions it inspires are successful."* It is a *compromise between the ability to generalize and Realism*, enough specific to establish differences. *The first condition refers to a valid interpretation (called interpretive validity) and the second a valid result for managers and researchers (we'll talk about strategic validity)*. Innovation is twofold: firstly define the validity of pragmatic and not theoretical; the other criteria abandon the statistical relationships and instead substitute a concept borrowed from the relations theories of information and communication: relationship to oneself for the interpretive validity and relationship to other communicative validity. This approach corresponds to the attitude of the social scientists already in the early 80 recommended to replace the *internal validity* by the designation *credibility* and *external validity* by *transferability* (Guba, 1981, Muchielli, 1996).

### Quantitative Validity / Internal validity

*The validity of the analysis is traditionally assessed by methods of internal validity* (Usunier, Easterby-Smith, Thorpe, 2000). His determination is based on *statistical analysis* rather than on qualitative analysis. Its objective is to verify that the explanations provided is accurate and that *data processing is able to determine its certainty*. It is implemented as part of tests and experimental studies that seek to establish relationships between variables and to demonstrate that the variations between the dependent variable (ie the acceptance or rejection of a concept) are due to changes in the explanatory variables (see table 2).

Internal validity requires assumptions prior to the research and to verify that the assumptions are validated in general by correlation and regression analysis or data analyzes such as factor analysis and cluster analysis. *If the assumptions are consistent with theoretical data, they are corroborated*, that is to say *momentarily accepted* (Poper 1973 quoted by Thiethart, 2003). If they are not confirmed, it is rejected. At this level, the qualitative study raises the question of the strength of the audit since there is no statistical tests. This is why Social Scientists have to adopt another validity.

Table 2: Comparison of validity criteria

Qualitative criteria	Quantitative criteria
Interpretive Validity	Internal Validity
Subjectivity, reflexivity, introspection	Variables to explain and explanatory variables
Multi-method, multi-source, triangulation	Statistical tests, correlation analysis and regression
Researcher Integration in the survey instrument	Acceptance or refutation of the assumptions
Multiple reality, subjective, changing reality	Objective truth, unique, universal

### Interpretive validity

*The interpretive validity* (inspired by Lincoln, Guba 2000) better reflects the analysis of the qualitative research that internal validity. *It is based on the validity of the analysis made by researchers associated with a method of proof by triangulation*. (Lincoln, Denzin, 2000). This approach validity is gained through the intervention of researcher that compensates the shortcomings of the instrument, which complements and improves it. The analyst's role is to create a system of data back and forth between data and analysis. It is part of the result as well as the information gathered (the ideas, the observed rites ...). Subjectivity is seen as a positive source of enrichment and not a lack of objectivity. The reasoning is that the intervention of the researcher mixed with survey information improves the interpretation of facts to "tell the truth". *The methods of subjectivity* proposed by anthropologists and grounded theory are *reflexivity* researcher (Merleau Ponty 1964 Thines 1980 cited by Delefosse and Roan, 2001) and *introspection* (Garfinkel, 1967).

*Reflexivity is the projection of the analyst through the collected material to make sense of the study* (Ellis, Bochner 2000). It expresses the look of the Research Manager on the results that feed the study of reflections. It provides the interpretation of the researcher through his lived experience. It shows the ideas of mirror and mutation. *Another method of thinking is introspection*. *Introspection is the perception of the analyzes done by researcher through the experiences they have previously lived in other surveys and knowledge they have acquired*. Introspection can be intuitive and personal (intuitive thoughts) and provide other ideas than those of the investigation. It can also be guided by the ideas of the respondents. Finally, it can be interactive and to be the subject of a debate between the interviewer and interviewee (as short animation methods, Andreani, 1998).

### Proof by triangulation and crystallization

*The demonstration of the interpretive validity is ensured by the triangulation method and the crystallization method*. *Triangulation* (concept inspired by browsers that do point) is a *confirmation process by combining multiple methods and multiple sources of information*. It replaces



traditional statistical tests to elucidate the causal relationships between ideas, clarify conflicting results and divergent information and verify their interpretation (Flick, 1998).

Triangulation based on the confrontation of lights that verify the accuracy of the results. It concerns *the linking of data, methodologies, analysts* and work patterns (Denzin, 1981). Comparison of interpretations may be derived *from different samples* (ie a group in one city and a group in another city, a consumer group and a group of non-users), *methods of collecting heterogeneous information* (ie interviews and observations, group meetings and face-to-face interviews), exploratory methods and different questions (ie direct questioning associated with projective tests), or various theoretical frameworks (ie marketing, psychology, anthropology ...).

*If the data is consistent and if they lead to the same analysis, we assume that the results are valid.* If differences exist on the same subject (ie different views of consumers and non-consumers), it is assumed that the data changes depending on the circumstances (method of crystallization). The triangulation process goes hand in hand in these conditions for *crystallization mechanism* (Richardson, 1997), *where what the observer sees depends on how he sees it, as if looking in a crystal the infinite varieties of shapes and dimensions.* The interpretative validity is established *if the explanation "stick with reality."* The apparent contradictions enrich the study and highlight the determinants of behavior according to their contexts. It is thus possible to have a vision of the many facets of the reality of the market.

In this situation, *the evidence from the analysis of the verbatim (the sentences of those interviewed) or the description of the observations is limited.* For example the international agencies *rule of 2 quotes by key idea is enough.* The report does not need to contain more (but it takes). Their role is to illustrate the interpretations of the analyst and not to replace them. The traditional approach of the report of research with abundant extracts are no longer justified. Numerous details are included in the analysis. The word of researcher is more important. Clarification is expected of him to furnish and he discusses his comments as quantitative researcher criticize their data with their statistical tests. The findings are marketing interpretations and not its collected material.

### Interpretive Validity Errors

*The qualitative research, like other forms of research, may lead to analysis and interpretation errors.* The interpretive validity as internal validity may be limited by biases related to the methodology of the study. This can lead to errors of interpretation. *Bias interpretative validity are comparable to the 8 factors that threaten the internal*

*validity* (Campbell and Stanley, 1966). However, the qualitative survey is more sensitive to some than others, particularly the errors of the analyst.

The sample selection effect is. Determines that the sample is representative of the research and they are consistent. For example, if a consumer is not found in a group of consumers, there will be a bias and answers will be controversial or incorrect. On the other hand, *the effect of instrumentation is a source of equally large errors in qualitative investigations.* If the discussion guide is not well designed, if the questioning does not alternate direct questions, and indirect questions, if the probes are not accurate, if the investigator or researcher are incompetent and do not know s adapt to respondents, *if the number of moderators is high as in the case of international studies, the risk of bias in the results are numerous.*

*The qualitative research is also very sensitive to the effects of contamination between the moderator and the respondents,* between the researcher and the research manager. If the influencing effects are desired, they must be clearly displayed. If they are not, *they affect the internal validity.* Another source of errors, often found in qualitative studies *is the test error.* When interviewee is people who regularly participate in surveys, they have biased reactions due to the mechanisms of learning and rationalization answers (Scherry, Konizets, 2001).

Other factors can interfere with the validity of a qualitative study but are less common. One of them is through maturation bias where it changes during the research participant profile, what to test, competitors to study or other units of analysis. Another effect that can change the answers of the interviewees that occur during the study (history effect). For example, question people during the holidays on a beach can change their answers. Finally, other causes are not active in qualitative studies: experimental mortality effect (respondents disappear during the study), and statistical regression effect and extreme score (ie interview people for a strong period consumption, which is often sought).

All these means of interpretive validity can cause errors in interpreting the results. In traditional analyzes, these errors are determined statistically in a critical area *reject "a hypothesis when it is true (first case of error) or acceptance of a hypothesis when it is false (2nd case of error).* By cons, in qualitative research, misinterpretations are designed in different ways (Lincoln, Guba 2000). *They are defined as errors of description and explanation.* Description error is forgotten by error analysis, minimization or denial of information for reasons of personal selection of the analyst or through biases validity. *The explanation error corresponds to incorrect understandings or erroneous or irrelevant comments* and not truthful explanations. Some qualitative procedures,



including projective tests are more difficult to interpret than others and may produce incorrect or false analyzes (Andreani, Conchon 2001). *The interpretative validity is accepted if the information and explanations given are consistent with reality.* They are rejected otherwise. Evidence is demonstrated by triangulation (Andreani, Conchon 2003).

#### Quantitative Validity / External validity

*The external validity of a research is the ability to infer the results to the entire population and the entire area that was the subject of the investigation.* The issues are whether the sample is representative of the market, if correctly describes the people he is supposed to represent, if the results are transferable outside of the sample to the population and how extent they are generalizable to a more comprehensive approach. Traditionally, external validity is assessed on the extent of extrapolation of information collected. Extrapolation follows *the statistical laws of probability samples and margins of error* they define as a function of sample size. Qualitative Research do not meet these criteria and difficult to generalize from a statistical point of view.

#### Quantitative Validity / Generalization Validity

Beyond the external validity, the investigation may have a goal to extend the data to business life and decision context. It is *the empirical generalization*. It is defined as follows Bass *"empirical generalization is a structure that is repeated across some circumstances"* (quoted by Herman Joseph 1999). The validity generalization establishes whether the results are applicable to a broader context (ie competitive strategy, another market situation). The generalization is not only a summary of the data, but the ability to reach more general proposals and to broader marketing analysis (see table 3).

Generally, *the validity of the generalization is admitted if there are invariants of a situation*, if a regular statistical link can be demonstrated between them, if subjectivity analysis is limited (regularity in data sets, Lawrence 1999) and if the results can be explained by marketing know-how. Again, the qualitative research does not meet these conditions. The idea of extracting data out of context to generalize it is paradoxical (Greenwodd, Levin 2000), the contexts used instead to transfer information to new situations (ie a future situation). The logic of an objective reality is foreign to him.

Table 3: Comparison of validity criteria

Qualitative criteria	Quantitative criteria
Strategic validity	External Validity
Agreement with the recipients	Extrapolation of the survey to the entire population
Credible and convincing results	probabilistic sample Statistical margins of error
Widespread marketing analysis	Acceptance or refutation of the assumptions
Multiple reality, subjective	Generalization to the population Chance of empirical generalizations

#### Qualitative Validity / Strategic validity

*The Strategic validity is a generalization of validity of the findings based on the demonstration of the validity of a total or partial agreement between the stakeholders* (ie the researcher and the academic community). The notion of generalization and aggregation is used here to remember that empirical generalization approaches (see the special issue of Marketing Science 1995) recognize as *symbolic methods* to the possibility of reaching general propositions as mathematical methods or graphics (see definition of Bass).

*The term "Strategic"* (inspired by the paper of Gergen and Gergen, 2000 on tension in qualitative inquiry) indicates *that the researcher or research manager are not alone in judging the research validity*, with their batteries of tests. In contrast, *qualitative researcher shares validity with his audience* (for example peer-reviewed). Unlike the individualist tradition, a methodological dialogue is established on the possibilities of generalization of the research. The major results should apply to recipients and convince them of their validity. Therefore, *the Strategic validity is subject to negotiation* (Guba, Lincoln, 1989). This is to establish a stable belief and opinion on which everyone falls agree.

The agreement comes down to the question *"Is it that the results are sufficiently authentic to believe, make marketing decisions and create new knowledge."* The dialogue validity is not fixed or invariable nor objective. It merely to distinguish between true and false, according to a more experiential approach (the experience of validity) and theoretical (Schwandt, 2000) in the manner of methods of expert consensus. Thread communicative validity must confront points of view, analyze different scenarios and allow marketing thinking. *If the results appear credible, the general conclusions are accepted*, if disagreements persist, the validity is established on the basis of partial ownership in case the controversy is clearly discussed.

The tuning process is an interactive process where *results are "co-managed" by all the partners* in the study, that is to say that everyone can participate in establishing *multiple interpretations* and validity of recommendations (Greenwood Levin 2000). *Co-management of findings*

*focuses first on identifying the determinants of situations (contextualization) and their concordance with the reality (confirmability). Then it sets the repeat conditions in a similar context (strength) and the conditions of transfer to other situations (transferability). Finally, it is changing so general propositions meet their expectations and they are ready to join (credibility).*

The concept of the research partners must be understood in a broad sense. There is on the one hand, *research teams are involved*. For example, the contribution share of the researcher, the analyst and the research director *may resolve the ambiguities and remove misconceptions* (Hertz, 1997). There are the other recipients of the research. For example, frequent companies and their teams (design, marketing, research) are participating at the time of the presentation of results to the analysis of the findings application conditions. Finally, there are the respondents themselves who can play the role of "informing" to resolve inconsistencies or understand conflicting results.

### **Strategic validity errors**

*Errors strategic validity alter the generalization of the results. They include the representativeness errors related to the sample and the implementation errors related to the understanding of the results and their strategic generalization.*

*Sample representativeness errors involve traditionally the external validity of the survey. They are the result of the sample size, its mode of chance and composition. For example, a debate was started in the early 80s between consumer behavior researchers on the profile of the interviewees. The question was whether the research based on samples of students were as valid as those that were composed of consumers and whether they had an external validity (see the debate between Lynch and Calder). In qualitative surveys, representativeness error does not occur in the same way as in quantitative surveys. Representativeness errors exist and strategic validity may be altered on different bases: if the sample size does not obey the semantic saturation rule information (ie a group instead of 4 or below validity the survey instrument), if the sample is not targeted (ie a convenience sample increases the representativeness error) if the sample characteristics do not match the objectives of the survey.*

The quality of the qualitative sample depends on its size and composition. Papers (Griffin and Hauser, 1993) have shown that *the number of 20 to 30 interviewed face-to-face identifies 90% to 100% of customer needs in a homogeneous population segment, only 8 to 10 respondents reveal 70 to 80% and 5 face-to-face interviews can provide 50 to 60% of the information. At*

*group level, this research indicate that a 2 hours single group identify only 50% of requirements and 2 hours 2-3 groups detect 70-80% of needs. Should be based on these results 7-10 groups to reach cover 90 to 100% of needs. These samples reflect professional practice. For example in the car industry, it is not uncommon to interview 30 consumers face-to-face in a given segment. Another approach is to not stick to a fixed standard and not to determine the number of a priori way of interviews. The sample size in this case obeys the principle of saturation (Glaser & Strauss, 1967) and the provision of additional information. When there is saturation, the research stops and the sample size is considered optimal.*

The error of qualitative transferability influences implementation of the results at the decision-making environment and business life. Strategic validity is compromised. *The error is a bad linking between the ideas of the respondents and marketing decisions.* The error transfer in qualitative research may involve *the understanding of respondents*, understanding sense of the synthesis of the results, the overall understanding of the findings and factors of success or the generalization of strategic actions and recommendations.

Often the generalization error is at this point *the general propositions and marketing decisions*. It is a mistake to view the current reality and its projection into the future. For example what about managers who decide the opposite of what the survey says? What about an academic research that provides no conclusive results and visible to professionals? *However marketing decisions are difficult to generalize because their choices meet conflicting requirements: on one side better meet customer expectations; on other side innovating to provide competitive advantages and create new situations that change the ways of the consumers.*

The qualitative research should more than other studies provide added value in marketing, avoiding *recommendations errors (it is authentic and near reality)*. The competence of researcher fully involved.

### **Discussion of the validity of qualitative research**

*The qualitative marketing research is valid if they valid for the purposes of the internal validity, or external such as quantitative research? The answer is no. Can we take advantage of this situation to not discuss the validity of qualitative research? Again the answer is certainly not. We cannot assume that all are equal and qualitative research that the validity problems do not arise. It is a living and credible validity, realistic and credible. They can be discussed and evaluated from the following 5 questions (Miller, Crabtree 1999) 1 / Does the method is adapted to the problem? 2 / Is the sample allows to answer questions*

and enrich the study? 3 / Do the research process is interactive? 4 / Does the interpretation process is clearly described? 5 / Does the study opens the debate?

The discussion of qualitative relates to 5 criteria (Richardson, 2000): 1 / *What is the contribution of the results to the problem of the research (substance)?* 2 / *The interpretation is sufficiently creative to provide new answers and anticipate what will happen?* 3 / *What was the researcher's ability to deliver his personal thoughts on the subject (reflexivity and introspection)?* 4 / *Will the results lead to new arguments and new ideas (impact)?* 5 / *Does the study data seem real and believable (reality)?*

Researchers often have other concerns that the qualitative validity. 1/ *The pressure of academic rigor is such that researchers frequently hide behind the exploratory, tentative and unproven their investigation not to comment on the validity of their qualitative research.* It is as if different viewpoints did not exist and that it was not necessary to discuss the contradictions between the respondents. 2/ *Sometimes they evade the fundamental mechanisms of subjectivity and do not treat them as if they did not exist.* Often they do not distinguish between their personal vision and do not speak of *introspection*. This can lead to lack ambition in empirical generalizations. 3/ *The situations that manages the qualitative research are complex, for example assemble the representations of the respondents and discover meaning in the manner of a puzzle that we rebuilt (using a method inspired by the Levi-Strauss, 1960).* Denzin (2000) speaks of cinematic montage *to explain the relationship between the data and the researcher*. The example he takes is that of assembling the film Potemkin. The installation concept used to organize the behavior and thoughts of the respondents as *the sequence of a film, to reconstruct the history and select the psychological and emotional ending*. 4 / statistical criteria are irrelevant and validity demonstration obeys other rules (transgressive validity Lather 1993). It corresponds to a transgression process to stick to reality and revisit the material collected. Indeed for the qualitative demonstration *it is not logical but paralogical* (Gergen and Gergen, 2000), that is to say, it is tainted limits and paradoxes paralogical validity.

## Conclusion

*The issue of validation in qualitative research is rather ambiguous and contentious.* Social Scientists (Lincoln and Guba 2000) have suggested that it should be called something other than validity to distinguish it from what is done in quantitative research. *Given that there are no generally accepted guidelines, there are numerous expectations to discuss validity in qualitative research* (Venkatesh, Brown, Bala 2013), even if mixed

methods want to bridge the gap between the Qualitative-Quantitative methods.

Qualitative research as Quantitative research has validity criteria. But these criteria are different although superimposed (Drapeau, 2004). *At the internal validity of the analysis is the interpretive validity of relationships between ideas. Similarly to the external validity of research quantitative giving a margin of error and the possibility of transferring the results to the total population and to different situations is a strategic validity of qualitative research to agree on the transferability of results and accept their degree of potential uncertainty.*

From the literature on social sciences, and papers hypothesis we could reach a theoretical perspective and the main concepts of the qualitative validity. However our approach is limited. It would need to be verified by an experimental approach demonstrating our theoretical assumptions. This will certainly be an opportunity for other researchers to take over and to highlight the foundations of the validity of qualitative research from a field of investigation.

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