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# CONSUMER PARTICIPATION AND THE TRUST TRANSFERENCE PROCESS IN USING ONLINE RECOMMENDATION AGENTS

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## ABSTRACT

Online product recommendation agents (hereafter RAs) can provide important benefits to consumers. But whether consumers trust RAs and integrate an RA's recommendations into their product choices has not yet been examined. Nor has there been research on whether different levels of consumer participation in using RAs lead to different levels of trust in the RA. Using an experimental design that combined the benefits of a field study with those of a lab study, active consumer participation in using an RA was found to have increased consumers' trust in the RA, which in turn increased intentions to purchase based on the RA's recommendations. The study also proposed and found support for a trust transference process, hitherto not tested in the RA context, wherein trust in the website was a key driver for trust in its RA and the RA's recommendations. These findings extend the extant literature on RAs as well as research in offline contexts on consumer participation and the trust transference process. Managerial implications and directions for future research are also provided.

## INTRODUCTION

Electronic screening tools and intelligent decision aids such as online product recommendation agents can offer important benefits to consumers who shop online or simply search for product information on the Internet (e.g., Alba et al. 1997; West et al. 1999). Based on software technology, online product recommendation agents (hereafter RAs) are designed to understand consumers' product preferences by eliciting inputs from consumers and making recommendations that allow consumers to screen large sets of product alternatives in a systematic and efficient manner (Häubl and Trifts 2000; Xiao and Benbasat 2007). Marketers have begun to equip their websites with recommendation technology because of the strategic importance of making RAs available to

consumers as a value-added service. For example, Economist (2005) reported that eBay paid \$620 million for Shopping.com, a shopping website with recommendation agents that offer product and price comparisons. Amazon, Yahoo, and other e-business leaders also offer recommendation agents on their websites.

RAs make product recommendations based on consumers' inputs generated from a preference elicitation process. The recommendations may involve no direct discussion of preferences or may be a result of personalized, two-way dialogues between individual consumers and the RAs. When the RA on Amazon.com suggests a new purchase, it makes recommendations tied to the customers' recent purchases, in the form of "Customers who bought this item also bought \_\_\_\_\_." In contrast, the RA on MyProductAdvisor.com asks the consumer many questions and then recommends a product choice. Thus, the basic difference between these two types of RAs is that whereas Amazon.com's RA makes product recommendations based on the consumer's browsing patterns, the RA on MyProductAdvisor.com recommends products based on the consumer's specific inputs regarding his/her product interests and preferences. Our study focuses on studying the latter type of RAs because we believe that they are more attuned to fulfilling specific consumer needs. But do consumers integrate either type of recommendation into their product choices? To a large extent, this depends on the trust consumers have in the RA or in the website where they are shopping. Trust is a salient factor of concern within the online shopping environment (e.g., Hoffman, Novak, and Peralta 1999; Urban, Sultan, and Qualls 2000). Moreover, consumers who seek advice from RAs for their purchase decisions may be unsure whether the RA is looking out for them or for the retailer.

Scholars have made a good start in examining the role of trust in consumers' adoption of RAs. For example, Wang and Benbasat (2005) found that perceived ease of use of an RA

positively affected consumers' trust in the RA, which in turn, positively affected perceived usefulness of the RA and consumers' intentions to adopt the RA. Komiak and Benbasat's (2006) study showed that perceived personalization and familiarity of an RA increased consumers' intentions to adopt the RA through the mediating effects of cognitive trust and emotional trust. Wang and Benbasat (2007) found that providing "how" explanations (i.e., how the RA came up with the recommendation) increased consumers' trusting beliefs in a RA's competence and that providing "why" explanations (i.e., why the RA thinks this is a good product for that consumer) and "trade-off" explanations (i.e., why this product is better than others) strengthened consumers' trusting beliefs in the RA's benevolence and integrity.

These studies provide interesting insights but also point to directions for further research on the trust issue as it relates to the evaluation and adoption of RAs. First, it may be useful to broaden the scope of trust referents when examining consumer trust within an RA-aided online shopping environment. Past research on RAs has focused on RAs as the trust referent, leaving a gap in the literature with respect to multiple referents. Yet an RA-aided online shopping environment consists of not only the RA but also the website and the specific product recommendations. The difference between these trust referents is similar to the subtle yet real differences between a consumer's trust in a sales person, the consumer's trust in the organization where this sales person works, and the consumer's trust in the sales person's recommendations of which product(s) to buy. Therefore, in addition to studying trust in an RA, trust in the other two referents (the RA's website and product recommendations) should be relevant for RA research. Although Rathnam (2005) included a construct labeled "trust in the agent's recommendations" in his study, the construct itself and the items used to measure it captured disconfirmation with consumers' stated preferences rather than trust. To fill this gap in the literature, the current research examines the two other relevant trust referents mentioned above in addition to the RA—the website in which the RA is embedded and the product recommendations provided by the RA—in order to gain a fuller understanding of the critical role of trust in consumers' evaluation and use of RAs.

By doing so, the current research extends "trust transference process" between 2 or more referents that has received empirical support in the offline, buyer-seller relationship context (e.g., Doney and Cannon 1997; Milliman and Fugate 1988; Wood, Boles, and Babin 2008) and in an online study (Stewart 2003) to the online RA context.

Second, the literature on RAs has examined intentions to adopt (or use) RAs as the main outcome variable of trust. Gentry and Calantone (2002) used three theoretical models (the theory of reasoned action, the theory of planned behavior, and the technology acceptance model) to explain consumers' attitudes and behavioral intentions to use "shop-bots" on the Internet. The current research investigates not one but three outcome variables—consumers' intentions to reuse the RA, to return to the RA's website, and to purchase based on the RA's recommendations—in order to extend the extant literature on RAs in actionable ways.

Finally, previous research on RAs has focused on examining the impact of an RA's technical design features such as ease of use, usefulness, and explanation mechanisms on consumers' trust in the RA. The role of consumers as active participants in using RAs has been largely ignored. However, consumer participation is an intrinsic part of using technology-based self-service (c.f., Dabholkar 2000) and interacting with an RA fits this type of self-service. Consumers participate in using RAs through providing important input such as the acceptable price range that they have for certain products and their likes and/or dislikes about certain product attributes. The quality and quantity of this input greatly determines how well RAs can understand and fully capture consumers' preferences and should have direct relevance for consumer trust and behavioral intentions. Yet, these aspects of consumer participation in using RAs have not been studied. Therefore, to fill this gap in the literature, the current research takes the perspective of consumers and investigates the impact of consumer participation in using RAs on consumer trust and behavioral intentions.

## RESEARCH HYPOTHESES

### Consumer Participation, Trust, and Behavioral Intentions

In the current study, consumer participation in using an RA is defined as the extent of the consumer's involvement in using the RA. This type of active participation would include greater interaction with the RA, such as

answering questions raised by the RA and providing product or price-range preferences.

Research has been conducted to study the impact of consumer participation in online brand communities on brand commitment and products as well as services usage intention (e.g., Casaló, Falvián, and Guinalú 2008; 2011). But consumer participation in online brand communities is different from consumer participation in using RAs. Consumer participation in online brand communities is in the form of consumers engaging with a certain brand community through generating and posting messages and interacting with other consumers who are also members of the community. Consumer participation in using RAs on the other hand, is in the form of consumers interacting with and using the RA technology on the Internet.

Research in *offline* contexts has shown that active participation positively influences trust in a variety of trust referents. Chalos and Haka (1989) found that increased employee participation in decision-making related to their jobs led to greater trust in the organization. Ouschan, Johnson, and Sweeney (2006) found that patients were more trusting of physicians who involved them in patient-physician consultations. Wang and Wart (2007) found that public citizens' active participation in public polices and government operations positively affected their trust in the government.

Moreover, whereas the RA literature has examined only one trust construct...i.e., trust in an RA; offline research (e.g., Doney and Cannon 1997; Milliman and Fugate 1988; Wood et al. 2008) and an online study (Stewart 2003) have examined several trust referents in the same study to attempt to understand the trust process in greater depth.

Based on the extant offline literature on customer participation as well as the possibility of several relevant trust referents in any given context, it is expected that active participation in using an RA will strengthen beliefs about the trustworthiness of the RA, the RA's website, and product recommendations provided by the RA. The reason for this is as follows: RAs are consumer-oriented by design because they are built to elicit inputs from consumers in order to better understand consumers' product needs and to make recommendations that match consumers' preferences. RAs' consumer orientation is manifested by greater interactions with

consumers, including initiating dialogues and asking relevant questions to understand consumers' product preferences and interests. Based on the inherent design of RAs, the more consumers participate in a dialogue with an RA and in navigating the RA's website, the better they will understand why and how the RA arrives at its recommendations and the more comfortable they will be with the RA's website. As a result, they will have greater trust in the RA and its recommendations as well as greater trust in the website that offers this RA. Thus, it is proposed that:

**H1. Consumer participation in using an RA will have a positive effect on: (a) trust in the RA, (b) trust in the RA's website, and (c) trust in the RA's product recommendations.**

A general link between trust and intentions has been established already in the *online* context. For example, Becerra and Korgaonkar (2011) studied the effects of brand, product, and vendor trust beliefs on consumers' intentions to make online purchases. More specific to the current research, the literature shows that trust in a website is a key determinant of consumers' intentions to purchase from an online store (e.g., Pavlou 2003; Schlosser, White, and Lloyd 2006). The literature also shows that trust in a website leads to intentions to bookmark a website and recommend the website to friends (e.g., Bart, Shankar, Sultan, and Urban 2005; Dabholkar, van Dolen, and de Ruyter 2009; Wang, Beatty, and Foxx 2004). In the context of using RAs, Wang and Benbasat (2005) found that trust in an RA had a positive effect on consumers' intentions to adopt an RA. Similarly, Komiak and Benbasat (2006) found that trust in an RA increased consumers' intentions to use the RA as a decision aid and as a delegate to make purchase decisions on their behalf. These findings on the link between trust and intentions, from online research in general and RA research in particular, are extended to the same three trust referents used for H1 and their matching behavioral intentions. Thus, it is proposed that:

**H2a. Trust in the RA will have a positive effect on intention to reuse the RA.**

**H2b. Trust in the RA's website will have a positive effect on intention to return to the website.**

**H2c. Trust in the RA's product recommendations will have a positive effect on intention to purchase based on the recommendations.**

### **The Trust Transference Process**

The notion of trust transference has been widely discussed in offline contexts (e.g., Doney and Cannon 1997; Milliman and Fugate 1988; Wood et al., 2008). Milliman and Fugate (1988) found that, in an unfamiliar selling situation, a buyer's trust in the company's trade report was transferred to trust in a salesperson from that company. Doney and Cannon (1997) found support for the trust transference process in an existing relationship where a buying firm's trust in a supplier firm led to trust in salespeople who worked for that supplier firm. Wood et al. (2008) found a trust transference effect in the opposite direction in that customers' trust in a salesperson led to greater trust in the salesperson's firm. A trust transference process has been confirmed in an online context as well; Stewart (2003) demonstrated trust transfer from a known website to an unknown website embedded in the known site through a hypertext link.

Although trust transference has not been examined in the RA context, it is very likely that it takes place in this context as well. When consumers interact with an RA on a website, they first form perceptions of whether that website can be trusted. In other words, once trust in the website is established, that trust will be translated into trust in the RA on the website and in the RA's product recommendations. In addition, once a consumer trusts an RA, s/he will trust the RA's recommendations. This line of reasoning is supported by the work by Urban, Sultan, and Qualls (2000). These scholars found that trust on the Internet was built in a stage-by-stage, cumulative process in which trust in a website had to be first established before consumers could develop trust in the information provided on the website. Taking all of this into account, it is proposed that:

**H3. Trust in the RA's website will have a positive effect on: (a) trust in the RA and (b) trust in the RA's product recommendations.**

**H3c. Trust in the RA will have a positive effect on trust in the RA's product recommendations.**

**Research hypotheses H1a-H3c are depicted in Figure 1.**

## **METHODOLOGY**

### **Research Design and Procedure**

An experimental design that combined the benefits of a field study with those of a lab study was used to test the proposed conceptual framework. Two existing RAs on actual websites (myproductadvisor.com and shopping.com) were used to collect data. Using actual RAs on the Internet made the current research highly realistic and represented the field experiment aspect. At the same time, it was conducted as a scenario-based experiment, which represented the controlled environment of a lab study. Both RAs are need-based RAs and make product recommendations based on inputs elicited from consumers. The difference between the two RAs lies in the amount of input requested from consumers. This difference enabled the manipulation of the level of consumer participation in the experiment. The RA on myproductadvisor.com asks consumers a wide range of questions on brand preferences, intended usage situations, importance ranking of product attributes, and detailed product attribute specifications, and therefore, was selected to represent the high participation condition. In contrast, the RA on shopping.com asks fewer, basic questions such as price range and product attribute preferences, and therefore, was selected to represent the low participation condition.

A two-study process was envisioned to first examine the model with a student sample and then verify the results with a broader demographic. Students participated in computer labs of the university while non-student participants used an online format. In each study, the participants were screened to ensure that none of them had used either website (myproductadvisor.com or shopping.com) before. The participants were then randomly assigned to one of these two websites and asked to interact with the RA regarding product information, based on a scenario which they read first (see Appendix A). The scenarios mentioned a situation where the participant was in need of either a laptop

computer or a digital camera. Both products were chosen to represent situations where consumers are likely to search for information, compare options, and seek advice before making a purchase decision. Students were assigned to a laptop scenario, while non-students were assigned to a digital camera scenario, so that in each case, the product would be of interest to the respective sample. After searching for information and interacting with the RA, both sets of participants were given surveys to measure the constructs in the conceptual framework.

### *Manipulation Check and Measures*

To verify whether the manipulation of consumer participation in using an RA worked, the following item was used: "When using this agent, the number of questions I was asked was...." Respondents were given a 7-point scale with endpoints "very minimal" (1) and "quite a lot" (7). Previously validated scales in the extant literature were adapted and used where possible. New items were developed to measure constructs not previously studied (see Appendix B).

Measures for trust in an RA were adapted from the work by Komiak and Benbasat (2006) and Wang and Benbasat (2005). Items for trust in an RA's website were based on Bart et al. (2005), Schlosser et al. (2006), and Wang et al. (2004). As mentioned above, although Rathnam (2005) included a construct labeled as "trust in the agent's recommendations" in his study, the items captured disconfirmation with consumers' stated

preferences rather than trust. Therefore, the scale for trust in an RA's product recommendations was developed for the current research with general guidance from the trust literature. All three trust constructs were measured on Likert scales with end-points "strongly disagree" (1) to "strongly agree" (5).

Measures for intention to reuse the RA were adapted from Gentry and Calantone (2002), Komiak and Benbasat (2006), and Wang and Benbasat (2005). Items for intention to return to the RA's website were based on Bart et al. (2005) and Wang et al. (2004). Five-point scales with endpoints "very unlikely" (1) and "very likely" (5) were used to measure these two intention constructs. The scale for intention to purchase based on the RA's product recommendations was developed for the current research and measured on a Likert scale with endpoints "strongly disagree" (1) to "strongly agree" (5).

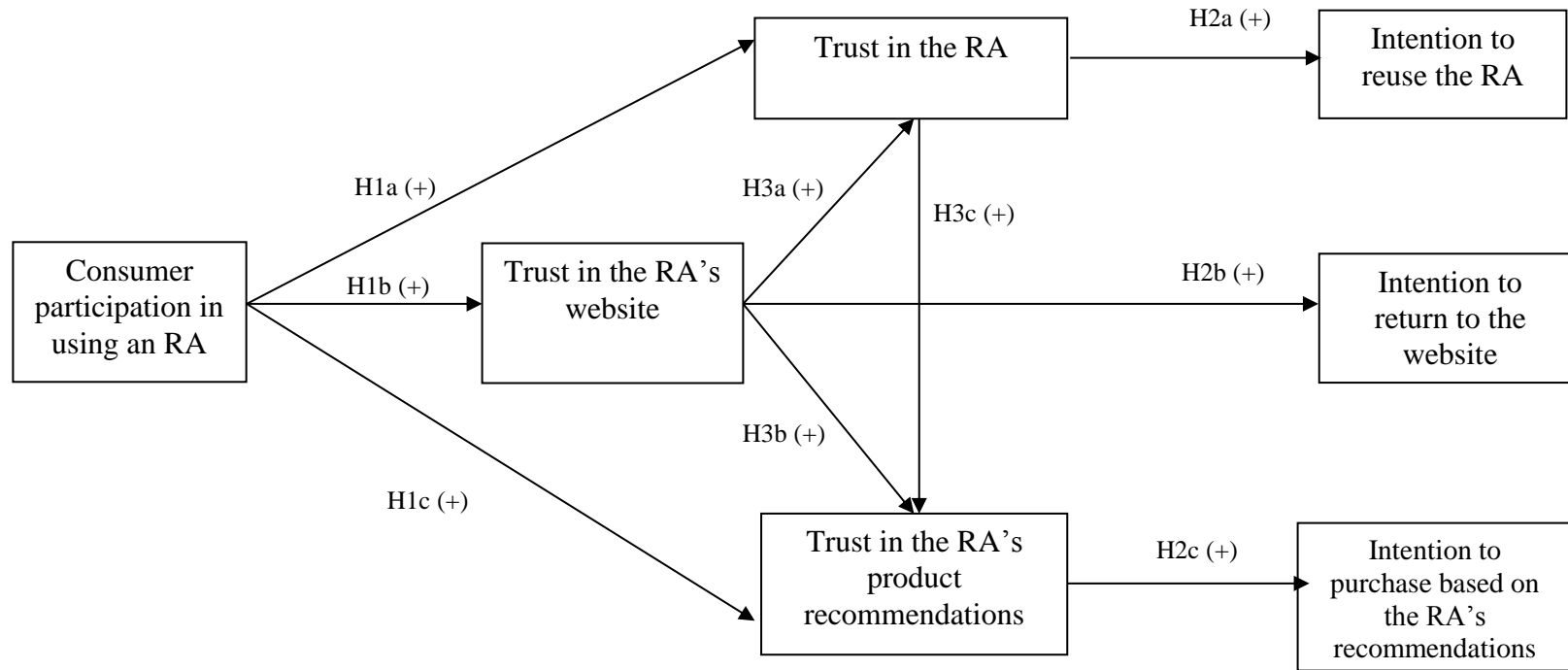
### *Sample Characteristics*

Study 1 had 68 undergraduate students from a southeastern university in the U.S. as participants. Participation was voluntary and respondents were given a couple of points of extra course credit. The sample was almost equally divided by gender, with 51.5% of the participants male and 48.5% female. The respondents' average age was 21, 92.6% reported 8 years or more of Internet experience, and 88.2% reported spending 3-4 hours on the Internet every day.



FIGURE 1

Conceptual Model





Study 2 had 154 people who were contacted through an online survey firm. Participation was voluntary and respondents were paid for their participation. The sample consisted of 58.4% men and 41.6% women. In terms of age distribution, 13.5% of the sample was younger than 25, 59.1% between 25 and 54, and 27.2% older than 55. Despite the wide age range as compared to the student sample in study 1, 89% reported 7 years or more of Internet experience and 76% reported

spending 3 or more hours on the Internet every day. In contrast with the uniform level of education in study 1, 3.2% of the sample in study 2 had less than high school education, 23.4% were high school graduates, 55.9% had college education (including 2-year and 4-year colleges), and 17.5% had master's, doctoral, and professional degrees.

Table 1 summarizes the sample characteristics of studies 1 and 2.

TABLE 1  
Sample Characteristics

	Study 1	Study 2
Sample size	68	154
Gender	Female: 48.5% Male: 51.5%	Female: 41.6% Male: 58.4%
Age	Average: 21 years of age	<25 years of age: 13.5% 25-54 years of age: 59.1% >55 years of age: 27.2%
Education	College juniors and seniors	Less than high school: 3.2% High school graduates: 23.4% College graduates: 55.9% Master's, doctoral, and professional degrees: 17.5%

## RESULTS

### Manipulation Checks

Manipulation checks were conducted for both samples using *t*-tests with measured perceptions of consumer participation as the dependent variable and the manipulated level of consumer participation (high vs. low) as the independent variable. The results showed that the manipulation was successful in both studies. In study 1, participants who used the RA on shopping.com reported a significantly lower mean score for participation (3.03) than those who used the RA on myproductadvisor.com (5.68),  $t=7.21$ ,  $p<0.001$ . Similarly, in study 2, participants who used the RA on shopping.com perceived a lower mean participation (3.31) than those who used the

RA on myproductadvisor.com (3.91),  $t=2.26$ ,  $p<0.05$ .

### Study One Measure Validity

Given that the sample size in study 1 was 68, measure validity was assessed by conducting exploratory factor analysis (EFA). Items with factor loadings greater than the recommended threshold of 0.4 on the proposed factor were retained (c.f., Nunnally 1978). Table 2 displays factor loadings for all the measurement items in study 1.

For trust in the RA's website, all five items loaded correctly with factor loadings ranging from 0.54 to 0.82. For the seven items measuring trust in the RA, five of them loaded properly with factor loadings ranging from 0.50 to 0.76. The other two items, even though taken

**TABLE 2**  
**Study 1**  
**Exploratory Factor Analysis Results: Measurement Items' Factor Loadings**

Factor Loadings Items	Construct					
	Trust in RA	Trust in RA's Website	Trust in RA/s Recommendations	Intent to Return to the Website & Reuse the RA	Intent to Purchase	
Trust Agent_1	<b>.759</b>	.125	.161	.223	.134	
Trust Agent_2	<b>.500</b>	.354	.104	.128	.303	
Trust Agent_3	<b>.573</b>	.273	.090	.274	.278	
Trust Agent_4	<b>.562</b>	.251	.060	.050	.152	
Trust Agent_5	<b>.676</b>	.356	.020	.220	.019	
TrustAgent_6*	.325	.597	-.051	.326	.304	
Trust Agent_7*	.382	.416	.373	.050	.131	
Trust Site_1	.393	<b>.640</b>	.147	-.033	-.002	
Trust Site_2	.269	<b>.699</b>	.056	.068	.256	
Trust Site_3	.181	<b>.543</b>	.169	.138	-.103	
Trust Site_4	.106	<b>.823</b>	-.048	.195	.226	
Trust Site_5	.342	<b>.614</b>	.169	.314	.364	
Trust Recom_1	.222	.083	<b>.794</b>	.158	.158	
Trust Recom_2	-.004	.338	<b>.655</b>	.325	.325	
TrustRecom_3*	.152	.185	.069	.374	.374	
TrustRecom_4*	.199	.575	.327	.206	.206	
TrustRecom_5*	.091	.365	.165	.576	.576	
Int Agent_1	.400	.011	-.084	<b>.759</b>	.196	
Int Agent_2	.084	.259	-.424	<b>.574</b>	.068	
Int Agent_3	.170	.208	.264	<b>.766</b>	.208	
Int Agent_4	.160	.132	.034	<b>.782</b>	.045	
Int Agent_5	.076	.216	.098	<b>.832</b>	.109	
Int Site_1	.137	-.056	.016	<b>.825</b>	-.041	
Int Site_2	.191	.079	.042	<b>.600</b>	.028	
Int Site_3	.048	.257	.236	<b>.785</b>	.231	
Int Site_4*	.628	.177	.041	.266	.273	
Int Recom_1	.071	.303	.101	.191	<b>.807</b>	
Int Recom_2	.016	.170	-.125	.021	<b>.638</b>	
Int Recom_3	.129	.148	.084	.227	<b>.728</b>	
Int Recom_4	.313	.135	.144	.050	<b>.829</b>	
Int Recom_5	.232	-.038	.170	-.011	<b>.869</b>	

\*items that cross loaded on unintended constructs or had factor loadings lower than 0.40 are dropped from further analysis.

from the literature on RAs, cross-loaded on trust in the website and were dropped from further analysis. For trust in the RA's product recommendations, items 1 and 2 loaded on the correct factor, with factor loadings 0.66 and 0.79. The other three items, even though based on general measures from the trust literature, cross-loaded on several factors, and were dropped from further analysis.

All the items for intention to reuse the RA loaded as expected and the factor loadings ranged from 0.57 to 0.83. However, three of the four items for intention to return to the RA's website also loaded on intention to reuse the RA with factor loadings ranging from 0.60 to 0.83. The fourth item cross-loaded on other factors and was dropped. A possible explanation for the strong overlap between these two constructs is that returning to the website and reusing the RA were perceived by the participants as two parts of one action. Because of the lack of discriminant

validity, the three items for intention to return to the RA's website and all the items for intention to reuse the RA were collapsed into one construct, and labeled as: *intention to return to the website and reuse the RA*. All five items for the newly developed scale on intention to purchase based on the RA's product recommendations loaded correctly on their intended factor, and the factor loadings of these items ranged from 0.64 to 0.87.

Correlations among the constructs ranged from 0.34 to 0.56, supporting discriminant validity. In terms of reliability, all values were acceptable by being close to or greater than 0.7 (c.f., Nunnally 1978). Cronbach's alpha was 0.85 for trust in the website, 0.81 for trust in the RA, 0.69 for trust in the RA's recommendations, 0.92 for intention to return to the website and reuse the RA, and 0.89 for intention to purchase based on the RA's recommendations. Table 3 displays Cronbach's alpha values for all five constructs in study 1.

**TABLE 3**

**Study 1**

**Measure Reliability**

<b>Construct</b>	<b>Cronbach's <math>\alpha</math></b>
<b>Trust in the website</b>	<b>0.85</b>
<b>Trust in the RA</b>	<b>0.81</b>
<b>Trust in the RA's recommendations</b>	<b>0.69</b>
<b>Intention to purchase</b>	<b>0.89</b>
<b>Intention to return to the website and reuse the RA</b>	<b>0.92</b>

### *Study One Hypothesis Testing*

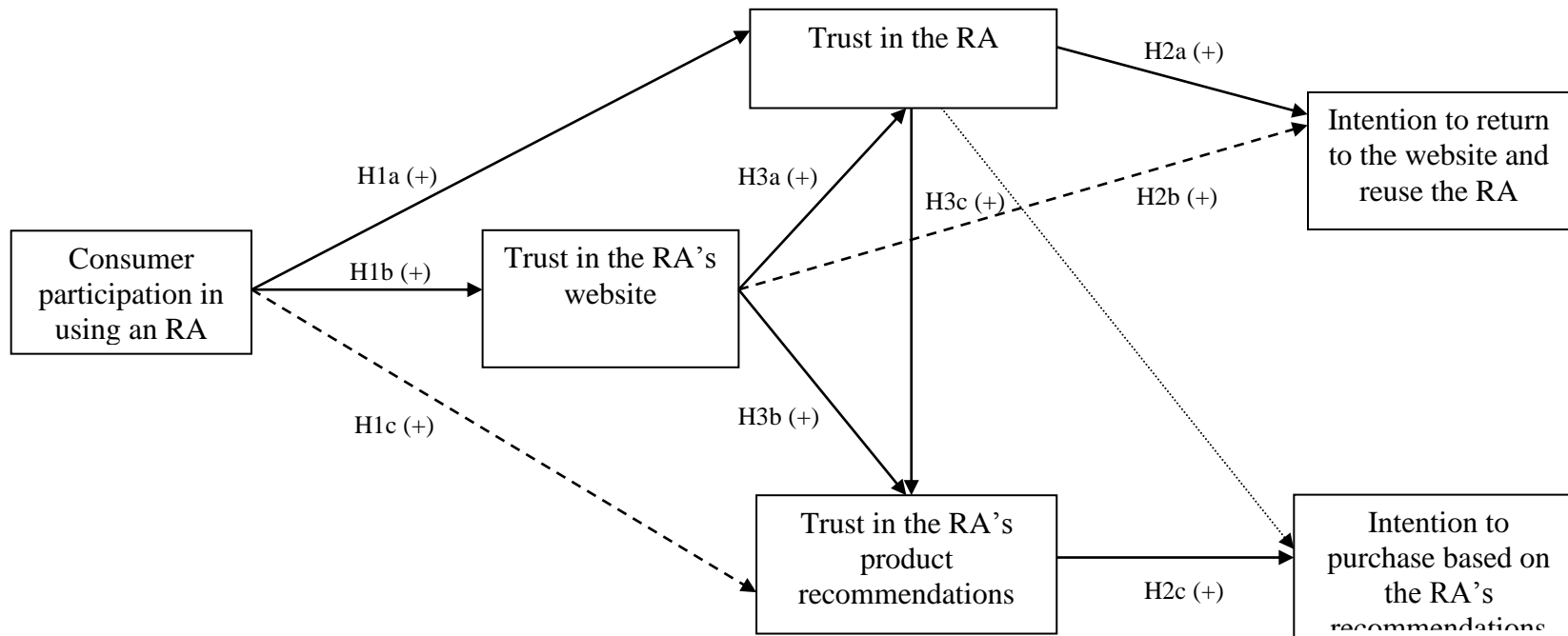
Hypotheses H1a-c were addressed by running independent-samples *t*-tests. The results showed that participants who used the RA on myproductadvisor.com (i.e., the high participation group) reported a higher level of trust in the RA (4.14) than those who used the RA on shopping.com (i.e., the low participation group) (3.78),  $t=2.67$ ,  $p<0.01$ . The results also showed that participants in the high participation group had higher trust in the RA's website (3.91) than those in the low participation group (3.53).  $t=2.68$ ,  $p<0.01$  and that trust in the RA's product recommendations was higher for the high participation group (3.98) than that for the low

participation group (3.49),  $t=2.52$ ,  $p<0.05$ . Thus, all three hypotheses testing the effects of consumer participation on trust, i.e., H1a-c, were supported.

To address the rest of the hypotheses, i.e., H2a-c and H3a-c, a series of regressions were run. Because intention to reuse the RA and intention to return to the RA's website were collapsed into intention to return to the website and reuse the RA as one construct, the conceptual model was modified accordingly, with this single construct used as the outcome variable in testing H2a and H2b (see Figure 2).

FIGURE 2

Modified Conceptual Model Showing Empirical Support for Hypotheses



Hypotheses supported in both studies —————>

Hypotheses supported in one study, with borderline support in the other study - - - - ->

Additional effect found in one study .....>

Three simple regressions were used to address H2a-c. Although H2a and H2b share the same dependent variable, a multiple regression was inappropriate given that not only were the two independent variables expected to be correlated, but one was expected to have an effect on the other (see H3a), which contradicts the assumptions of a normal multiple regression. In the test for H2a, the model was supported,  $F=23.18$ ,  $p<0.001$ , with an adjusted  $R^2$  of 0.25. Trust in the RA had a strong, positive effect on intention to return to the website and reuse the RA, with a standardized  $\beta$  of 0.51, ( $t=4.82$ ,  $p<0.001$ ), thus supporting H2a. In the test for H2b, the model was also supported,  $F=16.92$ ,  $p<0.001$ , with an adjusted  $R^2$  of 0.19. Trust in the RA's website had a positive effect on intention to return to the website and reuse the RA, with a standardized  $\beta$  of 0.45 ( $t=4.11$ ,  $p<0.001$ ), thus supporting H2b. In the test for H2c, the model was supported once again,  $F=13.63$ ,  $p<0.001$ , with an adjusted  $R^2$  of 0.16. The positive effect of trust in the RA's product recommendations on intention to purchase based on the RA's recommendation had a standardized  $\beta$  of 0.41 ( $t=3.69$ ,  $p<0.001$ ), thus supporting H2c.

Three simple regressions were also used to address H3a-c for the same reason as given above. Although H3b and H3c share the same dependent variable, a multiple regression was inappropriate here as well, given the same two independent variables here, which were expected to be correlated and in addition, one was expected to have an effect on the other (see H3a). In the test for H3a, the model was supported,  $F=30.53$ ,  $p<0.001$ , with an adjusted  $R^2$  of 0.31. The strong, positive effect of trust in the RA's website on trust in the RA had a standardized  $\beta$  of 0.56 ( $t=5.53$ ,  $p<0.001$ ), thus supporting H3a. In the test for H3b, the model was also supported,  $F=16.06$ ,  $p<0.001$ , with an adjusted  $R^2$  of 0.18. Trust in the RA's website had a positive effect on trust in the RA's recommendations, with a standardized  $\beta$  of 0.44 ( $t=4.01$ ,  $p<0.001$ ), thus supporting H3b. In the test for H3c, the model was supported once again,  $F=9.38$ ,  $p<0.01$ , with an adjusted  $R^2$  of 0.11. Trust in the RA had a positive effect on trust in the RA's recommendations, with a standardized  $\beta$  of 0.35 ( $t=3.06$ ,  $p<0.01$ ), thus supporting H3c.

Thus, the entire conceptual model encompassing H1a-H3c (i.e., all nine hypotheses) was empirically supported with a student sample

of 68 participants. Table 6 (reported later in this article because it includes study 2 results for comparison) shows a summary of study 1 hypothesis testing results. These results were very encouraging, but a follow-up study was planned (as explained earlier) to verify these results with a larger, non-student sample of 154 participants and using structural equations modeling in place of separate, simple regressions for H2a-c and H3a-c.

## Study Two Measure Validity

Given the larger sample size in study 2, measure validity was assessed with confirmatory factor analysis (CFA) using AMOS 19. It was decided to keep all the items used in study 1 as they had been carefully taken from the literature or developed with guidance from the literature. Moreover, as study 1 had a smaller sample size and used EFA, it was hoped that keeping all the items would allow a better assessment through CFA as to which items were truly sound and which were not.

The first run of the measurement model had the following fit indices:  $\chi^2=871.67$ ,  $df=402$ ,  $\chi^2/df =2.17$ , CFI=0.92, and RMSEA=0.09. Whereas the overall fit was acceptable, especially with CFI>0.9, some fit indices (e.g.,  $\chi^2/df$ , RMSEA) showed room for improvement. To improve the fit, all items with high modification indices (>10.0) were dropped. These items either overlapped with the dropped items in study 1, providing a confirmation of sound vs. poor items in the scales, or were reverse-coded items (see Appendix B). In the latter case, it is possible that, in contrast to students who are familiar with reading reverse-coded items, the general public is not as used to these and so misread them. In addition, items for intention to return to the website had high modification indices on the intention to use the RA construct. These items were not dropped; instead, the conceptual model was changed just as in study 1 (see Figure 2 above). Further discussion on this issue is included below with particular reference to discriminant validity.

The second run of the measurement model (with the remaining items and five factors instead of six) showed a marked improvement in fit, with  $\chi^2=353.66$ ,  $df=188$ ,  $\chi^2/df =1.88$ , CFI=0.96, and RMSEA=0.07. Convergent validity was confirmed through acceptable fit indices as well as the substantial factor loadings of

items on their intended constructs, which ranged from 0.73 to 0.97 and were all significant at  $p < 0.001$  (see Table 4).

Average variance extracted (AVE) was 0.62 for trust in the RA's website, 0.64 for trust in the RA, 0.56 for trust in the RA's recommendations, 0.69 for intention to purchase, and 0.81 for intention to return and reuse. These values are all above the recommended value of 0.5 (Fornell and Larcker

1981), which provides further evidence of the convergent validity of the measures. Correlations among the constructs were between 0.73 and 0.84, which were higher than in study 1. To verify discriminant validity, nested model comparisons were run between different pairs of constructs, using SEM

**TABLE 4**

**Study 2**

**Confirmatory Factor Analysis Results:  
Measurement Items' Regression Weights**

	<b>Estimate</b>	<b>C.R.</b>	<b>P</b>
tragtfair<--- TrustRA	.841	13.856	***
tragtknow<--- TrustRA	.760	14.450	***
tragtcapa<--- TrustRA	.776	13.237	***
tragtable<--- TrustRA	.827	14.603	***
trsitemconf<--- TrustSite	.744	12.000	***
trsitemfath<--- TrustSite	.836	13.520	***
trsitemtrst<--- TrustSite	.796	13.936	***
trsitemerely<--- TrustSite	.771	11.344	***
trrecbias<--- TrustRec	.737	10.412	***
trrecaccu<--- TrustRec	.761	14.193	***
intagtser<--- IntentionRA	.914	16.108	***
intagtpur<--- IntentionRA	.929	15.548	***
inagtguide<--- IntentionRA	.940	16.542	***
intagtrecom<--- IntentionRA	.927	15.514	***
intsitecom<--- IntentionRA	.852	12.136	***
intsiterecom<--- IntentionRA	.854	12.441	***
intrecprob<--- IntentionRec	.845	14.908	***
intrecflw<--- IntentionRec	.867	14.761	***
intreclike<--- IntentionRec	.782	11.284	***

**C.R. = critical ratio; \*\*\*:  $p < 0.001$**

In each case, one model set the covariance between the two constructs to 1, while the other model was unconstrained. The unconstrained model was superior to the constrained model in all

cases but one. As in study 1, it appeared that there was no discriminant validity between intention to return to the RA's website and intention to reuse the RA. Therefore, as

mentioned above, these two sets of items were combined and collapsed into one construct, namely, *intention to return to the website and reuse the RA*. As a result, the revised conceptual model is exactly the same as that in study 1.

In terms of reliability, all values were greater than or equal to 0.9, confirming high reliability for the 5 scales. Cronbach's alpha was 0.93 for trust in the website, 0.90 for trust in the

RA, 0.92 for trust in the RA's recommendations, 0.96 for intention to return to the website and reuse the RA, and 0.90 for intention to purchase based on the RA's recommendations. Table 5 displays Cronbach's alpha values for all five constructs in study 2.

TABLE 5

## Study 2: Measure Reliability

Construct	AVE (Average Variance Extracted)	Cronbach's $\alpha$
Trust in the website	0.62	0.93
Trust in the RA	0.64	0.90
Trust in the RA's recommendations	0.56	0.92
Intention to purchase	0.69	0.90
Intent to return to the website and reuse the RA	0.81	0.96

*Study Two Hypothesis Testing*

Hypotheses H1a-c were addressed by running independent-samples *t*-tests. The results showed that participants who used the RA on myproductadvisor.com (i.e., the high participation group) reported a higher level of trust in the RA (4.20) than those who used the RA on shopping.com (i.e., the low participation group) (3.86),  $t=2.48$ ,  $p<0.05$ . Therefore, H1a was supported. In addition, participants in the high participation group had higher trust in the RA's website (4.02) than those in the low participation group (3.74),  $t=2.18$ ,  $p<0.05$ . Thus, H1b was also supported. Trust in the RA's product recommendations was higher for the high participation group (4.14) than that for the low participation group (3.90),  $t=1.92$ ,  $p=0.057$ , thus offering borderline support for H1c.

Structural equations modeling (SEM) using AMOS 19 was performed to address hypotheses H2a-c and H3a-c simultaneously. The results showed that the model had a good fit:  $\chi^2=364.22$ ,  $df=192$ ,  $\chi^2/df=1.89$ , CFI=0.96, and RMSEA=0.07. Trust in the RA had a strong, positive effect on intention to return to the website and reuse the RA ( $\beta=0.80$ ,  $p<0.001$ ), thus supporting H2a. Trust in the RA's website also had a positive effect on intention to return to the website and reuse the RA ( $\beta=0.29$ ,  $p=0.06$ ), thus offering borderline support for H2b. The positive effect of trust in the RA's product

recommendations on intention to purchase based on the RA's recommendation was strongly supported ( $\beta=0.85$ ,  $p<0.001$ ), thus supporting H2c. The strong, positive effect of trust in the RA's website on trust in the RA ( $\beta=0.95$ ,  $p<0.001$ ) supported H3a. Trust in the RA's website also had a positive effect on trust in the RA's recommendations ( $\beta=0.47$ ,  $p<0.01$ ), thus supporting H3b. Finally, trust in the RA had a strong, positive effect on trust in the RA's recommendations ( $\beta=0.61$ ,  $p<0.001$ ), thus supporting H3c.

Thus, the entire conceptual model was supported just as it was in study 1, although H1c and H2b had only borderline support. (See Table 6 for a summary of study 2 hypothesis testing results.) Despite support for the proposed model, given that SEM allows a rigorous test of alternate paths, it was decided to test an alternate model to examine other possible direct effects from trust constructs to intention constructs that had not been hypothesized. In effect, this model, which included the conceptual model, had paths from all trust constructs to all intention constructs. The fit for this alternate model remained about the same:  $\chi^2=357.63$ ,  $df=189$ ,  $\chi^2/df=1.89$ , CFI=0.96, and RMSEA=0.07, and only one new effect, from trust in the RA to intentions to purchase based on the RA's recommendations was supported ( $\beta=.38$ ,  $p<0.05$ ). Empirical support for all the hypotheses in both studies (as well as this new direct effect) is also shown in Figure 2 (above).



TABLE 6

## Summary of Hypothesis Testing Results

Hypothesis	Testing method	Results	Supported or not supported
H1a: Participation $\rightarrow$ (+) Trust in the RA	Study 1: Independent-samples <i>t</i> -tests	$M_{\text{high participation}}=4.14$ $M_{\text{low participation}}=3.78$ $t=2.67, p<0.01$	Supported
	Study 2: Independent-samples <i>t</i> -tests	$M_{\text{high participation}}=4.20$ $M_{\text{low participation}}=3.86$ $t=2.48, p<0.05$	Supported
H1b: Participation $\rightarrow$ (+) Trust in the website	Study 1: Independent-samples <i>t</i> -tests	$M_{\text{high participation}}=3.91$ $M_{\text{low participation}}=3.53$ $t=2.68, p<0.01$	Supported
	Study 2: Independent-samples <i>t</i> -tests	$M_{\text{high participation}}=4.02$ $M_{\text{low participation}}=3.74$ $t=2.18, p<0.05$	Supported
H1c: Participation $\rightarrow$ (+) Trust in the RA's recommendations	Study 1: Independent-samples <i>t</i> -tests	$M_{\text{high participation}}=3.98$ $M_{\text{low participation}}=3.49$ $t=2.52, p<0.05$	Supported
	Study 2: Independent-samples <i>t</i> -tests	$M_{\text{high participation}}=4.14$ $M_{\text{low participation}}=3.90$ $t=1.92, p=0.057$	Supported at $p=0.057$
H2a: Trust in the RA $\rightarrow$ (+) Intention to return to the website and reuse the RA	Study 1: Simple regression	$\beta=0.51, t=4.82, p<0.001$	Supported
	Study 2: Structural equations modeling	$\beta=0.80, p<0.001$	Supported
H2b: Trust in the RA's website $\rightarrow$ (+) Intention to return to the website and reuse the RA	Study 1: Simple regression	$\beta=0.45, t=4.11, p<0.001$	Supported
	Study 2: Structural equations modeling	$\beta=0.29, p=0.06$	Supported at $p=0.06$
H2c: Trust in the RA's recommendations $\rightarrow$ (+) Intention to purchase	Study 1: Simple regression	$\beta=0.41, t=3.69, p<0.001$	Supported
	Study 2: Structural equations modeling	$\beta=0.85, p<0.001$	Supported
H3a: Trust in the RA's website $\rightarrow$ (+) Trust in the RA	Study 1: Simple regression	$\beta=0.56, t=5.53, p<0.001$	Supported
	Study 2: Structural equations modeling	$\beta=0.95, p<0.001$	Supported
H3b: Trust in the RA's website $\rightarrow$ (+) Trust in the RA's recommendations	Study 1: Simple regression	$\beta=0.44, t=4.01, p<0.001$	Supported
	Study 2: Structural equations modeling	$\beta=0.47, p<0.01$	Supported
H3c: Trust in the RA $\rightarrow$ Trust in the RA's recommendations	Study 1: Simple regression	$\beta=0.35, t=3.06, p<0.01$	Supported
	Study 2: Structural equations modeling	$\beta=0.61, p<0.001$	Supported

## DISCUSSION

The design of our lab-cum-field research design makes a contribution in itself, by providing the control aspect of lab experiments and the realism aspect of field studies, which is not typical in marketing research. Specifically, the lab aspect of our research achieved control through (1) the manipulation of the independent variable, i.e., the level of consumer participation, (2) the random assignment of research participants to different RAs as well as the RAs' websites, and (3) the use of scenarios. The field aspect of our research, i.e., using existing RAs on the Internet, not only enabled the manipulation of consumer participation but also provided research participants the actual online shopping and searching environment in which they would behave the same way as what they normally do in the field, i.e., on the Internet.

### *Contributions to Theory*

The fact that the overall conceptual framework was well supported with samples from two different populations, using two different products in the scenarios, and with two different forms of compensation speaks to the robustness of the proposed model.

Accordingly, the current research makes several contributions to the literature. In terms of contributions to measurement issues, the measures for trust in the RA, trust in the RA's website, and trust in the RA's product recommendations are validated with two studies and with student as well as non-student samples. Thus, the current research contributes to the extant literature by providing converging evidence of the validity and reliability of the measures for trust in the RA and trust in the RA's website, both of which are based on existing scales. We also developed a new scale to measure trust in the RA's product recommendations, as discussed in detail under methodology, and validated this scale in both studies, making another measurement-related contribution to the existing RA literature.

In terms of conceptual contributions, our research shows that trust in the RA, trust in the RA's website, and trust in the RA's product recommendations are three distinct constructs as evidenced by discriminant validity. At the same time, these three trust constructs are related to each other through the validated trust transference

process, which extends the offline trust literature to the RA context. The proposed conceptual model is in fact the nomological network in which the relationships among the three trust constructs as well as the relationships between these constructs and other theoretically related constructs are simultaneously tested. This examination provides clear evidence of construct validity for trust in the RA, trust in the RA's website, and trust in the RA's recommendations. This finding also contributes to the extant literature on RAs by identifying trust in the RA's website and trust in the RA's product recommendations as the other two important trust constructs in addition to trust in the RA and, therefore, presents a fuller picture of the trust issue within an RA-aided online shopping environment.

In addition, the role of consumer participation in using RAs was empirically tested and the results show that greater participation in using an RA leads to higher trust in the website, in the RA, and in the RA's recommendations. These findings are consistent with previous research conducted in the offline context where consumer participation was found to engender trust (e.g., Chalos and Haka 1989; Ouschan et al. 2006; Wang and Wart 2007), but the current research takes it further by confirming the effect of participation on three relevant trust referents. Thus, this research extends the literature on consumer participation from the traditional offline context to the online context in general and the RA context in particular, extends the extant literature on RAs by identifying consumer participation as a factor that helps build trust in using online RAs, and extends the trust literature by supporting effects related to three trust constructs in the RA context. Moreover, the borderline support for H1c in study 2 suggests that consumer participation in using RAs may have an indirect effect (through trust in the website and trust in the RA) on trust in the RA's product recommendations.

Another contribution is that the trust transference process was empirically tested and verified within the online context of using RAs. Thus, this research extends the trust transference process from the offline, buyer-seller relationship context to the online RA context and complements online research on trust transference by studying a different set of relevant trust referents. The results show strong support for the

trust transference process wherein trust in the RA's website increases trust in the RA and its product recommendations and trust in the RA also leads to greater trust in its recommendations.

The current research found that the three trust constructs had direct or indirect effects on both types of relevant intentions captured. In addition, borderline support for H2b in study 2 indicates that trust in the website may have an indirect effect (through trust in the RA) on intentions to return to the website and use the RA. The added effect found in the alternative SEM model implies that in addition to the indirect effect (through trust in the RA's product recommendations), trust in the RA has a direct effect on intentions to purchase the product based on the RA's recommendations. All of the findings of effects between trust and intentions support the offline trust literature in a broad sense and also extend the RA trust literature to capture effects between a variety of trust constructs and behavioral intention constructs.

### ***Managerial Implications***

Based on the finding that consumer participation in using an RA was found to increase trust in the website, in the RA, and in the RA's recommendations, online marketers should do all they can to encourage greater participation from consumers in using RAs. This could be done by giving consumers more opportunities to participate through the interface design of RAs. For example, RAs could ask more questions that are relevant to consumers' product search to encourage greater participation. Other ways to actively engage consumers and increase their participation would be to design RAs that allow consumers to initiate dialogues and raise questions of interest or concern to them.

As the trust transference process demonstrated in this research, trust in the RA's website led to trust in the RA as well as trust in the RA's product recommendations. In turn, trust in the RA influenced trust in the RA's product recommendations. There are several possible explanations of why consumers' trust could be transferred from one entity (such as the website) to another (such as the RA) within the RA-mediated online shopping environment. One possibility is that after consumers develop trust in the RA's website, they start to trust the RA and its recommendations through a successive, halo

effect. Another possibility is that trust is transferred from the source, i.e., the RA's website, to the RA and the RA's recommendations because of a rational assessment on the consumer's part of the perceived relatedness, proximity, and similarity between the source and the other two entities (Campbell 1958). A third possibility is that consumers associate the website with the organization itself, and trust in the organization (or the website) signifies the security that consumers feel when they are on the website, shopping or searching for product information. This level of trust serves as a guarantee to consumers so that they also trust the website's RA and its recommendations.

This hierarchical view of trust suggests that marketers not only need to build trust at three different levels but also need to prioritize their efforts in building these different types of trust. The empirical findings which support the model suggest that the RA's website and the RA are two important consumer contact points that marketers need to manage well so that initial trust can be built when consumers do not have any usage experience with either the RA or the RA's website. One way to do this is to display seals such as TRUSTe and BBBOnline, which can build trust in the website itself and the RA on that website. Other strategies to build trust in the website based on specific website design elements (e.g., Palmer, Bailey, and Faraj 2000; Schlosser, White, and Lloyd 2006) should also result in increased trust in the RA and its recommendations. Similarly, better design of the RA should make it more responsive to consumers' needs and help build trust in the RA.

The current research also found that all three types of trust either directly or indirectly increased two types of behavioral intentions. These results underscore the importance to online marketers of building trust in different aspects of the website in order to maximize positive consumer behaviors toward their website, their RA, and their products.

### **LIMITATIONS AND FUTURE RESEARCH**

No control group was used for the treatment of consumer participation, although the high and low consumer participation groups were in effect control groups for each other. Nevertheless, by including a control group in

which consumers do not have *any* participation in using a RA, future research may be able to compare the effect of consumer participation across high, low, and no participation groups to study whether even a little participation is better than none.

A weakness inherent in field experiments is the potential influence of uncontrollable environmental variables (Kerlinger and Lee 1999) and the field aspect of our lab-cum-field study may have experienced this problem. Even though efforts were made to minimize such influence, it is probable that extraneous factors such as the design and layout of the RA's website had an impact on consumer trust and behavioral intentions. Both of our studies in the current research cannot rule out this possibility. Future research could conduct pure lab experiments that eliminate extraneous factors to avoid this issue. For example, instead of using existing RAs, an RA could be designed in the lab to enable different levels of consumer participation (e.g., low, moderate, and high). However, it should be noted that such a design, while increasing the study's internal validity, will reduce its external validity.

It is true that the current research did not examine the possibility that the consumer-RA interaction can be a negative one. Although it seems intuitive that companies will design RAs so that consumers will enjoy using and interacting with them, future research could study whether the positivity or negativity of consumers' RA use experience has any impact on their trust in and behavioral intentions towards RAs.

Moreover, the sales literature and relationship marketing literature have documented the positive impact of salespeople's customer-orientation on customer satisfaction (e.g., Goff, Boles, Bellenger, and Stojack 1997), customer trust (e.g., Langerak 2001), customers' perceived quality of the buyer-seller relationship (e.g., Beverland 2001), and customer value creation (e.g., Guenzi, de Luca, and Troilo 2011). In many ways, consumer-RA online interactions are similar to buyer-seller offline interactions. In fact, support services such as RAs' recommending products to consumers and firms' offering online chatting to customers extend buyer-seller relationships to the online context. It would be interesting and relevant for future research to study if the concept of customer orientation can be

extended to the online, RA context to help enrich our understanding of consumer-RA interactions.

Virtually all the research hypotheses were supported in both studies, offering strong support for the overall conceptual framework. The two exceptions were the borderline support for hypotheses H1c and H2b in study 2. Given  $p$  values of 0.057 and 0.06, these slight deviations from the standard  $p$  value of 0.05 should not be a major concern. For those whom view it as a concern, the implications of lack of support for H1c and H2b are that: (1) consumer participation has an indirect effect on trust in the recommendations made by an RA and that (2) trust in the website has an indirect effect on intentions to return to the website and use the RA. Both implications do not change the theoretical or managerial contributions of the research.

Even though exploring three separate trust referents adds to our understanding of the trust process, the study did not find two components of trust as has been found in offline research (e.g., Johnson and Grayson 2005; McAllister 1995), online research (e.g., Dabholkar et al. 2009; Kanawattanachai and Yoo 2002), and even in RA research (Komiak and Benbasat 2006; Wang and Benbasat 2007). Future research could attempt to separate trust in the three referents into cognitive and affective components to further our understanding of trust in this context.

The current research provided evidence of the trust transference process but did not examine why trust could be transferred from the RA's website to the RA and the RA's product recommendations. As discussed above, the reason for the trust transference process might be a halo effect, the perceived proximity between the RA, the RA's website, and the RA's recommendations, or the perceived security arising from trust in the website. There might be other possible explanations as well. Future research could examine why and how the trust process takes place among different entities within the RA-mediated online shopping environment. Another related future research direction is to investigate whether the trust transference process has any positive impact on customer loyalty and lifetime customer value. The different levels of trust built through the transference process should lead to a greater likelihood that consumers will be more satisfied and create greater lifetime value.

Although past research (e.g., Urban, Sultan, and Qualls 2000) supports the directionality of the effect of trust in the RA's website on trust in the RA, it is possible that such effect can take the opposite directions; that is, trust in the RA positively could affect trust in the RA's website. In fact, some past research does show that the trust transference process can have different directions. For example, Doney and Cannon (1997) found support for the trust transference process where a buying firm's trust in a supplier firm led to trust in salespeople who worked for that supplier firm. On the other hand, Wood et al. (2008) found that customers' trust in a salesperson led to greater trust in the salesperson's firm. However, there were no strong theoretical arguments in these studies to propose one direction over the other. In any case, to definitively ascertain the direction of the effect between these two trust constructs, future research could use a causal design where trust in the website is the manipulation variable and trust in the RA is the outcome variable. Such a design, however, would miss the opportunity to capture actual levels of trust in a real website.

It should be re-emphasized that this study conceptualized three outcome variables as opposed to past research on RAs that mainly examined intentions to adopt RAs. Intention to purchase a product based on the RA's recommendations was found to be a strong, separate outcome variable. However, in both of our studies, the other two variables collapsed into one, which was labeled as "intention to return to the website and reuse the RA." After study 1, developing new measures that might separate these two intention constructs was considered, but this idea was abandoned so as not to stray too far from the extant literature on intentions related to websites and to using RAs. Future research based on our study could include additional questions such as, "Are you likely to return to the website but *not* use the RA?" to try to separate the two intentions. At the same time, it is possible that this consistent lack of differentiation between the two variables simply implies that consumers do not form separate intentions to use an RA, but merely think of it at a higher level of abstraction and as an integral part of returning to the website.

Although significant effects of consumer participation were found on all trust constructs, the mean differences between the high and low participation groups were not big in a practical

sense. At the same time, the effects were *statistically significant*, which indicates that the differences between means are at a minimum managerially relevant. Nevertheless, future research could study other factors relative to consumer participation to compare effects on the three trust constructs. For example, Wang and Benbasat (2005) examined the effect of ease of use on trust in an RA and Wang and Benbasat (2007) studied the type of explanations given by the RA as a determinant of trust. Future research could investigate these and other possible determinants (e.g., prior experience in using RAs) relative to the effect of consumer participation, to determine the most effective determinants of consumers' trust in an RA. Future research could also examine the relative strength of determinants for trust in a website, including consumers' trust beliefs about the Internet in general, their individual dispositions to trust, and their perceptions about the layout and design of the specific website. Of course, the more variables that are included as determinants, more variance may be explained but the resulting model will be less parsimonious.

The current research examined consumer participation as a two-levels, manipulated variable. Future research could study whether consumers' perceived levels of participation in using RAs have any impact on trust and behavioral intentions. Future research might also consider the role of consumer involvement (c.f., Zaichowsky 1985) in the use of an RA, and whether it would lead to greater participation or be a result of participation as well as the effect involvement would have on trust in the RA. Such research may provide direction to online marketers for targeting consumers who tend to be highly involved in particular product purchases.

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## APPENDIX A

### An Illustrative Scenario

**Please read the following scenario carefully and fully imagine yourself in this exact situation.**

You accidentally broke your digital camera when you were cleaning your room recently. For you, a camera is a must-have as you enjoy taking pictures of your family and your friends. Thinking of your upcoming family gathering, you have decided to buy a new digital camera, priced at \$80 - \$120.

Although this is an amount that you can easily afford, you decide to carefully look for information and advice on various digital cameras as there are many choices within this price range. You remember your friend had mentioned a Web site, [www.shopping.com](http://www.shopping.com), which gives product recommendations for digital cameras. You decide to explore this Web site right away.

Instructions: Now with this scenario in mind, please go to [www.shopping.com](http://www.shopping.com) and use this Web site to search for information and get recommendations for a digital camera that fits this scenario.

## APPENDIX B

## Measures Used in the Two Studies

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**Trust in the RA's website** (Adapted from Bart et al., 2005; Schlosser et al., '06; Wang et al., 2004)

Item 1: This Web site appears to be very trustworthy.

Item 2: This Web site can be relied upon.

Item 3: I do not believe the information on this Web site is correct. (R)\*<sup>2</sup>

Item 4: I am confident that this Web site can be trusted.

Item 5: My overall faith in this Web site is high.

**Trust in the RA** (Adapted from Komiak and Benbasat 2006; Wang and Benbasat 2005)

Item 1: This agent seems to be very knowledgeable about this product.

Item 2: This agent seems very capable of asking good questions about my preferences about this product.

Item 3: This agent seems to be able to understand my preferences for this product.

Item 4: This agent does not seem to be a real expert in assessing this product. (R)

Item 5: I have great confidence about this agent's fairness in giving product recommendations.

Item 6: I can rely on this agent for my purchase decision.\*<sup>1,2</sup>

Item 7: This agent appears to put my interests ahead of the retailers'.\*<sup>1,2</sup>

**Trust in the RA's product recommendations** (Developed for this study, with general direction from the above two scales.)

Item 1: The recommendations about this product appear to be unbiased.

Item 2: The recommendations about this product seem to be accurate.

Item 3: I do not trust the recommendations about this product. (R)\*<sup>1,2</sup>

Item 4: I feel very confident about the recommendations about this product.\*<sup>1</sup>

Item 5: I can rely on the recommendations for my purchase decisions.\*<sup>1</sup>

**Intention to reuse the RA** (Adapted from Gentry and Calantone (2002), Komiak and Benbasat 2006; Wang and Benbasat 2005)

Item 1: I would use this agent to help with my future purchase decisions.

Item 2: I would never use this agent again. (R)\*<sup>2</sup>

Item 3: I would recommend this agent to my friends.

Item 4: I would let this agent assist me in searching for product information.

Item 5: I would use this agent as a guide for my product purchases in the future.

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**Intention to return to the RA's website** (From Bart et al., '05; Rathnam, '05; Wang et al., '04)

Item 1: I would come back to this Web site again.

Item 2: I would never use this Web site in the future. (R)\*<sup>2</sup>

Item 3: I would recommend this Web site to my friends.

Item 4: I would bookmark this Web site.\*<sup>1,2</sup>

**Intention to purchase based on the RA's recommendations** (Developed for this study)

IntRec1: I would purchase the recommended product.

IntRec2: I do not think I would ever buy this product. (R)\*<sup>2</sup>

IntRec3: I would definitely follow the recommendation in the near future.

IntRec4: I would most probably purchase the product if I was ever in this situation.

IntRec5: It is very likely that I would buy the recommended product.

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**Notes:** \*<sup>1</sup> Dropped due to cross-loadings or factor loadings below 0.40 in study1.

\*<sup>2</sup> Dropped due to modification indices >10.0 in study 2.

(R): Reverse-coded items.

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# USE AND DISPOSITION OF A GIFT AND THE RECIPIENT'S FEEDBACK IN A COLLECTIVIST ENVIRONMENT

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## ABSTRACT

The giving and receiving of gifts, due to its economic and social implications, has attracted the attention of different disciplines, Marketing and Consumer Behavior among them. The receiver as an important actor has aroused an increasing interest; however few studies have been oriented to study his/her behavior after the reception of the gift either in culturally individualistic or collectivistic environments.

In order to help fill the knowledge gap, this study was carried out in Ecuador, a country characterized as highly collectivistic. The research conducted was qualitative in nature, and involved in-depth personal interviews with 24 individuals who received a total of 90 gifts for Christmas the year before. Based on the receiver's satisfaction with the gift(s) and the freedom re: use/disposal of the gift(s) perceived to be permitted by the giver, four fundamental themes arose from the data: the gift as a (1) common; (2) special; (3) awkward; or (4) inadequate product. Within each of these themes, gift recipients revealed different attitudes and behavior concerning the use and disposition of their gift(s) and also of feedback to the giver.

## INTRODUCTION

Giving and receiving gifts is a phenomenon present in every society and its consequences are important for different reasons: for example, for its impact on a country's economy; for its impact on the socio-cultural value system in a country. Although gifts are given at different times throughout a calendar year, Christmas in the West is by far the greatest season for giving. To illustrate: during the 2011 Christmas season, German families budgeted 286 euros for gifts, and French families budgeted 407 euros (Deloitte SL 2011). On the average, every

American adult budgeted \$712 U.S. dollars for this purpose (Gallup 2011).

Research concerning the giving and receiving of gifts began early in Anthropology (e.g. Mauss 1923) and some five decades later, it attracted the attention of scholars looking at the phenomenon from the perspective of consumer behavior (e.g. Belk 1976).

Early research was centered on the study of gift-giving in individualistic cultural environments. Subsequently, research concerning gift-giving was extended to the receiver and more recently to collectivistic environments (e.g. Gehrt and Shim 2002; Jolibert and Fernandez-Moreno 1983; Park 1998; Wang, Razzaque and Kau 2007). Nevertheless, research on the receiver's behavior either in individualistic or collectivistic environments has been sparse (Larsen and Watson 2001; Otnes, Lowrey and Kim 1993; Pieters and Robben 1998; Shuling and Yu-Huang 2006).

Both in individualistic and collectivistic societies, the receiver can be an especially important actor influencing the whole gift decision process: the purchase; the giving or delivery; the use; and the disposition. For example, in a large study that included various countries, it was found that 74% of the European givers planned to ask the targeted receivers what they wanted for Christmas (Deloitte SL 2010), in this way empowering the receiver as the principal information source during the decision making process. Studies carried out in collectivistic countries also reveal how important the receiver may be in the gift purchasing process. (Cruz 2010).

In the stages after the purchase and receipt of a gift, the receiver is the great protagonist. He/she is the one who uses and disposes of the products received and who provides feedback about his/her satisfaction to the giver; information that in turn influences subsequent purchasing processes and influences the future interpersonal relationship.

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Due to the antecedents stated before and to the potential importance that research concerning the behavior of the gift receiver has for marketing managers, this study was designed to contribute to the knowledge base in collectivistic environments.

Thus, the current study focused on the stage after the reception of a gift. The cultural environment selected was Ecuador, a country characterized by high collectivism, a cultural characteristic shared with the majority of Latin American countries.

## LITERATURE REVIEW

### Collectivism, Giving and Receiving Gifts in Ecuador

In societies defined as collectivist (in contrast to the ones denoted individualistic), the welfare of groups have primacy for the individuals that are a part of them. In such societies, people develop their self-concept in terms of the group. People generate strong interpersonal connections and additionally, they demonstrate a major tendency to conformity (Hofstede 2001).

Although gifts are given and received in every sort of society, in collectivist societies the givers not only give gifts but the tendency is to assign a major percentage of their incomes for this effort compared to the givers in individualistic societies (Jolibert and Fernandez-Moreno 1983; Park 1998). This is notable because it is true in spite of the fact that many collectivist societies are poor or under developed (Hofstede 2001). *In furthering the maintenance and enrichment of close relationships among individuals in collectivist societies, the gift is a central component.*

Collectivist societies are found all over the world, however, the few studies about the consumer's behavior regarding the giving and receiving of gifts in these environments come primarily from Asia, particularly from China, Korea and Japan (e.g. Gehrt and Shim 2002; Minowa and Gould 1999; Park 1998; Wang, Piron and Xuan 2001; Wang et al. 2007). These are all collectivistic societies which have been heavily influenced by Confucianism.

Ecuador is a Latin American underdeveloped country with a population of about 14 million predominantly Christian

inhabitants with cultural characteristics highly marked. Its index in the dimension of Hofstede's individualism is 8, whereas the United States, on the other hand, has an index of 91 (Hofstede 2001). Additionally, Ecuador is also a country integrated to ways of the West where the occasions for giving gifts such as Christmas, Saint Valentine's, Father's Day and Mother's Day, birthdays and anniversaries, among others, are completely embedded into its customs.

Triandis and Gelfand (1998) proposed a refined definition of individualism and of collectivism by classifying each one of them as horizontal (the equality each was emphasizing) as well as vertical (if the emphasis was in the hierarchies). Ecuador has a power distance index of 78, an index that reflects the way in which the members of a society with less power wait and accept the perceived inequitable distribution of that power (Hofstede 2001). An index of 78 suggests that Ecuador has taken on the characteristics more akin to vertical collectivism.

### The Behavior of the Receiver of the Gift after its Reception

In studying the receiver after the reception of a gift, three types of behaviors are of central importance: the use of the gift; its disposition; and feedback provided to the giver.

The application of the concept concerning the disposition of gifts received presents certain complications due largely to the fact published research examining disposition has been conducted in societies culturally individualistic where the autonomy of the gift recipient concerning the disposition of a belonging is assumed.

Jacoby, Berning and Dietvorst (1977) when studying the disposition of products included three options: to keep the product (keep on using it according to its original purpose; to change it to another use or simply to store it); to temporarily dispose of it (rent it or loan it); or to permanently get rid of it (throw it away, give it away, sell it or trade it).

Sherry (1983), when applying the concept of disposition of gifts, implicitly assigned the decision before the acceptance of the gift (and therefore the possession of the product) and he postulated that a gift may have as options of disposition: rejection; consumption; display; storage; or exchange. Sherry, McGrath and Levy

(1992) also placed the decision in the moment when the gift is offered to the receiver and they found 4 ways of disposition: disposition by incorporation (to integrate to the receiver's life); disposition by lateral cycling (the gift goes to another person); disposition by destruction; and disposition by return (to the retail store).

However, there are scholars who believe that the decisions concerning the acceptance or rejection of a gift and those about the use and disposition of it are essentially different decisions. The acceptance of a gift is fundamentally accomplished on the basis of the evaluation of the giver's intentions and the message that the gift conveys (Belk and Coon 1993; Ruth, Otnes and Brunel 1999; Sherry 1983). Whereas the decisions concerning the use and disposition are carried out on the basis of additional factors, such as the space available at home, family and societal influences, the economic situation, and the characteristics of the gift itself (Hanson 1980). For these reasons, in the current study, it was decided to examine the decision about disposition *after* the acceptance of the gift and when the receiver already possessed it.

With regard to the theme of feedback, when this concept is applied to the giving and receiving of gifts, it may be understood as the evaluative information that the gift receiver delivers to the giver about his performance concerning the process of selection and delivery of the gift. The feedback in general may have either a positive or negative valence (Ilgen, Fischer and Taylor 1979) and it can be conveyed by means of verbal or nonverbal communication, or both. Sherry (1983) placed this behavior in the moment of the reception of the gift and postulated that this may be genuine or fake.

An interesting and relevant aspect of interpersonal communications in collectivist societies is that they are of high context (Hofstede 2001), meaning that they are characterized as being indirect, implicit, with a lot of information in the external or internal context of the people and typically involve more nonverbal communication than verbal (Hall 1976). This type of communication evidently is best understood and therefore fulfills its objective among people who develop close nexus or connections.

It being a society strongly collectivistic, Ecuador presents an excellent opportunity to study from a very different perspective than other

studies (e.g. Sherry, et al. 1992) the receiver's behavior concerning the use and disposition of a gift. Such a study should also contribute to a better comprehension of a poorly studied aspect of the dynamic, namely feedback toward the giver. It is expected that these behaviors will be particularly complex due to the nature of the connections that people develop in collectivist societies.

### **Research Problem**

The present study was conducted primarily to answer a general exploratory question: In a collectivist society, what does a gift receiver's behavior after the reception of the gift consist of?

As the investigation was progressing, the general exploratory question underwent refinement, yielding the following more specific questions:

**(1) In a collectivist society such as Ecuador, what does a gift receiver's behavior about the use and disposition of the gift consist of?**

**(2) What does the behavior of a gift receiver's feedback to the gift-giver consist of?**

### **METHODOLOGY**

The study was developed in two stages. The first one began during the Christmas Holiday season in 2009 when 25 participants were recruited from 3 universities in Quito, Ecuador. These students were screened and selected from a larger pool because they all came from middle and higher class families. Each student was an undergraduate, was not married, and depended heavily on their parents' financial support for pursuing their education. Given these attributes, it was reasonable to believe that these 25 participants were among that kind of group of people who receive a large number of gifts, many expensive. The 25 students who were selected and agreed to participate were between 19 and 26 years of age; 15 were women and 10 were men

Given the fact that the cultural value system is highly collectivist: when a person decides to purchase gifts, the first recipients are other members of the family (Caplow 1982; Garner and Wagner 1991); the gifts flow in an

intergenerational way from top to bottom (Caplow 1982; 1984; McGrath and Englis 1996); and the upper strata of society give more and more expensive gifts than the lower ones (Fischer and Arnold 1990; Garner and Wagner 1991).

In the first stage of the study, in-depth personal interviews were carried out during the days immediately following Christmas of the year 2009. The participants were asked about all of the gifts they had received that Christmas, if they had liked each gift or not, the type of relationship each felt that they had with the giver, the antecedents of gifts received and the way(s) in which they might have participated in the purchase process. This first stage had two purposes, first to study the receiver's behavior during the decision making process (Cruz 2010) and second, to generate the gifts base.

The research identified a total of 153 gift events. The 25 students were told that they would be contacted again after a year for a follow-up conversation. From the list of 153 gift events, 63 were excluded for the second stage of the study. Those eliminated were: intangible gifts; money gifts; gifts where there was high involvement of the receiver during the purchase process; and gifts which the participants would have felt embarrassed to talk about (e.g. underwear; lingerie). The reason for the exclusion of those gifts where the receiver revealed high involvement was due to the fact that the receiver filled most of the purchasing roles, making these gifts essentially the same as if they were bought by the receiver him/herself for personal consumption.

The second stage of the study was implemented during the days after Christmas of the year 2010 and in January of the year 2011. Twenty-four out of the original 25 participants participated in the in-depth personal interviews and the events regarding the 90 gifts received a year before were investigated. The interviewees read and signed an informed consent form and each one received \$50 U.S. after completion of the interview.

The election of the interview as a fundamental technique of the study was taken for its flexibility and for its capacity to generate considerable and rich volume of qualitative data. This qualitative approach to the collection of data is frequently viewed as the most suitable to finding the crucial elements of theories (Glaser and Strauss 1967).

The interviews were of a semi structured type and lasted from 20 to 70 minutes, depending on the number of gifts identified and discussed. The interviewer had a summary of the first stage of the research and when it was necessary to jog an interviewee's memory, the data provided by the same interviewees a year earlier were read to them. Thus the interview was about concrete experience and not about abstractions (Thompson, Locander, and Pollio 1989). Important points ascertained during the interviews were the (dis)satisfaction with the product received, the impact that the gift had in the relationship between the giver and the receiver, the different ways the gift was used, and if it was, how the gift was disposed, and the ways in which feedback to the giver was transmitted. The interviews were audio recorded and then transcribed.

The analysis of the data was carried out on the basis of the interpretative thematic analysis which is a fundamental method of qualitative analysis (Braun and Clarke 2006) and it was divided into two stages, one technical and rigorous and the other one creative (Patton 1999).

In the first stage of the analysis taken in a systematic and rigorous way, 2 procedures were elected in order to guarantee the validity of the study: Triangulation of multiple analysts and validation of the participants (Burnard, Gill, Stewart, Treasure and Chadwick 2008; Patton 1999). For the triangulation of various analysts, two additional experts participated with whom the author established the following agenda: First a meeting in order to establish the methodology, then the independent codification, next another meeting to select the categories and finally the last codification.

The feedback toward the giver constituted one of the areas in which disagreements arose among the analysts; these were overcome when there was a consensus regarding subtle nuances. For example, the use of the product in front of the giver could be carried out in a natural way, it could be accompanied by strong positive emotions or it could be developed under pressure.

In seeking validation of the meaning of the opinions shared by each of the interviewees, the author prepared a summary of the interpretations of each gift event and this summary was sent to each respective interviewee requesting her/his opinion in terms of perceived accuracy or inaccuracy of the summarized interpretations.

In the second step of the analysis, viewed as creative (Patton 1999), the deep and holistic comprehension of the phenomenon was sought and scrutinized (Spiggle 1994). Here, the author, by means of the categories identified, looked for the connection among categories, by generating themes, models and theoretical structures.

## RESULTS

Within the analysis of the interviews two aspects of vital importance were revealed to

define the behavior of the receiver after the reception of the gift: the relationships with the product and the relationship and interaction with the giver. Simply put, the receiver liked or disliked the products received and the giver either influenced or not the recipient's liberty in the use and disposition of those products. These two dimensions constituted the framework that supported the consistency of the themes (table 1).

TABLE 1

The Themes and their Principal Dimensions

		Liberty in the use and disposition of the product	
		High	Low
Satisfaction with the product received	Satisfaction	Gift as a common product	Gift as a special product
	Dissatisfaction	Gift as an inadequate product	Gift as an awkward product

### The Gift as a Common Product

The name selected for this theme shows that the relationship between the gift receiver and the product received does not largely differentiate from the one the consumer may have regarding products resulting from normal purchases made by her/himself. The principal matters in this theme were the agreements of the products given with the likes of the receivers and the liberty in the use and disposition of the gift.

The gifts were valued principally according to their functional and social value, that is to say, either from the perspective of their physical or utilitarian performance or from the social image generated by its use (Sheth, Newman and Gross 1991). The gift as a common product was the most frequently reported, fitting to this

theme 62 events (68.9%) and did not have any special impact in the giver-receiver relationship, an effect already identified by Ruth et al. (1999). (However, in several cases it led to temporal improvements and to the relief of stress.)

David (male, 26) told about his sister's gift, a wallet that he liked and used for several months:

*No, there was not any change in the relationship. I told her thanks a lot, that, indeed I needed it because the other (wallet) I had was quite old. I used it for about six months... seven months, for that time I did like it since I certainly*

*needed it, but after that time it did not attract my attention very much... I do not use it any more, I bought another wallet and that is the one I am using at the present time because it looks more youthful and the wallet that my sister gave me was getting old.*

In David's report the emphasis was placed on the functional and social qualities of the product and the evaluation of its performance as the basis for stopping to use it. The gift's use or disposal did not generate any impact on the relationship with his sister.

In the same way, Johanna (female, 20) spoke about the gift from one of her classmates, a plush cow. It was a satisfactory gift, and Johanna's report focused on the qualities of the product, emphasizing the use she gave to it:

*I opened the gift that very moment, he gave me the plush cow in a little case together with a card, I read it that very moment too. As I collect plush cows, it was a gift that I like to receive, then I did thank him. I have them on my bed or on a piece of furniture especially dedicated for plushes were I usually leave them, but this one is on my bed as decoration.*

This kind of gift occurred in a wide range of relationships, both the distant and close ones and when the giver was present during the use and disposition of the gift, he/she did it without exerting any perceived pressure upon the receiver.

The sincere conversations and the spontaneous and intentional use of the product constituted the principal feedback toward the giver. Due to the satisfaction with the gift and the absence of pressure exerted by the giver, but also because of the little impact of the gift in the relationship, the feedback behavior was described by the interviewees as very natural actions, where the central message was that the product was

considered satisfactory and they were happy to receive it.

Rafael (male, 22) reported the feedback he gave to his grandparents for the gift of a cellular phone, as a mixture of spontaneous use of the product and sincere conversations:

*I am closer to my grandparents, I am closer to them... all the time when I go to their home or they come to mine, I am almost always speaking on the phone, then they have seen me using it. They have also asked me if it is still okay, if it still works, I imagine they wanted to realize if I needed another for this Christmas or something like that.*

It is interesting how in this gift event, Rafael's grandparents got interested in the gift to the extent they had intentions to replace the product if and when needed.

Another interesting type of feedback discerned was the intentional use of the gift in presence of the giver. Thus, Jose (male, 22) described how he intentionally wore one of the polo shirts and a necklace, his aunt's gifts.

*I keep on wearing the polo shirts, I liked them very much... The next day she gave them to me, I wore one polo shirt with the necklace to show her that I liked them and they fit me well.*

It is important in this narration how Jose used the product to convey a concrete message, his satisfaction for the gift.

The range of products given was also the widest of all the themes, and included decorations, accessories, clothing, cosmetic and hygiene products, books, electronic devices, sweets and chocolates. Another important fact discerned from the interviews was that the products and levels of quality given as gifts, in many cases, had

already been given within the history of the giver-receiver relationship.

In this theme, the range of possible dispositions was also the widest, doubtless the case because of the liberty the receiver enjoyed. Thus, the common state and the starting point for all the products was the active use (some products were still in use, others were wholly consumed and others were disposed). Within the identified types of disposition were the storage with similar products in possession and the transfer to third individuals mainly as a gift.

In Fernando's case (male, 21) described below, he used a perfume/cologne gift completely and not only that, he kept its case as an ornament.

*I had the cologne until it finished, I had it in the case besides, I kept the container for some time, I kept it for a month or more...*

On the other hand Karola (female, 20) reports how she used the product she received as gift from a friend, while it was satisfactory, later when her tastes changed, she disposed of it through donation:

*We embraced each other for Christmas and nothing else; he was in a hurry because he had Christmas dinner at his university... I used the teddy bear to decorate my room, it was on my bed for the first months, later I did not like the plushes on my bed, then I together with my whole family collected the things that were in good condition, we sent them to the poor.*

Both in Fernando's and Karola's case, it is interesting how the satisfaction for the products encouraged them to use those products. Any disposition carried out was exerted without having to support the burden of a difficult decision.

Under the theme of the gift as a common product, there were recurrent contents in the reports of the interviewees, the satisfaction for the product received, its use due to its functional and social values under liberty and naturalness and the

disposition without significant emotions. Additionally, the feedback provided to the givers did not require any great effort or any psychological cost and the essential message was the satisfaction with the product. The reports of the participants were centered on the product, while the giver and the relationship the receiver had with him/her occupied a secondary place of importance.

### The Gift as a Special Product

These types of gifts followed in frequency to the former theme with 14 events (15.5%). The denomination of this theme placed an emphasis on the special nature of the gift which was incorporated due to the meaning and impact it had in the relationship. In this way, its principal value was emotional, that is to say, for the feelings associated to the product (Sheth et al. 1991), this value eclipsed the functional and social values of the product. ***The gift conveyed a message (Mick and DeMoss 1990) that assigned an important and positive change in the relationship of the giver and that of the receiver.***

Estefanía (female, 23) related how her fiancé's gift chain, became special due to the impact in the relationship:

*I would say that it had a very big impact because it is the first time that someone has given me a piece of jewelry, as a couple, and it had a very big impact since it joined us more, it seems it has a nicer meaning. For him, I believe, it represents that he (it) will always be with me.*

In Estefanía's report, the gift was an exceptional product, without antecedents of similar gifts in the couple context. The message conveyed was clear: the giver proposed to move the relationship into a higher level and Estefanía welcomed that change.

Mario (male, 23) also considered the watch given by his uncle as a special product. His report is follows:

*My uncle gave me a watch and my father was about to give me another watch but he did not want to buy it, then I had a more emotional fondness to my uncle as if he were my father... it joined us more... I told him thanks a lot... you should not have done it. I opened the box and I said "What a nice watch!"*

In this case, Mario contrasted his uncle's behavior with that of his father. The gift conveyed the message that his uncle was concerned about him as if he were his father and Mario felt that way and he reported it with emotion. Both in Estefania's and Mario's report, although the products were described; the givers and the relationship with them took a leading role.

Under this theme of gifts as special products, the feedback toward the giver was based on the reaction of the receiver when opening the gift, in the intentional use of the product and in the sincere conversations. Of particular importance was the reaction of the receiver in the very moment when the gift was opened and when almost always when the giver was present. Also notable was the intent of the giver that the gift would symbolize a commitment to stepping up the relationship between him/her and the receiver. In each instance, this intent did not annoy the receiver; on the contrary, the receiver actively demonstrated satisfaction with product and especially with the commitment to an enhanced state of the relationship.

Daniela's report (female, 20) revealed many aspects of the former reports. In her case a friend of hers, through the gift of a perfume, demonstrated to be interested in her and her tastes, the gift made possible that the relationship change from their friendship into their engagement:

*It is a brand of perfume I like very much because it is super sweet. The gift did mark a target or a change, not because I am materialist but because he listens to me when I speak, because he got interested in knowing what I*

*liked. Then he surprised me with that gift that I did like it and now we are already engaged. He told me to open it in front of him, I opened it and I got excited a lot and I told him thanks a lot, that I had liked it very much.*

It is revealing that the giver, in order to know the effect of the gift, asked Daniela to open the gift in front of him and she provided a meaningful feedback when getting excited because of the gift.

On the other hand, Kathy (female, 22) considered special the gift of clothes from one of her aunts, she felt that the gift united them more and in her reports she told how intentionally she used to wear the gift in order to demonstrate the giver her satisfaction and happiness:

*I consider the gift special for the time we shared, also because of how things happened, the very fact that she asked me what I needed... then they are special gifts... I put them on almost always on weekends that we always see each other, we get together on weekends at my grandfather's house and there was my aunt, and almost all the times she was there, I was wearing the clothes.*

Under this theme, the intentional use of the product as feedback for the giver has a different connotation than the one for the case of the gift like a common product. Here the use was accompanied by positive and intense emotions; whereas in the former theme, about the gift as a common product, its use was with pleasure and naturalness. The message conveyed was different too, under this theme, the giver not only knew the satisfaction for the product but also the happiness for the course that the relationship had taken.

The first common stage for all the special products was the use of the product and the tendency to keep it. The use of the product was located in two opposite poles: a lot or a little bit but always there was the fear of losing it. The



presence of the giver and above all the fear of the loss limited the liberty in the use and disposition of the gift.

Estefanía (female, 23) going on with the report of her fiancé's gift, a chain, reported:

*...he gave it to me before Christmas and since then I have not taken it off... and I do not take it off any more, indeed I am afraid of losing it.*

In the case of Mario (male, 23) also mentioned above, the use of the gift was placed the other end, he preferred not to take the watch out of the house so as not to lose it. He reported it this way:

*I have never had a watch... and well, the habit of not having a watch made me not to take it out of home very often, I said "No, no, no, my uncle gave me this watch and I am never going to lose it.*

The loss of a special object would be comparable to the loss of a part of oneself (Belk 1988, Delorme, Zinkhan and Hagen 2004). The ways of use of Estefanía's and Mario's gift, although totally different, they were alike because both of them strove to exert control over the destiny of the gift (not losing it) so as to generate psychological tranquility.

When a gift as special product was identified in the interviewees reports, the sentiments expressed were full of positive emotions, centered on the giver and the relationship that united them and how this stood to improve thanks to the message conveyed by the nature of the gift. References about the functional and social characteristics of the product were few. There was satisfaction for the product and above all happiness for the message it conveyed. The emotions had an important place in the feedback toward the giver and the tendency was to protect and keep the product very safe.

A final aspect about this theme is that the variety of products given was less extensive than the one in the former theme. Here, the predominant categories of products found were ornaments, clothes, perfumes/colognes and accessories.

### The Gift as an Awkward Product

This type of theme was present in 8 gift events (8.9%) and it was a gift within an especially close giver-receiver relationship. The product was not congruent with the needs and tastes of the receiver who because of the close vigilance of the giver did not have the liberty to decide about the use and disposition of the product. In spite of the nuisance and the tension produced in the receivers, the receiver-giver relationships were not seriously affected, thanks to the receivers' apparent tolerance.

In her report, Diana (female, 22) detailed the close vigilance of her boyfriend regarding the use of a handbag, a gift that she did not like.

*I believe that he did realize that I did not like its color too much because when I put it on he told me, "Oh, yes, it suits you fine". He expected that I said something and I just said, "Oh, yes, it is nice" but I did not express anything else ... After that I went to buy a handbag for the university but it was black and white because that color matches the best, and I remember he told me, "Oh, you have bought another handbag!"*

Diana's discomfort came from the permanent vigilance of her boyfriend regarding the use of a gift that she did not like and she had to hold and strap on her shoulder deliberately to calm him down. The handbag was unsatisfactory and Diana bought another handbag, but her boyfriend asked for an explanation. The solution to the problem was difficult; although she had

another handbag that she liked, she had to lie and keep the handbag she did not like.

Claudia (female, 23) on the other hand, reported what happened with her parents' gift, a bracelet:

*Yes, they asked me about it too much, that is, I told them that I had liked it, my father does not remember it a lot... but my mother has told me, "Why don't you put on the bracelet?". During this year, to tell you the truth, I have not put it on very often because it is uncomfortable because it has those two triangles, it has sharp ends. I keep it in the bijouterie and bracelet box, I have not put it on a lot.*

While her father had forgotten about the gift, her mother was very concerned about it. The product received as a gift was unsatisfactory and awkward, both in the physical and psychological sense.

In the former reports, the feedback provided to the giver can be readily observed. In this sense, the desire to maintain a positive relationship and not to affect it resulted in the principal ways of feedback under this theme be to lie, to pretend and to use inevitably the product on as few occasions as possible. What the receivers were looking for was to hide the dissatisfaction with the product and with the uncomfortable experience associated with receiving such a gift..

Claudia (female, 23) formerly mentioned, described how the surveillance of her mother made her wear the bracelet in order to quiet her down:

*I have not put it on a lot. My mother has told me, "Why don't you put the bracelet on?" and in that very moment, I have had to wear it ... so that my mother can see it and she does not feel offended.*

The intentional use of the product as a way of feedback toward the giver differed respect

to the other themes, being a key aspect the emotions produced. As was formerly indicated, the case of receiving a gift as a common product was almost without emotion, and in the case of receiving a gift as a special product, it was accompanied by strong, positive emotions; but in the present theme, negative emotions prevailed and the receiver nevertheless used (albeit sparingly) and refrained from the disposing of it due to the pressure he/she felt from the giver.

Another crucial moment of providing feedback to the giver was when the giver was present when the receiver opened the gift and the receiver pretended satisfaction (Ruth 1996; Sherry 1983). Not surprisingly, the interviewees were aware that it was hard to pretend and that the givers were capable of detecting their real feelings.

In this sense, Daniela (female, 20) told about the gift of a decoration doll for her bed given by her aunt:

*That is to say, she gave it to me on Christmas night and I told her thanks and nothing else. I just said thanks, you look at the face when someone opens a gift and she likes it; this time it was not with the same enthusiasm as when I received the other doll, for example.*

Daniela realized that she could not hide her dissatisfaction for the gift, and she compared the situation with a similar gift that was fully satisfactory.

Michelle (female, 21) reported how she had to lie and pretend positive emotion when she opened her uncle's gift, a bracelet and a pair of earrings:

*The reaction when opening the gift was, "wow! How nice they are!" Not to make him feel bad, but indeed, I did not like them, he embraced me and thus...*

Although her report was in a few words, it can be seen how awkward the situation must have been for her.

The products given under this theme were predominantly clothes and their accessories. The common state of disposition was the indefinite storage of the product, alternated with sporadic use in order to calm down the giver.

Both in the case of special and awkward products, a year later virtually all them were still kept by the receiver; however the reasons for keeping the gifts were totally different. The special products were kept for their meaning and emotional value, that is no doubt the reason why they became part of the extended self of the receiver (Belk 1988). On the other hand, the awkward products were kept by the receiver so as not to hurt feelings and damage the relationship with the giver.

It is quite clear that awkward products conjoined dissatisfaction with the product with dissatisfaction with the situation, and resulted in the receivers incurring considerable psychological cost. This can be inferred from the reports where the negative emotions are evident. In addition to placing a certain emphasis on the negative characteristics of the product itself, the reports of the receivers were centered on the surveillance of the giver and the lies and simulations which the receivers believed they must put forward.

### The Gift as an Inadequate Product

This was the theme that revealed the fewest events, 6 (6.7%). The essence of this theme was the dissatisfaction of the receiver for the gift, but also the perceived freedom to dispose it. This type of gift was discerned only in cases where the receiver and the giver were involved in distant relationships.

The existence of a distant relationship prevented the giver from closely supervising the use and disposition of her/his gift. This became apparent either because of physical distance or emotional distance, both resulting in the giver's disinterest in the outcome. In these instances, the preferred feedback by the receiver was revealed to be silence (and in a few cases statements of satisfaction when in fact the truth was just the opposite) after reception of the gift.

Lissette (female, 21) spoke about the gift of some slippers given by her grandmother with whom she has a distant relationship:

*The fact is that the slippers were somewhat dirty, that is because they are the ones which are usually on special offer (sale) where everybody in the store touches but doesn't buy them... she never asked about me, she does not remember me either, I do not talk with her either. I told my mother to give them to somebody else.*

In this case the gift was unsatisfactory, Lissette spoke about how little importance was ascribed to the relationship with her grandmother ...a feeling that Lissette felt was reciprocated) and that she has the freedom to decide what to do with the product. She did not say anything to her grandmother about her dissatisfaction; neither of the two got interested in communicating.

Paola (female, 22) reported on the unsatisfactory gift that a cousin had given her, a polo shirt:

*I unpacked it because it was wrapped and I folded it and I kept it and I... have not even remembered it ... the polo shirt is blue, it seems to me ... But it was a color I did not wish to wear, then I kept it, then she called my family up and asked if we had received the gift and she asked me if I had liked it, of course, I said yes, not to have problems.*

Paola in her report ascribed little importance to the situation, expressed little concern with regard to the giver's telephone call, and the feedback she gave was full of lies that she used so as to avoid hurt feelings. The little –to-no interest in this gift she did not like led her to quickly forget about it.

As can be seen in these reports, with this type of gift, the product was not used at all, not once; instead, the gift went directly to the disposition stage. The receiver's experience regarding the handling of similar unwanted products was crucial. When there was this experience, the storage was brief, the labels were left intact and the transfer to other people or "lateral cycling" (Sherry, et al. 1992) took place. When the receiver had not experienced this type of gift in the past, the gift's storage was negligent, and the loss or oblivion of the product was the outcome.

Erika (female, 22) reported what had happened with a blouse, an inadequate gift from a friend from whom she was separated for a great period of time.

*The blouse was nice, but I did not like its color, no, I mean, no. At the beginning it was in a drawer, I never wore it... in a space of the clothing box that I do not use... I mean, I already knew that I did not like it and that I was not going to wear it; then as it was new I did not want to remove the labels because people are going to think that it has been worn, so I took it, I called my cousin up and I told her, "You know, I have a fuchsia blouse, I do not know if you like it and it is new". My cousin is an orphan, she has no mother, no father and obviously she does not have much economical solvency.*

It can be inferred that Erika had experience in disposing gifts of this kind, complete liberty to do so and also a recipient already identified.

Jonathan (male, 22), on the other hand, reported about a monkey jug given by a distant brother-in-law who did not have any interest in the results of the gift either.

*It is as if he had not bought the gift, it seems that my sister took him and told him, "This is to be given to my brother and that is it"... he never asked about the gift, he is not very expressive either, rather he is very distant from the family. I have no idea where the gift is... it used to be in my room but my nephew, I believe, took it because he liked it.*

His words convey the lack of previous experience in the disposition of similar gifts or of a disposition plan; the unconcern for the final destiny of the gift was also evident. Jonathan's obvious negligence about storing the unwelcomed gift not surprisingly resulted in his failure to even remember where he put it.

The products received as inadequate gifts were predominantly clothes and home ornaments. Generally they are low price items, low in quality. Neither did they exhibit any particular functional value, nor did they cause any psychological cost, but the recipients nevertheless needed some time for their disposition.

**TABLE 2**  
**Identified Themes and their Principal Characteristics**

	<b>The gift as a common product</b>	<b>The gift as a special product</b>	<b>The gift as an awkward product</b>	<b>The gift as an inadequate product</b>
<b>Giver-recipient relationship before the gift</b>	Wide range of relationships	Close relationships	Close relationships	Distant relationships
<b>Impact on the relationship</b>	No impact or temporal impact	High impact	No impact at all	No impact at all
<b>The giver's role</b>	From distance to moderately interested	Very interested	Very interested	Distant
<b>Recipient's satisfaction with the product</b>	Satisfaction	Satisfaction	Dissatisfaction	Dissatisfaction
<b>Type of Products</b>	Wide range of products	Ornaments, perfumes, clothes and accessories	Clothes and accessories	Clothes and home ornaments
<b>Use and Disposition of the product</b>	After an active use, storage as a product in stock or transfer to third individuals.	Use oriented to the preservation of the product.	Indefinite storage alternated with a sporadic use.	Absence of use. Temporary storage and then transfer/negligent storage.
<b>Feedback to the giver</b>	Sincere conversations/ spontaneous and intentional use of the product	When opening the gift/Sincere conversations/ intentional use of the product	When opening the gift/lies/feigned use of the product	Silence/lies
<b>Central message received by the giver</b>	Satisfaction for the product	Satisfaction for the product and for the new level of the relationship	False satisfaction for the product	No message at all / False satisfaction for the product

The reports of the interviewees under this theme tended to be cold and, when emotions were revealed, they were negative but of low intensity. The inadequate gifts were not satisfactory; however, this fact was not very important to the receivers. Matters such as the feedback toward the giver or the disposition of the gift were accomplished by means of the least investment of time and effort or simply they were not carried out at all. Table 2 summarizes the former exposition by presenting the four themes in accordance with the variables identified from the research.

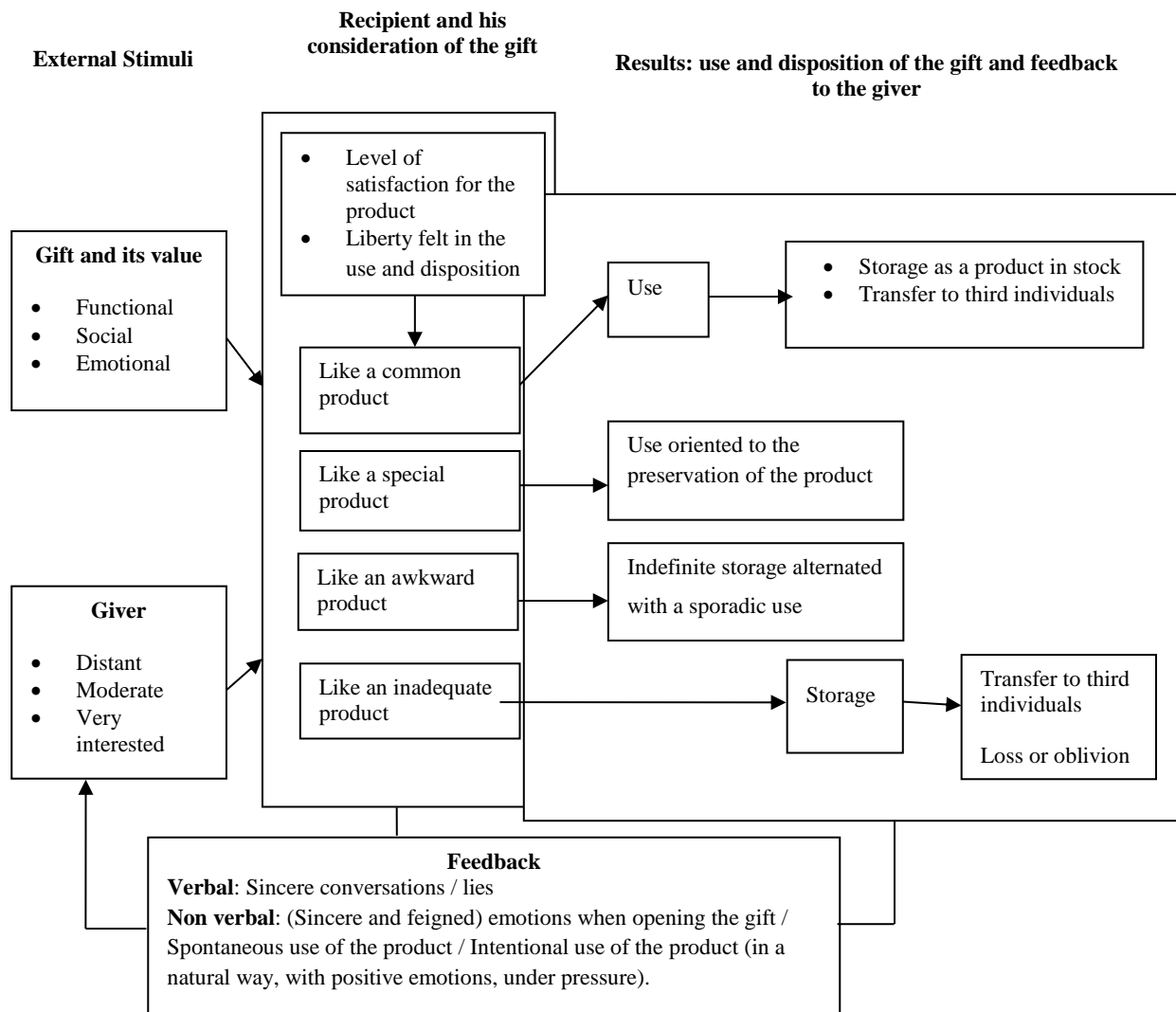
## DISCUSSION

### Model of Behavior

Based on the inferences drawn from the interviews, Figure 1 presents the model of behavior of the recipient of the gift after its reception.

FIGURE 1

### Model of Recipient Behavior after the Reception of the Gift in a Collectivistic Environment





This is a model of the stimulus-consumer-response genre, very commonly used in describing a consumer's behavior (e.g. Belk 1975; Hanson 1980; Schiffman, Kanuk and Wisenblit 2010). Two important external stimuli were identified, the giver and the gift. Through the recipients who are the ones who see or feel the giver's behavior, it has been established that the giver: can be very distant; can subtly get involved; can be very interested; and can also smother or asphyxiate the receiver through his demeanor after bestowing the gift upon the receiver.

On the other hand, a gift can connote different types of values (Larsen and Watson 2001; Sheth, et al. 1991) and different types of messages about what the giver wants the relationship between him/herself and the recipient to be in the future.

These two things combine to determine the level of the receiver's (dis)satisfaction with the gift and the perceived liberty in its use and disposition. In short, the current study has uncovered four types of reactions that the receiver will give to a gift: treating it as a common product; as a special product; as an awkward product; or as an inadequate product. The particular reaction chosen by the gift recipient is of vital importance for the result of the model, that is, the different ways of use and disposition of the gifts and the feedback provided to the giver will vary as a function of which type of reaction is forthcoming.

### Themes Found and Relational Models

Fiske (1992) proposed four general relational models: *communal sharing*, where the relationship among individuals is organized around equivalence and solidarity; *authority ranking*, where the relationship is characterized by the subordination of one to another; *equality matching*, where the relationship is based on the balance and reciprocity in the interchange; and *market pricing*, where the relationship is based on economic calculations concerning the benefits and the costs. When relating these relational models with the themes uncovered in the current study, interesting conclusions may be drawn.

When gifts are judged by recipients as common products, they can originate in a wide range of relationships and they may be localized in any relational model. However, when they are repetitive concerning the categories of the product

and quality levels, they convey the message of stability in the current relationship and, therefore, there is no obvious interest in modifying the receiver-giver relational model.

Gifts as special products do convey an invitation for a change in the relational model, generally moving toward the communal sharing model. In this way, for example, college classmates (equality matching or market pricing) turn to be close friends or sweethearts, or relatives who are looked at from the distance (authority ranking) turn to be close friends. This relational change is also wanted by the receiver and it implies a closer and more solid relationship.

In the case of gifts as awkward products, the giver's use of power and the control is perceived by the recipient. We have documented that this occurs when the recipient is given a gift from their authoritarian parents, relatives and controlling sweethearts. In some cases these gifts are given from a relationship already located in the authority ranking model and the giver's behavior is a ratification of the model. In other cases, it is the externalization of the giver's intentions in order to advance toward an unequal and authoritarian model.

Gifts as inadequate products are present in distant relationships and they are found in the market pricing model. Here a gift is considered by the recipient as inexpensive or of limited value, but the resulting dissatisfaction is not considerable due to the fact that the receiver is aware of the limited investment made by the giver.

It is interesting to note how the communal sharing model turns out to be the target of the changes to the relational model through the gift. Vodosek (2009) found that this model together with the authority ranking model were the favorite models of the individuals from societies of vertical collectivism.

### Use and Disposition of the Gift

A first important issue is the behavior of the receiver of the gift when he/she lacked liberty to make decisions about the gift. In this situation use and disposition were intertwined. Under the theme "the gift as a special product" characterized by the satisfaction of the receiver concerning the gift and the heightened state of the relationship, the dilemma between using the product or storing it was part of the handling of the preservation of the product. Under the theme "the gift as an



awkward product” characterized by the dissatisfaction of the receiver concerning the gift, the dilemma (between using the product or disposing of it by storing it or by transferring it) was a consequence of the great concern of the receiver not to spoil the relationship with the giver.

Another important issue is the behavior of the receiver of the gift when he/she had liberty to make decisions. When the gift was satisfactory, it was always used, sometimes until depleting its principal function and then to be discarded. When it was disposed, it was generally done in two stages, first the storage and then its transfer to third individuals, usually relatives, friends and acquaintances. When the gift received was unsatisfactory, the receiver did not use it and the gift went directly to the storage stage, sometimes being careful with it and other times not. Later on, it was frequently given to relatives, friends and acquaintances.

Since the current study did not find evidence of disposition methods uncovered in other investigations carried out in individualistic societies [methods such as the return to the retailer; the gift’s destruction (Sherry et al. 1992) or the temporal disposition (Jacoby et al. 1977)], a more extensive discussion is warranted.

In a strongly collectivistic society which is also characterized as high context, to give a gift together with its invoice (to permit its return), makes the message of the value of the gifts explicit when to be consistent with the cultural value system, it should be implicit. Such a message would likely be interpreted as an invitation to go to another relational model such as “authority ranking” or “equality matching.”

The disposition through destruction also would be strange in a collectivistic environment where the standard of living is low. In addition to the fact that the acquaintances of most people would be pleased to receive any gift, in an environment like the one in Ecuador, to destroy a product that is still useful would be associated with extreme selfishness or with the lack of good sense.

Another interesting aspect captured in this study is the lack of temporal disposition in the sense of stopping to use the product for a while, whereas instead its use is ceded to another person. Again, the cultural environment is the key to the comprehension of this fact: The interviewees did report the use of the gift by other people such as

classmates, friends and relatives, but simultaneously the receivers kept using it too and because of that, this behavior is not consistent with a temporal disposition. Rather, this behavior is a manifestation of the “sharing” of the “communal sharing” model.

### **Feedback toward the Giver**

The feedback provided to the giver is a communication regarding the aspects such as the performance in the purchase of the gift, the satisfaction for the product received and the degree of agreement with the type of relationship that the giver is perceived to have proposed. Verbal feedback was the principal way only for distant relationships; in close relationships, verbal was combined with nonverbal communication, the latter which has prominence in a high context society.

Although it was inferred from the reports of the interviewees that their nonverbal communication was given through a wide and usual range of resources such as gestures and facial expressions, body language and actions based on objects (Hulbert and Capon 1972; Knapp and Hall 2010; Ruesch and Kees 1956), the nonverbal communication of the participants was above all based on an object, the product received, with the only exception in the case of the theme concerning inadequate gifts.

The confluence of a collectivistic high context environment with a social and cultural phenomenon as for the gift’s delivery generates the peculiar characteristics of the feedback discerned in the study. The product received turns out to be the fundamental base through which the different ways of feedback are articulated and around which the emotions when opening or using the product are spread out. The use of the product turns out to be almost a synonym for satisfaction and when it is intentional, it can also be an example of courtesy or deference toward the giver. In this way, the use and disposition of the gift, in addition to being consumption behaviors, are also feedback behaviors toward the giver and because of that they are strongly linked.

The negative feedback presents complexities in any cultural environment due to the incompatibility of the two objectives sought with respect to the person to whom it is delivered: to improve his / her future performance and not to

spoil the existing relationship with him / her (Geddes and Linnehan 1996). In this study, in the case of awkward gifts, receivers tried not to externalize their dissatisfaction either by telling lies and / or by feigning positive emotions, in fact, there was not any case of intentional negative feedback. The concealment of the dissatisfaction was also found in other studies carried out in collectivistic environments (Green and Alden 1988).

In this way, two issues turn out to be central in the feedback aspect toward the giver in the collectivist environment studied: first, the entwining of this behavior with the use of the product, and second the primacy of the objective about preserving the relationship rather than improving the future performance of the giver.

### CONCLUSION

This study represents an effort to better understand the behavior of a gift recipient in aspects rarely studied such as the use and disposition of the gift and the feedback toward the giver, within the frame of a cultural environment of increasing interest: collectivistic societies. In this cultural frame, it was found that not only the satisfaction for the product received, but also the giver's role and the liberty permitted by him were central influences within the behaviors studied.

### IMPLICATIONS AND LIMITATIONS

The present study involved in-depth personal interviews with a very small sample of college students, all belonging to either a middle or upper socio-economic stratum. The study, therefore, is obviously one that is exploratory in nature. Additionally, the study was carried out in the frame of a Latin American country which might be considered a vertical collectivism of the West, one of the several ways of collectivism in the world.

A reasonable first recommendation is that future studies should be conducted to understand the behavior of gift recipients in other types of collectivistic environments. Even if qualitative in approach, triangulating the results of a number of such studies would permit the possibility of generalization of the results found. For example, on the basis of the evidence provided by the present study and other studies (Green and Alden 1988), it might be expected that both in Asiatic

and Latin American collectivism, the receiver avoids externalizing any dissatisfaction for the product received; however, it might be expected that the recipients from the Latin American frame do externalize their satisfaction in a more visible way (Fernández, Zubieta and Páez 2000; Tsuda 2001).

Another interesting matter is the study of the changes of status of the products received in order to provide a dynamic aspect to the themes identified in the present research. For example, a product considered awkward might in time be associated with the category of inadequate, either by the delivery of new gifts to be watched over by the giver or by the threat or reality of breaking off the previous relationship. In the same way, it is possible that as the relationships among people turn to be more durable and stable (for example married couples), givers are less concerned or interested in supervising the use and disposition of each gift. Such would suggest that inadequate gifts could also be present in close relationships without negative consequences.

The explanation about the use and disposition of a gift and the feedback toward the giver can be enriched through the study of the role of third individuals which can be significant in the collectivistic societies. Third individuals, for example, can share the use of the gift, they can be the new recipients of inadequate gifts, they can be an indirect channel of feedback toward the giver, or simply they can judge the receiver's behaviors. An investigation of this sort should take as a starting point both the giver and the receiver of the gift.

Although the feedback behavior has been widely studied in individualistic environments in different applications (e.g., in the management of human resources), precious little has been studied in its application to the gift-giving, gift-receiving theme. Such an investigation in the context of individualistic environments would be interesting. Would the low context communication style embraced by most Western cultures (Hofstede 2001) result in feedback involving communication that is fundamentally verbal (Hall 1976), and where there might be externalization of any dissatisfaction (Green and Alden 1988)? Is it also possible that the use and disposition of a gift does not become an important element of the gift recipient's feedback?

Finally, it is necessary to consider the great burden that the process of purchasing

Christmas gifts implies for gift givers in collectivistic societies, not only for the number and/or cost of gifts purchased but also for the quality of the feedback the givers may have from the receivers, especially in the case of unsatisfactory gifts. As we have found, in the case of inadequate gifts, givers, in general, do not receive feedback and in the case of awkward gifts, the feedback is based on lies and feigned positive behaviors. Therefore the heuristic frequently used by givers that consists of buying gifts similar to the ones already given in the past, although it helps to relieve the heavy burden, it can also have negative consequences.

Due to the situations and circumstances described in this article, gift givers from collectivistic environments need support in their purchasing decisions from employees of retail stores. Such employees must possess enough information concerning the likes and preferences of the different segments of the market and additionally, they must be aware of the existence of two types of satisfactory gifts, the special gifts and the common gifts. In the case of the special gift, a greater involvement should be expected from the giver in a purchasing task relatively new and of greater risk perceived (although oriented to a smaller number of gifts). In the case of the purchase of common gifts, although there would be smaller risk perceived, there would also be a burden due to the larger number of gifts that might be expected in this type of purchase.

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# CONSIDERING CULTURE TO WIN BACK LOST CUSTOMERS: COMPARING CHINESE AND AMERICAN CONSUMERS

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## ABSTRACT

Successfully convincing a defected customer to switch back is the strategic second half of CRM. Global firms need to know the interplay of culture in customers' switch back decisions. This study proposes a triadic model for customer reacquisition in the service sector and applies the model to compare Chinese and American consumers in their respective decision-making processes. The results show that the economic incentive is the most important determinant for both samples. Cultural differences suggest that a worthy win-back offer for Chinese customers should incorporate special treatments/favors to promote social/relational value, while for American customers, it should elicit post-switching regret.

## INTRODUCTION

Customer Relationship Management (CRM) focuses on acquiring and retaining profitable customers and managing the relationship process (Lemon *et al.* 2002; Verhoef, 2003). Most CRM literature advocates increasing customer satisfaction, enhancing customer value, creating exit barriers, and providing positive experiences in all touch points to retain valuable customers and to prevent customer defection or switching. The benefits of "customer for life" are evident in studies showing a 5% increase in customer loyalty or a 5% decrease in the customer defection can increase profits by 25-85% (Reichheld, 1990), depending on industry. Reducing costs & negative word-of-mouth, and increasing customer referral and competitive advantage are additional pluses (Reichheld, 1996; Stauss & Friege, 1999).

"Perfect service" is the ultimate goal, but is difficult to achieve since there are bound to be service encounters that are less satisfactory than others and, given enough time, a service failure is inevitable. Although most firms attempt to rebuild positive encounters through service

recovery process (Swanson and Kelley, 2001), unresolved service failures, "benign neglect" (Griffin and Lowenstein, 2001), and aggressive competition often lead to customer defections. Getting a defected customer to switch-back is the strategic second half of CRM.

When customers defect, they may leave behind a wealth of transaction-specific information, including transaction history, preferences, motives, and evidence of what prompted their defection. Strategic leveraging of customer relationship portfolios can facilitate effective and efficient re-acquisition processes (Thomas *et al.*, 2004), and help design attractive win-back offers. Customer reacquisition initiatives, along with customer retention and service recovery strategies, are integral to CRM, and vital to a company's future growth and success (Tokman *et al.*, 2007; McDougall, 1995).

To aid this process, we propose and test a triadic model for customer reacquisition in the service sector to evaluate the impact of the three chosen factors of economic, social/relational, and emotional antecedents on customers' switching-back decisions. Mindful that the service sector is increasingly global and larger firms have a multicultural mix of consumers, we apply the model to reveal the cultural differences between Chinese and American college age consumers in their switching-back decisions. Young consumers in both countries were chosen because they part with the majority of their spending money in the service sector. Because of this article's special focus on the revealed differences between the Chinese and American consumers sampled, and the resulting implications for customer service managers, we begin with a summary of the relevant aspects of Chinese culture before introducing our three path model and hypotheses. Next is a focused review of literature in the areas of consumer assessments of win-back offers, relative social capital, consumer regret, and cultural differences that informed our work. The model and our hypotheses are then empirically

tested with data secured from the two population samples.

### Confucius Culture and Chinese Consumer Values

The Chinese culture is largely defined by the Confucian principles that provide and maintain social harmony, order, and stability (Hwang, 1987; Wang and Lin, 2009). Social order is sustained through “guanxi” (personal relationships), “renqing” (favor), “huibao” (reciprocation and reciprocity), and “mianzi” (saving face) (Joy, 2001; Gong, 2003; Wang, 2007, Wang *et al.*, 2008). When following these principles, Chinese are to be understanding and tolerant of others, giving people, businesses and the larger society the benefit of the doubt when mistakes occur. Compared to Americans, Chinese people see themselves as more relational oriented and more communitarian (Tu, 1985).

“Guanxi” encompasses the special personal relationships and trust transferable among family members, relatives, friends, classmates, colleagues, and business associates. It helps extend normal business relationships to other close-tied relationships; making doing business more enjoyable (Ambler, 1995). Because of “guanxi”, Chinese consumers tend to be more brand loyal and place more weight on social capital (Wong, 1999; Wang and Lin, 2009).

“Renqing” (favor) and “huibao” (reciprocation and reciprocity) are central to social

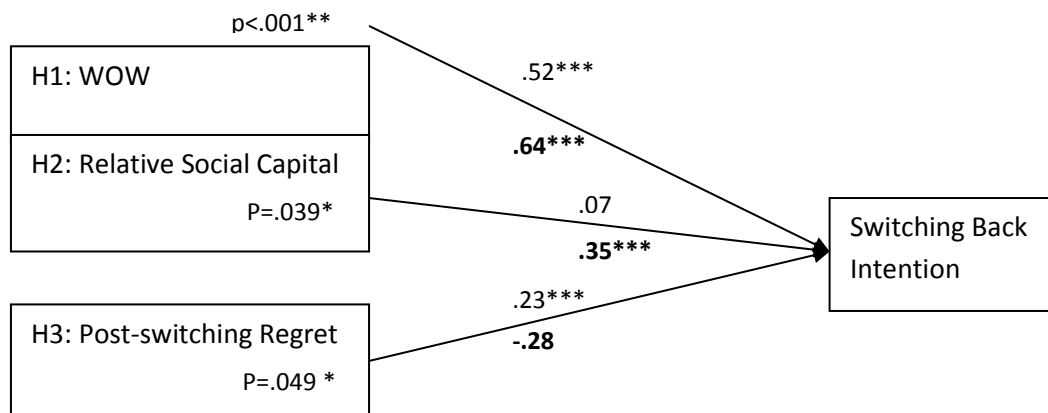
harmony and stability in Chinese society and provide for continuous giving and receiving between the parties. This facilitates a “cause-and-effect relationship” (Siu, 2000; McNeill, 2006), and signifies the parties’ respect and honor for each other. Renqing and huibao are deemed to be “social investments”, and are similar to the concept of gifts/favors in social capital research (Wang and Lin, 2009; Yau, 1988).

The notion of “mianzi” or “saving face” is particularly significant since it requires individuals to put themselves in the shoes of others when making decisions concerning others. Ho (1975) and Hsu (1985) suggest that “face” in Chinese culture is more about understanding and meeting the expectations of others than about satisfying one’s own desires or wishes. Ho (2001) suggested that the necessity to maintain “good face” in public has deterred Chinese consumers from complaining or voicing their dissatisfaction; thereby, showing more tolerance toward unsatisfactory situations.

### MODEL AND DEVELOPMENT OF RESEARCH HYPOTHESES

We developed our three part model from previous research, and integrated the above listed cultural values to better understand the switch-back decisions of Chinese and American consumers. Figure 1 depicts our proposed triadic model of customers’ switch-back intentions.

**FIGURE 1**  
**The Triadic Model of Customers’ Switching-Back Decisions**



Note: **Bolded** path coefficients are for Chinese sample, and unbolded ones are for American sample. \*\*\* denotes significance at .001 level, \*\*significance at .01 level; \* significance at .05 level

In brief, this model proposes that when evaluating whether or not to switch back, consumers who have defected will consider: (1) the economic factor: win-back offer worth (i.e., WOW per Tokman *et al.*, 2007); (2) the social/relational factor: relative social capital (i.e., a comparison of the special treatments received from the original versus the new service provider); and (3) the emotional factor: post-switching regret. The following section will elaborate on each of these key concepts, their cultural relevancy, and their impact on switch-back decisions.

### Win-Back Offer Worth (WOW)

Tokman and colleagues (2007) defined the win-back offer worth (WOW) as: “the perceived overall value of the offer extended to customers who have defected in an effort to attract these customers back to their previous service supplier.” (p.48) Perceived value is viewed as a customer’s overall assessment of what is received and what is given (Zeithaml, 1988), and as a tradeoff between perceived quality and its affordability (Monroe and Krishnan, 1985). Zeithaml suggests that all costs that are important, such as monetary price and non-monetary price (e.g., time and effort), and should be incorporated as perceived costs, while the benefit components of perceived value should include perceived quality, and other intrinsic and extrinsic attributes. In addition, overall perceived value was found to enhance repurchase intention and discourages switching behavior (Wathne *et al.*, 2001).

Recent studies on perceived relative value focus attention on the importance of competitive alternatives and offers (e.g., Lam *et al.*, 2010; Sánchez-Fernández and Iniesta-Bonillo 2006); Liu *et al.*, 2005; Ulaga and Chacour, 2001). Research suggests that a customer’s overall value judgments are continuously reassessed and become richer, more elaborate, and more accurate over time. By this continuous process, perceived overall value becomes more diagnostic and more relevant to repurchase decisions. (Flint *et al.*, 2002). So when competitive offers are presented, customers are likely to modify overall value perceptions of the current offer and compare old and new offers to make switching- back decisions (Liu, 2006).

The diagnostic process of Chinese consumers will include their cultural values. As

an example, “mianzi” or “saving face” means Chinese consumers may be more focused on understanding and meeting the expectations of the original provider than their personal satisfaction. In other words, Chinese consumers would consider the win-back offer an important way to regain their “face” that was lost in previous service encounters. Thus, the harmony-intent gesture of the win-back offer alone may carry more weight with Chinese consumers, compelling them to switch-back. Chinese consumers also tend to be more value-conscious and thrifty-oriented than Americans when buying non-luxury brand and/or non-publicly consumed goods and services (Wang and Lin 2009). This may increase their interest in the worth of the win-back offer. Against this backdrop, we propose the following research hypothesis:

**Hypothesis 1:** *Chinese customers, when compared to American customers, will be more influenced by WOW when deciding on switching back to the original service provider.*

### Relative Social Capital

Social capital is defined as customer perceived, relationship-specific obligations and reciprocity expectations (Tokman *et al.*, 2007; Wathne *et al.*, 2001). When customers receive favors/gifts or access privileged resources unavailable to others, they often feel obligated to reciprocate and respond favorably to the firm. In the service sector, social capital, “commercial friendship”, is built through a series of interactions that provide special treatments, favors and/or gifts to current customers in return for their loyalty and continuing patronage ((Luo *et al.*, 2004; Frenzen and Davis, 1990).

Guided by “renqin” and “huibao”, Chinese consumers feel a strong obligation and moral justice to return favors and respond positively to service providers who have earned social capital through special treatments and favors. Therefore, Chinese consumers would evaluate social capital relative to original and new service providers more carefully than their American counterparts. Accordingly, relative social capital (in the form of special treatments and favors) can play a strong role in Chinese consumers’ switching-back decisions. This leads us to propose the following research hypothesis:

**Hypothesis 2:** *Chinese customers, when compared to American customers, will be more influenced by relative social capital when deciding on switching back to the original service provider.*

### Post-Switching Regret

Regret is a common consumer sentiment that occurs when consumers discover that they have ignored or forgone a better option (Landman, 1987). Thus, when the new service experience does not measure up to the previous service experience, a defected customer feels regret. Past research has shown that negative feelings associated with regret may encourage customers who have defected to re-evaluate their original service provider's win-back offer and decide to switch back (Tokman *et al.*, 2007). Since consumers tend to simultaneously compare alternatives, the economic incentive of a win-back offer from the original service provider may be enough a trigger for consumer post-switching regret. Research shows that a customer's regret over a consumption decision is negatively associated with repurchasing intention (Bolton *et al.*, 2000).

Cross-national studies suggest that Chinese consumers tend to rely less on emotional factors in their decision-making process than their Western counterparts (Davis *et al.*, 2008; Su and Wang, 2010). Even though previous cross-national studies were mainly conducted in the context of first-time purchase decisions, rather than switching-back decisions as in the current study, the tendency of Chinese consumers' to rely less on emotions should hold true. Therefore, we hypothesize that post-switching regret may be less influential for Chinese customers than for American customers in their switch-back decisions. Accordingly, we propose the following research hypothesis:

**Hypothesis 3:** *Chinese customers, when compared to American customers, will be less influenced by their post-switching regret when deciding on switching back to the original service provider.*

## METHODOLOGY

### Sampling and Procedure

In order to address the research hypotheses, a 2 x 2 between-subjects experimental

design was employed (Cook and Campbell, 1979), with two levels of price (high and low), and two levels of perceived service benefit (high and low) in both China and the U.S. (Tokman *et al.*, 2007). Note that the relationship between WOW and the offers' price and perceived service benefit was not the focus of our study. The four scenarios were designed to introduce variance for WOW and to evoke respondents' thoughts regarding the decision on whether to switch back to the *original* service provider or not. Note also that even though we control for prices and levels of service benefit, the resulting consumer perceived values of a win-back offer are highly dependent on the consumer's overall service experience with the original service provider. Therefore, the impacts of price and level of service benefits could not be a focus of this study.

College age consumers are chosen for the current study because they are the target customers for many technology and personal services (e.g., Internet, phones and beauty/barber shops). In each country, college students were given extra credit in one of their classes to participate in the study. They were first asked to think of a personal experience where they switched from one service provider to another, followed by a series of questions about their past service experiences. Thanks to the fact that the data collection was through the Internet, all respondents were able to refer to their current and original service providers vividly when they answered our questions. The online hyperlinks made this design more realistic.

After recalling the previous experience with the current and original service providers, respondents were then asked to read a scenario describing a win-back offer as follows: "now imagine that the company that used to provide this service to you contacted you with an offer to regain your business (manipulation of price and service benefits)." After the win-back-offer, respondents were asked to rate their level of agreement with several Likert-scaled dependent variables.

A total of 263 usable responses in the U.S. and 196 usable responses in China were collected, resulting in cell sizes ranging from 47 to 55 in both samples. Of 263 American respondents, 43.3 percent were male and 93.2 percent were in the 18-25 age groups. Of the 196 Chinese respondents, 48.8 percent were male and 71.9 percent were in the 18-25 age groups.



Respondents indicated switching experiences in many service industries in both nations. Chinese respondents mainly reported beauty/barber shop (33.3 percent), long-distance telephone (22.2 percent), Internet service (13.8 percent), and physicians (13.3 percent), while American respondents mainly reported dry cleaners (21.3 percent), Internet service (19 percent), and beauty/barber shop (14.8%).

Instrument equivalence across cultures was obtained by using back-translation. The English survey (quasi-experiment) was designed first and then translated into Mandarin by one of the authors of this article. Another translator fluent in Mandarin translated the Chinese version back into English. A few grammatical errors were found and subsequently corrected. The process was repeated until all the wordings were accepted as being identical in their meaning (Triandis, 1994).

### Measures and Cross-National Measurement Invariance

Items used to measure switch-back intention, WOW, the original vs. new service provider's social capital and post-switching regret

are shown in the Appendix. The relative social capital was captured as a difference score of social capital with the original service provider versus the new service provider. All measures in the current study were adopted from Tokman et al. (2007). The measurement models for each nation's sample were satisfactory, in addition to the fact that all constructs achieved discriminant validity as assessed with the variance-extracted test (Fornell and Larcker, 1981). Using Steenkamp and Baumgartner's (1998) suggested guidelines for cross-national studies, the measurement equivalence of the key measurement variables was tested using confirmatory factor analysis. Table 1 shows no chi-square difference between the full metric invariance model and the configural invariance model, which served as the baseline model (i.e., with no constraints). This provides supportive evidence that our measurements for all the constructs of interest were valid across the two samples and achieved full scalar invariance. Further, full factor variance invariance model and partial error variance invariance model (three were set free for the two samples) were also supported by our data. Thus, the observed differences were comparable.

TABLE 1

### Measurement Equivalence across the U.S. and China Samples

	$\chi^2$	df	RMSEA	CAIC	CFI	SRMR	$\Delta\chi^2$	df	P-value
Configural invariance	453.16	188	.087	1034.35	.95	.048			
Full metric invariance model	460.03	199	.084	965.11	.95	.048	6.87	11	.81
Factor variance invariance model	524.37	214	.089	925.67	.93	.098	64.34	15	<.05
Error invariance model	689.25	230	.104	979.84	.91	.098	164.88	16	<.05

### Covariates

Several covariates were measured and then controlled for in our analyses. We first measured customer satisfaction with the original service provider, the perceived importance of the service to the customer, and customer current experience with the new service provider as indicated by customer delight (Tokman *et al.*, 2007). We further measured respondents'

collectivism and individualism scores toward the end of the survey, using Hofstede's (1980) Scale of Collectivism/Individualism. Customer gender, age, and income (family) were treated as covariates for later data analyses. We first regressed all items in our model on these covariates, obtained the residuals (i.e., the items with covariate effects parceled out), and used these residuals in testing our model. Other researchers have adopted this method in the past

(e.g., Ahearne, Bhattachary, and Gruen, 2005). The following analyses and results are all based on residual values.

### Addressing the Research Hypotheses

H1-H3 predicted a set of cross-national differences along the relationship strengths between key constructs. We simultaneously tested the hypothesized relationships using LISREL 8.3 (Joreskog and Sorbom, 1999) for both the U.S. and Chinese samples. For the U.S. model, the chi-square statistic (which is highly influenced by a large sample size) was significant [ $\chi^2(85)=133.18, p<.001$ ]; however, all other fit indices (not as heavily influenced by sample size) indicated support for the hypothesized model (CFI = .99, GFI = .92, NFI=.97, RMSEA=.054, and SRMR = .055; Bollen, 1989).

Similarly, satisfactory fit indices were achieved for the Chinese model ( $\chi^2(85) =145.01$ ; CFI = .98 GFI = .92, NFI=.96, RMSEA=.058, and SRMR = .054). **Figure 1 illustrates the path coefficients for both models.**

To investigate the cross-national differences, we compared two models in two ways: one in which we constrained each of all paths in the two groups to be equal (one by one); and in the other we allowed the path to vary across groups. The resulting single degree of freedom chi-square test provides a statistical test of difference for each relationship.

Table 2 provides details regarding the path coefficients cross two samples. Our results support the proposed hypotheses. Specifically, the results support H1, which predicted a stronger relationship between WOW and the customer's switching-back intention for the Chinese sample than for the American sample. The path between WOW and switching-back intention was significant with a coefficient of .52 ( $p <.01$ ) for the American sample and .64 ( $p<.01$ ) for the Chinese sample; the chi-square difference is 23.95 (d.f.=1;  $p<.01$ ). Similarly, H2, predicting a stronger impact of relative social capital on switch-back intention for the Chinese sample than for the American sample, was also supported. The path between relative social capital and customer's switch-back intention was significant with a coefficient of .35 ( $p <.01$ ) for the Chinese sample and non-significant with a coefficient of .07 ( $p>.10$ ) for the American sample; the chi-square difference is 4.23 (d.f.=1;  $p=.039$ ). Finally, H3, predicting that a Chinese customer's switching-back intention will be less negatively influenced by the customer's post-switching regret than it is for an American customer, was supported by our results. The path between the customer's regret and switching-back intention was significant with a coefficient of .23 ( $p <.01$ ) for the American sample and -.28 ( $p>.10$ ) for the Chinese sample; the chi-square difference is 3.86 (d.f.=1;  $p=.049$ ).

**TABLE 2**  
**Results of the Hypothesis Tests**

Hypotheses	Standard Path Coefficients (p-value)		Chi-square difference (df)	P-value
	Chinese Sample	American Sample		
H1: WOW → Switching-back Intention	.64( $p<.01$ )	.52( $p<.01$ )	23.95 (1)	<.001**
H2: Relative Social Capital → Switching-back Intent	.35( $p<.01$ )	.07( $p>.10$ )	4.23(1)	.039*
H3: Post-switching Regret → Switching-back Intent	-.28( $p<.08$ )	.23( $p<.01$ )	3.86 (1)	.049 *

\*\*denotes significance at .001 level; \* significance at .05 level

### DISCUSSION AND MANAGERIAL IMPLICATIONS

CRM has been a central concept in marketing over the past two decades (e.g., Morgan

and Hunt, 1994; Jones and Sasser, 1995). More recently, studies of marketing strategies to win back customers who have added to the methods for managing and optimizing the firm's customer

relations (Tokman *et al.*, 2007; Griffin and Lowenstein, 2001).

Our work adds to this knowledge base by presenting a triadic model for studying and prioritizing key factors in the defected customer's diagnostic process of win-back offers, which we have used to provide empirical evidence to show cultural differences in how Chinese and American college age consumers' make their switching-back decisions.

Findings from this study suggest that a consumer considering returning to a past service provider is influenced by three important factors: (1) the economic incentive: worthy win-back offers; (2) the social/relational influence: relative social capital; and (3) the emotional pull: post-switching regret. Our research revealed that the economic incentive is the most important determinant to win back defected customers. **This finding is observed in both the Chinese and the American young consumers. This finding further echoes the importance of designing a valuable win-back offer as advocated by Tokman and his colleagues (2007).**

Going beyond Tokman *et al.*'s one-nation study, our research provided additional insights to the service marketing literature. More specifically, we find that win-back offers are generally more compelling for Chinese customers, who are also more influenced by social/relational motivators and less by regret than American consumers. Conversely, the Americans are more swayed by emotions, but less so by social/relational capital with the previous service provider.

Past research suggests that firms should segment customers who have defected based on the concept of second life time value (SLTV) and reacquire the profitable customers (Thomas *et al.*, 2004). Firms should be encouraged by our study to objectively assess a defected customer's relationship portfolio and culture in order to better understand the best strategies for winning back the business. Service providers have direct control on the WOW and social capital formation process, and can strongly influence the perception of relative social capital and post-switching regret through marketing activities.

For firms seeking to win back Chinese customers, a high value win-back offer supported by special treatments or favors can help reacquisition initiatives succeed, as this will mirror and reinforce the social/relational values in Chinese culture. For firms seeking to encourage

American customers to switch back, the high value win-back offer should be presented in a way that elicits the past customer's post-switching regret, bringing forward the remorse that compels them to return to "the better provider with the better deal."

## LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

These results should be considered in light of several limitations. First, because only one sample was selected from each culture, results may not generalize across all American or Chinese consumers. Pretests were not conducted in both cultures; however, profiles and surveys were scrutinized by evaluators in both countries and deemed appropriate. More importantly, our respondents were college students and they might be less savvy and less sophisticated than more experienced consumers. Whether our findings still hold among other age groups remains uncertain. Despite these limitations, this is an important study as it is the first to investigate cultural differences between Chinese and American consumers' requirements for switching-back decisions. Future research can examine the underlining motives leading to defection, and the length of relationships with both the former and current provider as moderators to win-back offers. In addition, this study can stimulate B2B CRM research into gaining back valuable customers. By objectively evaluating a defected customer's relationship portfolio and culture, B2B firms can develop effective win-back strategies through attractive economic incentives, relative social capital, and where culturally supported, emotive factors, such as those implicit in recent American marketing efforts to encourage restaurants to return to local farmers for their food sources in order to help support a healthier and sustainable world.

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## APPENDIX

## Measures Used in the Study

Constructs	Factor Loadings / Reliability**	
	Chinese Sample	American Sample
<b>Switching-back Intention</b>	<b>.67*</b>	<b>.86*</b>
Given your evaluation of the new offer from the service provider you left, please rate the probability that you would switch back or return. (5 point semantic differentiate scale)		
Impossible.....Possible	.98	.89
Definitely not .....Definitely would	.78	1.06
<b>WOW (5 point Likert scale)</b>	<b>.88</b>	<b>.94</b>
The new offer would be a worthwhile consideration.	.64	1.06
I would value the new offer as it would meet my needs for a reasonable price.	.58	.95
If go back to my original/previous service provider I think I would be getting good value for the money I spend.	.61	.91
If I go back to my original/previous service provider, I feel I would be getting my money worth.	.70	1.09
I feel that I would be getting a good quality service for a reasonable price with this new offer.	.74	1.14
<b>Post-Switching Regret ( 5 point Likert scale)</b>	<b>.76</b>	<b>.85</b>
I feel sorry about leaving my original service provider.	.92	.71
I regret leaving my original service provider.	.88	.86
I should have stayed with my original service provider.	.83	.73
<b>Original Service Provider's Social Capital with the Customer (5 point Likert scale)</b>	<b>.72</b>	<b>.88</b>
I owe my original/previous service provider my patronage because of the favors/gifts I used to receive.	.75	.87
I feel obliged to do business with my original/previous service provider because of the favors/gifts I used to receive.	.86	.97
I feel a need to repay my original/previous service provider for the way they treated me.	.69	.62
<b>New Service Provider's Social Capital with the Customer (5 point Likert scale)</b>	<b>.80</b>	<b>.90</b>
I owe my current service provider my patronage because of the favors/gifts I used to receive.	.73	.92
I feel obliged to do business with my current service provider because of the favors/gifts I used to receive.	.83	.97
I feel a need to repay my current service provider for the way they treated me.	.57	.79

\*(correlation coefficient for two items)

\*\* (The **boldfaced** numbers represent reliability while unbolded numbers are non-standardized factor loadings.)

# **IDENTIFYING THE KEY DRIVERS OF CUSTOMER SATISFACTION AND REPURCHASE INTENTIONS: AN EMPIRICAL INVESTIGATION OF JAPANESE B2B SERVICES**

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## **ABSTRACT**

The purpose of this article is to report the results of a study that examines the drivers of customer satisfaction and repurchase intentions among Business-to-Business (B2B) service customers in Japan. The article offers both a conceptual and practical review of the literature surrounding service performance, customer satisfaction, and repurchase intentions in B2B services. Using a sample of 700 managers in Japan and a structural equation modelling approach, several significant drivers of customer satisfaction and repurchase intentions were found from both the supplier's product and service delivery performance. We found that the service delivery dimensions of account rep and technician performance, as well as product perceptions, were strongly related to customer satisfaction, which, in turn, was strongly related to repurchase intentions. Price perceptions were not related to satisfaction but were related to repurchase dimensions. The results have implications for both academic research and managers who are interested in managing the customer interface more effectively in Japanese B2B services.

## **BACKGROUND TO THE STUDY**

Based on a worldwide survey of CEO's of multinational corporations, improving customer loyalty and retention was one of the top two or three major challenges facing their organizations (Briscoe 2002). These firms continue to allocate substantial resources to programs that measure customer perceptions of service quality, satisfaction, perceived value, and repurchase intentions. The hope is that by tracking such customer perceptions, the firm can quickly identify gaps in operational performance, fill those gaps to better meet customer demands, and hopefully retain the customers for the future. The overriding goal of these programs is increased

customer satisfaction and loyalty, which provides a number of associated financial benefits for firms.

There has been a good deal of recent academic research focusing on the financial benefits of high customer satisfaction (Anderson, Fornell, and Mazvancheryl 2004; Gruca and Rego 2005; Homburg, Koschate, and Hoyer 2005; Reichheld 2006; Williams and Naumann 2011). For example, customer satisfaction has been found to positively and directly influence the following business indicators: customer repurchase intentions (Anderson and Sullivan 1993; Curtis, Abratt, Rhoades, and Dion 2011; Mittal and Kamakura 2001); positive word of mouth (Parasuraman, Berry, and Zeithaml 1991); financial performance (Anderson, Fornell, and Lehmann 1994; Anderson and Mittal 2000; Bernhardt, Donthu, and Kennett 2000); and equity prices (Anderson et al. 2004; Keiningham, Aksoy, Cooil, and Andreassen 2008). In short, high and/or improved customer satisfaction typically leads to improved revenue flows, profitability, cash flow, and stock price of the firm.

The vast majority of this research is based on U.S. data, often using the American Customer Satisfaction Index and public financial databases such as Compustat. There has been little published research that has examined customer satisfaction and repurchase intentions in a Japanese B2B services context. Japan is the third largest economy in the world, and the fourth largest market for U.S. exports (OECD 2011). However, the Japanese culture is distinctly different from the U.S. culture, possibly leading to differences in the drivers of satisfaction and loyalty. Therefore, a better understanding of decision making in Japanese companies is important, especially for the multi-national corporations that dominant world trade.

Given the pervasive influence of national culture on many consumer attitudes (Donthu and

Yoo 1998; Furrer, Liu, and Sudharsan 2000; Khan, Naumann, Bateman, and Haverila 2009; Mattila 1999; Reimann, Lunemann, and Chase 2008), we wanted to explore Japanese customer perceptions and their influence on satisfaction and repurchase intentions. Ueltschy, Laroche, Aggert, and Bindl (2007) studied service quality perceptions and customer satisfaction in a cross cultural study of the U.S., Germany, and Japan, but did not specifically address repurchase intentions. Barry, Dion, and Johnson (2008) included Japan as one of 42 countries in their cross cultural study of consumer relationships, but did not address repurchase intentions. Others have examined specific aspects of supplier-customer interactions, but not repurchase intentions (Johansson and Roehl 1994; Reisinger and Turner 1999). Given this evidence, there appears to be very little research that has examined repurchase intentions in Japan. Since repurchase intentions are typically a strong predictor of actual loyalty behavior (Curtis et al. 2011), the lack of research in a Japanese B2B context is a gap in the literature.

As many U.S. firms globalize their operations, it is important to examine cross-national differences in consumer attitudes and behaviors (Morgeson, Mithas, Keiningham, and Aksoy 2011). Firms that understand how to improve customer satisfaction and repurchase intentions in foreign markets will likely gain competitive advantages. A review of the literature reveals that most previous satisfaction and loyalty research has been conducted in the U.S. and Europe, so adding a Japanese cultural dimension could enhance our understanding in a different cultural context. Certainly, it was expected that the Japanese cultural preference for long term personal relationships would influence the drivers of satisfaction and repurchase intentions.

To summarize, the specific purpose of the study presented in this article was to identify the key drivers of customer satisfaction and repurchase intentions in a Japanese B2B services context. The intent was to examine the direct relationships between the keys drivers and the dependent variables. A large sample of Japanese managers (n=700) who had major influence in the selection and evaluation of service providers *in the facilities management industry* were surveyed. In the following sections, we review the literature related to Japanese cultural dimensions, in general, and then specifically towards service

performance, customer satisfaction, and repurchase intentions.

## **THEORETICAL REVIEW AND RESEARCH HYPOTHESES**

### **The Expected Impact of Japanese Culture on Customer Attitudes**

The traditional view of the operation of multinational corporations (MNCs) often compared “home” and “host” country distinctions (Hymer 1960; Buckley and Casson 1976). This focus often dealt with internationalization issues and business practices across borders. The more recent, broader view of the MNC is an organization that operates in spatial heterogeneity (Dunning 1998, 2009). Spatial heterogeneity, or space, is typically viewed as the “distance” of geographic, cultural, economic, and political dimensions (Ghemawat 2001). This view contends that all aspects of distance and space should be evaluated when an MNC is formulating international strategies. A major challenge for MNCs is managing the increasing global interface between people, nations, and cultures, while maintaining local distinctiveness (Meyer, Mudambi, and Narula 2011). One purpose of this article is to examine the impact of one aspect of distance, psychic or cultural distance, on the formulation of repurchase intentions in Japan in a B2B Services context.

There are several taxonomies that have been widely used to classify cultures, and cultural distance, such as: masculine-feminine, individual-collective, and low context-high context (Hofstede and Bond 1988; Triandis 1989). While these taxonomies appear to have direct relevance to this study, additional cultural factors will be highlighted here to reinforce their potential impact on customer attitudes. Hofstede (1991) finds that the U.S. and Japanese cultures differ significantly on most of the widely used dimensions of culture. In general, Japan is widely considered to have a more collectivist and high-context culture compared to most Western countries (Furrer et al. 2000).

As a highly collectivist culture, Japanese citizens place group interests ahead of individual interests (Kim, Triandis, Kagitcibasi, Choi, and Yoon 1994). For example, Lohtia, Bello, and Porter (2009) found that the Japanese notion of collectivism motivates Japanese buyers to develop



and maintain close relationships with sellers. Similarly, Huff and Kelly (2003) conclude that organizations from collectivistic cultures find it difficult to trust external partners, particularly from other cultures or groups. This collectivism may lead to a more dispersed decision making process in an organization, involving more participants. The more diverse group may lead to somewhat different decision criteria in evaluating satisfaction and making repurchase decisions.

Japan has also been identified as having a high-context culture (Hall, 1987). According to Lohtia et al. (2009), high context cultures stress relationship closeness and the personal nature of business interactions. *Ningen kankei*—the necessity of establishing social bonds—is a key part of business in Japan. With such bonds and personalization important to Japanese, the service climate and the personal interactions through the service interface are likely to be very important to the development of long term relationships between buyers and sellers. Due to its high-context nature, communication and meaning are often implicit in Japanese culture. For example, the use of nonverbal cues, subtle recognition of the status of individuals, and the prevention of loss of “face” are common in Japan (Irwin, 1996).

Such subtle, high-context activities are very important in communication in Japan but are less important in Western cultures. In Western businesses, interaction is often seen more objectively through its focus on the task, time efficiency, and service processes rather than non-verbal recognition and personalization. In terms of customer attitudes, business customers in Japan are thus more likely to place a strong emphasis on the personal service interactions with the supplier’s personnel. Collectively, we would expect that these cultural tendencies would cause respondents in our study to highly value personal interaction with service provider personnel. The touch points of personal interaction between a service provider and the customer should be relatively more important in Japan than in the Western countries.

Another cultural factor that is likely to affect business practices is the Japanese emphasis on developing and maintaining long-term relationships between organizations (Czinkota and Woronoff, 1986). Relationships and trust are very important when conducting business in Japan (Johnson, Sakano, and Onzo 1990; Kim and Michell 1999). The long term, mutually

beneficial supply chain orientation that is common in Japan implies the importance of the customer partnerships and alliances between members. Hodgson, Yoshihiro, and Graham (2000) suggested that suppliers in Japan must establish and maintain close personal contacts at all organization levels of the customer firm. Similarly, Cousins and Stanwix (2001) note that the Japanese managers view relationship building with suppliers as a part of their daily job responsibilities. Other research on relationships in Japan has highlighted the importance of trust in business interactions (Johnson, Nader, and Fornell 1996). This would also appear to make the touch points of personal interaction more important than in Western cultures.

Finally, Japan has a culture that emphasizes the need for harmony and courtesy (Reisinger and Turner 1999). Maintenance of ongoing relationships is supported by an emphasis on harmony that discourages any overt displays of dissatisfaction (Reisinger and Turner 1999). As members of a collectivist culture, the Japanese desire for harmony leads to an aversion to aggression or confrontation (Lazer, Murata, and Kosaka 1985). The desire for harmony also makes courteous behavior important (Fukutake 1981). While harmony and self-discipline are encouraged, confrontation and complaining are discouraged. Shutte and Ciarlante (1998) also suggest that Asian customers may even attribute product or service failures to forces beyond the control of the provider, a perspective that allows the problem to be considered less of a personal affront. The desire for harmony may mitigate the expression of dissatisfaction in the relationship (Khan et al. 2009). From a research standpoint, this implies that many (most) Japanese respondents may avoid giving low ratings on response scales. This could cause responses to be less widely distributed across the scale, thus reducing the predictive ability.

In summary, there has been very little research on the drivers of customer satisfaction and repurchase intentions in a Japanese B2B service context. It is evident that conceptualizations of service interaction will need to include a significant social interaction component between a supplier’s personnel and their contact in the customer organization. It would appear that the Japanese culture is more conducive to social interaction and harmony in organizational relationships (Furrer et al. 2000;

Hewett and Bearden 2001). Similarly, Liu and McClure (2001) found that the Japanese are more inclined than members of individualist cultures to praise the service they receive, and less likely to switch after a bad service experience. The impact of factors such as price, product quality, and service efficiency would appear to play a less significant role than personal interaction and relationships in repurchase decisions by Japanese customers than in other studies conducted in the USA and Europe.

### **Antecedents and Consequences of Repurchase Intentions**

Customer repurchase intention typically is measured by a customer's intent to stay with an organization (Zeithaml, Berry, and Parasuraman 1996). In general, it represents a commitment by the customer to purchase more goods and services from the organization, and also to promote positive word-of-mouth recommendations. Recently, there has been a large body of literature that has focused on customer repurchase intentions (Anderson and Mittal 2000; Capraro, Broniarczk, and Srivistava 2003; Cooil, Keiningham, Aksoy, and Hsu 2007; Lam, Venkatesh, Erramilli, and Murthy 2004). Simply put, customers with high repurchase intentions tend to stay with their existing suppliers, typically spend more money with the supplier, and promote positive word of mouth. In turn, this leads to increased revenue, reduced customer acquisition costs, and lower costs of serving repeat customers, and better profitability (Ganesh, Arnold, and Reynolds 2000).

The extended revenue stream from loyal customers is often referred to as customer lifetime value (CLV) (Reinartz and Kumar 2003). The implication is that loyal customers have a substantially higher CLV than non-loyal customers, conveying benefits to a supplier over an extended period of time. Customer loyalty in a B-to-B market situation is often the result of a stay/go or renewal/non-renewal decision with an existing supplier. However, identifying and tracking the stay or go decision is difficult in many supplier-customer service situations due to their dynamic and longitudinal nature. The additional expense of longitudinal studies means most academic researchers have used repurchase intentions as a surrogate indicator for actual

subsequent customer loyalty behavior (Bolton 1998).

Previous studies have reported a number of possible drivers of customer repurchase intentions. Customer satisfaction is considered a key antecedent of repurchase intentions, with a good deal of research finding a positive main effect between customer satisfaction, and both repurchase intentions, and actual subsequent loyalty behavior (Anderson and Sullivan 1993; Bolton 1998; Bolton and Lemon 1999; Curtis et al. 2011; Mittal and Kamakura 2001; Oliver 1999; Sirdeshmukh, Singh, and Sabol 2002). Other studies have found similar results, where increased customer satisfaction leads to higher repurchase intentions (Zeithaml et al. 1996). Consistent with this research, we expected customer satisfaction to fully mediate the relationship between dimensions of service and product performance and repurchase intentions. While there is little research that has examined the satisfaction-repurchase intentions linkage in Japan, there is an overwhelming body of literature that indicates that satisfaction is positively related to repurchase intentions in other countries. We expected these relationships to be consistent. Based on the literature review above, the following research hypothesis emerged for our study:

***H1: Customer satisfaction is positively related to repurchase intentions.***

### **Antecedents of Customer Satisfaction**

In a B2B services context, it is only logical that dimensions of service performance are among the drivers of satisfaction. It should be noted at this juncture that service performance has emerged as a rather fuzzy concept in the literature, with a wide divergence of opinions on how it should be operationalized (Winer 2001; Richards and Jones 2008). While some have used relationship satisfaction to measure service performance (Crosby, Evans, and Cowles 1990), others have used commitment (Dorsch, Swanson, and Kelley 1998), trust (Bejou, Barry, and Ingram 1996), conflict resolution (Kumar, Sheer, and Steenkamp 1995), and perceived service quality (Henning-Thurau and Klee 1997).

In the B2B services focus of this study, we reviewed current literature on the service

performance interface between supplier and customer organizations. Homburg and Garbe (1999) suggested that B-to-B service consisted of structural quality (the quality of the core product/service offering), process quality (how service is delivered), and outcome quality (the actual results). They noted that process quality, the way things get done, has a strong impact on the customer satisfaction of business customers. Arnaud (1987) suggested that service has technical, relational, functional, and institutional dimensions. Both of these conceptualizations emphasize the process of service delivery and the more technical nature of B-to-B services (Homburg and Rudolph 2001). Others have also found interaction and social exchange to be important dyadic factors in service delivery (Woo and Enew 2005). It is noteworthy that viewing B2B service delivery as dyadic social exchange is quite similar to the earlier conceptualizations of personal interaction in business relationships in Japan (Barry et al. 2008; Bove and Johnson 2001). Similarly, Schellhase, Hardock, and Ohlwein (2000) found that technical competence and knowledge of the service provider's personnel and cooperation between supplier and customer were important drivers of customer satisfaction.

Viewing service delivery as dyadic social interaction is consistent with Vargo and Lusch's (2004) Service Dominant Logic (SDL) framework. Vargo and Lusch contended that value is co-created by actors from both supplier and customer organizations through mutually beneficial interactions. Vargo and Lusch (2008) subsequently noted that the SDL framework was particularly appropriate for studying B-to-B services where multiple individuals in supplier and customer organizations work closely together to meet the customer's needs. Vargo and Lusch (2011) further suggested that value is co-created through the integration of service offerings with other resources (such as tangible products).

Account representatives, maintenance, repair, customer service, and technical support are common dimensions of B2B service quality (Jackson and Cooper 1988; Patterson and Spreng 1997) and are actors in the SDL framework. Most of these dimensions of service delivery involve the touch points of personal contact between a service provider and customers who are co-creating value.

For the current study, there were three touch points of personal contact between the service provider and the customer. These were account reps, technicians, and emergency service personnel. Each customer organization had a specific account rep that was the point of direct communication. The account rep interacted with the key contact, usually a facilities manager, in the customer organization. Based on feedback from customers (to be discussed in more detail), account rep performance was evaluated based on six questions that measured different aspects of performance. Technicians were the individuals who performed the regular technical support aspects of the heating, ventilation, air conditioning, and security systems. Technician performance was evaluated based on five questions measuring the technician's service performance. Emergency services were delivered by the first available technician, not necessarily the regular technician. For example, if the heating or cooling system failed, an emergency service person was immediately dispatched to fix the problem. Emergency service was evaluated using five questions (**Note: questions for all constructs appear in Appendix A**). Based on the previous literature and the Japanese cultural context, we expect these touch points of service performance to be strongly and positively associated with customer satisfaction. Hence, we propose to address the following research hypotheses:

***H2: Service Performance is positively related to Customer Satisfaction.***

***H2a: Account rep performance is positively related to Customer Satisfaction.***

***H2b: Technician performance is positively related to Customer Satisfaction.***

***H2c: Emergency service performance is positively related to Customer Satisfaction.***

## **Product Perceptions**

Another potential driver of customer satisfaction examined in this study was customer perceptions of products. Many B-to-B services have a tangible product component that influences customer satisfaction (Vargo and Lusch 2011;

Zolkiewski, Lewis, Yuan, and Yuan 2007). Therefore, the quality of the installed control system contributes to the customer's overall evaluation of the supplier. If product quality is high, the system will work as it should. This should also lead to more positive overall evaluations of the supplier (Gill and Ramaseshan 2007). If quality of the product is evaluated as low, the system may require frequent adjustments and maintenance, or the system may fail completely, resulting in downtime. For example, system failure could result in higher maintenance support and costs or more frequent use of emergency services, leading to lower evaluations of supplier performance and less repurchase intentions.

Certainly there is some literature that empirically shows the direct or indirect effects of products on customer satisfaction in B2B services (Homburg and Garbe 1999; Homburg and Rudolph 2001), but there is an absence of published research on this subject in a Japanese context. We felt that product perceptions would be an important driver, but perhaps play a lesser role than the social interaction of the service personnel to Japanese buyers. Since customers' evaluations of the installed system can influence the supplier-customer relationship, it is proposed that:

***H3: Product perceptions are positively related to customer satisfaction.***

### **Price Perceptions**

The price perception of customers is the final expected key driver of repurchase intentions. In a B2B context, selecting the right source of supply has long been regarded as one of the most important business functions (Soukup 1987). At the initial purchase decision, value perceptions are important in customer decision making (Johnson, Hermann, and Huber 2006). Inherently, value perceptions involve a trade-off between price paid and expected benefits. Further, if the price is outside a customer's range of acceptability or the price signals that the quality is inferior, the offer may then have little overall perceived value (Dodds, Monroe, and Grewal 1991). In other words, it may be argued that during the renewal phase of the service contract, a customer's perceptions of a supplier's price might directly

affect intentions to repurchase (Patterson and Spreng 1997).

Since price plays such an important role in vendor selection, it should also play similar role in the formation of repurchase intentions (Katsikeas and Leonidas 1996; Lye and Hamilton 2000). We thus operationalized price as "relative price" to enable clarity in the model when contrasting the other drivers. Relative price is where customers rate the price paid for their product and service, relative to the industry average for such equivalent products and services and competitive alternatives. This has an implicit assumption that if the price is significantly below the industry average, there should be a positive perception of price. In contrast, if price is significantly above industry average there is a negative perception of price. Consistent with prior research, we expected to find a negative relationship between the relative price paid and repurchase intentions (Homburg and Koschate 2005; Noone and Mount 2007): i.e., the higher relative price paid for the services and parts, the lower should be the repurchase intentions.

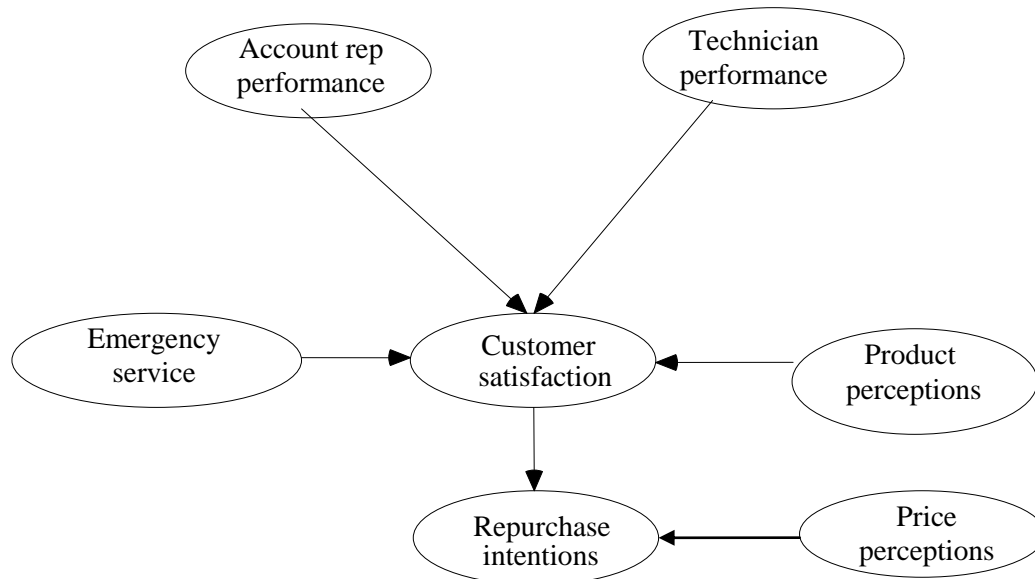
***H4: Relative Price perceptions are negatively related to Repurchase Intentions.***

By integrating the discussion to this point, we present our conceptual model to be tested (Figure 1). The model shows the three service performance dimensions (account rep, technician, emergency service), and product perceptions being positively related to customer satisfaction. Customer satisfaction is expected to be positively related to repurchase intentions. Price perceptions are expected to be negatively related to repurchase intentions.

The impact of Japanese culture on these expected relationships is relatively unknown, although literature suggests that the service constructs involving personal interaction appear to be very important in Japanese business activities. The expected direct and indirect effects are unknown and difficult to hypothesize. However, consistent with existing research (Cronin, Brady, and Hult 2000; Dabholkar, Shepherd, and Thorpe 2000), customer satisfaction should mediate the relationships between dimensions of service performance, product perceptions, and repurchase intentions.

FIGURE 1

## Conceptual Model



## METHODOLOGY

The firm in this study is a multinational company that provides facilities management services to businesses worldwide, including Japan. The primary facilities management services provided in Japan are maintenance, repair, and upgrading of heating, ventilation, air conditioning, and security systems in large organizations across the country. Since this service provider has a threshold dollar volume for service contracts, most clients are large organizations. Indeed, the customer organizations were mostly large, Fortune 1000-type organizations with structures such as office buildings, factories, and industrial complexes. In addition, facilities management was provided to some educational institutions (i.e. universities) and healthcare organizations (i.e. hospitals). In all cases, building services were formalized by annual service contracts for the on-going maintenance of the respective buildings. Each

facility had a separate service contract. The “key contact,” usually a facilities manager, was always specified in the contract. This key contact person was the source of the sample frame.

## The Sample

A sample frame of customers was provided by the Japanese division of the MNC in the study. All customers who were at the mid-point of their annual service contract were included in the sample frame. The primary logic for interviewing at the midpoint of the contract was to allow time for service recovery if disaffected customers were identified. Each potential respondent was attempted to be contacted up to five times by telephone.

The cooperation rates (completed interviews/respondents contacted) were in the range of 55-65% each month but were not tracked specifically for non-response bias. The high

response rate was achieved since each respondent had agreed at the time that the contract was initiated to later participate in a survey. This was also part of the supplier's strategy to keep close contact with its customers with regular follow up and opportunities for feedback. The sample of customers interviewed was broadly representative of the whole customer base of the MNC's Japanese division.

A total sample size of 700 was accomplished over six consecutive months of interviews, and the resulting data was aggregated for detailed analysis in this study. The respondents were predominantly "key decision makers" or managers who had "major influence" in the selection and management of facilities management service providers. An experienced Tokyo based market research firm conducted the telephone interviews in the Japanese language. Each survey was answered by different individuals due to the survey protocol that a customer could be interviewed only once every six months. There were no repeated measures issues.

### **Questionnaire Development**

A two-step approach was used to develop the questionnaire for this study. First, the items used in the study were derived from an extensive review of academic research (Oliver 1999; Zeithaml 1988; Zeithaml et al. 1996). Second, the questionnaire items were subsequently refined for the specific context of the study by conducting depth interviews with customers about their key drivers of service performance and satisfaction in the B-to-B building services context. The questionnaire was developed through initial qualitative research with a group of 20 of the firm's customers in Japan. The qualitative interviews were intended to capture the "voice of the customer" and to understand the customer's needs and expectations. Therefore, telephone depth interviews were initially conducted in Japan by a Tokyo based marketing research firm. Customers were asked to identify their key drivers of customer satisfaction and drivers of the renewal decision for facilities management providers. Their responses were crafted into specific questions on the questionnaire. In order to establish face validity, these questions were examined and modified by an expert scholar who was skilled in questionnaire design and familiar

with the B2B building services industry. The draft questionnaire was then circulated to an executive steering committee at the firm for further review and feedback. The steering committee consisted of the worldwide customer satisfaction research director, country manager, regional managers, and the CEO of the research firm. The steering committee also aligned the questionnaire with the firm's internal Six Sigma process improvement initiative.

To improve validity and to be consistent with existing research methodologies, each construct was measured using multi-item variable composites. For example, repurchase intentions consisted of two questions, one question about the "likelihood to renew" the service contract, and a question on the customer's "willingness to recommend" the firm. This is the most widely used composite for repurchase intentions (Dick and Basu 1994; Johnson et al. 2006; Sirdesmukh et al. 2002). Repurchase intentions is typically viewed as a behavioral indicator, while willingness to recommend is viewed as an affective indicator of customer attitudes.

The customer satisfaction construct consisted of a linear composite of two questions. One question was a question on overall satisfaction, and one assessed whether customer expectations were being met. This is also consistent with previous research (Barry et al. 2008; Tokman, Davis, and Lemon, 2007; Zeithaml 1988; Zolkiewski et al. 2007) and was considered to be a more robust technique than using single-item measures. The account rep construct initially consisted of six measures, while technician and emergency service performance each had five measures. The product construct consisted of four measures. Relative price perceptions consisted of three measures. The questionnaire also included questions on "complaint handling." Interestingly, there were too few responses to these questions for statistical analysis. The resultant survey included 32 questions that were felt to capture the respective attitudes of the customers of the firm. **The specific wording of the questions is presented in Appendix A.**

The scales used in this research are commonly used in both academic and managerial research. The survey was administered by telephone, and five point response scales were used. For example, overall customer satisfaction was measured using a balanced, five point scale:

Very Satisfied-Satisfied-Neither Satisfied nor Dissatisfied-Dissatisfied-Very Dissatisfied. This is the most widely used wording and scale for overall satisfaction (Gruca and Rego 2005). Met expectations, willingness to recommend, likelihood to renew, and the price questions also involved balanced five point scales.

The more specific questions on product and service dimensions all used the same response scale of Excellent-Very Good-Good-Fair-Poor to evaluate supplier performance, another very commonly used scale. The use of unbalanced scales is common in customer satisfaction research. When current customers are surveyed, most customers have positive perceptions of their supplier. For example, less than 10% of respondents typically give a rating of "Fair" or "Poor". Roughly 90% of existing customers give a rating of "Good-Very Good-Excellent". The use of an unbalanced scale gives respondents three positive choices, better representing the distribution of their perceptions.

### Data Analysis

The data analysis followed a two-stage procedure. In the first stage, preliminary analysis of the data was conducted to assess the validity of the various items and constructs of interest. Confirmatory factor analysis (CFA) using AMOS 17.0 was used to test the validity of measures in the study (Byrne 2001). This was done to see if the individual items loaded into the a priori model in Figure 1, as expected. CFA was preferred over the exploratory factor analysis because it is theory based (Bollen 1989) and is a well-recognized technique (Hair, Black, Babin, Anderson, and Tatham 2006). Average Variance Extracted (AVE) scores were calculated to assess the constructs' convergent validity, and we used Fornell and Larcker's (1981) test to assess the discriminant validity between the constructs. The initial measurement model was assessed for stability using the typical goodness of fit indices for CFA to see if the model fit the data well, and whether the respective items represented the correct construct.

In the second stage of the data analysis, we used structural equation modelling (SEM) to estimate parameters of the hypothesized model (Figure 1). We wanted to see which of the independent variables would impact directly on customer satisfaction. These drivers of account

reps, emergency services, technicians, and product perceptions were expected to be positively related to customer satisfaction. Customer satisfaction was expected to be positively related to repurchase intentions. Price perceptions were expected to be negatively related to repurchase intentions.

## RESULTS

### Measurement Model Development

We initially conducted CFA to assess the validity of all of the respective items and constructs. It was apparent that there was some initial cross-loading of some items, as the model did not fit the data very well. We ran further tests on the basis of item-to-item correlations and standardized residual criteria to refine the items used to represent the constructs. Similar refinement procedures have been used extensively in other research studies into this area (Hair et al. 2006).

Therefore, in our measurement model, this was done using the modification indices. We found that some of the standardized residual covariances were higher than the recommended value of 2.0 (Byrne, 2001). We decided to drop ten items from the subsequent analyses that did not meet the criteria. The 'account rep performance' factor which went from 6 to 3 items, the 'emergency service performance' and 'technicians performance' factors each went from 5 to 3 items, and the 'relative price perception' factor went from 3 to 2 items. The 'product perceptions' factor went from 4 to 2 items. In particular, for account rep performance, we excluded questions of how would you rate account reps for arriving when promised, account reps for the timeliness of quotes for service work, and account reps for submitting proposals. Similarly, for emergency service performance we excluded questions of ability to diagnose system problems and personnel's willingness ability to explain any necessary repairs. For technicians, questions on notifying the customer in advance and preventative maintenance dropped out. For price perceptions, one question on prices for system maintenance was excluded. Two questions on product perceptions were deleted: how would you rate the innovativeness of products, and products and parts for availability. We also excluded all three questions related to

“complaint handling” due to very few responses to these questions. The items (10) excluded from the primary constructs were carefully evaluated in the light of the original conceptual definitions of the constructs. We felt that the exclusion of the items in each case did not significantly risk the domain of the construct and the theoretical model as it was initially conceived.

The reduced set of items was then subjected to a second CFA, and a completely standardized solution generated by AMOS 17.0 using maximum likelihood method showed that

all of the items loaded highly on the their corresponding factors, had construct validity, and the model fit the data well (Byrne 2001; Hu and Bentler 1999). In particular, the diagnostics of the model included a comparative fit index (CFI) of 0.97, goodness of fit index (GFI) of 0.966, adjusted goodness of fit index (AGFI) of 0.944, and root mean square error of approximation (RMSEA) of 0.49. The measurement model and the standardized loadings, along with critical ratios are shown in Table 1.

**TABLE 1**

**CFA Measures and Construct Reliabilities**

<i>Constructs and Items</i>	<i>Standardized Loadings</i>	<i>Critical Ratio</i>
Account rep performance ( $\alpha = 0.865$ ; AVE = 0.850) Technical knowledge Keeping in touch Listening to needs	0.92 0.84 0.78	Constrained 27.70 25.02
Technician performance ( $\alpha = 0.806$ ; AVE = 0.785) Courtesy and friendly Technical competence Communicating effectively	0.72 0.80 0.85	19.21 Constrained 22.00
Emergency service performance ( $\alpha = 0.853$ ; AVE = 0.830) Quick response Arriving on time Keeping you informed	0.77 0.80 0.77	19.87 Constrained 19.74
Product perceptions ( $\alpha = 0.884$ ; AVE = 0.870) Overall product quality Dependability	0.80 0.81	10.04 Constrained
Price perceptions ( $\alpha = 0.929$ ; AVE = 0.926) Installation price Replacement parts prices	0.88 0.93	8.23 Constrained

**Notes:** Goodness-of-fit statistics of the model:  $\chi^2/700 = 159.773$ ,  $p = 0.000$ ; degrees of freedom (df) = 55; comparative fit index (CFI) = 0.977; goodness-of-fit index (GFI) = 0.966; adjusted goodness-of-fit index (AGFI) = 0.944; root mean square error of approximation (RMSEA) = 0.052

Construct validity was assessed using Cronbach alpha scores, ranging from 0.81 to 0.93, while average variance extracted (AVE) scores

ranged from 0.79 to 0.92 (Fornell and Larcker 1981). In addition, convergent validity and discriminant validity was assessed using the



procedures recommended by Fornell and Larcker (1981) and Anderson and Gerbing (1988). The *t*-values for the loadings were high and in the range of 8.23 and 27.70 representing adequate convergent validity (Hair et al. 2006). The discriminant validity between the value constructs was assessed where the average variance extracted (AVE) score for each construct is higher than the

squared correlation between that construct and any other construct. All scores suggest that discriminant validity was supported between the constructs. The shared variance matrix is shown in Table 2 with all constructs displaying discriminant validity.

**TABLE 2**

**Shared Variance and (Average Variance Extracted) for Main Constructs**

	Accounts rep performance	Technician performance	Product perceptions	Emergency service performance	Price perceptions
Accounts rep performance	(0.85)				
Technician performance	0.21	(0.79)			
Product perceptions	0.09	0.13	(0.87)		
Emergency service performance	0.19	0.44	0.09	(0.83)	
Price perceptions	0.02	0.28	0.02	0.02	(0.93)

The preliminary analysis of the items, constructs and measurement model suggested that the data fits the model well, and further structural equation modelling (SEM) could be conducted.

**Addressing the Research Hypotheses**

We used SEM to examine the theoretical model, using AMOS 17. Specifically, we examined the hypothesized relationships among the constructs that emerged from the CFA. The exploratory nature of the study allowed us to examine this in contrast to previous literature. The results are presented in Table 3.

The results suggest that the model fits the data well. In particular, the statistics suggested the overall fit of the model was acceptable:  $\chi^2_{700} = 274.967$ ;  $p = 0.000$ ; degrees of freedom = 103; GFI = 0.956; AGFI = 0.935; and RMSEA = 0.049. Customer satisfaction was positively related to repurchase intentions, ( $\beta = 0.796$ ) so hypothesis 1 was able to be supported. Similarly, the two main customer contact variables were

significant and positive influences on customer satisfaction (account rep performance,  $\beta = 0.332$ ; technicians performance,  $\beta = 0.584$ ). Their respective influences on satisfaction meant that hypothesis 2a and 2b were supported. However, emergency service performance did not load as expected with a non-significant influence on satisfaction so hypothesis 2c could not be supported. Product perceptions, as expected, was a significant and positive influence on customer satisfaction ( $\beta = 0.18$ ), thus, hypothesis 3 was supported. Price perceptions influenced customer repurchase intentions negatively, as hypothesized, meaning that hypothesis 4 could be supported. The relatively strong influence of account rep performance and technician performance on customer satisfaction would appear to suggest that, in Japanese culture, personal contact in service delivery is valued highly. The product quality perceptions were relatively less important, but still significant at the .0001 level.

**TABLE 3**  
**Structural Model Estimates**

Regression weights	Estimates	Standard error	Critical ratio	<i>p</i>	Standardized estimates
Technician perf. → customer satisfaction	0.415	0.047	8.905	<b>0.0001</b>	0.584
Accounts rep perf. → customer satisfaction	0.183	0.025	7.270	<b>0.0001</b>	0.332
Emergency service → customer satisfaction	0.010	0.039	0.254	0.799	0.015
Product perceptions → customer satisfaction	0.110	0.026	4.210	<b>0.0001</b>	0.187
Customer satisfaction → repurchase intentions	0.642	0.079	8.132	<b>0.0001</b>	0.796
Price perceptions → repurchase intentions	-0.128	0.041	3.142	<b>-0.002</b>	-0.19

Notes: Goodness-of-fit statistics of the model:  $\chi^2_{700} = 274.967$ ,  $p = 0.000$ ; degrees of freedom (df) = 103; comparative fit index (CFI) = 0.968; goodness-of-fit index (GFI) = 0.956; adjusted goodness-of-fit index (AGFI) = 0.935; root mean square error of approximation (RMSEA) = 0.049

## DISCUSSION AND IMPLICATIONS

This study sought to identify the key drivers of customer satisfaction and repurchase intentions using a multi-attribute model in B-to-B services in Japan. In particular, this study posited that service providers must understand the involvement and interactive role of the touch points of personal interaction that influence customer satisfaction and repurchase intentions. This was achieved in the light of a customer service ethos in the company, with the aim to identify key drivers that influence repurchase intentions and develop a better understanding of these drivers and outcomes (Henning-Thurau, Gwinner, and Gremler 2002; Morgan and Hunt 1994).

As hypothesized, we found the touch points of personal contact (account rep performance, technician performance) and product perceptions to be all significantly and positively related to customer satisfaction. These customer relationships were all significant at the 0.0001 level. Consistent with the previous literature, our study supports the contention that personal interactions between service delivery personnel and customers are important contributors to B-to-B relationships in general

(Bolton, Lemon, and Verhoef 2004; Gill and Ramaseshan 2007) and in Japan, in particular.

The emergency services construct was not significantly related to customer satisfaction. Intuitively this makes sense. Emergency services are needed when something goes wrong. If the building system works properly, there should be no need for emergency services. So a customer is likely to prefer to never use the emergency service. It is somewhat like life insurance. Most of us carry life insurance, but we would really prefer that our beneficiaries not collect on the policy.

While our study focused on B2B services, the product construct was related to the customer satisfaction construct as expected. This suggests that tangible product evaluations do influence the relationship between the service provider and the customer, even when the core “product” is a service. Further, our results, consistent with Gill and Ramaseshan (2007), suggest that customers might have ensured that product offerings are of consistently high quality. Well designed, reliable products probably require a different service delivery mix than lower quality products. In other words, high quality products may require less maintenance and related costs. This should have been and was viewed positively by Japanese

service customers. However, product perceptions were relatively less important than the personal contact drivers of technician and account rep performance. This again supports the contention that personal business relationships are very important in a Japanese context (Lohtia et al. 2009).

From a theoretical standpoint, the findings reported here provide empirical support for the customer satisfaction construct as it was strongly related to repurchase intentions. Customer satisfaction is an important antecedent of repurchase intentions. This finding of our study is consistent with much existing research (Fornell, Johnston, Anderson, Cha, and Bryant 1996; Johnson, et al. 2006; Seiders, Grewal, and Godfrey 2005). We also concur with Johnson et al. (2006) who argued that as customers developed a relationship with the supplier in a mature market, with passage of time, more favorable attitudes toward the overall customer relationship and the supplier come to drive intentions. Therefore, based on our findings, it is important that customer relationship managers should take into account deeper understanding of the role of the various factors that drive customer repurchase intentions.

Price was an important element for customers when formulating repurchase intentions, but it appears it is not fully investigated in previous empirical studies (Bei and Chiao 2001). In our study, price has a negative relationship with repurchase intentions. The negative impact of price on repurchase intentions must be considered by suppliers when designing their value propositions and pricing strategies.

In sum, our study generally confirms previous findings that repurchase intentions in Japan largely depends on evaluations of the service provider-customer interaction but are context specific (Khan et al. 2009; Liljander and Strandvok 1995). The mediating role of customer satisfaction in affecting repurchase intentions demonstrates a strong relationship, suggesting the complex nature of B2B services. Our finding that the price perceptions are negatively related to repurchase intentions is consistent with other studies in western countries. It appears that Japanese customers generally tend to avoid high switching costs that, in our study, include important personal relationships between the service provider and customer organization (Lee and Overby 2004).

## LIMITATIONS AND FUTURE RESEARCH

The findings reported here should be interpreted in the light of certain limitations of the study. A key limitation to broad generalizations from this research is the nature of services investigated. Facilities management services are delivered over a long period of time and are usually formalized by an annual service contract that is negotiated and agreed upon by both parties. This contractual service delivery situation may be quite different from transactional services that involve independent, discreet interactions. Simply put, other types of services may produce different results.

In an effort to shorten the questionnaire, the demographic questions had been deleted by the firm sponsoring this research. Therefore, we do not know how the results might have varied across different market segments or across different respondent characteristics. We do know that the respondents were primarily key decision makers in the selection of facility vendors in their large organizations. We do not know their age, job title, or years of experience dealing with the vendor.

The research setting was very specific: Japan-based B2B services. It is evident from previous research that customers from different cultures, including customers from Japan, may have different evaluations of overall service quality and its outcomes (Furrer et al. 2000; Winsted 1997, 1999). Generalizations from our study, therefore, should be exercised with caution.

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**APPENDIX A****Wording and Measurement Scales**

1. Thinking about your overall experience with.....during the past 12 months, how satisfied are you in doing business with.....?  
5 (*Very Satisfied*), 4 (*Satisfied*), 3 (*Neither Satisfied Nor Dissatisfied*), 2 (*Dissatisfied*), 1 (*Very Dissatisfied*)
2. How likely would you be to recommend.....to others?  
5 (*Definitely Would Recommend*), 4 (*Would Recommend*), 3 (*Might or Might Not Recommend*), 2 (*Would Not Recommend*), 1 (*Definitely Would Not Recommend*)
3. Considering.....'s overall performance, would you say that.....has  
5 (*Significantly exceeded your expectations*), 4 (*Somewhat exceeded your expectations*), 3 (*Met your expectations*), 2 (*Somewhat below your expectations*), 1 (*Significantly below your expectations*)
4. What is the likelihood that you will renew your service contract when it expires?  
5 (*Definitely would*), 4 (*Probably Would*), 3 (*Might or Might Not*), 2 (*Probably Would Not*), 1 (*Definitely Would Not*)
5. Overall, how do you rate the quality of the business relationship you have with.....?  
5 (*Excellent*), 4 (*Very Good*), 3 (*Good*), 2 (*Fair*), 1 (*Poor*)
6. How would you rate.....for following up with you to ensure resolution of issues you have brought to their attention?  
5 (*Always*), 4 (*Usually*), 3 (*Sometimes*), 2 (*Rarely*), 1 (*Never*)
7. How would you rate.....performance in establishing fast, accurate, two-way communication with its customers?  
5 (*Excellent*), 4 (*Very Good*), 3 (*Good*), 2 (*Fair*), 1 (*Poor*)

The following questions have the same response scale of *Excellent, Very Good, Good, Fair, Poor*

**Product Perceptions**

8. How would you rate.....on overall product quality?
  9. How would you rate.....products for dependability?
  10. How would you rate the innovativeness of.....products?
  11. How would you rate.....products and parts for availability?
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**Account Rep Performance**

- 12. How would you rate.....account reps for their technical knowledge?
- 13. How would you rate.....account reps for keeping in touch?
- 14. How would you rate.....account reps for arriving when promised?
- 15. How would you rate.....account reps for the timeliness with which quotes for service work are provided?
- 16. How would you rate.....account reps for listening and clearly proposing solutions that best address your business needs?
- 17. How would you rate..... account reps for submitting proposals that are easy to understand?

**Technician Performance**

- 18. How would you rate.....technicians for notifying you in advance of preventive maintenance service calls?
- 19. How would you rate.....technicians for being courteous and friendly?
- 20. How would you rate.....technicians for the level to which preventive maintenance work is performed completely?
- 21. How would you rate the technical competence of.....technicians?
- 22. How would you rate.....technicians for communicating effectively?

**Emergency Service Performance**

- 23. How would you rate.....for quick response in emergency situations?
  - 24. How would you rate .....personnel for arriving at your facility within a specified time frame?
  - 25. How would you rate.....personnel on the ability to diagnose and resolve equipment or system problems in one visit?
  - 26. How would you rate.....personnel’s willingness and ability to explain any necessary repairs?
  - 27. How would you rate.....personnel on keeping you informed of progress from start of repair through completion?
-

**Complaint Handling**

Have you ever complained to.....about a problem?

Yes (Continue)

No (Skip to Q. 30)

28. How would you rate.....for listening to your complaints and taking appropriate action to resolve the issues?

29. How would you rate.....for having a clear process for escalating service complaints, if not originally resolved to your satisfaction?

**Relative Price Perceptions**

30. How would you rate.....prices for the installation of the new system components?

5 (*Significantly Above Average for the Industry*), 4 (*Somewhat Above Average*), 3 (*About Average*), 2 (*Somewhat Below Average*), 1 (*Significantly Below Average*)

31. How would you rate.....prices for replacement parts?

5 (*Significantly Above Average for the Industry*), 4 (*Somewhat Above Average*), 3 (*About Average*), 2 (*Somewhat Below Average*), 1 (*Significantly Below Average*)

32. How would you rate.....prices for system maintenance (such as diagnostics, technical support, etc.)?

5 (*Significantly Above Average for the Industry*), 4 (*Somewhat Above Average*), 3 (*About Average*), 2 (*Somewhat Below Average*), 1 (*Significantly Below Average*)

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# YOUNG AMERICAN CONSUMERS' PRIOR NEGATIVE EXPERIENCE OF ONLINE DISCLOSURE, ONLINE PRIVACY CONCERNS, AND PRIVACY PROTECTION BEHAVIORAL INTENT

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## ABSTRACT

A web survey of 403 American college students generated data which permitted the testing of a model of the effects of prior negative experience of online disclosure on the students' online privacy protection intentions. It showed that young American consumers' prior negative experience of online disclosure: directly increased their online information privacy concerns; heightened their risk perceptions of online disclosure; undermined their trust in online companies, Internet marketers and laws to protect online privacy; reduced their time spent on SNS; and enhanced their intent to falsify personal information and/or to refuse to provide personal information. Students' online privacy concerns mediated the impact of prior negative experience on their: intention to refuse information provision; asking for removal of their personal information; spreading negative eWOM; and complaining to online companies. Students' online privacy concerns were found to elevate their perceived risks and undermined their trust in online companies, marketers and laws to protect privacy. Results provide online companies and Internet marketers some valuable insights on how poor customer relationship management might compromise precise, targeted marketing in social media.

## INTRODUCTION

The phenomenal success of social networking websites (SNS), especially Facebook, depends on SNS subscribers' voluntary disclosure of enormous amounts of personal information. SNS make huge profits by utilizing the users' profiles, status updates, and social connections as well as their friends' recent activities for advertising and marketing purposes (Quinn 2010). SNS allow advertisers to tailor their ads more effectively and target to social media users more precisely, especially those who express brand preferences and interests on SNS. In addition, SNS sites also generate revenues by supplying

mountains of their subscribers' personal information to marketers, recruiters and any interested party. As a result, eMarketer (2012ab) estimated that U.S. marketers would spend about \$3.63 billion to advertise on SNS and Facebook alone will receive \$6.1 billion from advertisers worldwide in 2012.

However, the inappropriate collection, use, and dissemination of online personal data might curb consumers' enthusiasm for sharing valuable personal information on SNS, diminish the effectiveness of targeted social ads, hinder online bonding between brands/companies and customers, and attract regulators' attention. There exists an abuse of SNS subscribers' disclosed privacy information for the purposes they did not approve of (FTC 2010).

Very recently, there are some ominous signs that the effectiveness of social media advertising is eroding. Wall Street Journal reported that General Motors decided to withdraw its Facebook ads because they had little impact on consumers' car purchases (Terlep, Vranica and Raice 2012). *Advertising Age* reported that Facebook had been busy introducing new advertising models and metrics to prove its worth to advertisers, due to the dismal click-through rate of Facebook ads and marketers' general doubts over Facebook advertising effectiveness (Hof 2011). One probable explanation is that Facebook ads were not fed to Facebook users based on truthful and accurate personal information they disclosed so that most of Facebook ads were dismissed as irrelevant and uninteresting. In light of advertisers' doubts on the effectiveness of social media advertising, more empirical studies about consumer behavior of privacy disclosure and protection can provide interactive marketers and online companies valuable insights and guidance for improving their management of marketing communications in social media.

Meanwhile, parents, consumer advocacy groups, and the government have become increasingly concerned about the extent and nature of young American consumers' personal information disclosed on SNS whose design is

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inherently open but vulnerable. Published research shows that a majority of college students disclose their lifestyle information such as favorite books, music, interests, their dating preferences, relationship status, and political views while a considerable number of them (16-40%) list a phone number and many of them even share their birthday (Acquisti and Gross 2006; Gross and Acquisti 2005; Jones and Soltren 2005; Stutzman 2006). On the other hand, security, access controls, and privacy are weak by design on most SNS because their popularity and commercial value hinge upon their easy and open access to all Internet users (Shin 2010). In addition, SNS themselves are vulnerable to various attacks from hackers and cyber predators who covet subscribers' personal data (Chen and Shi 2009). Consequently, the online behavioral advertising practices of SNS are facing the increasing scrutiny of the congress and the Federal Trade Commission (FTC) as they extend beyond what the SNS users originally intended: to develop and maintain social connections (Hoy and Milne 2010). After Facebook launched its "Open Graph Platform" that extends the social net's web across third-party sites, New York Senator Charles Schumer sent a letter to the Federal Trade Commission asking to develop guidelines for how Facebookers' information can be used and called a press conference with three other senators (Learmonth 2010). The FTC (2010) recently endorsed "Do Not Track" legislation to establish a uniform and comprehensive mechanism to protect consumers who do not want to be tracked or receive targeted advertisements.

Adolescents and young adults are the heaviest users of SNS but little is known about their online privacy protective behaviors in relation to their social media use. Two Pew Internet Project surveys show that 73% of online teens and 72% of young adults use SNS (Lenhart et al. 2010). Popular media and trade press have been voicing the concerns of government and privacy advocacy groups while also creating a myth that teenagers and young adults do not care about their online privacy at all (Dvorak 2010; O'Brien 2010). On the other hand, a new trend has been noted that more and more young college students are beginning to rethink online privacy and to exercise control over their personal information on SNS (Holson and Helft 2010). Another Pew study indicates that 71% of SNS users ages 18-29 had changed the privacy settings

on their profile to limit what they share with others online (Madden and Smith 2010). Another quantitative study also concludes that young people ages 18-24 have an aspiration for increased privacy like older Americans (Hoofnagle et al. 2010). However, few researchers have examined the relationship between online privacy concerns and privacy protection behaviors among young American consumers ages 18-29.

Current social media research in top advertising and marketing journals heavily focuses on social media as advertising/marketing tools. The majority of previous advertising and marketing studies concerns social media usage, perception, and attitude towards social media (Khang, Ki and Ye 2012). Few studies have addressed the consequences or effects of online companies and Internet marketers' misuse or abuse of social media users' personal data and the dynamic relationships between consumers' prior negative experience of online disclosure, online privacy concerns, perceived risk, trust, social media use, and their privacy protection intents on SNS. Hence, many important questions remain unanswered. For example, are young American consumers protecting their online privacy? Is their online privacy protection proactive or reactive? Does their social media use loosen their self-protection of online privacy? What are managerial implications of their behavior of online privacy disclosure and protection?

Before government agencies, consumer advocacy groups and industry agree upon an effective regulatory mechanism of social media marketing, they need to know whether young American consumers are worried about online privacy and to what extent their prior negative experience of online disclosure influences their online privacy concerns, perceived risk, trust, social media use, and intent to adopt online privacy protective behaviors. The call for stricter government regulation of SNS privacy practices is very justified if young American Internet users seriously care about the collection and uses of their online personal information but they seldom take action to protect their own online privacy. Self-regulation will be more appropriate if most of young American consumers are genuinely concerned about online privacy, and intend to adopt six effective measures to defend their privacy rights in the cyberspace. Hopefully, online marketers and social media companies will improve marketing practices such as customer

relationship management (CRM) after learning new insights of the impact of young American consumers' prior negative experience of online disclosure, online privacy concerns, trust, risk, and social media use on their privacy protection intent.

Against this backdrop, the current study constructs and tests a conceptual model to further our understanding of young American consumers' behavior of online privacy disclosure and protection.

## THEORETICAL FRAMEWORK

### Online Information Privacy Concerns

Previous studies show that consumers' online privacy concerns are multi-dimensional and complicated, and various online marketing activities may evoke varying levels of concern (FTC 1998). Smith et al. (1996) found that *collection* becomes consumers' concern when they perceive that "extensive amounts of personally identifiable data are being collected and stored in databases." Consumers are also concerned about *unauthorized secondary use*, that is, "information is collected for one purpose but is used for another, secondary purpose." *Improper access* bothers consumers when "data about individuals are readily available to people not properly authorized to view or work with this data." Consumers also worry about *error* because "protections against deliberate and accidental errors in personal data are inadequate" (Smith et al. 1996, p. 172). Smith and associates developed a scale to measure these dimensions and validated it across the populations of students, consumers, and professionals. The validity and reliability of this instrument have been confirmed by subsequent empirical studies (e.g., Milberg, Smith, and Burke 2000; Rose 2006; Stewart and Segars 2002). Further research also supported unauthorized secondary use, improper access and error as legitimate consumers' online privacy concerns (e.g., Janda and Fair, 2004; Metzger and Doctor, 2003; Sheehan and Hoy, 2000; Shin, 2010).

Therefore, in the current study, consumers' online privacy concerns are conceptualized as the degree to which an online consumer is concerned about the collection of online personal information, unauthorized secondary use, improper access, and error. Online information privacy concerns will be treated as a

multi-dimensional construct and a second-order factor as have other scholars (e.g., Stewart and Segars 2002; Malhotra et al. 2004; Okazaki, Li, and Hirose 2009).

### Social Contract Theory

Social contract theory will be adopted to explain the underlying dynamics of how young American consumers' prior negative experience and online privacy concerns work together to influence perceived risk, trust, social media use, and six privacy protection behaviors examined in this study. Social contract theory has been applied by several marketing scholars to examine consumers' privacy concerns in both offline and online contexts (e.g., Culnan and Bies 2003; Malhotra et al. 2004; Phelps, Nowak, and Ferrell 2000; Okazaki et al. 2009). Other studies also consider consumers' exchange of personal information with marketers as an implied social contract (e.g., Culnan 1995; Milne 1997; Milne and Gordon 1993).

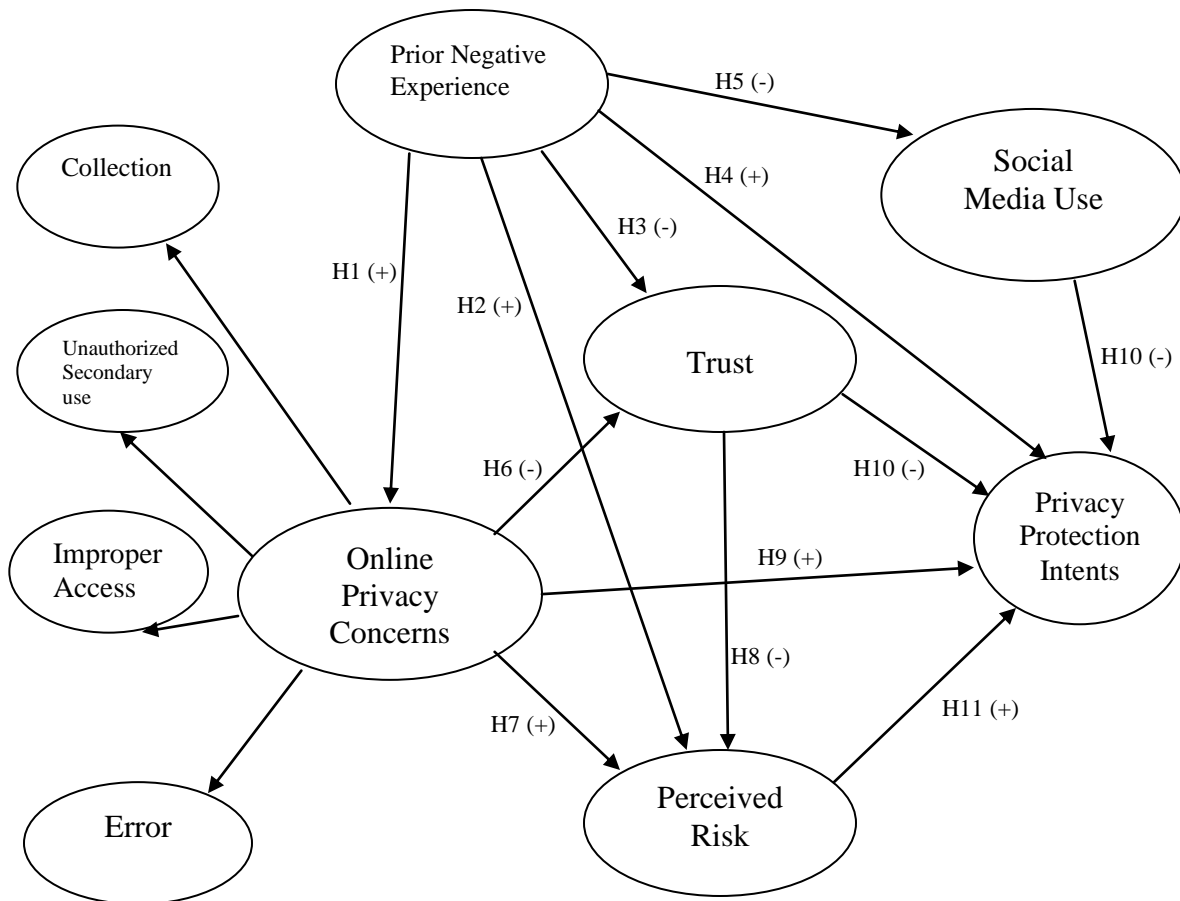
From this perspective, a social contract is formed whenever a consumer provides a marketer with personal information on the Internet in exchange for any incentive (including free convenient services of SNS). The consumer expects that their personal information will be managed responsibly. The implied contract will be regarded as "fair" if the marketer complies with FTC's five fair information practice principles of notice/awareness, choice/consent, access/participation, integrity/security, and enforcement/redress, and if the consumer has reasonable control over their personal information collected by the marketer (Culnan 1995). The contract will be breached by the marketer if a consumer's personal information is collected without his knowledge or consent, if his personal information is provided to a third party without permission, if his personal information is used for any other purpose not agreed upon by him, if the accuracy of his personal data is not safeguarded, if he is not offered an opportunity to opt out, or if he is not informed of the firm's privacy policy (Phelps et al. 2000). So, when none of the above improper behavior occurs, consumers' privacy is protected but when consumer control is lost or reduced involuntarily after and beyond a marketing transaction, his privacy will be invaded (Culnan 1993; Milne and Gordon 1993).

Based on the social contract theory and the current literature, a conceptual model of privacy protection behaviors in social media is proposed as shown in Figure 1. The sections

following provide the rationale for 11 causal paths in the proposed model.

**FIGURE 1**

**The Proposed Model of Prior Negative Experience and Privacy Protection**



**Prior Negative Experience and its Consequences**

Previous studies have shown that prior negative experience in personal information disclosure can significantly increase consumers' information privacy concerns in both online and offline contexts (e.g., Bansal et al. 2010; Culnan 1993; Okazaki et al. 2009). In turn, consumers' online privacy concerns hinder consumer's participation in Internet marketing and e-

commerce (Sheehan and Hoy 1999; Cho and Cheon 2004).

After a prior negative experience of online disclosure, consumers perceive that an implied social or psychological contract has been breached by online companies or Internet marketers. Consequently, dissatisfied consumers feel riskier providing personal information online and they will be less likely to trust that online companies or Internet marketers will handle their disclosed online data in good faith. Research

shows that the psychological contract violation of individual online merchants considerably damages Internet users' trust in the community of online sellers (Goles et al. 2009; Pavlou and Gefen 2005). Accordingly, prior negative experience of online privacy invasion can not only heighten consumers' risk perception of online disclosure directly (e.g., Bansal et al. 2010) but also undermine their trust in online companies or Internet marketers or laws to protect online privacy.

Some studies indicate that consumers' past experience of information disclosure to marketers serves as a strong predictor of their willingness to reveal personal information to marketers (Culnan and Armstrong 1999; Metzger 2006). On the other hand, prior negative experiences of online disclosure should force consumers to take protective measures such as withholding or falsifying personal information. For example, consumers victimized by privacy invasion tend to refuse to be profiled online for personalized advertising (Award and Krishnan 2006) and Facebook users with past experiences of privacy invasion tightened their privacy settings (Debatin et al. 2009).

The existential value of SNS is information sharing with friends, relatives and acquaintances (Ellison et al. 2007; Shin 2010). When young American consumers begin to worry about their online privacy due to prior negative experience, they will be more reluctant to disclose accurate personal information on SNS and naturally, their time spent on SNS will be reduced. Therefore, the following research hypotheses are proposed:

***H1: Young American consumers' prior negative experience of online disclosure increases their online information privacy concerns.***

***H2: Young American consumers' prior negative experience of online disclosure increases their perceived risk of online disclosure.***

***H3: Young American consumers' prior negative experience of online disclosure undermines their trust of online companies, Internet marketers and laws to protect online privacy.***

***H4: Young American consumers' prior negative experience of online disclosure positively predicts their intent to (a) refuse information provision; (b) falsify personal information; (c) request the removal of personal information; (d) spread negative eWOM; (e) complain to online companies; and (f) report to the authorities.***

***H5: Young American consumers' prior negative experience of online disclosure reduces their time spent on SNS.***

### **Online Privacy Concerns, Trust and Risk**

In this study, trust refers to the degree to which Internet users believe online companies, marketers, and laws are dependable in protecting consumers' personal information (Malhotra et al. 2004). In addition, Internet users reasonably expect that online companies and marketers will abide by privacy laws and use their disclosed personal information only for the approved purpose(s). From a social contract perspective, when parties are involved in a contractual relationship, one party must assume that the other will act responsibly to fulfill its promises (Okazaki et al. 2009).

Some research shows that addressing consumers' online privacy concerns helps build their trust of online companies (e.g., Rifon et al. 2005). However, Metzger (2004) found that Internet users' privacy concerns negatively influenced their trust in websites. Similarly, other studies have revealed that consumers' information privacy concerns negatively affected their trust in online companies' commitment to protect their personal information (e.g., Malhotra et al. 2004) and their trust in mobile advertisers' proper handling of their personal information (Okazaki et al. 2009). Hence, it is posited that

***H6: Young American consumers' online privacy concerns negatively affect their trust in online companies, marketers and laws to protect online privacy.***

Perceived risk is conceptualized as the extent to which Internet users are uncertain about the negative consequences of providing personal information to online companies and marketers (Okazaki et al. 2009; Pavlou 2003). Because of the impersonal and distant nature of e-commerce and Internet marketing, Internet users feel at the risk that online companies will behave in an opportunistic manner by mishandling their personal information. In addition, considering various security threats to online companies' databases, Internet users are also uncertain whether their personal information will be leaked, breached, or stolen by hackers (Pavlou 2003). Several studies have provided empirical evidence that consumers' perceived risk will be exacerbated by their elevated information privacy concerns (e.g., Malhotra et al. 2004; Okazaki et al. 2009). It is therefore reasonable to expect that

***H7: Young American consumers' online privacy concerns positively increase their perceived risk in disclosing personal information online.***

Previous studies also suggest that trust can mitigate consumers' perceived risk of disclosing personal information to direct marketers and conducting online transactions and thus reduce the uncertainty of participating in e-commerce and interactive marketing activities (Jarvenpaa et al. 1999; Malhotra et al. 2004; McKnight et al. 2002; Okazaki et al. 2009; Pavlou 2003). So, the following research hypothesis is proposed:

***H8: Young American consumers' increased trust in online companies, marketers and laws decreases their perceive risk of disclosing personal information online.***

### **Online Privacy Concerns, Trust, Risk and Privacy Protection**

Consumer studies have found consistently a positive relationship between the level of privacy concerns and protection behaviors. Sheehan and Hoy (1999) revealed that when online consumers' privacy concerns were heightened, they were more likely to provide incomplete information to online companies, to

notify Internet Service Providers (ISPs) about unsolicited e-mail, to request name removal from lists, to send flames, and to abstain from using some websites. Similarly, Milne et al. (2004) identified level of privacy concerns as a strong predictor of online privacy protection behaviors including refusing to provide information, supplying false or fictitious information, asking for the removal of personal information, and refraining from using a website. Further studies have confirmed that consumers' online privacy concerns influenced their behavioral responses such as falsifying information, refusing information disclosure or transactions, or removing personal information from lists (Lwin et al. 2007; Wirtz et al. 2007). Similar behavioral patterns were discovered among teenagers (e.g., Moscardelli and Divine 2007; Youn 2005; 2009).

Thus, it is proposed that:

***H9: Young American consumers' online privacy concerns positively predict their intent to (a) refuse information provision; (b) falsify personal information; (c) request the removal of personal information; (d) spread negative eWOM; (e) complain to online companies; and (f) report to the authorities.***

The current literature suggests that trust can be built to reduce consumers' risk perceptions and encourage their use of e-commerce and Internet marketing (e.g., Cases 2002; Comegys et al. 2009; Miyazaki and Fernandez 2001; Pavlou 2003). Trust will be gained if online companies and Internet markers act responsibly and comply with the FTC self-regulatory rules. In turn, consumers will be more likely to trade their personal information for the communication benefits of SNS. Previous studies show that consumers' trust of online companies and marketers is positively associated with their behavioral intent to disclose personal information online (Joinson et al. 2010; Malhotra et al. 2004; Metzger 2004; Rifon et al. 2005). Correspondingly, trusting consumers will be less likely to adopt online privacy protection measures.



So, the present study posits that

***H10: Young American consumers' trust in online companies, marketers and laws to protect online privacy negatively predicts their intent to (a) refuse information provision; (b) falsify personal information; (c) request the removal of personal information; (d) spread negative eWOM; (e) complain to online companies; and (f) report to the authorities.***

Past studies indicate that perceived risk inhibits Internet users from engaging in online transactions and marketing activities (e.g., Cases 2002; Comegys et al. 2009; Miyazaki and Fernandez 2001; Pavlou 2003). Similarly, when consumers are concerned about the mishandling of their online personal information, they will be deterred from disclosing personal information on SNS. Marketing researchers found that perceived risk negatively affected Internet users' willingness to disclose valuable personal information to online companies and marketers (e.g., LaRose and Rifon, 2007; Malhotra et al., 2004; Myerscough et al., 2006; Norberg et al., 2007; Olivero and Lunt, 2004).

Consequently, Internet users will be more likely to engage in privacy protection behaviors to mitigate their risk perceptions. Rogers (1975) argues that the likelihood and severity of perceived risk motivate one's self-protection behavior. Recent studies have confirmed that perceived risk of online disclosure lead to consumers' adoption of privacy protection behaviors such as the use of anti-virus technologies, fabricating or withholding personal information, and abstaining from some websites (e.g., Lee et al. 2008; Youn 2005; 2009). Accordingly, this study proposes that

***H11: Young American consumers' perceived risk of online disclosure positively predicts their intent to (a) refuse information provision; (b) falsify personal information; (c) request the removal of personal information; (d) spread negative eWOM; (e) complain to online companies; and (f) report to the authorities.***

## Social Media Use and Privacy Protection

Heavy SNS users are more inclined to share personal information with friends, relatives, colleagues and acquaintances in social media to strengthen their social relationships. The growing literature on social media use contains a quite consistent finding that SNS are used to maintain offline relationships with friends, relatives, colleagues, and other acquaintances (Bolar 2009; Boyd and Ellison 2007; Chu and Choi 2010; Ray 2007). Heavy Internet and SNS users commonly have more offline social ties (Marshall et al. 2009; Zhao 2006).

In addition, frequent SNS visitors tend to have more trust in SNS as they believe that online companies and marketers have honored the implied social contract to protect their personal information. Accordingly, they feel more comfortable to disclose their personal information on SNS. Indeed, studies show that SNS users hold favorable attitudes toward SNS and have higher trust in SNS than non-users (Fogel and Nehmad 2009; Paek et al. 2011). It is reasonable to expect that the more time young American consumers spend on SNS, the less likely they will take action to protect online privacy. Hence, the following research hypothesis is proposed:

***H12: Young American consumers' SNS use will negatively affect their online privacy protection intent to (a) refuse information provision; (b) falsify personal information; (c) request the removal of personal information; (d) spread negative eWOM; (e) complain to online companies; and (f) report to the authorities.***

## METHOD

An email containing a cover letter and a link to a web survey on SurveyMonkey.com was sent to 2,500 randomly selected college students at a mid-sized public university in the southeastern United States in October, 2010. A college student sample is appropriate as well-educated young adults are more likely to use the Internet and social media (Lenhart et al. 2010; Rainie et al. 2003).

To boost the response rate, an incentive was conspicuously announced in the subject title of the email that one respondent would be randomly selected to receive a \$100 online gift certificate and two respondents would receive a \$50 certificate, both from Amazon.com. Cash and non-cash incentives can significantly increase the response rates of both mail surveys and Web-based surveys (Cobanoglu and Cobanoglu 2003; Dillman 2007).

The online survey consisted of a question about their use of SNS, a 4-item scale of Internet users' prior negative experience (Cho and Cheon 2004); Smith et al.'s (1996) 15-item scale of concerns for information privacy (CFIP); Merisavo et al.'s (2007) 3-item scale of Internet users' trust of online companies, marketers and laws; Malhotra et al.'s (2004) 5-item scale of perceived risk of online disclosure, six measures for behavioral intent to protect one's online privacy (Son and Kim 2008); and demographic questions. All measures are 5-point Likert scales except social media use measured at ratio level and demographic questions (see Appendix I). It took 10 days and three e-mailings to collect 403 completed usable questionnaires with no missing data.

With SPSS-19 and AMOS-19, the survey data set was analyzed using confirmatory factor

analysis, principal axis factoring analysis, and structural equation modeling.

## RESULTS

Four hundred three college students voluntarily participated in the web survey. The response rate was 16.1%. One hundred twenty-six respondents (31.3%) were male and 277 female (68.7%). The mean age of the sample was 21 (SD = 3.5), and respondents' ages ranged from 17-35. As for the typical daily use of SNS, respondents spent an average of 125.7 minutes on SNS (SD = 109.3, median = 120 minutes, mode = 60 minutes).

Table 1 presents Cronbach coefficients ( $\alpha$ ) of all adapted scales and the results of exploratory factor analyses (principle axis factoring with varimax rotation). A liberal minimum requirement for scale reliability is 0.60 (Churchill 1979; Peter 1979), while some scholars recommended a stricter minimum requirement of 0.70 (e.g., Nunnally and Bernstein 1994). Therefore, the performance of each of the four scales can be considered quite satisfactory. In addition, their extracted variances exceeded the 0.50 recommended level (Fornell and Larcker 1981).

TABLE 1

### Scale Reliability and EFA Results

Construct	Mean	Cronbach $\alpha$	Variance explained
Prior negative experience	3.05	.790	50.2%
CFIP	4.18	.889	60.6%
Perceived Trust	2.82	.744	52.8%
Perceived risk	3.56	.845	55.8%

**Note.** CFIP = Concern for Information Privacy. Variance Explained = Extraction sums of squared loadings of principal axis factoring. N = 403.

A confirmatory factor analysis also demonstrated that the CFIP measurement model performed very well on five important fitness indexes:  $\chi^2 = 260.45$ ,  $df = 87$ ,  $p < .01$ ; Normed  $\chi^2 = 2.99$ ; RMSEA = 0.070; TLI = 0.938; CFI = 0.948. They met four conventional standards very closely: the normed chi-square (the model chi-square divided by the degrees of freedom) in the 2:1 or 3:1 range (Carmines and McIver 1981), the

Root Mean Square Error of Approximation (RMSEA)  $\leq .06$ , Tucker-Lewis Index (TLI)  $\geq .95$ , and Comparative Fit Index (CFI)  $\geq .90$  (Hu and Bentler 1999; Schumacker and Lomax 2004). Therefore, the CFIP model is considered a very parsimonious and satisfactory measure of young American Internet users' online privacy concerns, and is included in further analyses.

TABLE 2

## Fit Indices for Six Research Models

Model	$\chi^2(\text{df})$	Normed $\chi^2$	RMSEA	TLI(NNFI)	CFI
Research Model1	729.21 (355)*	2.05	0.051	0.924	0.934
Research Model2	743.34 (355)*	2.09	0.052	0.921	0.931
Research Model3	747.77 (355)*	2.11	0.052	0.921	0.931
Research Model4	734.20 (355)*	2.07	0.052	0.924	0.933
Research Model5	726.08 (355)*	2.05	0.051	0.925	0.934
Research Model6	720.10 (355)*	2.03	0.051	0.926	0.935

**Note.** RMSEA: root mean square error of approximation, GFI: goodness of fit index, TLI: the Tucker-Lewis index or NNFI: non-normed fit index, CFI: comparative fit index. \*  $p < .01$ .  $N = 403$ .

The maximum likelihood method of structural equation modeling was adopted to fit the research model of Figure 1 to the survey data and test the hypotheses. Figures 2, 3, 4, 5, 6, and 7 present six tested structural models with standardized path estimates and critical ratios while Table 2 displays the model testing results.

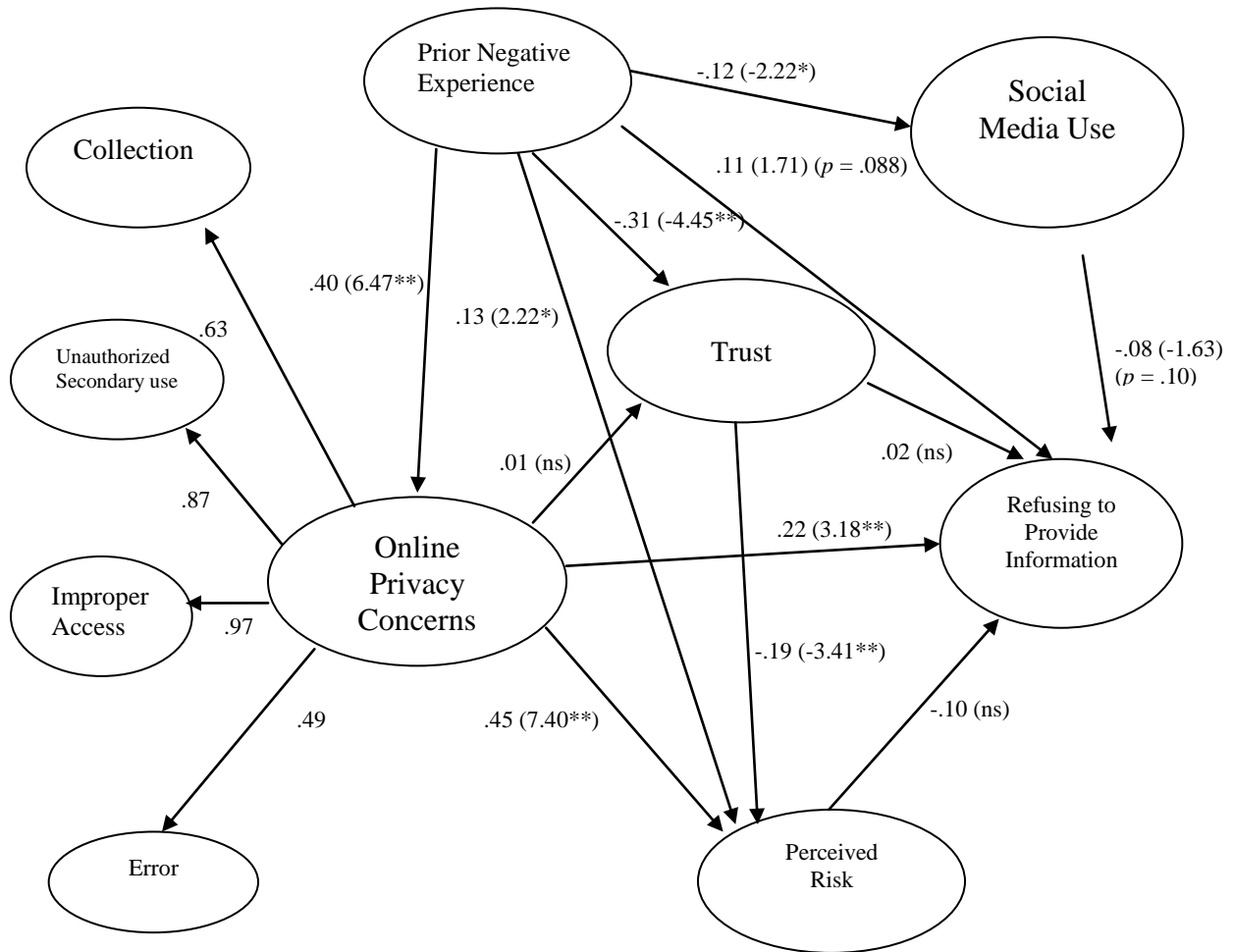
Six research models achieved satisfactory fit for young American consumers' behavioral intent to protect their online privacy. Six normed chi-square values were below 3:1 (Carmines and McIver 1981), six RMSEA values were smaller than the recommended cutoff value of .06 (Hu and Bentler 1999), and all comparative fit indices exceeded the conventional standard of .90 (Schumacker and Lomax 2004). Six Tucker-Lewis indexes were slightly below .95 probably because it penalized the complexity of the tested model. In addition, Marsh, Hau and Wen (2004) argue that the cutoff value of .95 for the TLI is probably too stringent for hypothesis testing. Therefore, the fitness of six models was deemed satisfactory.

The path estimates shown in Figures 2, 3, 4, 5, 6 and 7 supported Hypothesis 1. Young American consumers' prior negative experience of online disclosure strongly increased their online information privacy concerns. Similarly, H2 and H3 were confirmed. Students' bad past experience of online disclosure significantly heightened their risk perceptions of revealing personal information online while greatly undermined their trust in online companies, Internet marketers and laws to protect online privacy.

However, while H4b was strongly supported and H4a was marginally supported, H4c, H4d, H4e, and H4f were not supported. Young American consumers' prior negative experience positively predicted their intent to falsify personal information and refuse to provide personal information to some extent but did not directly influence their intent to request personal information removal, spread negative eWOM, complain to online companies, and report to the authority. On the other hand, H5 received sufficient empirical support. Unpleasant prior experience of online disclosure has a negative impact on their time spent on SNS.

FIGURE 2

Structural Equation Model 1 with Standardized Path Estimates



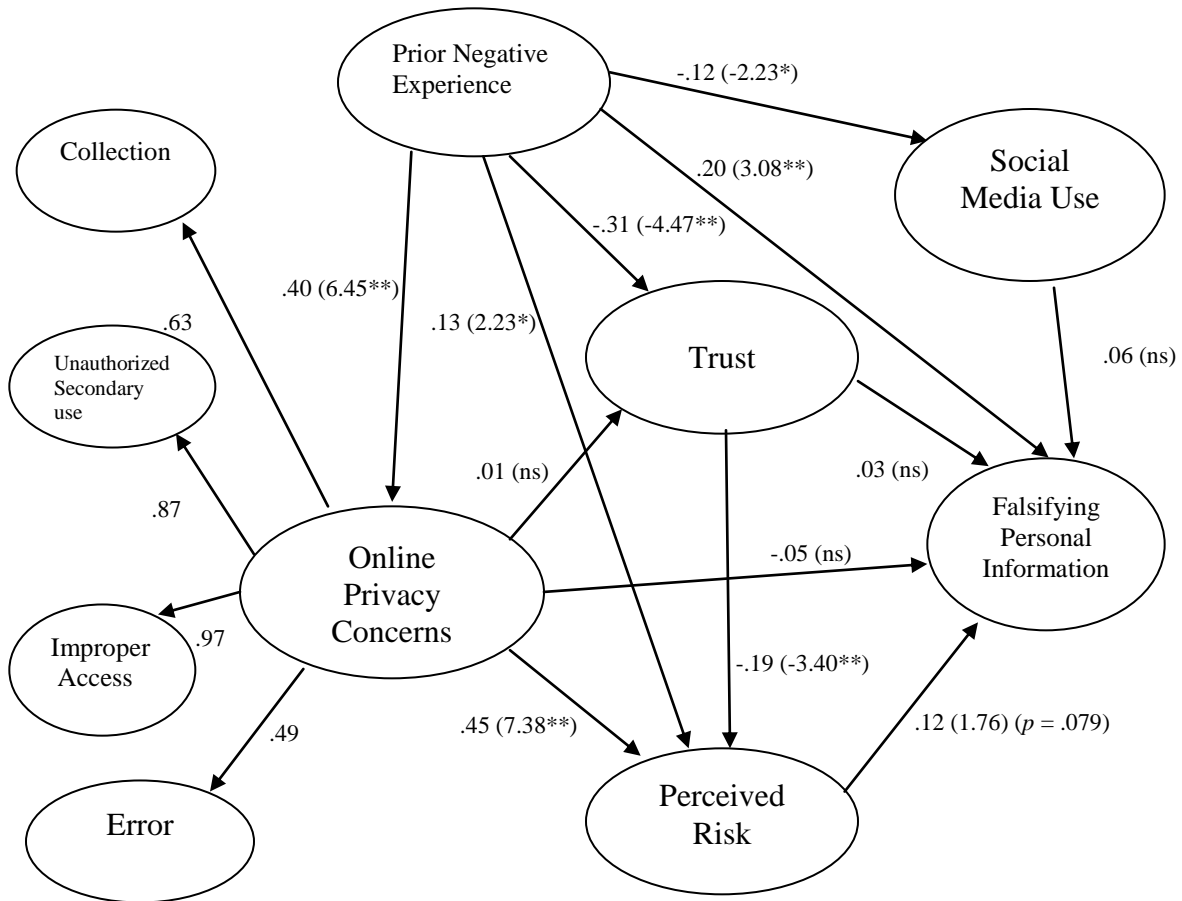
Note. Significance of the path estimates are shown in parentheses (critical ratio). \* $p < .05$ ,

\*\* $p < .01$ , ns = not significant. Model fit:  $\chi^2 = 729.21$ ,  $df = 355$ ,  $p < .01$ ; RMSEA = 0.051;

TLI = 0.924; CFI = 0.934. N = 403.

FIGURE 3

Structural Equation Model 2 with Standardized Path Estimates

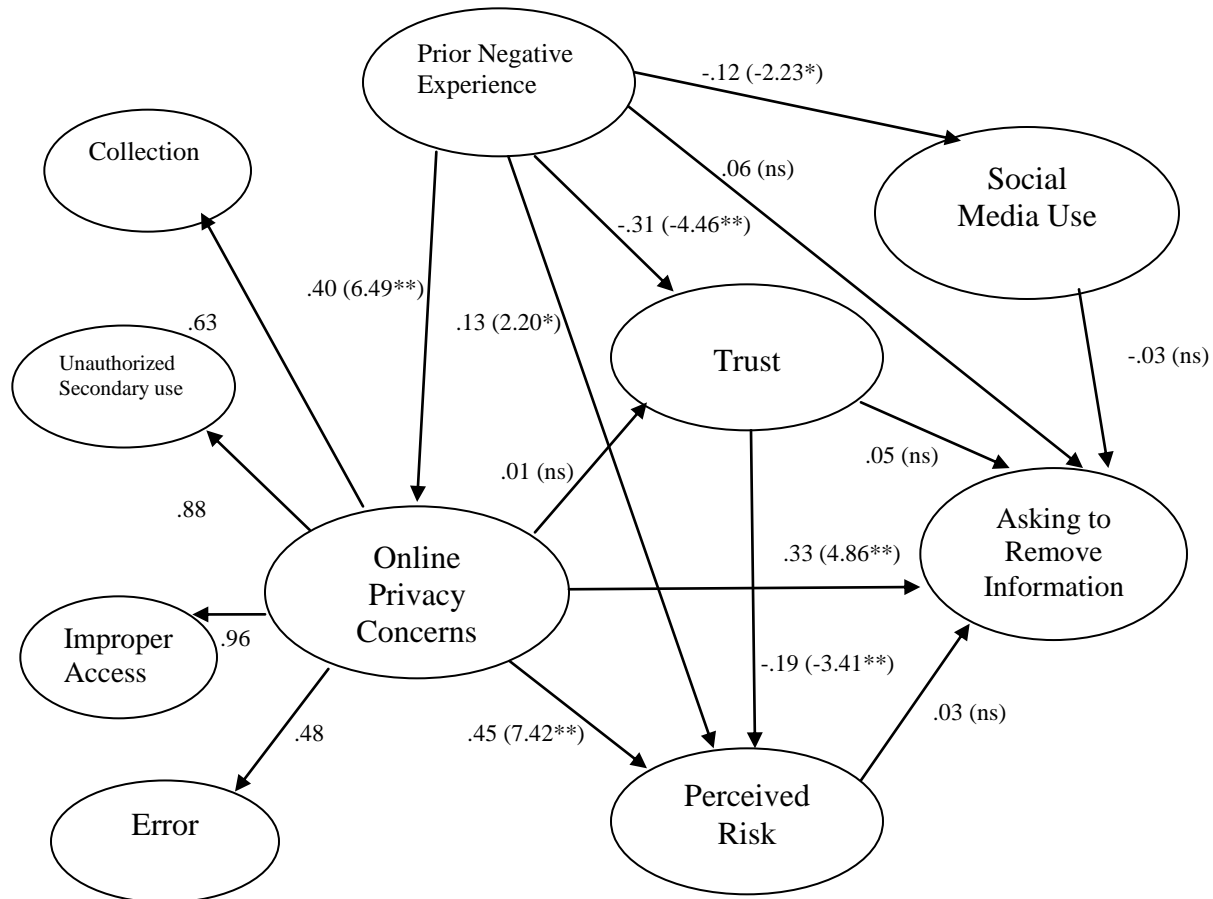


Note. Significance of the path estimates are shown in parentheses (critical ratio). \* $p < .05$ ,

\*\* $p < .01$ , ns = not significant. Model fit:  $\chi^2 = 743.34$ ,  $df = 355$ ,  $p < .01$ ; RMSEA = 0.052; TLI = 0.921; CFI = 0.931. N = 403.

FIGURE 4

## Structural Equation Model 3 with Standardized Path Estimates

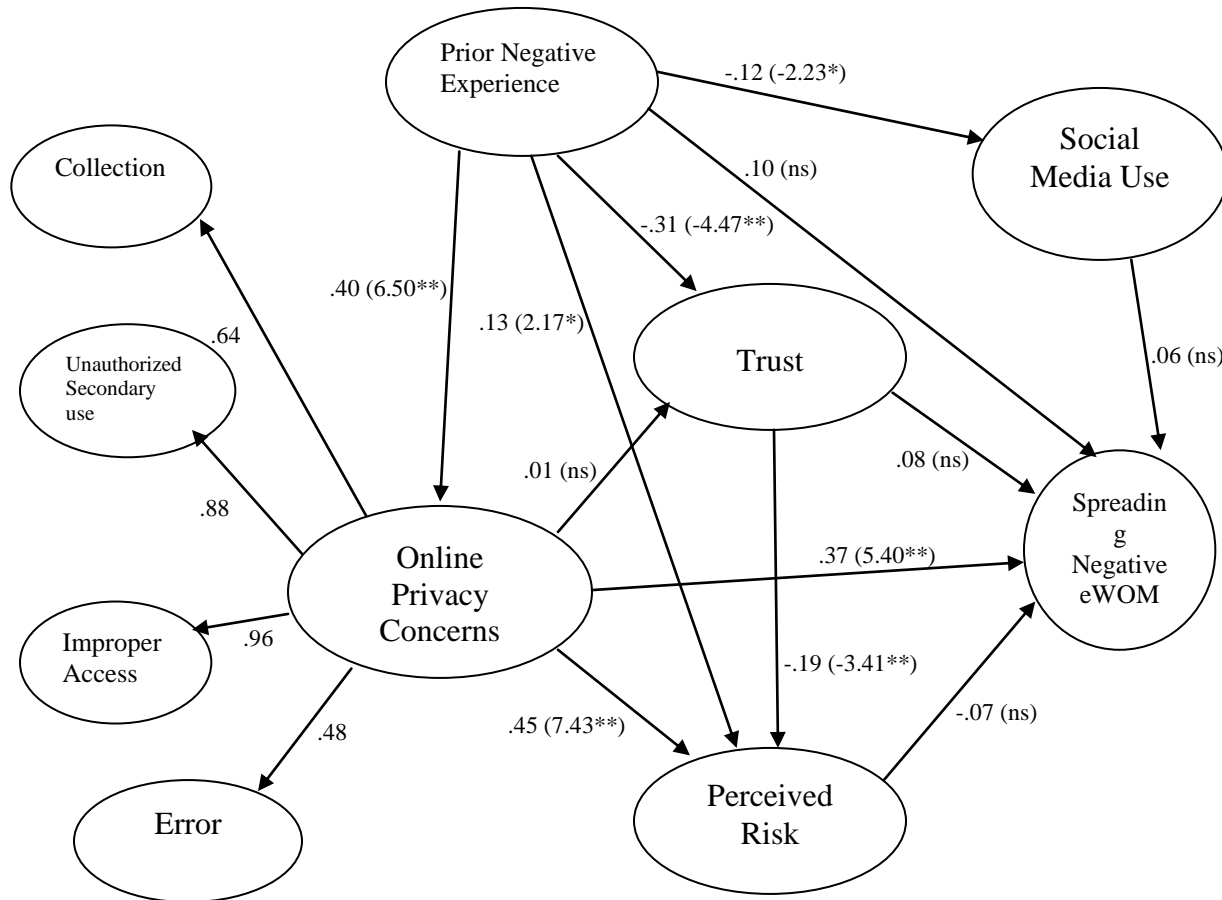


Note. Significance of the path estimates are shown in parentheses (critical ratio). \* $p < .05$ ,

\*\* $p < .01$ , ns = not significant. Model fit:  $\chi^2 = 747.77$ ,  $df = 355$ ,  $p < .01$ ; RMSEA = 0.052; TLI = 0.921; CFI = 0.931. N = 403.

FIGURE 5

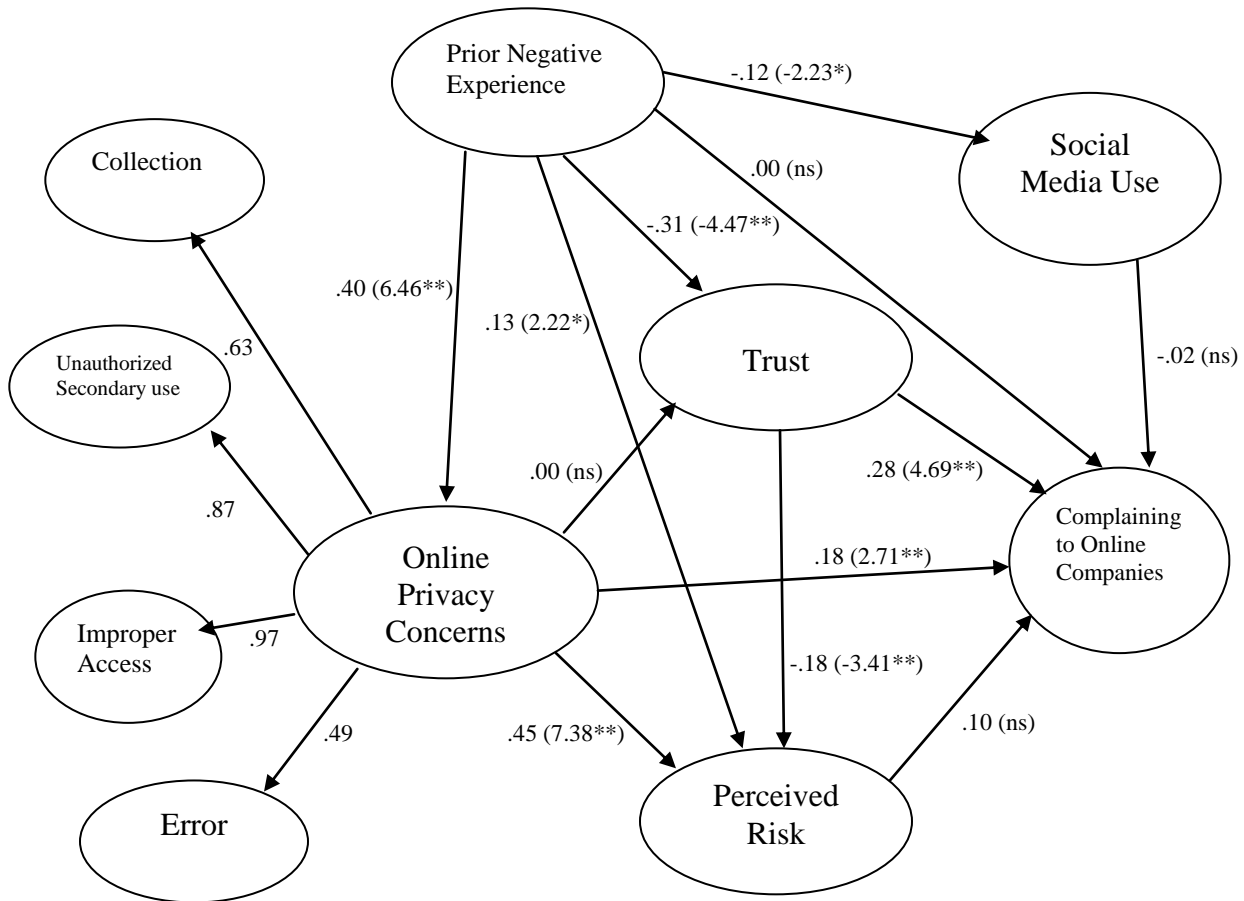
Structural Equation Model 4 with Standardized Path Estimates



Note. Significance of the path estimates are shown in parentheses (critical ratio). \* $p < .05$ , \*\* $p < .01$ , ns = not significant. Model fit:  $\chi^2 = 734.20$ ,  $df = 355$ ,  $p < .01$ ; RMSEA = 0.052; TLI = 0.924; CFI = 0.933. N = 403.

FIGURE 6

Structural Equation Model 5 with Standardized Path Estimates

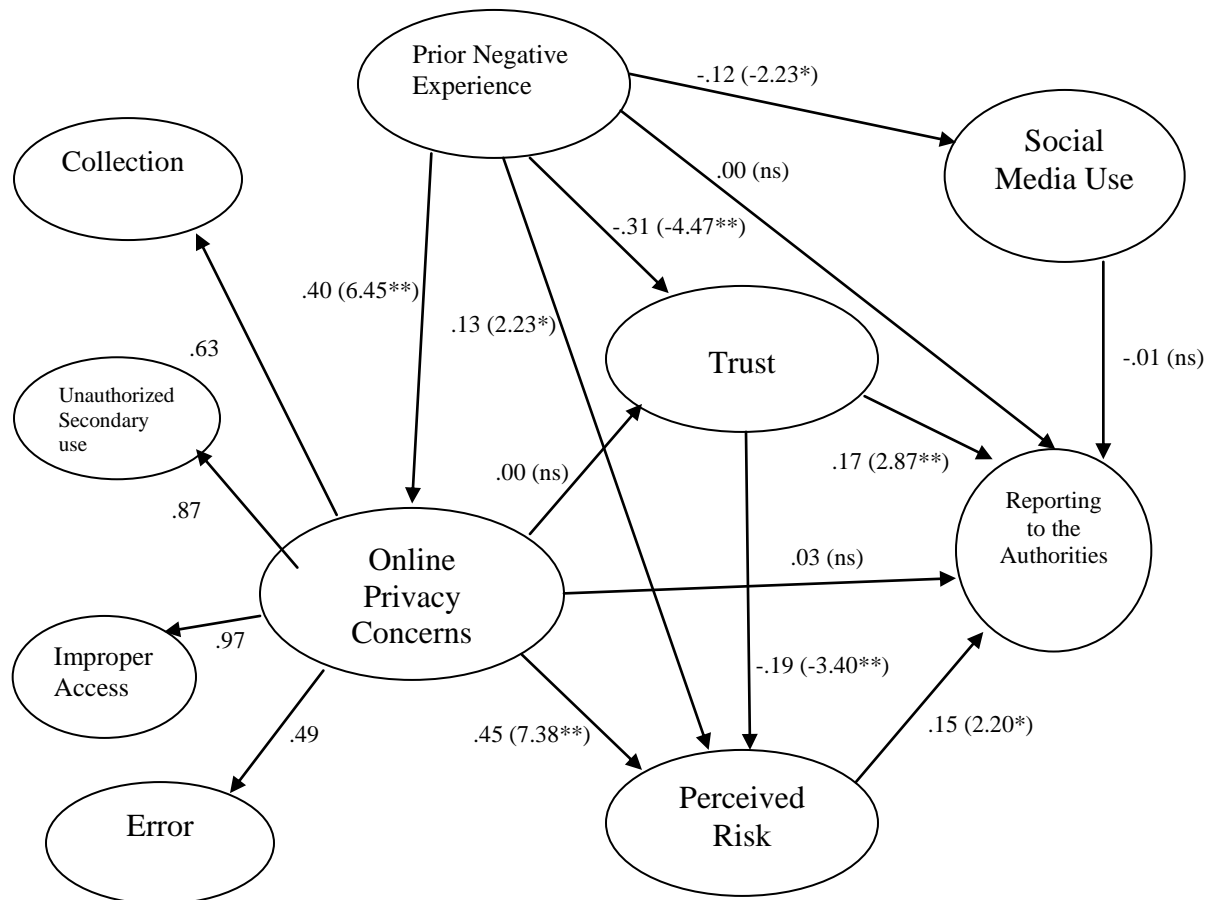


**Note.** Significance of the path estimates are shown in parentheses (critical ratio). \* $p < .05$ , \*\* $p < .01$ , ns = not significant. Model fit:  $\chi^2 = 726.08$ ,  $df = 355$ ,  $p < .01$ ; RMSEA = 0.051; TLI = 0.925; CFI = 0.934. N = 403.



FIGURE 7

Structural Equation Model 6 with Standardized Path Estimates



Note. Significance of the path estimates are shown in parentheses (critical ratio). \* $p < .05$ ,

\*\* $p < .01$ , ns = not significant. Model fit:  $\chi^2 = 720.10$ ,  $df = 355$ ,  $p < .01$ ; RMSEA = 0.051; TLI = 0.926; CFI = 0.935. N = 403.

Surprisingly, Hypothesis 6 was not supported by any of the six tested models. Young American consumers' online privacy concerns did not mediate the effect of their prior negative experience of online disclosure on their trust in online companies, marketers and laws to protect online privacy. At the same time, their online privacy concerns greatly elevated their perceived risk of online disclosure, serving as a partial

mediator of the effect of their prior negative experience of online disclosure on their perceived risk. Thus, Hypothesis 7 was strongly supported.

As shown in six significant, negative path estimates from trust to risk, young American consumers' trust in online companies, Internet marketers and laws to protect online privacy mitigated their perceived risk of online disclosure

considerably. Therefore, Hypothesis 8 was supported.

H9a, H9c, H9d, and H9e were supported but H9b and H9f were not confirmed. Young American consumers' online privacy concerns served as a good predictor of their online privacy protection intent to refuse information provision, request the removal of personal information, spread negative eWOM, and complain to online companies but had no direct effects on their intent to falsify personal information and report to the authority.

Unexpectedly, H10a, H10b, H10c, H10d, H10e, and H10f were not supported as young American consumers' trust in online companies, marketers and laws to protect online privacy did not negatively predict their intent to refuse information provision, falsify personal information, request the removal of personal information, and spread negative eWOM, but positively influenced their intent to complain to online companies and report to the authority.

As for H11f, it was supported while H11b arguably received marginal support. Young American consumers' perceived risk positively affected their intent to report to the authority and predicted their intent to falsify personal information online to some degree ( $p = 0.079$ ). However, H11a, H11c, H11d, and H11e were not supported because perceived risk could not influence their intent to adopt other four privacy protection behaviors.

Finally, H12a received some marginal support but H12b, H12c, H12d, H12e, and H12f were all unsupported. Young American consumers' SNS use weakened their intent to refuse to provide personal information online to some extent. However, their SNS use did not negatively affect their intent to falsify personal information online, request the removal of personal information, spread negative eWOM, complain to online companies, and report to the authorities.

## DISCUSSION AND IMPLICATIONS

Building upon previous published research and social contract theory, this study constructed and tested six research models of the impact of young American consumers' prior negative experience on their behavioral intent of online privacy protection through their online privacy concerns, trust, risk, and SNS use. Six

causal models have achieved satisfactory fit. As one of the first studies, this empirical research has revealed how young consumers' online privacy concerns, trust, risk, and SNS use mediate the effects of their prior negative experience on their intent to adopt six privacy protection behaviors. The underlying dynamics provide useful insights for interactive marketing practitioners, policy makers and researchers.

Results of the present study suggest that interactive marketing managers must handle consumers' online personal data responsibly and sincerely address consumers' online privacy concerns so as to ensure the effectiveness of precise and targeted marketing in social media. As suggested by previous researchers (Lwin et al. 2007; Milne et al. 2004; Okazaki et al. 2009; Wirtz et al. 2007), Internet users believe that they have reached an implied social contract with social media companies when they volunteer their personal information on SNS and their online information privacy concerns will be greatly increased as soon as they discover that their online data are mishandled and their online privacy invaded. In turn, their risk perceptions of online disclosure will be greatly elevated. Their heightened online information privacy concerns will directly or indirectly drive them to take online privacy protective measures such as refusing to provide personal information, falsifying personal information, asking online companies to remove personal information, spreading negative eWOM about wrongdoers, complaining to online companies, and reporting to authority. As a result, social media marketing campaigns will become more and more irrelevant and impotent as most promotional messages are fed to social media users based on assumed truthful personal information they have disclosed.

Most importantly, this study has revealed that young American consumers' prior negative experience in online information disclosure greatly increases their online information privacy concerns, considerably heightens their risk perceptions of online disclosure, significantly undermines their trust in online companies, Internet marketers and laws to protect online privacy, evidently reduces their time spent on SNS, and positively predicts their intent to falsify personal information and refuse to provide personal information. These findings are generally consistent with previous studies (e.g., Bansal et al. 2010; Debatin et al. 2009; Goles et al.

2009; Okazaki et al. 2009; Pavlou and Gefen 2005; Sheehan and Hoy 1999; Son and Kim 2008). Apparently, the breach of an implied social contract by mishandling online information will immediately trigger young American consumers to take six privacy protective measures directly or indirectly by increasing their online privacy concerns or risk perceptions and reduce their time spent on SNS accordingly. In addition, their trust will be damaged and risk unmitigated.

SNS owners, operators and online marketers should use caution and care when monetizing subscribers' profiles by targeting ads to them or supplying their data to third parties. Once these subscribers perceive the abuse or misuse of their online privacy, they will probably refrain from and even discontinue using SNS. Frequent visitors to SNS will be a more valuable target audience to Internet marketers because they are more likely to reveal more personal identifying or lifestyle information or to notice or even to like a social ad or sponsored story. In this sense, SNS owners and operators should take customer relationship management very seriously and adopt proactive measures such as constant monitoring and addressing consumers' complaints about invasion of privacy responsively. These worried and dissatisfied users will not only turn into infrequent visitors but also refuse to provide their personal information, falsify their online personal data, ask you to remove their personal information, spread negative eWOM about you, and even report to the BBB or FTC in the near future if their online information concerns and/or risk perceptions are very high.

The study confirms that the 15-item CFIP scale of Smith et al. (1996) is likely a very good scale to measure American SNS users' information privacy concerns. This finding is not surprising as the CFIP scale has been validated in previous studies (e.g., Milberg, Smith, and Burke 2000; Rose 2006; Stewart and Segars 2002). It suggests that American SNS users are quite worried about collection of personal information, unauthorized secondary use, improper access to the collected online data or security, and inaccuracy of online personal database.

The results also demonstrate that young American consumers' online privacy concerns can directly increase their perceived risk of online information disclosure and affect their intent to refuse information provision, to request the removal of personal information, to spread

negative eWOM and to complain to online companies. Their online privacy concerns fully and partially mediate the effects of their prior negative experience on their intent to take online privacy protection measures such as refusing to provide information online, asking for the removal of online data, spreading negative eWOM about perpetrators, and complaining to online companies.

Their online privacy concerns and trust mediate the effect of their prior negative experience of online disclosure on their intent to complain to online companies directly. Their trust and risk mediate the effect of their prior negative experience on their intent to report to the authority. Their online privacy concerns and trust partially mediate the effect of their prior negative experience on their perceived risk of online disclosure. The effect of their prior negative experience on their trust is not mediated by their online privacy concerns while trust can considerably alleviate perceived risk. Generally, these findings have validated previous studies of online privacy concerns, trust and risk (e.g., Jarvenpaa et al. 1999; McKnight et al. 2002; Malhotra et al. 2004; Pavlou 2003; Okazaki et al. 2009). They are also consistent with past research on online privacy concerns and self protection behaviors (e.g., Lwin et al. 2007; Milne et al. 2004; Moscardelli and Divine 2007; Sheehan and Hoy 1999; Wirtz et al. 2007; Youn 2009).

These findings have important implications for social media marketing. Both the industry and academia should be clearly aware that current young social media users are still very much concerned about their online privacy. If no proactive measure is adopted to address their online privacy concerns, they will be more likely to engage in online privacy protection behaviors such as refusing to provide personal information, requesting the removal of personal information, spreading negative eWOM and complaining to online companies. Online companies and marketers should improve their communication strategies to increase Internet users' awareness of their online information privacy policies and to minimize their online privacy concerns. Both advertising and public relations techniques should be utilized to build a trustworthy reputation in terms of online information privacy to minimize negative media coverage on SNS privacy issues. A responsive and proactive customer relationship management (CRM) team should be employed to

deal with any online privacy issues or controversies in a timely manner.

Unexpectedly, the study has found that Internet users' trust will positively influence their intent to complain to online companies and report to the authority. These findings hold a warning for online companies and marketers. Considering young American consumers' low initial trust (mean = 2.82 on a scale of 5), they should make extra efforts to gain it by taking some effective measures to address their high online privacy concerns, such as the open disclosure of one's online privacy policy (Miyazaki 2008) or seeking a privacy seal from BBBOnline or TRUSTe (Rifon et al. 2005). Otherwise, those SNS users with low initial trust could easily transform into bitter customers and citizens who will complain to one's customer service, and report privacy abuses and misuses to elected officials and consumer organizations.

Consumer advocacy groups and government agencies should be concerned that young American consumers' heightened risk does not motivate them to adopt five online privacy protection behaviors but online companies and Internet marketers should respect young American consumers' complaints to an elected official or consumer organization as their online privacy concerns and perceived risk are both severe when they choose to report privacy abuses to the authority. The results imply that, currently, young American consumers' perceived risk of online disclosure is not high enough to drive them to refuse to give personal information to online companies, to ask for personal information removal, to spread negative eWOM, and to complain to online companies directly but might drive some Internet users to falsify personal information online ( $p = .079$ ). Indeed, respondents exhibited a moderate level of risk in disclosing personal information online. Therefore, it is still necessary to educate young Internet users about the risks of online over-disclosure and effective measures to protect their own online privacy.

On the other hand, the findings bode well for social media companies and Internet marketers. Young American consumers' perceived risk of online disclosure will probably stay so if social media companies and marketers conduct their business in good faith to honor the implied social contract. Until they have a

negative experience of online privacy invasion, young Internet users likely will continue to take advantage of many benefits provided by SNS. Actually, a majority of the sample (63.4%) has not yet experienced an incident of online privacy invasion.

In addition, this research reveals that young American consumers' SNS use does not mediate the effects of their prior negative experience on their intent to adopt six online privacy protection measures even though the more time they spend on SNS, the more reluctant they will be to refuse to provide personal information to online companies. The results suggest that social media companies and Internet marketers should invest in customer relationship management and keep providing all users satisfactory services. Social media marketers should keep in mind that heavy SNS users or frequent SNS visitors do not necessarily let their guards down even though some of them will feel more uninhibited to provide their personal information to online companies. As heavy users or frequent visitors are more likely to reveal personal information online, it makes sense to target promotions to them and to encourage them to spread positive eWOM about a product or service. It is also advisable for social media marketers to ask frequent SNS users directly whether social ads are relevant to them while monitoring the click-through or "like" rate of these social ads or promotions.

Caution should be used when we generalize these findings to the general population due to some limitations. External validity should be strengthened by future researchers (the survey data in this study were collected from a random sample of college students at a single mid-sized Southeastern public university). Also, even if no gender difference was identified in key variables, research findings are skewed slightly as the majority of participants (69%) were female.

Finally, future research should investigate other antecedents and consequences of SNS users' online privacy protection behaviors, including need for privacy, self-efficacy, subjective norm, behavioral control, perceived benefits of online disclosure, willingness to provide information online, and regulatory support. Future studies should also explore these topics in a cross-cultural and global context.

## CONCLUSION

After successfully testing six research models of the effects of young American consumers' prior negative experience on their intent to adopt six privacy protection behaviors through their online privacy concerns, trust, risk, and SNS use: the present study shows that young American consumers' prior negative experience in online information disclosure directly increases their online information privacy concerns; heightens their risk perceptions of online disclosure; undermines their trust in online companies, Internet marketers and laws to protect online privacy; reduces their time spent on SNS; and enhances their intent to falsify personal information and/or refuse to provide personal information.

Young American consumers' online privacy concerns can also elevate their perceived risk of online information disclosure and strengthen their intent to refuse information provision, to request the removal of personal information, to spread negative eWOM and to complain to online companies. Their online privacy concerns about trust and risk work together to mediate the effects of their prior negative experience on their intent to take online privacy measures such as complaining to online companies and reporting to the author.

Young American Internet users are highly concerned about collection of personal information, unauthorized secondary use, improper access to the collected online data or security, and inaccuracy of online personal databases.

Their SNS use does not mediate the effects of their prior negative experience on their intent to adopt six online privacy protection measures but might predict some heavy users' willingness to provide more personal information online.

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**APPENDIX I**

**The Primary Survey Questions**

<p>Social Media Use</p>	<p>Two open ended questions</p> <ol style="list-style-type: none"> <li>1. How much time do you spend on social networking websites (e.g., Facebook, MySpace, LinkedIn, Classmates, etc) on a typical day?</li> <li>2. How much time do you spend on blogging websites (e.g., Twitter, Wordpress, Blogger, etc) on a typical day?</li> </ol>
<p>Prior negative experience*<sup>1</sup></p>	<ol style="list-style-type: none"> <li>1. I have seen my personal information misused by companies without my authorization.</li> <li>2. I feel dissatisfied with my earlier choice to provide my personal information to Internet marketers.</li> <li>3. My experience in responding to Internet advertising is very unsatisfactory.</li> <li>4. In the past, my decision to provide my personal information to Internet marketers has not been a wise one.</li> </ol>
<p>Concern for Information Privacy*<sup>2</sup></p>	<p>Collection</p> <ol style="list-style-type: none"> <li>1. It usually bothers me when online companies ask me for personal information.</li> <li>2. When online companies ask me for personal information, I sometimes think twice before providing it.</li> <li>3. It bothers me to give personal information to so many online companies.</li> <li>4. I’m concerned that online companies are collecting too much personal information about me.</li> </ol> <p>Unauthorized secondary use</p> <ol style="list-style-type: none"> <li>1. Online companies should not use personal information for any purpose unless it has been authorized by the individuals who provided information.</li> <li>2. When people give personal information to an online company for some reason, the online company should never use the information for any other reason.</li> <li>3. Online companies should never sell the personal information in their computer databases to other companies.</li> <li>4. Online companies should never share personal information with other companies unless it has been authorized by the individuals who provided the information.</li> </ol> <p>Improper access</p> <ol style="list-style-type: none"> <li>1. Online companies should devote more time and effort to preventing unauthorized access to personal information.</li> <li>2. Online companies’ computer databases that contain personal information should be protected from unauthorized access—no matter how much it costs.</li> <li>3. Online companies should take more steps to make sure that unauthorized people cannot access personal information in their computers.</li> </ol>

	<p>Error</p> <ol style="list-style-type: none"> <li>1. Online companies should take more steps to make sure that the personal information in their files is accurate.</li> <li>2. Online companies should have better procedures to correct errors in consumers' personal information.</li> <li>3. Online companies should devote more time and effort to verifying the accuracy of the personal information in their databases.</li> <li>4. All the personal information in online companies' computer databases should be double-checked for accuracy—no matter how much this costs.</li> </ol>
Internet users' perceived risk* <sup>3</sup>	<ol style="list-style-type: none"> <li>1. In general, it would be risky to give (the information) to online companies.</li> <li>2. There would be high potential for loss associated with giving (the information) to online firms.</li> <li>3. There would be too much uncertainty associated with giving (the information) to online firms.</li> <li>4. Providing online firms with (the information) would involve many unexpected problems.</li> <li>5. I would feel safe giving (the information) to online companies (reverse).</li> </ol>
Trust in privacy and laws of Internet advertising* <sup>4</sup>	<ol style="list-style-type: none"> <li>1. I believe that my Internet service provider uses my data only for a purpose that I have approved.</li> <li>2. I believe that an Internet marketer would use my data only for a purpose that I have approved.</li> <li>3. I believe that consumers' online data privacy is protected by laws.</li> </ol>
Internet users' intents to protect online privacy <sup>5</sup>	<ol style="list-style-type: none"> <li>1. How likely would you refuse to give information to online companies when you think it is too personal within the next six months?</li> <li>2. How likely would you falsify some of your personal information when asked by online companies within the next six months?</li> <li>3. How likely would you take actions to have your information removed from online companies' database when your personal information was not properly handled?</li> <li>4. How likely would you speak to your friends and/or relatives about your bad experience with online companies' mishandling personal information when your personal information was not properly handled?</li> <li>5. How likely would you write or call online companies to complain about the way they use personal information when your personal information was not properly handled?</li> <li>6. How likely would you write or call an elected official or consumer organization to complain about the way online companies use personal information when your personal information was not properly handled?</li> </ol>

\*The response options ranged from 1, "strongly disagree" to 5, "strongly agree"

\*<sup>1</sup>Adapted from Cho & Cheon (2004). \*<sup>2</sup> Adapted from Smith et al. (1996). \*<sup>3</sup>Adapted from Malhotra, Kim, and Agarwal (2004). \*<sup>4</sup>Adapted from Merisavo et al. (2007). \*<sup>5</sup>Adapted from Son and Kim (2008), anchored by 1, "very unlikely" to 5, "very likely."

# PROJECT REMEMBRANCE: LOOKING OVER OUR SHOULDER

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## ABSTRACT

This is part 2 of the paper published in 1992 which looked at the formation and development of the Satisfaction/Dissatisfaction and Complaining Behavior streams of research.

## INTRODUCTION

Americans are wonderful people but who, as a people, have short memories and little sense of history. As a European friend once quipped, "The difference between Americans and Europeans is that Europeans think two hundred miles is a long way, and Americans think two hundred years is a long time." So we as Americans seldom accord much thought, much less importance, to the "passing of the torch" or what transpired to create a torch worth passing on.

Most people in the discipline will know that Dr. Ralph Day and Dr. H. Keith Hunt were key figures in the formation of the CS/D stream of research. Due to his declining health, Dr. Day could no longer produce research or participate in editing the conference proceedings or *JCS/D&CB*. In recognition and celebration of his critical contributions, this author suggested attempting to capture Dr. Day's memories of those precipitating events while we still could and Dr. Hunt, who was the managing editor of the *JCS/D&CB* at the time, readily agreed to publish the work. The outcome was "Roots: A Folk History of the Consumer Satisfaction Literature" which was published in the *JCS/D&CB* in Volume five, 1993. This current piece briefly will review the foundation of the discipline previously published; in large part this review is written because few people today seem to be aware of the foundations and in part to make what is uniquely contributed here more understandable to those who have not read the prior piece. This is much like a two part TV show starting with a review of the key scenes that transpired in part one by way of synopsis; but instead of a one week separation, we have 20 years!

During the early formative years of the field I was a welfare worker in Indianapolis and

years away from my MBA and more than a decade away from starting my doctorate; hence did not witness any of the events shared here. While much of the information used to create this piece came from Keith Hunt and, to a lesser degree, Ralph Day, a couple of people who generously responded to the journal's call for inclusions to Project Remembrance, notably Douglas Hausknecht. We thank them for sharing their first-hand accounts and insights.

## CS/D&CB ROOTS

The Better Business Bureau (BBB) of the United States was founded in 1970 with the union of the National Better Business Bureaus (founded in 1912) and the Association of Better Business Bureaus (founded in 1921). The BBB was created to intercede on the part of consumers who felt dissatisfaction with a commercial transaction in hopes of getting some form of resolution for the customer. Funded as they are by businesses, this seems a rather strange goal; yet the BBB serves also to "weed" out those complaints without merit and mediate those with merit to an acceptable conclusion for the merchants and so serves the best interests of both business and consumers. But the focus of the BBB is more on resolution and collecting statistics rather than on developing theories or conducting research.

It would be natural to expect that the first systematic studies on consumer satisfaction would be centered on the U.S. population; but they were actually cross-cultural studies and among the earliest was one conducted by Hans Thorelli from Indiana University using comparative testing reports from the U.S., Norway, and Germany.

In 1972 John Miller produced what is thought to be the first dissertation in the field entitled, "Satisfaction and Modes of Response to Dissatisfaction for Supermarket Customer Segments," which was chaired by Dr. Thorelli. This work was critical in conceptualizing both satisfaction and dissatisfaction.

Maybe the first finding of dissatisfaction without complaint was uncovered by Jane Willits, a graduate student aiding Robert Herrmann and

Rex Warland in pre-testing a questionnaire for use in a large survey on the consumer movement. A couple of open-ended questions had been inserted as a transition between two sections: "Lately, have you gotten good and mad about the way you were treated as a consumer? And what did you do about it? Ms. Willits noticed that several consumers, although dissatisfied, had not complained or taken any other action despite their feelings.

But the few studies on CS/D that were done were fragmentary rather than a "stream" of research. Dissatisfaction and complaints were not looked upon with favor by the business world. The very existence of complaints implied management was not doing its job and fixes utilized resources leading to diminished profits. Complaints were not opportunities to be learned from, but uses of funds caused largely by a small cadre of "cranks". Andreasen and Best later concluded that the "incurable complainer" was a myth.

### THE FTC CONNECTION

All of the above was highly unsystematic. There were no concerted academic, business or governmental efforts to forward understanding of CS/D. Then came along a most unlikely player: the Federal Trade Commission (FTC). In the wake of the Machiavellian maneuverings of Standard Oil of Indiana to put all its competition out of business so as to create a monopoly on fuel oil (used both for heat and light in the era before electricity) which would create, what at the time would be unimaginably high profits, the Congress passed the Sherman and Clayton Anti-Trust Acts and the Federal Trade Act of 1914, which created the FTC. The FTC was tasked with two broad mandates: to promote competition through its enforcement of the Sherman and Clayton Antitrust Acts, and to protect consumers. These became translated into the outlawing of unfair methods of competition and unfair or deceptive acts and practices including false or misleading advertising.

Dr. Hunt's dissertation focused on his first research interest: whether corrective advertising had the intended impact on consumers of correcting the unfair competitive advantages gleaned by advertisers' utilization of deceptive ads and whether counter advertising was effective. The reason a company would undertake deceptive advertising was to create profits at the expense of

competition. Corrective advertising was a remedy imposed by the FTC which was intended to inform the consumer of the falseness of the claims thereby restoring balance to the competitive arena. Counter advertising is advertising undertaken by the offending firm to lessen the impact of the corrective advertising required by the FTC in an attempt to thwart the intended effect of corrective advertising and keep the ill-gotten gains from deceptive advertising. As Dr. Hunt utilized published deceptive, corrective, and counter advertisements, this research was as close to "real world" as it could be made to be. Note this effort is squarely in the public policy and advertising domains. But one outcome was an invitation to present the research to the FTC which liked it enough to invite Dr. Hunt to join the FTC as a Visiting Professor for 1973-4.

During the 14 months of residence, Dr. Hunt had "Fun, Fun, Fun!!!" Dr. Hunt was the Marketing/communication telephone contact for those months and came to know lots of professors interested in the same things that interested him. That mutual interest and the resulting friendships continued for a lifetime.

A highlight was when Dr. Ralph Day showed up as a Summer Visiting Professor. Although Ralph and Keith knew each other before their visit together at the FTC, they were not well acquainted. As Keith told it, he had been a "nobody" for 6 years during the time he finished his dissertation and taught at the University of Iowa, and Ralph was one of the leading scholars in the marketing field, so their paths did not cross much. They became close friends at the FTC. They shared a smallish office on the Pennsylvania Avenue side of the building on the 6<sup>th</sup> floor. They put the backs of their desks together in the middle of the room, giving chair room to sit at their desks. "Though we were looking at each other all the time we spoke only when needed. Ralph was by nature a quiet guy, and I respected his quietness and I was in awe of him. The ice melted slowly, but surely, and we became best of friends, eventually running the CS/D&CB conferences as partners for several years."

Edward Heiden, then director of the Office of Policy Planning and Evaluation (OPPE) had a mandate to develop a rational budgeting system which could verify that the FTC's money was being spent in those areas of greatest need. The FTC had 2 primary sources of information: letters and calls that came into the FTC offices

and data from the BBBs. The problem was that there was no way to judge the representativeness of the BBB and FTC data. As Hunt tells it, to overcome this weakness, Heiden suggested to Hunt that a national survey be undertaken for about \$20,000. A serious research effort could not be undertaken for so little so Hunt turned his attention elsewhere. But when Dr. Day came to the FTC and was approached to do the same study, he also said the funding was impractically low; however he thought it an interesting idea and he agreed to spend some time on it. As Hunt phrased it, he wrote the study off because the money wasn't there to do the study, and Dr. Day took it on because it was an intrinsically interesting and important research question.

So Day, Hunt, Edward Heiden, and Laird Landon set off to create the study expected to need \$200,000 with only the \$20,000 available. It was thought that the remaining funding could be scraped together with contributions from several governmental agencies, but that was not to be.

The study was finally done in Canada through the office of Consumer and Corporate Affairs Canada for about \$270,000 through an Indiana University connection with Steve Ash, then a graduate student working on his dissertation. It is interesting to note the differences in the attitudes about consumer issues in Canada and the U.S. at the time. One plausible route to the Prime Minister's office in Canada was through the office of Consumer and Corporate Affairs. No such route existed in the U.S. government at that time through any consumer related office—and does not to this day. Nevertheless, the U.S. did eventually follow the Canadian study based on Day's framework with one a little differently constructed and conducted through Technical Assistance for Research Programs (TARP). While the American study had little impact on launching CS/D because it was so late in publication compared to the Canadian study, it did have an immense impact on subsequent research and thought over time.

### LAUNCHING THE RESEARCH STREAM

Although many academics and others were talking about CS/D, little actual research was being conducted or published. With Keith's enthusiasm, savvy networking skills and an existing relationship with George Brasseur, a National Science Foundation (NFS) administrator

who had an on-going interest in CS/D, he sought and received a grant to bring together active researchers in CS/D. He and Day organized a workshop held April 11-13, 1976 at the O'Hare Inn, Chicago, IL. About 20 people attended. The purpose of the event was to create critical mass for CS/D and bring about a blossoming of research. In the end, it was determined that the workshop had not achieved its goal. To be even-handed in this evaluation, it must be said that so few attendees and the overall unformed state of CS/D acted to limit the outcomes; additionally it simply takes time to design, run, and write up research for publication. While the workshop format was not that successful, it was decided to try again using a conference format. The NSF was again asked, but decided not to fund a second effort. Dr. Day then approached the dean of the School of Business and Indiana University to underwrite the conference which was held and about 30 papers resulted. It cannot be known for certain, but it could be that the workshop acted to "prime the pump" such that when the conference was subsequently held, researchers were ready to participate. In any event, the field took off and has been very successful.

### CONTINUITY OF LEADERSHIP

There were many people who researched and published in CS/D actively and they enriched the research stream substantially by their efforts. In addition to the obvious examples of Ralph and Keith there were John Swan, Richard Oliver, Marsha Richens, Robert Westbrook, Judy Zaichkowsky, Hans Thorelli, Rex Warland, William Darden and so many others: a virtual "Who is Who" for the marketing field.

But it was the continuity of leadership provided by Ralph Day and H. Keith Hunt through the years in publishing the conference proceedings and the *Journal of CS/D&CB* that provided the underpinning and security to the field. And the field prospered. To quote from the preface of the *Consumer Satisfaction, Dissatisfaction and Complaining Behavior Combined Proceedings of 1984 & 1985*, written by H.Keith Hunt and Ralph L. Day:

“It is with substantial satisfaction that many of us look at the continuing development of consumer satisfaction/dissatisfaction and complaining behavior as a research topic. It is now a general topic for publication in the leading journals. The research tradition is well grounded. While these CS/D&CB conference proceedings volumes still provide the dominant literature base for the topic, the last few years have seen the base expand to include so many publications that is now hard to keep track of all the articles on the topic. The 1984 bibliographical update attempts to “keep score” but the breadth is becoming too great for the task to be done with any hope of completeness. And this is just what some of us several years ago hoped would happen. It is hard to accept that perhaps the reasons for existence of the CS/D conference have been achieved. One of these days the series will end.”

To provide proper perspective, it is worth noting that Hunt edited or co-edited 11 proceedings on subjects from advertising to government relations, to interdisciplinary research to CS/D during the period from 1977-1985. He was also publisher, coeditor (with Ralph Day until about 1993) and then editor of the *JCS/D&CB* from 1988-2004. Hunt also co-authored nearly 50 papers during this period from 1977-2005. So the leadership provided by Hunt and Day was not just in editing but in researching and writing in the field as well.

### **CAMARADERIE AND SHARING: FORMATIVE KEYS**

In responding to Project Remembrance, Douglas Hausknecht submitted this unique contribution. It is so well stated that reprinting it seems the most straight-forward avenue.

“One factor that should be included in the history of any emerging academic field is a description of how knowledge was shared.

CS/D evolved as the information age was exploding. One factor that Ralph and Keith brought to the field early on was a sense of camaraderie and reinforcement that persists to the present. The researchers enjoyed what we did and enjoyed sharing with one another. The conferences were by design intimate and engaging. All sessions were plenary, never were concurrent sessions held. Conference programs included time to socialize (the current buzzword is networking) and exchange ideas, but also get to know one another and learn a bit about each other’s world view. Knowing the background of the authors of research often helps to put designs and interpretations into a perspective that mere data and meta-analyses cannot hope to accomplish.

The conference-on-a-bus provided the opportunity to exchange ideas more than one would have expected. Having a “progressive conference” that year sort of enabled a “reset” at each location.

My summer travel schedules have caused me to miss the last several conferences. I miss the level of interaction and the richness that was added to the discipline by virtue of the exchanges.”

While I never experienced the “conference on a bus” concept, I too can speak to the sharing and camaraderie. My first conference was June, 1991 at Snow Bird in Utah as a not-quite newly minted doctorate (i.e., ABD and my final defense scheduled for the late July/early August timeframe). Keith was always unfailingly kind, but we were doing business together (CS/D bibliographic updates and capturing Day’s remembrances for an article) and, at the time, I thought that work was related my good treatment. (Doctoral students are SO paranoid!) I was delighted almost beyond words to interact with John Swann and Robert Woodruff at the conference, well-recognized scholars whose articles were featured in the doctoral courses just completed, but also Robert East, who became a

collaborator and friend, as well as many others. What most impressed me then and left me amazed for years was the fact that these luminaries spoke with me as though my thoughts mattered! They listened with care, shared their insights, critiqued with the lightest touch and encouraged always.

I later spoke with Keith about my amazement over the friendliness and welcoming ways of the participants. He told me that all the folks who attended the conferences were genuinely nice people. Although I agreed that this was a true statement despite the fact that my assessment was based on a convenience sample of attendees of one conference, I nevertheless asked him how that could be so. That is, how is it that only nice people attend? His answer was, "People who are not nice don't get their papers accepted a second time." The idea of screening out undesirables never occurred to me as a possibility at the time, but it is an idea in accord with the later published advice of Dr. Robert Sutton in *The No Asshole Rule: Building a Civilized Society and Surviving One that Isn't* (2007) which suggests that the best way to keep a healthy work environment is the rule: HIRE NO ASSHOLES. Our iteration of that rule would be, given Keith's gentle nature and ever-present good manners: ACCEPT ONLY NICE PEOPLE.

Dr. Hausknecht's observation on the affective impact of missing the conferences also rings true to me. When I failed to achieve tenure in the mid 1990's I joined my husband's business and together we were far more successful than we ever imagined. For a while we were almost rich! But that took years to develop.

In the meantime I was depressed when I would allow myself to stop and think about it. I had promised Keith another update of the bibliography and I had worked on it for many hours before leaving academia; but I just could not make myself finish it. I also could not overcome my embarrassment enough to attend the conference or even to respond appropriately to Keith when he would write. Finally he wrote asking if he should remove my name from the emailing list as it was clear that his missives only seemed to be adding to my pain; but that any time I was ready to return, he and the conference would be there for me. That is exactly what happened. After more than a decade of business success, I returned to the academy and within a year re-established my involvement. People still remembered me, welcomed me, commiserated

over my far from unique tenure battles and wounds, congratulated me on our business success, and encouraged me to write again.

I missed the people and the support over the years I was absent; but I needed success elsewhere to get back my confidence and equilibrium. Now I tell my colleagues at my current institution (none of whom have ever attended our conferences despite my urging) that people here are genuinely nice, helpful and fun. I use the positive affect generated at the conferences to push myself through the travails of an academy that has fallen on hard financial times. But always I find the money to follow the CS/D&CB conference where ever it goes.

### SOME OF THE BYWAYS OF CS/D

Although much early effort went into conceptualization and measurement, CS/D has been "unruly" from the outset moving in sometimes unpredictable directions. A look through the tables of contents of some of the earlier conference proceedings illustrates this point very well. As expected we see sections on theory and models and measurement and design issues. We also had several papers looking at consumer characteristics (for example personality and demographics) in relation to CS/D (largely in complaining behavior) and papers on the strategic implications of CS/D. Studies looked at car repairs, purchases of major home appliances, food products, repairs under warranty, and super markets. Research settings have continued to expand over time into patient, elderly, students, gaming, clothing purchase, technology licensees, financial services, emergency services (like 911 calls), volunteerism, marital satisfaction, and overall life satisfaction. In fact there may be no segment of society or setting left untouched by CS/D research.

In order to get some kind of "handle" on all this research, early on Hunt undertook to produce regular bibliographies of the CS/D literature. These were manually produced on typewriters after being manually gathered from visual index searches. At a later time Perkins took over this effort at Hunt's urging and produced bibliographic updates during the transition from manual to computer searches which finally made the bibliographies obsolete due to technological advance. But the flourishing of the field was very evident just from the number of entries and search

terms utilized to produce the bibliographies. In the 1991 version, 1000 entries were added to the 700 that were in the prior edition. The 1993 edition contained another 1700 entries. So while not exponential, the rate of increase was substantial. The search terms had also expanded to include life, marital, service, product, students, educational, medical, dental, and citizen satisfaction/dissatisfaction and complaining among others.

One area of CS/D that did not develop as expected was the area of Complimenting Behavior. As Keith and Ralph both commented on several occasions, the focus in CS/D was so often on the negative. As they postulated, this focus may have arisen in large part due to the roots of the discipline in the FTC with its use of BBB and in-house complaint data forthcoming from failed customer interactions with business. As a counter to this negativistic focus, Hunt and Day decided to take a look at the positive. They even went so far as trying unsuccessfully to change the lettering to CS/D&CCB for complaining and complimenting behavior. The new acronym did not catch on.

Despite the fact that complimenting did not really “catch on” they nevertheless had lots of fun with the complimenting research. But complimenting did not carry the positive emotional loading similar to the negative emotional loading for complaining, grudgeholding, and retaliation. They even tried to assess the lost profit/sales due to dissatisfaction in one of the last articles in an attempt to demonstrate the costs of dissatisfaction which could be countered by the avoidance of it in the first place (see for example Otto, Parry, Payne, Huefner, Hunt, JCS/D&CB, 2004).

Hunt and co-authors also looked at the subtopics of grudgeholding and retaliation. As Hunt phrased it, if you are dissatisfied you may complain, or you may do some other action. Grudgeholding asked if persons had even been so dissatisfied that they stayed dissatisfied over many years. Retaliation asked if persons had been so dissatisfied that to bring personal equilibrium something had to be done in return to hurt the person or business that made you dissatisfied. Both topics were fun to study. Hunt and coauthors tried various approaches and forms of analysis.

Life satisfaction has taken on a new twist in the current century with its emphasis on

Work/Life Balance. The popular press is all but absorbed with Work/Life Balance tips, articles, etc. and the academic journals take the topic very seriously. Given the deep roots of life satisfaction in the CS/D literature and the timeliness of this topic, plus startling volume of work produced by Keith and sterling quality of his service in the academic world, it was natural to ask his take on the topic. Again to give some perspective, one need only review a partial list of Hunt’s accomplishments during the CS/D years given at the end of the prior heading.

Hunt says he was very fortunate to be teaching two courses during the two regular semesters and two courses during summer. Eventually he stopped teaching summer and was teaching just four courses a year. Two preps: consumer behavior and entrepreneurship twice a year, for 20+ years. And no graduate student theses or seminars. While others put man-months of effort into graduate theses, he was free from that and could spend his time rendering service to ACR and AAA and CS/D. So one key to a highly successful academic career is strictly limited teaching requirements including the smallest number of preps possible over the greatest time possible.

But to getting back to the Work/Life Balance issue, Keith says that for many years he was an advocate of the balanced life. Now he is totally against it.

“There isn’t time in life to keep everything in balance. A life in balance is a mediocre life. One has to decide what is worth doing and put great effort into that. And decide what is not as worth doing and do as little of that as possible, maybe even eliminating it from one’s life. I have been very fortunate to have a wife who is at least as bright as I am and who was capable not only of raising the family but of pitching in to help with ACR when needed. I pitched in to help with the family and she pitched in to help with [academic] work. Together it seemed to work out okay. In my closing years of teaching I made it a point to present to each class the fallacy of a balanced life. It is a crock. It is the excuse people make who are



mediocre at everything; taking solace in their balanced mediocrity. How's that for a statement! Decide what is most important and put almost all your effort into that facet of life."

So here is the second part; choose as a team to "divide and conquer" rather than to have both work at everything and achieving little and poorly.

### THE CAP

When asked whether Keith left anything undone in CS/D that he wished he had addressed, he said that he had no regrets and that everything that had specific interest for him he had done. It was a fun topic with lots of people involved, but for him, it had run its course. One weakness of the CS/D streams of research is that it leaves too much unexplained. As Keith explicated it:

"In class I would give the example of my eating at the Student Union cafe, getting a hamburger, knowing it was going to be less than desirable, but I was there and it was not all that expensive, so I got it AND I WAS SATISFIED BECAUSE I GOT EXACTLY WHAT I EXPECTED TO GET. On the other hand, I went to a high end seafood restaurant with Carolyn. It was outstanding in every way but one. The main course was magnificent. The dessert was splendid. The service was outstanding. The atmosphere was excellent. All was superior, EXCEPT that the clam chowder didn't have as much clams and potatoes as usual. I did not get what I expected and thus was NOT satisfied. SO I was satisfied with a cheap hamburger and dissatisfied with one of the finest seafood meals I had ever eaten. That is not a robust research track. So Expectation, regardless of what some top scholars still maintain, is not an interesting track. Rich Olshavsky was saying that for a long time. So was John Miller. I eventually went off in other directions. I think Rich

Oliver's book pretty well put the expectations approach to bed, telling all that was worth telling on the topic and urging others on to better work.

So this is likely the "cap." To move on from here means to move away from expectations and on to a new idea. This becomes the challenge going forward. Where do we go from here?

In volume 6, 1993 Hunt posited some ideas for research in the 1990's. These ideas included, among others, the following thoughts:

1. **IT IS EMOTION, NOT COGNITION THAT DRIVES CS/D&CB.** We academics have become comfortable with our cognition driven disconfirmation paradigm, but it is worth little until we couple it with emotion. The evidence is now overwhelming that emotion is the critical element in CS/D&CB.

2. **ACTION TENDENCY.** We need to study all parts of the tripartite attitude theory and preferably at the same time. Look only at retaliation, grudgeholding, word-or-mouth, and repatronage and it is obvious that these are action terms rather than emotional or cognition terms.

3. **POSITIVE DISCONFIRMATION.** What would be wrong with looking at the positive? A shift to the positive would be good for both theory and practice.

4. **STORYTIME.** Some social science disciplines such as sociology and anthropology collect stories routinely; but not CS/D. We need to collect these and write them down.

5. **WHAT ABOUT THE "C" IN CS/D&CB?** At the very least we need to open up the CS/D&CB literature to business to business transactions.

While there has been some movement on these suggestions, there would seem to be much more needed. A long time contributor and reviewer for JCS/D&CB, Dr. Magnus Söderlund (Professor and Centre Director, Centre for

Consumer Marketing (CCM), Stockholm School of Economics, P.O. Box 6501, SE-113 83 Stockholm, Sweden), recently provided some additional food for thought in an email to this author. He states:

*“Here are two themes I feel would need more research (and both, I believe, may broaden the nomological network of the effects of satisfaction and possible make CS research more relevant for other sub-fields within the marketing realm):*

*First, existing CS research is very heavily focused on the effects of CS stemming from one particular object X on the customer's reaction to X (e.g., loyalty to X, word-of-mouth related to X). Yet it seems likely that the satisfaction created by X would have implications also for the customer's reaction to other objects. For example, given that CS is a positive state of mind, and given that a positive state of mind creates broader consideration sets and encourages variety seeking behavior and exploration behavior, and a more generous categorization of objects, it seems likely that CS may lead the customer to turn to competitors - quite counter-intuitive given the idea that CS leads to loyalty. This is indeed an under-researched issue, quite similar to the fact that one particular ad for X, which creates positive affect, could lead the customer to Y and Z (yet this is never examined in advertising effectiveness studies). For instance, the immediate implication of one customer's satisfaction with one store may be that the customer continues shopping in other stores - or the satisfaction stemming from one part of the store may lead the customer to other parts of the same store. In other words, perhaps it is time to expand the effect side of what satisfaction does to customers.*

*Second, much research has identified that emotions are contagious. Given*

*that some emotion theorists think that CS is an emotion, it seems likely that CS can be contagious, too. This, I think, implies several underexplored social effects of satisfaction. Maybe, for example, the reason why many studies suggest that the receiver of word-of-mouth is likely to act on the advice is that the sender's satisfaction has somehow been transferred to the receiver and affects the receiver's decisions? And in settings in which several customers are present and can see what each receives from a provider (e.g. in a restaurant and in an aircraft), maybe the satisfaction of one customer can affect the satisfaction of others.*

*Thus, the possibility of CS transferring to other customers is another aspect that may broaden the view of the effects of Consumer Satisfaction.”*

Life cycles are common. It may be time now to revitalize and re-launch the CS/D&CB. Hopefully, some of the above ideas may help to show the way.

## CONCLUSION

A folk history is not a comprehensive anything. Rather it is a look at the people and events that shaped the focal topic. It is a capturing of the stories for future readers.

Most the ideas above came from emails between Keith and this author over the course of a few weeks in May and June 2010. Much of what we discussed did not make it into this article. A work such as this commonly goes by “fits and starts”. Ideas dead end and topics serendipitously emerge.

Certainly H. Keith Hunt is to be thanked for his gracious open-handed giving of his time and efforts to this endeavor and to current Editor of JCS/D&CB Stephen Goodwin for accepting it on faith. It is to be hoped that both they and the reader will find value in the final product.