VENICE, JANUARY 17th – 19th 2019
18th INTERNATIONAL MARKETING TRENDS CONFERENCE

Marketing Trends Congress
Academic Research Sessions
January 18th – 19th 2019
The Marketing Trends Congress offers a great variety of research sessions. The authors come from 50 countries and include experienced academics as well as a number of younger researchers.

The papers are presented in English, French, German, Italian and Spanish. This has resulted in a rich cross-fertilization of ideas and perspectives.

Marketing Strategy Forum
Friday 18th January 2019
The Marketing Strategy Forum is dedicated to business and operational issues. The speakers of the Marketing Strategy Forum are all top business managers who come and share their experiences and their views with the conference participants and researchers.

Ph.D. Students Doctoral Colloquium
Thursday 17th January 2019
The Doctoral Colloquium is dedicated to outstanding doctoral students at an intermediate or advanced stage of their dissertation process, that are interested in new trends and developments in research in marketing.

Post- Doc Forum
Saturday 19th January 2019
The Post-Doc Forum is open to Ph.D. students at an early stage of their career in marketing. It includes research workshops with short paper presentations and also sorts of other opportunities to develop academics and research skills such as roundtables or seminars on specific topics (i.e. open access publishing, ethical practices and integrity in research…) with interaction with senior academics and marketing professionals.

Poster Session
Friday 18th January 2019
The Poster Session is an opportunity to meet other researchers who share similar interests. The participants are invited to exhibit paper posters (A1 size) illustrating their research field, methods and outcomes.

Marketing Trends Award
Friday 18th January 2019
The Marketing Trends Award is an international award that aims to honor researchers for their overall achievements in the field of Marketing Trends. The award is officially handed to the laureates at the Marketing Trends Conference.

Best Thesis Award
Thursday 17th January 2019
The International Best Thesis Award is given to recognize and encourage Ph.D. students in Marketing and emphasize their talent. The International finalists are invited to present a 20 minutes oral defense of their thesis in English.

Elyette Roux Best Thesis in Luxury Prize
Friday 18th January 2019
The Elyette Roux Best Thesis in Luxury Prize is meant to acknowledge and support Ph.D. students that have written a thesis on a topic linked to the Marketing of Luxury Industries. The prize is sponsored by one of the major luxury brands.

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Abstract

Purpose – to identify marketing-related resources and capabilities of firms operating in a niche market and assess them by applying the VRIO-framework to identify potential sustainable competitive advantages (SCAs), in accordance with the resource-based theory.

Methodology – the population is the group of Bordeaux Grand Crus wine producers combined. This research follows a two-stage process. First, 60 respondents answer a structured questionnaire and provide information about the firms’ marketing-related resources and capabilities. Then, the highest ranked resources and capabilities are assessed through VRIO-based structured personal interviews of industry experts to identify potential SCAs of the niche firms combined.

Findings – this research identifies three potential SCAs for the Bordeaux Grand Crus firms collectively; the quality of the terroir, the brand image and the 1855 classification.

Implications – theoretically, this research presents a process to identify SCAs and to conduct a complete VRIO-analysis. Also, this research applies a combined group of firms as level of analysis. Managerially, this research lists a number of potential resources and capabilities, presents a practical process of performing an actual VRIO analysis, and suggests SCAs for a given group of case firms, providing specific examples for managers to consider in respect to their own firms’ situations.

Key words – Wine marketing; Market Strategy
Classification – research paper
INTRODUCTION

The concept of niche marketing has been widely used among practitioners and scholars over the last decades. However, niche marketing has not benefited from a specific theory of its own, nor from accepted and clear definitions or operationalizations (e.g. Dalgic and Leeuw, 1994). Not even the definition of market niche is properly accepted, although niche is often interpreted as being something small and specialized or differentiated. Definitions are scarce, but tend to be small variations of the definition of niche market offered by Dalgic and Leeuw (1994, p.40): “small market consisting of an individual customer or a small group of customers with similar characteristics or needs”. In a recent review of niche marketing, Toften and Hammervoll (2013), identify the most essential elements of niche marketing, which are narrow size, specialization, differentiation and effective competitive barriers in place between niche and referral market.

The reported benefits of applying niche marketing are often higher growth rates, prices or profitability, stronger loyalty and better competitiveness (e.g. Byrom and Lehman, 2009; Dalgic and Leeuw, 1994; Linneman and Stanton, 1991; Parrish, 2010). Given these benefits from pursuing niche marketing, it is of great interest to study the reasons behind the success of niche firms. What are the bases of these niche firms’ success? In order to study this more in depth it is necessary to apply theories from other literature streams than the inadequate niche marketing literature, such as the resource-based theory (RBT) (Barney and Hesterly, 2015; Barney et al., 2011; Wernerfeldt, 1984). The resource-based theory provides an important framework for explaining the basis for competitive advantage and performance for firms in general, and provides theoretical and empirical insights into relative effects of multiple market-based resources on performance across many marketing contexts (Kozlenkova et al., 2014).

The purpose of this research is thus to identify marketing-related resources and capabilities of firms operating in a niche market and assess them by applying the VRIO-framework to identify potential sustainable competitive advantages (SCAs), in accordance with the RBT (Barney and Hesterly, 2015). The identified sustainable competitive advantages will enrich both the RBT-literature, by providing practical examples and applications of the VRIO-framework, which has been called for (Kozlenkova et al., 2014), as well as the niche literature, by providing examples and understanding of how niche firms use SCAs to excel in their marketplace.

The Bordeaux Grand Crus wine market was chosen as marketplace. The Grand Crus part of the market consists of only a small fraction of the total wine produced in Bordeaux, and the price and perceived product quality are much higher than for the remaining parts of the total market. This situation has remained consistently for a number of years. Thus, initially, this Grand Cru market resembles much of the characteristics and expectations of a niche market (Toften and Hammervoll, 2013), and is thus of interest for further in-depth studies. An earlier study has also suggested this as a potential niche market (Toften et al., 2016).

This paper provides a brief presentation of the literature of the resource-based theory, followed by the methodology of this research. Then, a presentation and a discussion of the results are offered, followed by the conclusion, implications, limitations and suggestions for further research.
I. THE RESOURCE-BASED THEORY IN MARKETING

Resource-based theory (Barney et al., 2011) (formerly known as the Resource-Based View) has emerged as a major theory within strategy since the 1980s (Barney, 1986; 1991; Lippman and Rumelt, 1982; Wernerfeldt, 1984), and shows more than a 500 percent increase in marketing research publications the last decade (Kozlenkova et al., 2014). This theory emphasizes the importance of internal firm resources and capabilities for firm performance. There are two main fundamental assumptions (Barney and Hesterly, 2015). First, firms possess different bundles of resources and this resource heterogeneity implies that some firms are more skilled in accomplishing certain activities. Second, these differences in resources may persist due to difficulty of trading resources across firms, which allows the benefits from heterogeneous resources to persist over time. A particular advantage of the Resource-based theory is the possibility to integrate multiple and diverse resources into one single framework in order to evaluate the relative and synergistic effects of different resources on performance (Kozlenkova et al., 2014).

Resources are defined as the “tangible and intangible assets that a firm controls that it can use to conceive and implement its strategies” (Barney and Hesterly, 2015, p. 64), including resources such as factories, products and reputation. Capabilities are defined as the “tangible and intangible assets that enable a firm to take full advantage of the other resources it controls” (Barney and Hesterly, 2015, p. 64), such as marketing skills, teamwork and cooperation among its managers or know-how.

However, although possessing or using internal resources and capabilities can be sufficient to gain temporary competitive advantages and thereby improved performance, they are insufficient to provide long-term competitive advantages unless they fulfill the VRIO-criteria (Barney, 1991). The VRIO-criteria are: Value, Rarity, non-Imitability and Organizational exploitability. If these criteria are fulfilled, the resources or capabilities are termed sustainable competitive advantages (Kozlenkova et al., 2014). Firm resources are valuable if they enable a firm to develop and implement strategies that have the effect of lowering a firm’s net costs and/or increase a firm’s net revenues. A resource is regarded as rare if it is controlled by a small number of competing firms. A resource is imperfectly imitable if it is substantially costly to obtain or develop for competing firms. Finally, a firm must be organized adequately to be able to exploit the full competitive potential of the resource or capability.

The Resource-based theory has become popular also within the domain of marketing, particularly from the early 2000s (Kozlenkova et al., 2014). With an emphasis on market-based resources this recent research has concentrated on resources such as market brands, relational resources, innovation and knowledge, as well as tangible resources such as equipment. In turn, these marketing resources and subsequent sustainable competitive advantages, are related to superior firm performance (Kozlenkova et al., 2014). It has also been stated that internal resources have greater effects on performance than industry factors, explaining up to twice as much variation in firm performance (Evanschitzky, 2007; Kozlenkova et al., 2014).

2. METHODOLOGY

Introduction

The purpose of this research is to examine marketing-related resources and capabilities of firms operating in a niche market and to apply the VRIO-framework
to identify potential sustainable competitive advantages (SCAs), in accordance with the RBT (Barney and Hesterly, 2013). Accordingly, the methodology for this research follows a two-stage process. First, a data collection provides information about the firms’ marketing-related resources and capabilities. Then, in the second stage, the highest ranked resources and capabilities are assessed by a group of experts to identify potential SCAs.

The population of interest and level of analysis will be the group of Bordeaux Grand Crus wine producers combined, based on their membership in the Union des Grand Crus. These are about 140 producers – often termed Châteaux – located in five terroirs (Saint-Emilion, Medoc, Graves/Pessac-Léognan, and Sauternes). The category of Bordeaux Grand Crus results from the official classification system used in 1855 (Les Grands Crus classés en 1855), where brokers from the wine industry ranked the wines according to their reputation and trading price, which was used as an indication of quality. The best wines were ranked in importance from first to fifth growth (crus), and this classification system has, with only minor adjustments, been kept since then.

Data acquisition 1

The first data acquisition was conducted in terms of a quantitative approach. 60 respondents within the Bordeaux wine business were successfully approached, and individual interviews based on the final questionnaire were conducted. The total population is small, and it is difficult to access the actors in this business. Therefore, a student organization based in Bordeaux, was used to collect data. Being based in the region and having students specializing in the wine industry, they are well positioned to obtain information from producers and middlemen (such as courtiers, négociants and châteaux) in the industry. The interviews were conducted in French, based on a translation of the questionnaire from English and back-translated into English. The interviews each lasted about 20 minutes.

The key informants represent 24 Grand Crus producers, four courtiers, four négociants and ten others in the Bordeaux wine industry, and have the following positions as indicated in Table 1:

Table 1 Key Informants; Positions

<table>
<thead>
<tr>
<th>Position</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial</td>
<td>13</td>
</tr>
<tr>
<td>Caviste</td>
<td>8</td>
</tr>
<tr>
<td>Producteur</td>
<td>8</td>
</tr>
<tr>
<td>Responsible</td>
<td>8</td>
</tr>
<tr>
<td>Assistant</td>
<td>7</td>
</tr>
<tr>
<td>Directeur</td>
<td>6</td>
</tr>
<tr>
<td>Marketing, export, gerant, production, proprietaire, courtier or asie</td>
<td>10</td>
</tr>
</tbody>
</table>

Initially, existing scales were used, based on Morgan et al. (2009) and Vorhies and Morgan (2005), anchored by -3 “much worse than competitors” to +3 “much better than competitors”. However, a pretest of the questionnaire and follow-up interviews on the actual target respondent group revealed that some items were irrelevant for this current study, and that other important items were lacking. This resulted in the deletion of the entire section of “Selling capabilities”, four of the five items from “Marketing Planning capabilities”, one item from “Marketing information Management capabilities” and one from “Marketing Implementation capabilities”. 11 original items in total were excluded following this pretest. However, 12 new items were included based on the pretest and follow-up interview. These new items concern the product-related capabilities (5), the distribution-related capabilities (1) and the communications-related capabilities (5). See appendix 1 for further details of the items.
Data acquisition 2

The second data collection consisted of personal interviews with six key informants following a structured questionnaire. This number falls within the range of the four to twelve cases recommended by Eisenhardt (1989) for this type of research in order to ensure sufficient data. The key informants were all marketing or economics scholars with a throughout knowledge of the Bordeaux wine industry, and thus well positioned to comment on the relevant issues for the group of Grand Crus producers combined. The face-to-face interviews were conducted at the location of each key informant, and lasted 10 to 20 minutes.

The questionnaire largely followed the VRIO-logic and structure as proposed by Babakhan et al. (2012), and consisted of the top ten items, as ranked by their means from the data acquisition number 1 (i.e. means ranging from 1.68 to 2.53). However, based on the findings from a pretest of the questionnaire by marketing scholars and industry experts of the Bordeaux wine industry, their nine-point scale was replaced with a seven-point scale, ranging from 1 (very weak) to 7 (very strong). Each of the ten marketing resources and capabilities was assessed in terms of their four components; Value, Rare, Costly to imitate and Organized properly. See appendix 2 for more details.

3. Results and Discussion

Data acquisition 1

In this section the findings from data acquisition 1 are presented, and the descriptive statistics are provided in Table 2.

Table 2. Descriptive statistics

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>Std. Error</th>
<th>Std. Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of terroir</td>
<td>60</td>
<td>3</td>
<td>3</td>
<td>1.52</td>
<td>1.124</td>
<td>-1.682</td>
<td>.309</td>
<td>4.902</td>
<td>.608</td>
</tr>
<tr>
<td>Quality of vineyards</td>
<td>60</td>
<td>0</td>
<td>3</td>
<td>1.73</td>
<td>.821</td>
<td>.224</td>
<td>.309</td>
<td>-3.79</td>
<td>.608</td>
</tr>
<tr>
<td>Ability to grow and nurture wines in the field</td>
<td>60</td>
<td>0</td>
<td>3</td>
<td>1.55</td>
<td>.982</td>
<td>-.041</td>
<td>.309</td>
<td>-9.69</td>
<td>.608</td>
</tr>
<tr>
<td>Quality of wine making (cellar-work)</td>
<td>60</td>
<td>0</td>
<td>3</td>
<td>1.81</td>
<td>.871</td>
<td>.157</td>
<td>.309</td>
<td>-8.89</td>
<td>.608</td>
</tr>
<tr>
<td>Quality of facilities for winemaking</td>
<td>60</td>
<td>0</td>
<td>3</td>
<td>1.90</td>
<td>.838</td>
<td>.165</td>
<td>.309</td>
<td>-8.23</td>
<td>.608</td>
</tr>
<tr>
<td>Quality of wine</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>1.88</td>
<td>.904</td>
<td>.904</td>
<td>.309</td>
<td>.985</td>
<td>.608</td>
</tr>
<tr>
<td>Ability to develop new products or service</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>.57</td>
<td>1.064</td>
<td>.005</td>
<td>.309</td>
<td>-518</td>
<td>.608</td>
</tr>
<tr>
<td>Ability to successfully launching new products</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>.23</td>
<td>1.267</td>
<td>.163</td>
<td>.309</td>
<td>.169</td>
<td>.608</td>
</tr>
<tr>
<td>Responsive to customer needs</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>.40</td>
<td>1.304</td>
<td>.366</td>
<td>.309</td>
<td>.277</td>
<td>.608</td>
</tr>
<tr>
<td>Developing new products or services to exploit R&amp;D</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>.67</td>
<td>1.244</td>
<td>.204</td>
<td>.309</td>
<td>-289</td>
<td>.608</td>
</tr>
<tr>
<td>Strength of relationships with distributors</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>1.17</td>
<td>.905</td>
<td>.226</td>
<td>.309</td>
<td>-823</td>
<td>.608</td>
</tr>
<tr>
<td>Attracting and retaining the best distributors</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>1.32</td>
<td>1.200</td>
<td>.341</td>
<td>.309</td>
<td>-356</td>
<td>.608</td>
</tr>
<tr>
<td>Adding value to our distributors' businesses</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>.93</td>
<td>1.376</td>
<td>.522</td>
<td>.309</td>
<td>.317</td>
<td>.608</td>
</tr>
<tr>
<td>Providing high level of service support to our distributors</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>.22</td>
<td>1.552</td>
<td>.066</td>
<td>.309</td>
<td>.416</td>
<td>.608</td>
</tr>
<tr>
<td>Access to selective type of distribution channel</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>.97</td>
<td>1.193</td>
<td>.676</td>
<td>.309</td>
<td>1.094</td>
<td>.608</td>
</tr>
<tr>
<td>Brand/chateau image</td>
<td>59</td>
<td>0</td>
<td>3</td>
<td>2.39</td>
<td>.786</td>
<td>-1.044</td>
<td>.311</td>
<td>.179</td>
<td>.613</td>
</tr>
<tr>
<td>Brand image management skills and processes</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>1.68</td>
<td>1.097</td>
<td>-.926</td>
<td>.309</td>
<td>1.112</td>
<td>.608</td>
</tr>
<tr>
<td>Public relations skills</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>1.55</td>
<td>1.048</td>
<td>-2.008</td>
<td>.309</td>
<td>6.691</td>
<td>.608</td>
</tr>
<tr>
<td>Managing corporate image and reputation</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>1.85</td>
<td>1.071</td>
<td>-.062</td>
<td>.309</td>
<td>1.854</td>
<td>.608</td>
</tr>
<tr>
<td>Developing and executing advertising programs</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>.92</td>
<td>1.331</td>
<td>.734</td>
<td>.309</td>
<td>.685</td>
<td>.608</td>
</tr>
<tr>
<td>Advertising management and creative skills</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>.13</td>
<td>1.217</td>
<td>.317</td>
<td>.309</td>
<td>.263</td>
<td>.608</td>
</tr>
<tr>
<td>Strong relationship with the press</td>
<td>60</td>
<td>1</td>
<td>3</td>
<td>1.20</td>
<td>1.400</td>
<td>-.868</td>
<td>.309</td>
<td>.804</td>
<td>.608</td>
</tr>
</tbody>
</table>
Of particular interest is that the top ten item means all come from either the product or communication categories. Neither Distribution, Price, Marketing information, Planning or Organization is surprising given their importance in other studies of marketing capabilities (Morgan et al., 2009 and Vorhies and Morgan, 2005). It is further difficult to say whether this is common for niche firms as such or whether this is specific to this chosen market place. However, earlier niche studies have presented findings indicating that selected niche firms are primarily product- and customer-oriented, and thus less occupied with other marketing areas (Toften and Hammervoll, 2011), which are compatible with these current findings.

Data acquisition 2

All the average scores for the top ten item means, at the VRIO-component-level, are presented in Table 3. For the purpose of this research and due to lack of previous research to lean on, the average scores ranging from 1.0 to 3.9 are considered none-SCAs, since they are below the mid point value of the seven-point scale. The scores ranging from 4.0 to 4.9 are indecisive, and we chose not to include these scores in the further analysis. The items with scores ranging from 5.0 to 7.0 are regarded as potential SCAs, provided that all four components of the VRIO-framework for the same item are within this category. The resulting scores suggest that there are three potential SCAs; the quality of terroir, the brand image and the 1855 classification. These three resources are the only resources that have all their four VRIO-components above the average score of 5.0, as presented in Table 3.
Of the three SCAs that stand out, it is likely that only one of them - the terroir – is based on the "geological and geographical reality". This criterion has full legitimacy since, by definition, it differentiates production: indeed, each terroir is "unique". However, the explanation of the notoriety of the Grands Crus of Bordeaux lies in the other two SCAs:

Table 3

<table>
<thead>
<tr>
<th>RESOURCES</th>
<th>AVG. SCORE</th>
<th>SCA</th>
</tr>
</thead>
<tbody>
<tr>
<td>QUALITY OF TERROIR</td>
<td>Value 5,5</td>
<td>*</td>
</tr>
<tr>
<td></td>
<td>Rare 6,0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Costly to imitate 6,2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organized 5,3</td>
<td></td>
</tr>
<tr>
<td>QUALITY OF VINEYARD</td>
<td>Value 5,3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rare 5,0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Costly to imitate 5,2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organized 4,8</td>
<td></td>
</tr>
<tr>
<td>QUALITY OF WINE</td>
<td>Value 5,3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rare 5,2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Costly to imitate 4,8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organized 5,0</td>
<td></td>
</tr>
<tr>
<td>QUALITY OF FACILITIES</td>
<td>Value 5,0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rare 4,7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Costly to imitate 4,5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organized 4,8</td>
<td></td>
</tr>
<tr>
<td>QUALITY OF WINE-MAKING</td>
<td>Value 5,2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rare 4,3</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Costly to imitate 3,8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organized 4,5</td>
<td></td>
</tr>
<tr>
<td>BRAND IMAGE</td>
<td>Value 6,3</td>
<td>*</td>
</tr>
<tr>
<td></td>
<td>Rare 6,2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Costly to imitate 6,2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organized 5,3</td>
<td></td>
</tr>
<tr>
<td>BRAND MGMT SKILLS</td>
<td>Value 4,5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rare 4,0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Costly to imitate 4,2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organized 4,0</td>
<td></td>
</tr>
<tr>
<td>CORP IMAGE MGMT SKILLS</td>
<td>Value 4,5</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rare 4,2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Costly to imitate 3,8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organized 3,7</td>
<td></td>
</tr>
<tr>
<td>APPELATION SYST.</td>
<td>Value 4,8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rare 4,7</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Costly to imitate 5,2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Organized 4,2</td>
<td></td>
</tr>
<tr>
<td>1855 CLASSIFICATION</td>
<td>Value 6,3</td>
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<td>Rare 6,5</td>
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<td>Costly to imitate 6,7</td>
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<td>Organized 5,5</td>
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1.0-3.9 = Not SCA
4.0-4.9 = Indecisive
5.0-7.0 = SCA
brand image and membership in the 1855 Classification. Unlike the first criterion (the terroir) those others are the result of “representations” or “opinions” that actors or experts have expressed. One conclusion that can be drawn at this stage is that even if all the terroirs in the world are unique, their differentiation is based on the ability of local actors to create, develop and protect this difference. This would be in accordance with core elements of niche marketing theory; narrow, specialized, differentiation and barriers (Toften and Hammervoll, 2013), as well as the essence of RBT (Barney and Hesterly, 2015). In the case of Bordeaux, one might think that this is as much a matter of time (it is more than a century since 1855!) than the land itself. A matter of history, as well as geography. A matter of representation as well as intrinsic parameters. The existence of different bundles of resources or competencies among firms as bases for SCAs is supported in RBT (Hesterly and Barney, 2015; Kozlenkova et al., 2014). In this research we suggest that this also can be the case for groups of firms (niche vs mainstream) as well.

**Conclusion**

The purpose of this research is to examine marketing-related resources and capabilities of firms operating in a niche market and to apply the VRIO-framework to identify potential sustainable competitive advantages (SCAs), in accordance with the RBT (Barney and Hesterly, 2015). A set of resources for these firms operating in this niche market were identified by using existing scales, which were modified after a pretest. The top ten ranking resources and capabilities, in terms of their means, were then tested by the VRIO-framework to identify potential sustainable competitive advantages (SCAs). This process resulted in three potential SCAs for this group of niche firms; the quality of the terroir, the brand image and the 1855 classification. In order to fully understand these three SCAs, as they are identified in this research, we suggest that they should be considered both individually as well as together as a bundle. These insights can be used to explain and predict these firms’ competitive advantages and performance.

Theoretically, these findings contribute in several respects. First, this study demonstrates a possible process to identify SCAs, and by conducting a complete VRIO-analysis. As pinpointed by Kozlenkova et al. (2014) researchers rarely perform an actual VRIO-analysis, and when they do, researchers tend to limit the analysis to only one or two of the VRIO-components, and in particular tend to neglect the O (organization). An increased reliance on the VRIO framework has previously been called for in future marketing research (Kozlenkova et al., 2014). This current research has presented a two-step process for identifying and ranking marketing-related resources and capabilities and for conducting an actual VRIO-analysis on the most relevant parts of the same data. Also, the often neglected “O” in the VRIO-framework is included in this assessment.

Second, the SCA literature has mostly been focusing on the firm level of analysis (Barney et al., 2011), but also the exchange level of analysis has been suggested to be a suitable level of analysis within the resource-based theory (Kozlenkova et al. 2014). This current research has applied a combined group of firms as level of analysis, which is a third and an unusual level of analysis within the RBT. As indicated in the theory-section there are two underlying assumptions for the RBT; resource heterogeneity and resource immobility. These assumptions also hold when applied to certain groups of firms or market niches. As demonstrated in this research some of the key resources are
rather similar within the group, but quite
dissimilar when compared to firms outside
the group, although they are operating
in the same industry. In this respect the
resource heterogeneity is fulfilled. The
second assumption, resource immobility,
requires that the actual resource is not
easily transferable across firms, or between
groups for this research. This assumption is
also regarded as fulfilled, as both the legal
framework, the product quality, marketing
communication and distribution all support
this notion of resource immobility.
Managerially, this research lists a number
of potential resources and capabilities,
providing specific examples for managers
to consider in respect to their own
firms’ situations. Second, this research
demonstrates a practical process of
performing an actual VRIO analysis, which
is scarce in the literature as well as for
practical purposes. Third, this research
provides suggestions for SCAs for a given
group of case firms, which are or should be
core elements for these firms’ strategy, and
to be used as examples and inspiration for
others.
We have further shown that the reality of a
niche market is based both on the intrinsic
qualities of a production, but also the
ability to create, develop and protect this
uniqueness. The economic performance
of a product is often based on three layers
(e.g. Kotler and Armstrong, 2010): the first
one, the core customer value, is made of
three elements: the components of the
product (what is inside of my product?), its
features (what needs does it meet?) and its
performance (how does the product comply
compared to others?). Having a clear vision
of these three elements is crucial, especially
when adopting a niche strategy. Secondly,
marketing takes over. This is essential, but
“it is just” a relay. Finally, the third phase
involves all the services around the product.
This is the “consumer experience”, which is
particularly important today. Wine tourism
and e-business in the wine sector are two
pertinent illustrations of this approach.
Finally, it is important to note that the
Grands Crus of Bordeaux have developed
their reputation from a time - the nineteenth
century - where little competition existed.
Even today, when wine is produced “everywhere” in the world, this awareness
is still very high. It joined the debate
between strategy and business models
approaches. The first approach makes
extensive reference to the environment
of the firm, while the second one is more
based on internal resources.
There are, however, some limitations of
this study. First, this study presents results
from interviews of a limited number of
respondents, in a limited geographic area
and in a single industry. This limited data
means that generalising the findings to a
larger population is difficult, even though
there still are lessons here to be learnt
for prospective niche firms. Second, it
is acknowledged that weaknesses are
associated with cross-sectional research
such as that presented here; a longitudinal
study could have produced more reliable
data. Third, although the grouping of firms
to either Grand Crus or non-Grand Crus is
valid, it is important to keep in mind that the
quality differences between fifth Cru and
the best non-Grand Cru products may be
smaller than within the five Crus of Grand
Cru.

There is also a complicating factor within
this market. Most of the châteaux belonging
to the category of Grands Crus also offer
in their portfolio a “second wine”. Their
labels do not mention the word château,
but these wines have many similarities with
the “Premier vin”: they often come from
the same soil or terroir, same winemaker,
same technical facilities used, same
distribution channels via La Place de
Bordeaux. Of course, even if prices differ,
many components of their identities thus
seem very similar. The differences come from the plots used, winemaking or aging techniques. These second wines benefit from the reputation of the Grand Cru, and it is possible that they also have the four characteristics of a niche market: narrow, market specialization, differentiation and barriers to entry. In this sense, at least for some, this proximity between “Grands Crus” and “Second Wines” has the potential to blur the distinction between niche market” and mainstream market in regard to the Grands Crus.

For the future, additional or duplicative research on SCAs in different settings will further enhance our understanding and improve the validity of SCAs. Further, market-based resources and capabilities may have complementary effects, i.e. the benefits of one resource is leveraged by another resource (e.g. Morgan et al., 2009), which implicates that several resources and capabilities may have to be viewed and assessed as a combined “bundle” instead of individual assessments (Hesterly and Barney, 2015). More research on this issue is warranted. Finally, more work in regard to the marketing capabilities, actual VRIO-testing and use of different level of analysis are encouraged to strengthen the validity of using RBT.

REFERENCES


Appendix 1 Questionnaire for data acquisition 1 (based on Morgan et al., 2009 and Vorhies and Morgan, 2005)

Your situation compared to non-Bordeaux GC firms or competitors:
Please rate your business unit relative to your major competitors in terms of its marketing capabilities in the following areas.
Seven-point scale running from -3 (“much worse than competitors”) to +3 (“much better than competitors”)

Product-related:
- Quality of terroir (new)
- Quality of vineyards (new)
- Ability to grow and nurture vines in the field (new)
- Quality of wine making (cellar-work) (new)
- Quality of facilities for winemaking (new)
- Quality of wine (as a ready-to-be-sold product) (new)
- Ability to develop new products or services
- Ability to successfully launching new types of products
- Responsive to customer needs
- Developing new products or services to exploit Research and Development investments

Distribution-related:
- Strength of relationships with distributors
- Attracting and retaining the best distributors
- Adding value to our distributors’ businesses
- Providing high level of service support to our distributors
- Access to selective type of distribution channel (new)

Communications-related:
- Brand/chateau image (new)
- Brand image management skills and processes
- Public relations skills
- Managing corporate image and reputation
- Developing and executing advertising programs
- Advertising management and creative skills
- Strong relationship with the press (new)
- Strong relationships with wine critics (new)
- The appellation system (new)
- Included in the Classement de 1855, including later revisions (new)

Price:
- Using pricing skills and systems to respond quickly to market changes
- Knowledge of competitors’ pricing tactics
- Doing an effective job of pricing products
- Monitoring competitors’ prices and price changes

Selling:
- Giving salespeople the training they need to be effective (del)
- Sales management planning and control systems (del)
- Selling skills of salespeople (del)
- Sales management skills (del)
- Providing effective sales support to the sales force (del)

Marketing information management:
- Gathering information about customers and competitors
- Using market research skills to develop effective marketing programs
- Tracking customer wants and needs
- Making full use of marketing research information
- Analyzing our market information (del)

Marketing planning:
- Marketing planning skills
• Ability to effectively segment and target market (del)
• Marketing management skills and processes (del)
• Developing creative marketing strategies (del)
• Thoroughness of marketing planning processes (del)

Marketing implementation:
• Allocating marketing resources effectively
• Organizing to deliver marketing programs effectively
• Translating marketing strategies into action
• Executing marketing strategies effectively (del)
Appendix 2 Questionnaire for data acquisition 2 (inspired by Babakhan et al., 2012)

Please assess each resource or strength according to their potential Value, Rarity, how costly it is to imitate, and how capable the Bordeaux GC firms are to exploit these resources or skills – based on your perceptions. Please see explanations on next page.

Explanations of the VRIO-components

The focus is on the Bordeaux wine firms, and in particular the Bordeaux GC firms as one group. Please assess each resource or skill to the best of your ability and based on your own perceptions, according to these four criteria:

**Value:**
Does this resource or skill have the effect of lowering the Bordeaux CG firms’ net costs and/or increase a firm’s net revenues beyond what would have been the case without this resource or skill?

**Rare:**
Is this resource or skill controlled by a relatively small number of competing firms? (consider here the entire marketplace in terms of production – the Bordeaux region.)

**Imperfectly imitable:**
Is this resource or skill substantially costly to obtain or develop for any potential new entrant?

**Organization:**
Do you think that the Bordeaux CG firms, in general, have the ability of exploiting or using this resource or skill to their own advantage?

In other words, do they have sufficient organizational support, such as employee commitment and skills, resources, and internal firm routines, to take advantage of this resource/skill?
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<tr>
<th>Resource/skill</th>
<th>Description</th>
<th>Levels</th>
<th>#</th>
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<tbody>
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<td>1 Quality of terroir</td>
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<td>2 Quality of vineyard</td>
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<td>3 Quality of wine</td>
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<td>4 Quality of facilities for winemaking</td>
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<td>5 Quality of wine-making (cellar work)</td>
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<td>6 Brand image</td>
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<td>7 Brand image management skills</td>
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<td>8 Corporate image management skills</td>
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<td>9 The appellation system</td>
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<td>10 Included in the 1855 Classement</td>
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Electronic Commerce and Dynamic Capabilities -
The Relationship of Manufacturer and Retailer

Abstract

The competitive advantage of firms was an important topic in management and marketing research over the past decade. Forced by technical, disruptive developments manufacturers are uncertain how to behave strategically these days. For this reason, this paper focusses on the strategic option direct sales via e-Commerce. The historical development of the relationship between manufacturer and retailer are discussed. Furthermore theories like the resource-based-view and dynamic capabilities should give support while defining specific capabilities, which are indispensable in the direct sales business.

Key words: E-Commerce, Multichannel Retailing, Direct Sales, Retail, Online Marketing

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Introduction

Due to the increasing popularity of the internet, for stationary and portable end devices, the role of trade changed during the last years. The upcoming dynamics, coming from the disruptive development, hit the trade in a major extent, like nearly no other branch of industry was affected (Zentes et. al, 2011). "In addition, many industries are showing slow growth or are even stagnating in stationary retailing. The growth in sales is mainly due to the growth of e-commerce." (Fost, 2014, p.1). Thus, the environment of manufacturers and retailers of the German DIY sector is not spared from this development. In addition to the shift in revenues from stationary to digital distribution channels and the increasing relevance of new information and communication technologies, a change in consumer behavior is particularly evident. In addition, general demand for DIY store articles is decreasing, sales are decreasing and a creeping mix of retail and retail trade formats is discernible (Feinen, 2007; Graf & Schneider, 2015; Emrich & Rudolph, 2014). The focus will be on the phenomenon of hybrid consumers and the associated trend towards "smart shopping", which imply a strong brand and simultaneous price orientation of consumers and an intensive use of different sources of supply - both stationary and digital (Feinen, 2007). As a consequence of this development, which is especially intended to take into account the changed demand of the final consumer, intensive verticalization tendencies of the manufacturing companies have to be identified. The potential use of direct sales (in the form of e-commerce) allows manufacturing companies to bypass the intermediary's level, to offer and sell the brand and assortment in full breadth and depth, and thus sell goods directly to the final consumer. Accordingly, this measure would ideally result in a significant increase in the value added of the manufacturer (Feinen, 2007; Heinemann, 2015; Rudolph & Linzmajer, 2014; Graf & Schneider, 2015).

Overall, manufacturing companies are trying not to lose the competitive advantages that have been built up in recent years, even in the digital world, and thus to maintain or, at best, even increase them.

Since the theoretical resource observation of the underlying resource facilities of a company - which is due to the “path dependence” - directly affects its strategy choice, this paper deals with the resource types and dynamic capabilities in manufacturing companies in the German DIY sector, which are used to increase the company's performance and therefore, in the best case, to generate a sustainable competitive advantage in direct sales (in the form of e-commerce) are crucial. The question to be explored in the wording: “What concrete (dynamic) capabilities do manufacturing companies in the German DIY sector have to be efficient and thus successful in direct sales (in the form of e-commerce)?”

Building on this problem, the paradigm shift in the manufacturer-trade relationship will be discussed in this paper. In particular, the digital influences, new forms of distribution and the resulting competition with previously unknown companies and their operating forms will be a major challenge for the participating companies in the German DIY sector in the coming years. Therefore, in the course of this work, the development of the manufacturer-trade relationship from an academic and economic perspective will be explained. In addition to these developments, fields of tension and special challenges are also explained. The resource-oriented approach (resource-based view) as a parental source of
dynamic capabilities (as well as the latter approach) will be critically discussed. In addition, initial derivations - in the form of two hypotheses that contribute to the extension of the existing theory - are being made to show how companies can generate a sustainable competitive advantage even in a rapidly changing business environment (regimes of rapid change). Finally, the most important insights, limits as well as possible related research opportunities are named and summarized.

The Changing Manufacturer-Trader Relationship

A special feature of the vertical cooperation of dealers and manufacturers compared to the cooperation of manufacturing companies is the positioning of trade at the interface between production and consumption. Trade is thus part of a system for distributing manufacturers products to consumers” (Lammers, 2012, p.75). This fact is illustrated by Meffert et al. also, as the figure opposite illustrates. The manufacturers were for a long time dependent on the trade and at the same time suffered great substitution fears. The distribution of tasks was clearly structured and clearly distributed. The manufacturer produces goods and then transfers them (business to business) to the dealer with the order to carry out the sale to the final consumer, end consumer or consumer (business to consumer). In other words: “The manufacturer produces, the merchant sells the goods, the market coordinates between these two stages” (Ahlert, 2001, p. 333).

This relationship constellation also had clear structures for a long time in the German DIY sector. The strong private label brands OBI, Bauhaus, Hornbach etc. held dominant positions, especially in the perception of the ultimate consumer. However, manufacturers’ brands were often secondary to perception in this situation. The dealer did not let this happen any differently. Especially in the last 10 years, the trading world experiences - due to the already described phenomena - big changes, which promote a special challenge for the manufacturer-trade relationship.

The beginning of the modern manufacturer-trade relationship represents the theory of Efficient Consumer Response (ECR). This concept is considered to be the successor to the Quick Consumer Response, which gained great importance towards the end of the last century (Seifert, 2006; Schröder 2001). Theoretically, this concept, which focuses on the American textile industry, has already optimized the flow of goods and information between manufacturers and dealers in order to achieve effects in the cost structure of logistics, inventory management and capital commitment (see Ahlert & Borchert 2000, p.11).

The basic principle of ECR is also very well described by the following lines: “The parts of this concept are not new, supply chain management is about logistics, category management is about marketing. Rather, what is new is that manufacturers and retailers coordinate their processes and tools in the shared value chain to reduce inefficiencies and increase consumer value. “(Schröder, 2012, p.29).

A special feature of the vertical cooperation of dealers and manufacturers compared to the cooperation of manufacturing companies is the positioning of trade at the interface between production and consumption. Trade is thus part of a system for distributing manufacturers products to consumers” (Lammers, 2012, p.75). This fact is illustrated by Meffert et al. also, as the figure opposite illustrates. The manufacturers were for a long time dependent on the trade and at the same time suffered great substitution fears. The distribution of tasks was clearly structured and clearly distributed. The manufacturer produces goods and then transfers them (business to business) to the dealer with the order to carry out the sale to the final consumer, end consumer or consumer (business to consumer). In other words: “The manufacturer produces, the merchant sells the goods, the market coordinates between these two stages” (Ahlert, 2001, p. 333).
With this quote, Schröder emphasizes another important finding: Manufacturers and retailers are trying to come closer together due to changes in the environment. Working together, they define “new” terminology to make the understanding of individual processes and stages of value creation efficient. The suggested form of cooperation has far-reaching differences in this theory. As shown in Figure 2, the original manifestation of the manufacturer-trade relationship largely relates to the fact that the relevant decisions are all those of the two main players - the manufacturer and the distributor. Marketing theory often refers to product-oriented marketing (see Meffert et al., 2015, p.25; Mattmüller & Tunder, 2004, p. 165; Schröder, 2012, p.44). In contrast to that, the customer-oriented marketing approach stands, which is illustrated in figure three. Quite clearly, here the consumer takes center stage here. With this focus, optimally coordinated actions and processes of manufacturers and distributors must follow to fully meet the ultimate demand of the end user. “In this context, one often speaks of a change from the traditional order-driven system of selling into the market to the process-integrated, consumer demand-driven system in which the consumer’s demand behavior determines the entire value chain between the retailer and the manufacturer” (Mattmüller & Tunder, 2004, p. 165)

Sytch and Gulati (2008) describe the effect of ECR in the following terms:

“One is indeed value appropriation, in which each company’s performance is determined by the pool of value created by the partnership. But to capture value, companies first need to create it, and this is where the second process comes into play: value creation. In other words, what matters for a company’s performance in a buyer-supplier relationship is not just the share of the pie it gets, but so how big the entire pie is “(Sytch & Gulati, 2008, p. 12).

In their article “Creating Value Together”, the two economists point to the prospects of a successful manufacturer-trade relationship. In doing so, they emphasize that not only one’s own value created is decisive for the success of the cooperation, but much more the product that emerges from the partnership. Especially in electronic commerce, there are only a few limits to this success. However, this situation is counteracted by the situation described above, in which “... commercial companies are today usually in a position to enforce their will against the resistance of the manufacturer” (Lammers, 2014, p. 83). Bieber (2004) notes, “Rather, the conquest of a dominant position by retailers seems to have contributed to the development of a culture of co-operation diametrically opposed to a transition from an antagonistic co-operation relationship to the creation of so-called win-win situations” (p.10). Manufacturers are trying to escape this dominant position with great motivation. The dependence of manufacturers on trade, as a link to the final consumer, is very pronounced, especially in the German DIY sector. Thus, individual companies begin to examine possibilities of direct sales – i.e. a sales opportunity by bypassing the trade - in the form of online trading and occasionally implement them.

Conflict Causes Between Manufacturer and Trade

“Although manufacturers and retailers basically have the same motivation in the distribution system, and that the most profitable sales of products to consumers and their behavior are fundamentally geared toward achieving this overall goal, they do not automatically have a compatible
target system despite this common overall objective" (Lammers, 2012).

This finding is also confirmed by Mattmüller & Tunder (2004, p. 125) and Ahlert (2005, p. 65). As causes of conflict in this context, several goal divergences are observed. For example, the trader wants “as much demand as possible in his own establishment” and “the sale of products from a particular manufacturer”, whereas the manufacturer focuses on “selling as many own products as possible” and “selling products through a specific retailer” (Lammers, 2012, P.97).

Summing up these divergent objectives with the already indicated asymmetric distribution of power and the associated imbalance of information, result in conflict areas in the assortment, price, distribution and communication policy (see Zentes & Swoboda, 2005, p. 1067 ff.; Barth et al., 2005, p. 171 ff.; Morschett, 2006, p. 527 ff.).

The described causes of conflict in the manufacturer-trade relationship are further exacerbated by the dynamics and changes in digitization. Therefore, this topic is dealt with in more detail in the following chapter.

**Impact of Digitization and Online Commerce on Manufacturers-Trade Relationship**

With just under € 47 billion in annual sales, e-commerce - after cautious development at the beginning of the century - reached its temporary peak in 2015. The development in Figure four shows that the digital distribution of goods and merchandise has always developed strongly positively and crisis-resistant in recent years. Heinemann (2015) even speaks of the “triumph of online commerce” (p.1). The special feature of the growing distribution channel e-Commerce is the redesign of the purchase process of the final consumers. “In addition to the increasing relevance of new information and communication technologies, there is also a changing demand and consumer behavior of the final consumers” (Feinen, 2007, p.2). This poses an enormous challenge for manufacturers and retailers. Provided that the central interest “… of each customer is to find a product in his buying process that optimally satisfies his needs” (Heinemann, 2015, p. 45) he was looking for the right supplier in the classic buying process. In the second step, of the product selection, the customer was able to gather all product information that was important to him and ask the sales staff before finally buying the product in the last step. Figure five illustrates this process. The new buying process differs from its classic (predecessor) model by a serious shift. Thus, it is no longer the supplier in the first phase of the process, but rather the product, the brand or the manufacturer. Today, even before the selection of the provider, information, acceptance and popularity of products are searched and checked. The product purchase and thus the provider often result casually. “Even if the product is not purchased in an online store, the Internet is the most credible medium for buying decisions for most of its users” (Heinemann, 2015, p. 46). This assumption is reinforced by a variety of studies. Here is an example of a study, according to which 97% of all German households with Internet connection “… first research the Web before they make a purchase decision” (Heinemann, 2015, p.47; Schneller, 2009, p. 28).

This development also shows that the former reference point “dealer” is ultimately substituted by the product, the brand or the manufacturer name in the search field during the information search
in the digital world of the final consumer. Not only in the phase of information search, i.e. the product selection, but also in the subsequent phase, the supplier selection significantly changes. Where only a few years ago in the German DIY sector, the formerly stationary trading companies such as OBI, Bauhaus, Hornbach, etc. divided the market, new competitors are entering the market today. If one remembers symbolically the quotation from Sytch and Gulati at this point, the maximum success of a manufacturer-trade relationship can only be as great as the market (in the example of the cake) allows. When pure players such as Amazon, GartenXXL, eBay, etc. are pushing into the market, competition and crowding out will result. According to this, changes and adjustments on the part of existing manufacturer-trade relationships must be worked out in order not to lose existing market shares.

Finally, the following quotation by the St. Gallen economist Schögel confirms and summarizes the facts and findings of the preceding lines: “Apparently, few companies have been able to successfully co-operate vendor-to-retail relationships. Deadlocked distribution rituals, a tactical conflict management and disputes in the vertical division of labor lead to the fact that partnership behavior is propagated, but only in very few cases really a professional cooperation management can be found” (Schögel, 2006, p. 19).

Theoretical Frame of Reference

The resource-theoretical approach, often referred to as Resource-Based View (abbreviated to RBV) in Anglo-language usage, originated with Penrose in 1959 with the work “The Theory of the Growth of the Firm”. She is the first scientist to combine two approaches. It defines companies of that time as both an “administrative entity” and an “accumulation of productive resources” (Cavusgil et al., 2007). From this, the resource-theoretical approach attempts to explain conditions under which the respective companies can generate a sustainable competitive advantage on the basis of their own (internal) resources and capabilities (Barreto, 2010, p. 258). Here, resources are referred to as “stocks of available factors that are owned or controlled by the firm,” while capabilities are defined as “... a firm’s capacity to deploy resources, usually in combination, using organizational processes, to effect a desired end” (Amit & Schoemaker, 1993, p. 35). These resources in the tangible sense or mentioned abilities are primarily characterized in this approach by the following properties (see Zahn et al., 2000, p.50 f.; Barreto, 2010, p.259; Barney, 1991; etc.)

- Relative rarity
- Non-transferability
- Limited or expensive immitability
- Durability

To further develop this statically characterized and therefore highly limited approach, Teece and colleagues began to conceptualize the concept of dynamic capabilities towards the end of the last century. Teece, Pisano and Shuen define these dynamic skills in 1997 as “... the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing enviroments” (p. 516). The large focus on the external and simultaneously rapidly changing environment of the company led the scientists to use the word “dynamic” (1997, p. 515). Thea extended the resource-theoretical approach with a focus on the market and strategy of the company. The skills, the second word in the definition of the approach, are to represent the challenge of strategic management, internal and external skills, resources and functional competencies to adopt, introduce into the company or even re-form to meet the new challenges of changing the environment.
sustained growth (Teece et al., 1997, p. 515; Cavusgil et al., 2007, p. 161). In contrast to the resource-theoretical approach, the competitive advantage thus arises not only from the simple possession of rare and difficult to imitate resources, but also from the (strategic) combination as well as the compilation and configuration of these resources (Cavusgil et al., 2007, p. 161). This is to respond to changes in the market or such changes are generated in the best case. Particularly in this context, the term “best practice” played a very important role in strategic management (Eisenhardt & Martin, 2000, p. 1117). Within the dynamic skills approach, “learning” is also of great importance, which was not considered in the previous resource-theoretical approach (Cavusgil, 2007, p. 162). Teece et al. here denote “learning” as a “process by which repetition and experimentation enable tasks to be performed better and quicker” (1997, p. 520). For representatives of this approach, these organizational processes and, ultimately, routines are the source of competitive advantage and thus the success of a business venture. Based on the already mentioned “path dependence”, it is according to Teece et al. true to the motto “history matters”, it is also possible to fathom the company’s success and competitive advantages. As a last and yet very important point, the scientists mention the “assets” of a company. Hereby, technological, complementary, financial, call-related, structural, institutional and market-dependent assets are discussed. In particular, to accommodate the technical developments of recent years in this approach, Teece expanded its definition of dynamic capabilities in 2007, calling it either a company’s ability to

- a) identify and shape opportunities in the market (opportunities) and strengths in the company, or
- b) seize opportunities on the market, or
- c) to ensure competitiveness by increasing, combining, protecting or reorganizing the company’s intangible and tangible assets. Especially for the German DIY sector, which - as described - has undergone major changes in recent years and will be able to do so in the years to come, the dynamic approach of a company can provide valuable insights. This can also make a major contribution to management research and marketing research. Manufacturers in the industry should not be examined as in other approaches as a black box, but also in the market and strategy perspective. Accordingly, the further part of the paper will discuss which adapted, educated, etc. dynamic capabilities and their optimal configuration can achieve a sustainable competitive advantage in direct sales (in the form of e-commerce). A particular focus here is on the question to what extent the dynamic capabilities of a company itself should be developed or sourced or transferred by external partners.

Development of the Theory
Following the theory’s foundation in the previous section of this paper, hypotheses and assumptions are now formulated to broaden the company’s dynamic capabilities approach. In order not to unnecessarily increase the scope of this paper, only two hypotheses are formulated at this point, which relate to the transformation of existing processes/ assets and customer feedback/ recommendation marketing. In order to meet the changing customer requirements, transformations of existing processes are necessary. Especially among the manufacturers of the German DIY sector, which are characterized by a strong midsize, the marketing function is true to the instrumental marketing approach (see Mc Carthy) in many cases rather downstream and thus separated from the functional area of sales. As a result, marketing often
experiences equating with subtasks of communication such as advertising and sales promotion in the broadest sense (see Meffert, 2015, p.9; Mattmüller, 2012, p.44). In business processes in the context of e-commerce interfacing problems often arise, which were already present before the emergence of digital media and sales channels. In order to prevent this problem and to ensure the greatest possible customer orientation, the individual marketing sub-functions - preparation, initiation, completion, realization - should experience a stronger process orientation according to the integrated marketing concept. A maximum customer orientation of a company in this case should lead to trust, and ultimately loyalty on the part of the customer. These primary outcomes result in the economic success of a company (Esch & Wicke, 2001, p. 43; Mattmüller, 2012, p. 61). Thanks to the marketing process orientation and the integration of the organizational division, sales companies in the industry can also live up to the newly designed consumer journey, i.e. the path between the first purchase idea and the final click - as a purchase transaction (Heinemann, 2015, p. 69).

**H1: Manufacturers of the German DIY sector can achieve greater customer orientation and therefore process advantages over competitors by integrating the organizational areas of marketing and sales.**

“When purchasing decisions are made, consumers are increasingly looking for information about products and services on the Internet” (Lis & Korchmar, 2015, p.1). Referral marketing plays an important role in this, which has gained importance in recent years, especially in science (Helm, 2000, O’Reilly, 2005). “In the age of Web 2.0, the success of products and services is increasingly no longer determined by reports and advertising in traditional media, but significantly depends on the online comments and ratings of like-minded consumers” (Lis & Korchmar, 2015, p. 2, Smith et al., 2007). Derived from the classic word-of-mouth (German: word-of-mouth) this form of customer rating is called electronic word-of-mouth (eWoM). Henning-Thurau et al. (2004), for example, defines eWoM as “… any positive or negative statement made by potential, actual, or former customer about a product or company, which is made available to a multitude of people and institutions via the Internet” (p. 39). This new kind of customer feedback and the associated transparency can change important assets of a company, such as brand image, customer satisfaction, etc., which are seen as call-related assets in the approach of a company’s dynamic capabilities. Furthermore, these assessments provide important insights and information that must be understood as a kind of co-creation and included in the innovation process of a company.

**H2: Manufacturing companies in the German DIY industry can increase call-related assets by strategically evaluating customer ratings.**

**Summary**

Based on the current balance of power between manufacturers and retailers, the distribution of goods over the Internet for the German retail landscape is a real paradigm shift. The science has already found a variety of findings in recent years, which were presented and discussed holistically in the course of this essay. Where, at the beginning of this century, Quick Consumer Response and later the concept of Efficient Consumer Response (ECR) were important in the analysis of marketing theory, digital developments as well as social changes in the study of science were intensified in recent years involved. Consequently, this paper discusses the dynamic capabilities of a company using
the example of the manufacturers of the German DIY sector. In addition to a sound basis of the theoretical frame of reference, two hypotheses have been formulated in the further course, which contribute to the further development of this approach. These should be expanded and further investigated empirically. Furthermore, the focus could be changed from a national to an international level to gain further insights.

Building on the first publication by Teece et al. on the subject of “dynamic skills” in 1997, economists today discuss as vehemently as before, in the resource-theoretical approach, whether and to what extent this concept has a legitimacy to be called perfect management theory. Nevertheless, in the past few years, this approach has led to a large number of empirical research projects. Further points of departure could be for the approach of the dynamic abilities in the research and determination of certain enterprise environments, in which the approach is of great relevance. “Empirical studies should explicitly compare the effects of different dynamic capabilities in two or more distinct environmental conditions (e.g., different industries or different periods of time)” (Barreto, 2010, p. 276). Furthermore, it is necessary to determine for which type of business dynamic capabilities may be most valuable.

References


Small vs. Large: how assortment size influences consumer loyalty

Pequeño vs. grande: cómo influye el tamaño del surtido en la lealtad del consumidor

Abstract

This work analyses the influence of the assortment size in consumer behaviour. Specifically we analysed how consumers react to two different assortment sizes (small and large), all of them mixed (private label-PL and national brands-NB) in relation to the store switching intentions. For this purpose we analysed the relationship between four variables (store image, value consciousness, perceived variety of assortment and private label purchase intention) and consumer’s store switching intentions. To test the hypotheses formulated we have developed an online experiment with a sample of 1,400 individuals. The experiment was carried out in four product categories: yogurt, bread, detergent and toilet paper. To carry out the analysis we use the methodology of structural equations. Results obtained show that the assortment size influences consumer behaviour in an obvious way. In mixed assortments we have found significant differences between medium and large assortments. Store switching intentions is diminished by store image, a higher value consciousness and the perceived variety of the retailer’s assortment. In large assortments, store switching intention is lower when store image is positive, consumer’s value consciousness is high, and consumer’s perceived variety of the retailer’s assortment is high. In the same way, store switching intentions are positively affected by PL purchase intention. Our results do not support PL ability for generating a genuine consumer loyalty towards the store.

Key words: retailer, assortment, store switching intentions, private label, national brand

Palabras clave: minorista, surtido, intención de cambio de tienda, marca privada, marcas de fabricante

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Introduction and objectives

Retail distribution is a sector of obvious relevance in economic activity in Spain. In 2014, the estimated retail turnover was 206,776,441 euros, reaching the highest increase in recent years, according to the report “Global Powers of Retailing” (Deloitte 2016). The supermarket chain Mercadona is leader in Spain with 22.3% share of retail food in 2015, according to the consulting firm Kantar Worldpanel (2016), followed by Carrefour (8.6%), DIA (8.2%), Grupo Eroski (5.8%) and Lidl and Auchan (3.8%).

Changes that have occurred in Spain in retailing have been very significant since the seventies to the present, heightened by the economic recession of recent years, which has caused a change in priorities and consumer behaviour. One of the most important changes that have taken place has been the consolidation of private label (PL), which has led to profound changes in the composition of assortments of retailers. The market share of the PL in Spain reached 42% in value and 49.7% in volume during 2014 (IRI 2015). Large supermarkets increased their share to 48%, with Mercadona leading the market, followed by Carrefour and Eroski. The expansion of PL has generated structural changes, affecting the sector as a whole. Retailers have begun a clear strategy of market segmentation through its PL, attending to price, product category, or the benefits sought by consumers (Castelló 2012), resulting in various scenarios in which to apply the great variety of PL.

In this environment, many retailers have opted for strategies to reduce their assortments, primarily by withdrawing a large number of national brands (NB), giving greater prominence to its own brands (Ailawadi and Harlan 2004). A specific form of reduction is by removing assortment of brands; while reductions of assortment usually consist of removing multiple products from different brands, brand delisting strategy chooses to completely remove all products of a brand within a category assortment (Sloot and Verhoeof 2008). Attending to the compilation by Gázquez-Abad et al. (2015) of retailers who carried out dereferencing strategies in their assortments, we can mention the case of Wal-Mart (which reduced its overall assortment about 30% in the UK and 7.6% in the US), Edah, Asda, Edeka or Metro, among others. Carrefour Group introduced a program of optimization of product categories, reducing the size of the assortment by 15% (Berg and Queck 2010). In Spain, it is known the case of Mercadona, which in 2008 withdrew from its shelves almost 800 brands from different manufacturers, some of which are leaders in their product category (e.g., Nestle, Calvo o Pascual).

However, later, many of these retailers (including Mercadona) were forced to reintroduce some of the NB previously removed to prevent consumer boycotts and the damage that this decision was causing in its own image (Sloot and Verhoeof 2011). Therefore, the decision is not as simple as removing brands from the assortments. Remove certain NB can damage the image of the store, because consumers may consider that this assortment is incomplete, either by not including most brands available (Pepe et al., 2012), or for not including renowned brands (Sloot and Verhoeof 2008).

At present retail management cannot simply rely on offering very large assortments or design a marketing strategy based on small assortments and very aggressive prices. Retailers must offer their customers an assortment that, regardless of its size and composition, provide real value to consumers and offers them an appropriate response to their expectations (Miranda and Joshi 2003). The main function of retailers should be to contribute...
to a significant improvement in efficiency in the consumer buying process, which will help them to achieve a competitive advantage and a particular commercial differentiation (Berné 2006).

So, what should a retailer do to achieve customer satisfaction and loyalty to their stores? Are the largest assortments better that smallest ones to establish customer loyalty strategies? Clearly the decision taken by the retailer in this regard is essential, not only from the perspective of the cost structure and profit margins, but also from the perspective of the image that consumers will develop about the company itself. The answer to the above questions is therefore key to the success of the retailer, as it will allow it to know what brands need to compose its assortment and which brand may be removed without detrimental to its image and loyalty of their customers. Analysing consumer behaviour in different sizes of assortment composition is essential to success in retail management. In this work we bring value to analysing consumer behaviour facing assortments of different size (small and large). For this purpose, we conducted an online survey to 1,120 individuals, considering four product categories and including real brands. Consumer response has been analysed through the estimation of a structural equation model.

Conceptual Framework / Literature Review

The concept of store image is introduced by Martineau (1958), who describes it as the definition that makes a consumer in relation to a store according to its attributes which work both functional and psychological level. Thus, the image of the store denotes the feeling of customers towards it and each store has a different positioning for each client. North et al. (2003) describe the store image as the identity of the store, being an influential factor in the initial process of purchasing decision of consumers.

The image of the store is considered a critical determinant of the competitive position of the retailer, to the extent that determines among other issues store loyalty and therefore reduces the store switching intentions (Sirgy and Coskun 1985). Consumers who have a better image about a particular store develop a better perception of quality, value, satisfaction and loyalty (Johnson et al. 2001). Considering the direct relationship found in most studies, we propose the following hypothesis: H1. A positive store image has a direct and negative effect on store switching intentions.

Value-conscious consumers are characterized by being concerned about the price-quality ratio received; i.e. they are customers who pay special attention to the quality they receive for a certain price when making a purchase (Zeithaml 1988; Lichtenstein et al. 1990). The perceived value is a concept of subjective nature (Woodruff 1997), resulting from the comparison by consumers of perceived benefits and efforts to be performed (Zeithaml, 1988; McDougall and Levesque 2000).

The perceived value can influence customer attitude (Swait and Sweeney 2000). Numerous studies support the positive influence of perceived value on loyalty to the establishment, in the context of retailing (Chen and Quester 2006). Loyalty has been defended from two perspectives: attitudinal and behavioral (Dick and Basu 1994; Oliver 1999). According to the above the following hypothesis is formulated: H2. Value consciousness has a direct and negative effect on store switching intentions.

Academic research argues that the perceived level of variety of an assortment affect the decision process and store selection by the consumer even more than the actual level of variety. Several authors
(e.g. Arnold et al. 1978; Brown 1978; Finn and Louviere 1996) found a positive effect of the variety of assortment on the choice of the store and the intention to be loyal to the store (e.g. Baker et al. 2002; Verhoef et al. 2007).

Consumers themselves say assortments decisions affect their choice of store (Arnold and Tigert 1982; Arnold et al. 1983). In fact according to the work of Briesch et al. (2009), decisions of choice store present a greater sensitivity to changes in the variety of assortment that to changes in prices. Large assortments tend to be attractive by providing consumers with higher perception of variety (Chernev 2003), more alternatives to choose from (White and Hoffrage 2009), and more likely to find what you want (Berger et al., 2007). Many authors find a positive effect between the perception of a wide assortment and the intention of loyalty to this store by consumers (e.g. Sirohi et al. 1998; Hoch et al. 1999; Baker et al. 2002; Verhoef et al. 2007). According to the evidence found in the literature, we formulate the following hypothesis:

**H3. The perception of a wide assortment affects directly and negatively the store switching intentions**

PL are usually ownership, control and exclusive sales of retailers. The products under this brand are used to highlight the image of the distributor, attract customers and increase bargaining power with suppliers (Gomez and Okazaki 2007). PL they have a range of values that represent the company. A positive image of the PL not only helps companies become more competitive, but also helps to encourage consumers to buy back the same PL and therefore to buy back in the same store (Porter and Claycomb 1997).

Most of the literature shows the existence of a positive relationship between the PL and store loyalty (e.g. Allen and Rao 2000; Corstjens and Lal 2000). San Martin (2006) argues that there is a process of transfer of consumer confidence among the PL, the store staff and retailer. Thus when a client trusts products with PL and local staff, will also trust the store, which will decrease the intention of changing shop. Paiva et al. (2012) presented an explanatory model of loyalty to supermarkets, based on the proposals of Flavián et al. (2001), Collins-Dodd and Lindley (2002), Martenson (2007), and Martinez and Montaner (2008). This model proposes that loyalty to a retailer is composed of an affective and cognitive loyalty. From the proposals of different authors, the following hypothesis is proposed: **H4. PL purchase intention affects directly and negatively on store switching intentions**

So we propose a relationship model which includes these four hypotheses regarding store switching intentions (figure 1).
Methodology

To test the hypotheses formulated above, we have developed an online experiment with a sample of 1,120 individuals belonging to a large panel of consumers in Spain, owned by IRI. At the time of the study (March 2013) IRI had a consumer panel consisting of 322,883 individuals, aged between 24 and 65, responsible for buying for their homes for food products, cleaning and personal care products in supermarkets and hypermarkets. IRI panel is statistically representative of the Spanish population, both in terms of socio-demographic variables (gender, age, income level, education level, family size), and geographical distribution. To measure the different variables of the theoretical model proposed we used composite scales, as they allow assess psychological variables that are not directly observable (Churchill 2003). Have been used Likert scales, widely used in the literature on assortment and brands.

In the experiment we considered two different sizes of assortment: small (four brands) and large (ten brands). The definitions of small and large assortments are based on previous experiments (e.g. Chernev 2003, 2006), in which the “big” assortments were typically four, five or even six times the size of “small” assortments. In this investigation a lower ratio was used, specifically three. As to the composition of the assortment, this includes mixed assortments (PL and NB).

The experiment was carried out in four product categories: yogurt, bread, detergent and toilet paper. We had chosen these four categories attending to the classification made by Dhar et al. (2001), which responds to the penetration/frequency relationship and establishes four categories of product: (1) staples (high penetration/high frequency); (2) niches (low penetration/high frequency); (3) variety enhancers (high penetration/low frequency), and (4) fill-ins (low penetration/low frequency).

Individuals were randomized to different scenarios, according to number of brands (4 or 10) and proportion of high equity of PL and NB(a third and two-third high equity). The final number of individuals for each type of variety was 35. Considering that the experiment was carried out in four categories of product, the total number of individuals for each type of assortment combination was 140. So we have a total sample of 1,120 individuals.
To carry out the analysis firstly it is carried out a confirmatory analysis of all measurement scales by using the methodology of structural equations offering satisfactory results in both scenarios. SEM statistical technique is considered the most appropriate for analysing the relationships identified in the model proposed. Results confirm that the different indicators show a good fit to the data, with right values for $R^2$ of store switching intentions and all estimates are significant in all or some of the two scenarios analysed.

Findings and discussion

Results obtained show that the assortment size influences consumer behaviour in an obvious way talking about store switching intentions (table 1). We have found significant differences between medium and large assortments. According to the findings, in small assortments store switching intentions is diminished by store image, a higher value consciousness and the perceived variety of the retailer's assortment. We found no significant relationship between PL purchase intentions and store switching intentions. In large assortments, store switching intention is lower when store image is positive, consumer’s value consciousness is high, consumer’s perceived variety of the retailer’s assortment is high. In the same way, store switching intentions are positively affected by PL purchase intention (figure 2).

Table 1. Significant results for 4 and 10 brands assortments

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>4 brands</th>
<th>10 brands</th>
</tr>
</thead>
<tbody>
<tr>
<td>(H1) STORE CH INT &lt;- STORE IMG</td>
<td>-0.393 (p=0.000)</td>
<td>-0.29 (p=0.000)</td>
</tr>
<tr>
<td>(H2) STORE CH INT &lt;- VAL CONC</td>
<td>-0.107 (p=0.048)</td>
<td>-0.107 (p=0.003)</td>
</tr>
<tr>
<td>(H3) STORE CH INT &lt;- VAR PERC</td>
<td>-0.207 (p=0.000)</td>
<td>-0.213 (p=0.000)</td>
</tr>
<tr>
<td>(H4) STORE CH INT &lt;- PL PURCH INT</td>
<td>n.s.</td>
<td>-0.067 (p=0.009)</td>
</tr>
</tbody>
</table>

n.s. - No significant

Figure 2. Relationship model
Store image and store switching intentions

The results allow the acceptance of the hypothesis H1, which established a direct relationship, with a negative sign, between positive store image and store switching intentions. So the more positive is the store image, the lower the intention of the consumer to switch stores. This relationship is confirmed for both, small assortments (-0.393; p = 0.000) and large (-0.29; p = 0.000). The intensity of this relationship is higher in small assortments.

The store image indicates the feeling of customers towards a store, being different positioning for each client. The literature supports the existence of the relationship between store image and store switching intentions. Thus, Wu et al. (2011) state that the corporate image is considered an important antecedent of store loyalty and brand loyalty, as it encourages repeat purchase and decrease store switching intentions. In this same vein, other studies show that store image is a determining factor in the competitive position of the retailer, to determine, among other things, store loyalty and reduce store switching intentions. When consumers perceive a positive store image, higher than its competitors, it is more likely they to increase their satisfaction when purchasing products there (Gomez et al. 2004), and is also likely they to remain loyal to the establishment.

Therefore, retailers try to develop strategies that enable them to obtain a positive image and differentiated from other competitors, which is what will allow consumers to distinguish from other stores (Ganesh et al. 2007). We can mention, as an example, the case of the German chain Lidl, which went from being seen on his arrival in Spain as a Hard Discount with a very limited assortment, to considerably improve its image among Spanish consumers, adding new brands, expanding its assortment and with a strong investment in television campaigns, to have been able to generate a positive store image, and not only among the “pure” PL finders, but even among the upper middle class.

Value consciousness and store switching intentions

Results allow to accept the H2 hypothesis, which proposed a direct relationship, with a negative sign, between value consciousness and store switching intentions. In both assortments, small and large, the value of parameter is the same, -0.107 (p = 0.005, for small; p = 0.003, for large).

The literature contains numerous works that argue that value-conscious consumers are characterized by providing a special concern for the quality they receive, within a certain price, when making a purchase (e.g. Thaler 1985; Zeithaml 1988; Lichtenstein et al. 1990). In this context, the literature suggests that there is a positive influence of perceived value on store loyalty (e.g. Chen and Quester 2006). In this sense, Gomez et al. (2011) confirm that the value consciousness plays a key role in the formation of loyalty, especially in the case of large buyers.
Value-conscious consumers are especially concerned about optimizing the value in their purchases. They seek alternatives until they find what they think gives them the most value for money. This tendency to seek variety is something inherent to the individual (Berné et al. 2005) and may be motivated by satiety, desire for novelty or curiosity. Because of this, these consumers seek diversity in their purchases as a way to meet these needs, while also serves to reduce the level of uncertainty. However, these consumers are also aware that the search for information and comparison, as well as diversity in shopping at a general level, involve an investment in time and opportunity costs (Marmorstein et al. 1992).

Perceived variety and store switching intentions

The results obtained allow accepting the hypothesis H3, which established a direct and inverse relationship between the perceived variety of assortment and store switching intentions. The relationship is slightly higher in large assortments (-0.207; p = 0.000 and -0.213; p = 0.000, for small and large assortments, respectively).

Academic research provides numerous empirical studies which show that consumer perception of variety with respect to assortment of a store affects the selection process, in addition to finding a positive impact between the perceived variety of assortment in a store and the store switching intentions (e.g. Hoch et al., 1999; Baker et al., 2002; Verhoef et al. 2007).

The range of assortment is a strategic element for shaping the store image, at the same time that allows it meet different needs and preferences of its customers (Dhar et al. 2001). This is considered as an important advantage for consumers, as it enables them to be more efficient in their purchases and to avoid travelling to complete their shopping basket, having to go to different stores. Considering Berné et al. (2001), consumers seek to minimize, for each movement in the purchase, the sum of the variable costs associated with buying a certain size of the shopping basket in different stores. Thus, with larger assortments consumers reduce the perceived costs related to the effort that represents each act of purchasing, seeing increase their convenience and satisfaction, which affects their intention to remain in the store.

PL purchase intentions and store switching intentions

The results obtained allow partially accept the hypothesis H4, which established a direct and inverse relationship between PL purchase intentions and store switching intentions. This relationship is confirmed only in large assortments (-0.067; p = 0.009).

We find numerous studies that indicate a positive relationship between PL and store loyalty. Thus, Porter and Claycomb (1997) conclude that a positive image of the PL helps companies become more competitive and also motivates consumers to repurchase the same PL, therefore to buy back in the same establishment. Allen and Rao (2000) argue that customer retention is caused by multiple factors, among which would be the perceived image of the brand. Corstjens and Lal (2000) state that the quality of the PL can be useful to generate differentiation between retailers and increase store loyalty. San San Martin (2006) states that when a client trusts the PL and the staff of a store, also will rely on the store itself, which will diminish store switching intentions. Martinez and Montaner (2008) suggest that Spanish consumers prone to PL are characterized by being loyal to the establishment. Paiva et al. (2012) argue that store loyalty is composed of affective
and cognitive loyalty. Cognitive loyalty is an effect, among other factors, of PL loyalty.

After years improving the quality, variety and image through a strong advertising investment, PL have managed to shorten the distance with NB, not only objectively speaking, but also in the assessment of consumers. If before PL were perceived as “the choice of those who cannot afford to buy something else,” they are currently associated with a smart shopping option. This strong commitment of retailers towards PL, coupled with an environment of economic recession that favoured changes in consumer habits and the fact that many consumers bought these brands for the first time, significantly increasing its presence in the shopping basket, it has allowed a learning process based on personal experience and facilitated a better understanding and familiarity with these brands. Once consumers experience PL, many of them continue purchasing those later (Labeaga et al. 2007).

This change has not occurred only in perception of consumers, but also affects their buying behaviour and the decision-making process. Consumers no longer purchase PL as an option positioned exclusively on price, but they do aware of its value and, therefore, as a preferential option that provides balance price/quality, in addition to guarantees which are strengthened by the learning process and the self-image of the retailer. Many PL are already so deeply rooted in society that are perceived as if they were NB, with a different positioning and addressed to different consumer segments. PL as Aliada, SeleQtia or Hacendado (brands of Hiperco, Eroski and Mercadona, respectively), have their own image among consumers, many of whom visit their stores specifically looking for these brands.

That is, PL serve currently to differentiate and position the store image, which is consistent with investigations such as Bigné et al. (2013), whose results demonstrate the importance of strengthening a positive and favourable image of PL, as a means of building a strong store image, which, in turn, also affects value creation for the store. Therefore, PL become an instrument of store loyalty for retailers who promote them in order to increase loyalty to their establishments, since that can only be acquired in these. In this sense, we argue that PL may help to increase traffic on the store and to improve consumer loyalty by offering exclusive ranges that are not found in other establishments.

Consumers who intend to buy PL in retail stores with a wide assortment (e.g. Hiperco), have a high level of commitment and loyalty to this retailer PL (it is usually because it is PL with a higher level of reputation, given the good image of the retailer that markets them). These customers have a higher level of loyalty to these brands that consumers who buy PL in chains with small assortments (e.g. supermarkets), since they are not faithful to a certain PL, but to the PL in general, so they can find other stores with PL that best fit their demands, which favours their store switching intentions.

Conclusions and managerial implications

Results show the existence of a relationship between the four variables analysed – value consciousness, PL purchase intentions, perceived variety of assortment and store image- in large assortments, and the same results in small assortments with the exception of PL purchase intentions, which is no significant (table 2). The most important variables in relation to store switching intentions are perceived variety of assortment and store image.
Table 2. Intensity of the relationship of the variables regarding the store switching intentions in different sizes of assortment

<table>
<thead>
<tr>
<th>Size of assortment</th>
<th>Value consciousness</th>
<th>PL purchase intentions</th>
<th>Perceived variety of assortment</th>
<th>Store image</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small</td>
<td>Moderate</td>
<td>n.s.</td>
<td>Moderate</td>
<td>High</td>
</tr>
<tr>
<td>Large</td>
<td>Moderate</td>
<td>Moderate</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

n.s.- No significant

From the results obtained in this research can draw different managerial implications, especially for food based retailers.

Regarding store switching intentions we can state that value consciousness has a moderate role in all sizes of assortment. The results indicate that consumers concerned about achieving a good balance price-quality are not loyal to the store simply by offering a larger assortment. That is, as from a certain size of assortment, in which consumers feel they can make enough comparisons and evaluate alternatives, the fact of including more brands does not result in lower levels of store switching intentions.

Since the PL has significantly improved its image, providing assurance and confidence to customers, it is reasonable to think that when consumers have a wide assortment in the store, where they can find their favourite brands, its intention to change establishment will be less, also favouring this circumstance the need to spend less time searching for information. Moreover, comparison of actual savings resulting from the fact of selecting one or another brand is a simpler process when the consumer is in its usual store, even more so considering that may only be acquire in the stores of this retailer. Therefore, we believe that value consciousness of consumers decreases their store switching intentions, as long as the store provides wide assortments and the buyers perceive that adds value to them, particularly as long as the consumer finds assortments composed of brands with different prices and qualities.

In relation to PL purchase intentions, our results do not support PLs ability for generating a genuine consumer loyalty towards them, nor towards the store itself. Although it is true that PL has significantly improved its image in recent years, we believe that it has not yet reached the level of emotional attachment that certain NB have developed. While many consumers buy PL, it does not necessarily mean they are loyal customers. Therefore, retailers must find a balance in the assortment sought by its customers, strengthen relationships with them and improve their image to attract customers, rather than basing their strategy in developing loyalty through its PL. From the results, our recommendation for retailers is seeking a balance between PL and NB, so that consumers perceive enough variety to know that they can choose between different products to meet their needs, without changing establishment. It is important to further improve both the quality of the PL as its image through promotional campaigns, expansion into new product categories and segmentation strategies based on prices and the benefits sought, that can reach to different types of consumers, and the excellent opportunity of interaction with customers at the point of sale. However, retailers who bet on PL should continue providing value through them, but without disregarding the price is still a determining factor.

The two most important elements to build customer loyalty are the perceived variety of assortment and a positive store image. The perceived variety is especially relevant in the case of large assortments, as this factor is one of its hallmarks and one
of the main reasons why consumers go to these stores, in addition to its good image. *El Corte Inglés*, to take one example, brings together two concepts, variety of assortment and a good store image among consumers. Its strategy to cover large needs and to create a memorable consumer experience among its customers by offering a wide range of services, have generated a sense of pride among its customers, improving their level of store loyalty.

It is noteworthy that the relationship between store image and store switching intentions is greater (in absolute value) when it comes to small assortments that when they are large. This could be caused by that stores offering assorted small generally correspond to retail formats like supermarkets, closer to consumers and towards whom these often develop more intense loyalty or, at least, in terms of repetition purchase (even in cases where this could occur for convenience or routine, and we were talking about spurious loyalty or inertia). In any case, it seems reasonable that consumers who are familiar with a particular store and have a positive image of this, intend to keep going to it for their purchases.

Limitations and further research

This research is not exempt from some limitations. First, research has been limited to Spanish context. Thus, it would be interesting to conduct this study in geographical contexts different from Spanish, greatly influenced by the intensity of the economic crisis in recent years and the high market share of the PL. Secondly, the methodology based on an online experiment, with its advantages and disadvantages. Third, we do not differentiate between high and low value PL. It would be interesting to know the influence of brand equity in consumer behaviour. Finally we do not include only-PL assortment which may be interesting according to the strategy followed by some retailers in relation to assortment size and composition.

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Abstract

The increase of store brands (SB) in the market is becoming more pronounced, with a SB share in the Spanish market of 52% in 2015. This, added to the change in consumer perception towards store brands, which are perceived cheaper and with a similar quality to manufacturer brands (MB) (Puelles & Puelles, 2011), has determined the study of the buying decision process when comparing SB and MB food products. To this end, the used methodology has been an exploratory qualitative research. By means of six discussion groups with private label consumers who buy in different supermarkets, has been identified some factors and variables that influence the purchasing of SB vs. MB. The findings, following the model of Santesmases (2004), confirm that the consumer uses very similar evaluation criteria to compare SB products and MB products, while criteria such as price are not part of the evaluation when comparing different private label food products. The main conclusion is that situational determinants, price and perceived quality are the purchasing key drivers when comparing SB and MB food products.

Key words: store brand, manufacturer brand, buying decision process, perception.
1. INTRODUCTION AND CONCEPTUAL FRAMEWORK

Store brands food products, from now on SB, disposed for sale in the distribution channel, are becoming more and more numerous and their consumption is gradually growing.

This growth has been continuous in Spain, rising from 39% SB volume share in 2009 to 52% in 2015, holding second place in the European ranking, according to data collected by Nielsen for PLMA (Private Label Manufacturer Association).

In the food sector, SB market share in Spain, excluding beverages, reached 40.1%, with a 1.3 points growth compared with the previous year (Nielsen Annuals, 2010 y 2011).

For its part, according to “Competitive Assessment of the Spanish Food Supply Chain” study by Battle Group, purchase frequency in large supermarkets has increased and we can observe a greater SB’ participation in this kind of commercial format, reaching rates of 50.3% in 2010, compared with 24.2% and 35.8% participation in hypermarkets and small supermarkets respectively. According to data published by Kantar Worldpanel, in 2012, LIDL and Dia reached 80% and 55% SB participation respectively, which confirms store brands proliferation depending on commercial format, being their increase in sales connected with the growth of household shopping in discount stores.

Some authors expressed interest in the space dedicated to SB in sales establishments' shelves, arguing that sales increase of these brands might be due to the greater space they occupy in shelves compared with the space manufacturer brands occupy (Agustín e Iniesta, 2001). This is confirmed by Gómez and Rozano (2009), when they compare shelf space reserved to different categories of SB food products in many supermarkets and state that Mercadona’s private labels (Hacendado and Bosque Verde) occupy a far greater space than manufacturer brands.

As has been observed, the increase of store brands in the food sector in Spain is remarkable. This is what Puelles and Puelles (2011) argue and defend when they state that in the last few years, with a recession economic situation, SB market share has increased and can be observed a change in consumer’s behaviour, who perceives that SB have a better price and the same quality as manufacturer brands, from now on MB.

Therefore, we have considered interesting to analyse, from a qualitative perspective, consumer’s buying decision process for food products, specifically in reference to brand, i.e., if these products are store brand products or manufacturer products. Thus, the main objective of this analysis was to identify the drivers the consumer considers when he has to select between a SB food product and a MB food product.

2. LITERATURE REVIEW

Loudon and Della Bitta (1979) define the consumer’s behaviour as “the decision-making and individual physical activities process where acquisition, assessment and economic use of goods and services are involved”.

In this sense, the buying decision-making process is based on the appearance of a necessity; followed by an information search, to, after that, proceed with the assessment of the different buying alternatives. After this phase, the choice will take place, as well as post-purchase feelings.

From this simple model, focussed on the appearance of a necessity, various authors such as Howard and Sheth (1968), Engel, Kollat and Blackwell (1968), Bettman (1979) and Assael (1982) included consumer’s internal and external variables, and even marketing variables (Santesmases, 1991), to try to explain consumer’s behaviour. External variables that affect purchasing
behaviour are determining factors that surround the individual and, therefore, have some effect on his conduct. Some of these variables, according to Santesmases (2004), belong to the macro-environment – economy, environment, technology and culture and can affect both the market and the consumers.

2.1. Variables that affect the decision to buy store brands food.

Following the model of Santesmases (2004), the economic environment is an external factor that affects the buying decision and is one of the factors which most seems to have influence on the decision to buy SB products. Historically, difficult economic conditions proved to be a determining factor for the growth in the consumption of such brands (Herstein, 2007; Pandey, 2010; Alarcon del Amo et al. 2013).

For their part, other external variables such as reference groups, family or friends, affect beliefs and attitudes, regulating individual’s behaviour (Assael, 1998), who is different depending on his susceptibility to the influence of the group. In this sense, Ailawaldi (2001) postulates that individual’s compliance towards SB purchasing depends on the importance the subject gives to social influences in the SB purchasing process. Likewise, Tran et al. (2014) recently demonstrated the existence of social groups’ influences over the consumer’s purchase intent when he compares MB and SB.

On the other hand, the literature review, despite the lack of unanimity, allows us to conclude that personal characteristics (Baltas, 2003; Martinez and Montaner, 2008; Martos and Benito, 2009; Manzur et al., 2009), perception, experience and attitude (Richardson et al., 1994; Baltas, 1997; Sethuraman and Cole, 1999; Garretson et al., 2002; Gonzalez et al., 2006; Glynn and Chen, 2009; Manzur et al., 2009; Beristain 2010) are the internal variables that affect SB products consumer’s behaviour.

In relation to personal characteristics, there aren’t significant differences in the SB purchase depending on consumers’ age (Baltas, 2003; Martinez and Montaner, 2008), as the generic products’ consumer is placed in a wide range of ages – from 26 to 55 years old – according to Herstein (2007).

In the late 1970s and early 1980s, the most common opinion, endorsed by various authors such as Zbytniewski and Heller (1979), Granzin (1981) and Wilkes and Valencia (1985), was that households with more family members were the most interested in generic products, as their acquisition allowed them to save in food expenditure. Nevertheless, household income happened to be an interesting variable, since, contrary to what was expected, middle-income households revealed they were prone to buy store brands (Zbytniewski and Heller, 1979; Sethuraman and Cole, 1999). This concept seemed to contradict the stereotype of the private label products consumer characterised by a low income (Prendergast and Marr, 1997).

Likewise, other studies demonstrated that middle and middle-high incomes consumers have a higher propensity to SB (Baltas and Argouslidis, 2007; Herstein, 2007), as well as higher social classes (Baltas, 2003; Baltas and Argouslidis, 2007; Martos and Benito, 2009), unlike what might be expected, thus breaking the old stereotype of the generic products consumer.

With regard to education, most recent studies carried out in Europe identify a greater propensity to buy SB products in consumers with a higher education level (Herstein, 2007; Baltas and Argouslidis, 2007; Martinez and Montaner, 2008). Neither in the investigation undertaken by Abril et al. (2009) where SB regular users’
profiles are analysed and classified in three classes depending on their SB’ perception, significant differences among the three groups can be found according to socio-demographic variables.
In conclusion, it seems that any consumer is likely to buy SB products if we consider age, social class, education or income. For this reason, this investigation does not analyse consumers’ purchasing process depending on their socio-demographic differences, but on the contrary, it focuses on identifying the variables that affect this process and the decision to buy a SB food product or a MB product depending on the various features that define the product.

3. METHODOLOGY
Qualitative research can be defined as “the set of all the things done to track markets and detect the features which characterise people and things – products, goods, services, activity sectors – , their properties and attributes, whether natural or acquired” (Baéz and Pérez de Tudela, 2007). On his part, Llopis (2004) based qualitative method on the fact that “the social world is made of meanings and symbols”, which determines procedures to use for its decoding and understanding. Thus, qualitative methodology allow us to understand buying experiences and phenomena connected to marketing, which contributes to a better understanding of consumer’s behaviour from an interpretative perspective (Shankar and Goulding, 2001). In this sense, the aim of qualitative research in this investigation tries to deeply understand food products’ buying decision process. For that purpose, we considered using discussion group qualitative technique, or focus group, since it is the technique that studies individual’s manifestations as social discourse reflections and not as individual opinions (Baéz and Pérez de Tudela, 2007), while its goal is to get to know situations, problems or phenomena deeply (Grande Esteban and Abascal Fernández, 2007).

With this aim, qualitative research – focus group – was conducted following Santesmases’ (2004) buying decision process phases. In this way, analysing consumers’ stories and speeches when being asked about their reality when buying either SB or MB food products, we could identify the factors that influence the choice to buy the former or the latter.

3.1. PARTICIPANTS
We use a 48 informers sample divided into three discussion groups, being each group constituted by 8 participants. The number of participants for each group was chosen according to scientific literature (Fern, 1982, Merton et al. 1990, Báez and Pérez de Tudela (2007), which considers 6 to 10 participants the optimal group size for moderator management to be effective (Llopis, 2004). Participants were consumers living in Zaragoza city, with a B (high) and C (medium and medium-high) Esomar1 socio-economic status, aged between 29 and 65, all SB food products regular buyers.
Similar age ranges groups were performance to avoid lack of dialogue due to generational gap (Baéz and Pérez de Tudela, 2007). Thus, three consumers discussion groups aged between 29 and 45 – youth group – and three groups aged between 46 and 65 – elderly group – were created.
Informant selection was made through a non-randomised sampling for convenience or type, participants being selected for their accessibility or for fulfilling specific

1 ESOMAR Socio Economic Status (SES), determined by the socio-economic classification matrix, obtained from these variables: main householder’s education level and occupational category.
conditions for the study (Quintana A., 2006; García Ferrer G., 2002; Morales and López, 2008).

3.2. DISCUSSION GUIDE AND MEETING REGISTER

To carry out the group session and for subsequent analysis, necessary tools such as the session guide and the recording equipment (Morales and López, 2008) were taken into account. In this sense, a discussion guide with open questions sufficiently specific to achieve investigation’s objectives was developed (Greenbaum, 1998) with the aim that informants can talk freely and say whatever they feel. Firstly, the group talked about food buying reasons, kinds of food products bought depending on buying circumstances and places, in particular with regard to store brands such as Hacendado, Alcampo, Carrefour and Día. Subsequently, the researchers asked about the kind of search for information made when buying food products, for then investigate the valued factors in the assessment of different store brands in food product buying. Lastly, open questions connected to the final buying decision and post-buying feelings that go with store brands food product’s consumption were added.

Meetings were carried out in a conditioned room with an ambient microphone and a video camera, which allowed audiovisual record in AVI format.

3.3. DATA ANALYSIS

Considering that qualitative research pays attention to verbal data, narrations and stories, its analysis focuses on discourse, whether on what it is said – content and locutive aspects – and on the way it is said – tones used and illocutive aspects and the way it is expressed or perlocutive aspects –. In this sense, data analysis employed inducement to describe general behaviours from individual discourses (Baéz and Peréz de Tudela, 2007), produced in the same context and on the same subject (Morales and Peréz, 2008).

In this way, each general interpretation obtained from the informants’ replies was categorised depending on the buying decision process phases – the backbone of the qualitative guide –, and was illustrated with the incorporation of the literal transcriptions of participants’ interventions – verbatims –.

4. RESULTS

In the buying decision process of any product, consumer sequentially moves through a series of phases, with more or less intensity depending on the type of the purchase in question. In this sense, qualitative analysis was developed following the buying decision process phases established by Santesmases (2004) and considering that, the difficult in the buying decision of food products is low, since they are frequent and repeated purchases with a low consumer’s engagement.

4.1. Appearance of the necessity

The appearance of the necessity originates the buying decision process based on individual’s motivation. Since this is what impulse the individual to obtain what he wishes, the motivation towards food products buying meets the basic need to stock up on food to survive. Thus, the main reason that leads individuals to make a food purchase is to obtain products which serve as nutritive substances and, therefore, enable them to survive, as a participant explains: “Why do I buy food products?… To survive. Because I need to feed me….” As expected, it is such an individual’s
motivation towards survival that food products purchase correspond with the physiological necessity of eating, as Maslow’s necessities classification (1975). See the following literal speeches: “you buy food because you have to eat. If you don’t eat, you die” and “we feed ourselves to live. And for this reason we have to buy food.”

On the other hand, the fact that, nowadays, consumers cannot stocking up in-house production food has consequences on the necessity to go to a commercial establishment to buy such products. In this sense, informants state that, nowadays, it is impossible to provide food without going to a supermarket. This is reflected in the following discourse: “If you haven’t a vegetable garden, neither cows, nor hens… So?… Well, maybe people in the past could survive with what they had planted in the field… but this no longer exists. Now everyone goes to the supermarket.”

In this sense, retail comes to be a fundamental point in the food buying process, being commercial distributor and the products he offers a decision-making factor in the process.

Furthermore, when buying food products, the individual has different psychological motivations depending on the circumstances he founds himself. Thereby, informants consider that the buying of certain food products depend on how they will be used. This matter can be a situational determinant, i.e., how, when and where a product will be used, bought or consumed, as the product’s benefits can be perceived differently whether we are in one situation or another. Miller and Ginter (1979) demonstrated that the selection of the restaurant to go to eat largely depended on whether it was a weekday’s meal or a family meal, varying the importance given to the attributes of each restaurant depending on the current situation.

In this sense, if food products are part of a meal with family or friends, or if it is a party or a celebration, consumers recognize that it is common to buy delicatessen products. See the following speech fragment: “For everyday meal you buy standard products. Something different is when you celebrate an event or you invite someone to your home. For Christmas, New Year’s Eve… dinners with friends… For that, you buy better and more special products… jabugo ham, sirloin, foie, seafood….” This kind of motivation reflects, on one hand, esteem and social status priority for the individual (Maslow, 1975), who needs acceptance, esteem and appreciation, and, on the other hand, the necessity to buy selected food products, result of the situational determinant depending on how you will use such product.

4.2. Search for information

Once the need to purchase food products is raised, consumers initiate the second phase in the buying decision process: the search for information. This phase implies the collection by the consumer of external information regarding what he wishes to buy. This can be more or less deep or even inexistence, depending on the consumer’s experience and level of the involvement in the purchase. In this sense, the lesser the implication in the purchase of the product, and the more routine it is, the lesser the search for external information is (Howard and Sheth, 1969).

With regard to food products, consumers who usually do the shopping state that they do not previously search for information about the products they need, since they consider unnecessary to seek out information on ordinary products that they feel familiar with since they buy them frequently. However, it is not the same when they buy delicatessen products to be used in lunches or dinners with guests. In such cases, we have a purchase with a greater involvement and with a greater
risk perceived, both for the price destined for it and for the consumer’s emotional component. Therefore, it demands a more active and deeper search for information, which increases the lesser the consumer’s buying experience is. This is reflected in the following speech: “when I first bought Cascajares I investigated very much. As they are so expensive ready meals, I couldn’t trust them. I got on the web, I looked for opinions on the Internet, I asked people I knew if they had tried… Finally, I saw it in the supermarket and I decided. Now I’ve been buying it for New Year’s Eve for two years.”

In this sense, consumers who search for information about delicatessen collect information about price, brand, raw material origin and, if they are ready meals (pre-cooked or cooked) they gather information about the composition – ingredients used in their cooking –. This search is generally made through word of mouth or on the product manufacturer’s web page, blogs or forums on food and cooking.

Even if consumers do not carry out an active information search about basic products’ characteristics, the current economic context has meant that more sensitive to prices and promotions consumers, regardless of the product category, search for information about the price in the point of sale, as a consumer explains when he says: “I pay attention to price, I won’t lie. Nowadays you look at the price and make comparisons between supermarkets. I like to know where the cheapest one is and where more offers are made.”

For its part, when it comes to buying green products or special foods, such as those targeted to infants or people with special physiological conditions – diabetics, coeliacs, etc. –, the search for information is intensified. The functional risk of buying a food product unfit for their nutritional needs increases its implication in the buying process, as Assael (1998) describes. Thus, consumers search information about price and food composition, checking on the label if they are suitable for their special nutritional needs.

Finally, it is important to note that information on food products in the market, either SB products or MB products, is mainly obtained in the points of sale while buying, through word of mouth or advertising, as a consumer states: “it is in the market where you find out. You’re buying and you see if there is a new product… Sometimes you didn’t see it, but someone who has proved it tell you about … And also, there are others that appear on the TV.”

4.3. Evaluation of alternatives
The evaluation of alternatives is a fundamental phase in which the consumer evaluates purchase options for a food product, either basic or selected, depending on the desired benefits. In this sense, despite the findings obtained on buying motivation for selected products, the present study have not been deepened on the following phases of the purchase process for such products, because they are not object of this analysis. When consumer has to buy any basic food product, regardless of the category, he spontaneously states that products evaluation depends on quality and price.

It can be said that price represents a fundamental utility for the consumer, who wishes a product with an attractive and economical price. When evaluation the price, consumer compares different brands, being these SB and MB, of same class products.

In this way, the consumer makes comparisons between products belonging to the same class and with the same price range, avoiding the comparison with gourmet products. This is reflected in the following speech: “When you do the shopping you compare the prices of..."
different brands. You pay attention to which is the cheapest one, which is on sale… Eventually, you observe the differences between one brand and another….”

In this sense, consumers state that SB products’ prices are becoming increasingly similar, and differences neither in price nor in quality can be found, unlike what can be perceived when comparing MB and SB products, where price appears to be the distinctive attribute in favour of SB. This opinion is observed in the following speech: “when comparing private labels there is not a big difference in the price. There is a bigger difference in quality; there are private labels with higher quality than others. However, between lifetime brands (leading brands) and private labels there is a price difference, the purchase will be significantly cheaper if you buy private labels.”

These findings are linked with the investigations carried out by Baltas (1997), Prendergast and Marr (1998), who see in more price sensitive consumers a greater propensity to buy SB products, as they are the cheapest price alternative compared to MB products.

Thus, price difference between MB and SB is perceived rather pronounced, especially for more price sensitive consumer, who value discount MB positively: “I pay more attention to leader brands price, those that are not private labels. I look for discounts. When there is a two-for-one offer or a 70% discount in the second product, I buy them because they are generally much more expensive.”

For its part, talking about quality and according to Steenkamp (1990), the perceived quality of a brand depends on some intrinsic attributes which cannot be modified without physically altering the product – taste, smell, composition, appearance and texture –, and others, extrinsic, which are not part of the physical product – price, design, brand or store image –. In this way, the perceived quality of a food product is the sum of the consumer’s attitude and perception towards its intrinsic and extrinsic attributes, depending on situational and personal factors of the purchasing context.

In this sense, if we ask a consumer what he means by quality in a food product, he answers mentioning attributes, both intrinsic and extrinsic, as it can be seen hereafter: “I mean that quality, of course, is when a product is good, tasty, looks good… if it is not so, bad. Also the brand influences the evaluation. There are brands that you know they are good, these are better-quality brands. There are others unknown brands…, as some private labels that you see in the supermarket and, depending on how they look, you take a chance or not. When the packaging seems shabby, it gives the impression that it will be bad.”

Thus, historically, trust placed in SB products has been better than that placed in MB ones, as Bellizzi et al. (1981), Hawes et al. (1982) and Cunningham et al. (1982) explain.

Nevertheless, although a quality food product is the one that “is good, tasty and looks good”, considering quality according to attributes such as taste, smell, texture and physical appearance, consumer also refer to the “good or bad” a brand is according to advertising or what they have “heard”. This is true, especially, when talking about SB products.

Thus, the more advertising a food brand makes, the greater the knowledge consumer has about it, and the greater brand prescription through “word of mouth” is, the bigger its reputation is. This demonstrates, as Cunningham et al. (1982) show, that when comparing between MB products and SB products, the latter have been in inferior conditions regarding to packaging, advertising and brand awareness. However, currently, it seems that “word of mouth” has consequences on SB’ reputation, positive or negative. In
this sense, see the following statement: “if everyone speaks well of a brand is because it’s good. This is what happens with Hacendado, everyone says it’s the better private label. Whatever is Hacendado is good... It’s a highly renowned brand.”

In that way, with a communication strategy based on public relations through events with potential customers, where products' promotion in client meetings is very common and mass media advertising is nothing usual, SB management achieve that reputation and brand notoriety have an impact on the perceived quality of their products.

Concerning the packaging, consumers perceive that SB products with more modern packaging design, with different colours, easy to open and with characteristics similar to those of MB products, have a higher quality than private labels with slight differentiation in packaging. This is evident by group consensus when affirming that: “For me, Hacendado is better than Auchan, has better quality..., products are more attractive and more modern designs... This brand take care of its image, their products look different...”

Thus, it seems that SB’ greater success depend on a product’s better quality and a minor perceived quality difference when compare to MB (Hoch and Banerji, 1993; Batra and Sinha, 1999; Salvador et al., 2002; Glynn and Chen, 2009).

Furthermore, talking about quality, consumers argue that, in addition to the mentioned attributes, SB with a greater assortment have higher quality, since the product breadth and its depth are attributes that generate perceived quality. This is reflected in the next discourse: “If I compare Auchan and Mercadona products, actually, Mercadona ones seem to me better. Hacendado is better than Auchan, among other things, because Hacendado has it all. Mercadona focuses on his brand and that is why it has a wider variety. His brand is really good, because they focus on their brand; they only sell their own brands.”

Based on the above, we can concluded that, when assessing SB food products’ perceived quality, these are evaluating to the same quality criteria as MB products, in terms of taste, smell, appearance, brand and packaging. As exception criteria we can find price, not perceived as a differentiating element between SB products, and variety as a potential extrinsic quality attribute for SB products.

4.4. Purchase decision

After evaluating alternatives, consumer choice to buy a product or another, or not to buy it. When deciding whether to buy a SB product or a MB product, informants, consensually, recognise that the price factor is determining, being this more attractive for the former than the latter. This core idea was confirmed in the study carried out by Glynn and Chen (2009), that verifies that the larger price sensitivity and the lesser quality difference between SB and MB are, the greater the tendency to SB is.

In this sense, it can be said that perception towards price and towards product’s quality are determinant factors in the purchase of a SB or a MB. However, concerning the purchase of different SB, the perceived quality of intrinsic and extrinsic attributes of the products is the factor that determines the purchase, since, as an informant states: “price among private labels is very similar. Sometimes you buy ones and other times others... the fear of trying private labels has been lost.” Thus, the individual considers buying any option of SB, as long as sufficient quality of the product is perceived, price not coming into play.

However, as Shiffman and Lazar Kanuk (1997) state, sometimes, perceived quality is exclusively based on product’s

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2  Hacendado: Mercadona insign’s food products private label.
3  Auchan: Auchan group’s private label, commercialised in Alcampo and Simply group’s chains.
extrinsic stimulus, as it is impossible to assess product’s intrinsic factors during the purchase. It is in these cases when consumer assesses perceived quality according to attributes such as packaging, variety, brand reputation, and the good or bad he thinks the product is.

For its part, it must be noted that there are other variables such as food use situation or the context surrounding this use, which determine the purchase of a product or another, as an informant states: “for everyday use you buy standard products. But, other times, you buy label and more expensive products (MB). Depending on if you have a whim for something in particular. If I buy chocolate, I buy Lindt… but for making pastry, I don’t care, I buy private labels and they are just as good. It’s like when you have dinner guests. In this case, when you buy beer, chips and other stuff, you buy branded ones (MB).” Consumption context (Miller and Ginter, 1979), in this case everyday use or special situation use, seems to be a determinant factor in the purchase of a MB product or a SB one.

In conclusion, in the absence of situational determinants, the main driver to choose a SB or a MB product is the perception of a similar quality between them, added to an attitude of rejection towards the higher prices of MB products compared to private labels; whereas the buying decision between different SB is exclusively determined by the perceived quality. Thus, quality perception depends on packaging, brand reputation, variety of the assortment and “the good or bad you think it is”, i.e., the food product’s perceived sensory quality.

4.6. Post-purchase feelings
Once you purchased the product, post-purchase feelings arise, and these may be positive or negative depending on the consumer’s satisfaction or dissatisfaction.

Rao and Monroe (1988) demonstrated that experience provided information and knowledge on the product, so that consumers used it to assess its quality. For the consumers who buy SB, its sensory quality determines their post-purchase feelings, being satisfactory when the product is value positively in relation with its taste.

In this sense, consumers recognise that the satisfaction when using and trying the product has a direct impact on the repeat purchase behaviour. On the contrary, if when trying the product the taste is not value positively, an attitude of rejection towards such product arises, feeding back into a non-repetition purchase. See the following speech: “I’m clear, if I try a private label product and I don’t like it, I won’t buy it anymore. I buy products I like. That happens to me with Carrefour, I absolutely don’t like Carrefour’s gazpacho. When I wish gazpacho, I have two options, not to buy gazpacho this day or go to Alcampo, since Auchan’s gazpacho is the one I like the most.”

With regard to post-purchase feelings, it seems that these affect the attitude towards SB’ perceived quality, in the sense that the more positive sensory experiences a consumer has with a specific SB food product, the more positive his attitude towards such brand is, and vice versa. This is reflected in the following speech: “Originally, I bought everything at Mercadona and one day I went to Dia, just to try…. There are things in Dia I don’t like, as in Mercadona. But Dia’s yoghurts and dairy products are great… now I buy at Dia and at Mercadona, in my opinion both have a good private label.” For its part, this also means that consumers’ perception towards SB and MB products’ quality is increasingly similar, arguing that the taste and aspect of higher quality SB are very similar to those of MB.

For his reason, consumers that are more
likely to buy SB seem to be those with a higher level of experience, who, according to Dick et al. (1995), use it to understand that SB have a higher quality one might expect in the absence of purchase experience.

In short, it seems that with a greater purchase experience for a specific SB, the assessment given to its products' quality is higher and, thus, the propensity to repeat the purchase is greater.

5. CONCLUSION
Even though SB are considered to be the most viable economical alternative, as Pons (2009) states, this is not the determinant factor on its own. For the sample consulted, use or consumption context affects the decision to buy between SB's and MB's. Given such distinction, it can be said that the lower the implication and the more routine the product's purchase, the lower the external information search about the product is done. However, the higher the implication depending on use or consumption contexts, so that a higher perceived risk exists, the information search is more active and deep, raising the lower the consumer’s buying experience is. In this sense, information about price, brand and, elaboration and composition, in the case of prepared food, is collected.

In the comparison between SB and MB products, price is compared, whereas the comparison between different SB labels is not so much based on price as on the other perceived quality attributes.

In this line, when comparing products of different SB, brands with a wider product assortment are perceived of higher quality, since breadth and depth are attributes that generates perceived quality. Likewise, the more modern and attractive the SB products' packaging, the higher the perceived quality is, moving away from other private labels which are perceived of low quality, due to their lack of differentiation.

In addition to the above, it must be said that the reputation of a MB product is strongly influenced by the advertising carried out by the brand, which is not the case for SB, which base their communication strategies on different public relations tools. Thus, advertising of their products through customer meetings is a regular action, promoting a word of mouth effect which causes a better reputation for the brand, what decisively influence the perceived quality of their products.

Therefore, it can be stated that, when evaluating food products’ perceived quality, SB and MB are evaluated under the same criteria – taste, appearance, packaging and brand reputation –, except for the price, which is not perceived as a distinctive element between SB products, and for the assortment as a potential SB products’ extrinsic quality attribute.

As a result, it can be concluded that price perception and product’s quality perception are decisive factors whether to buy a SB or a MB. However, with regard to the buying of different SB, it is the perceived quality of product's intrinsic and extrinsic attributes what determines the purchase.

In conclusion, in the absence of situational determinants, the decisive aspect to buy either SB or MB products is the attitude of rejection towards MB products' higher price compared to SB and the perception of an increasingly similar quality between them. Deduction aligned with the demonstration carried out by Tran et al. (2014) that the greater the difference perceived between SB and MB, the lower the intention to buy a SB is.

For its part, the decision to buy either a SB or another is exclusively determined by the perceived quality, which depends on packaging, brand reputation, assortment and perceived sensory quality for the food product into question.

In this sense, post-purchasing feelings have an impact on food products’ quality.
perception, especially on SB, so that the real experience with the product affects SB quality assessment.

6. FUTURE RESEARCH LINES
This analysis allowed us to identify product’s intrinsic and extrinsic attributes – packaging, assortment and taste – as variables that affect SB products’ buying decision process. Thus, a future line of research may deal with the study of the importance of these attributes when assessing different store brands, in order to find out if, indeed, attributes that define perceived quality have the same weight when different store brands are assessed or the importance varies depending on the brand in question.

For its part, and in accordance with the investigation carried out by Vahie and Paswan (2006), who demonstrates that store atmosphere affects the store brands’ perceived quality, it could be very interesting to demonstrate how the store’s own characteristics, especially breadth and depth, may be involved in the SB’ perceived quality.

7. IMPLICATIONS FOR BUSINESS MANAGEMENT
It should be said that, since quality assessment of the various SB submits to criteria related to product’s intrinsic and extrinsic attributes, and not to price, distributors should bear in mind that, when they are managing their brands, differentiation through packaging, product assortment and brand reputation are decisive aspects to become more competitive.

Likewise, this study allowed us to learn that a positive sensory experience with a food product has a positive effect on the perceived quality of the SB that sells it, so that the SB products sampling in the store itself is a useful tool to increase SB’ purchase repetition and, therefore, fidelity towards the distributor brand.

8. BIBLIOGRAPHIC REFERENCES

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How the environmental complexity affects forecasting in retail? Actual research trends

Abstract

Purpose: The aim of this work is to highlight the impact of complex environments on forecasting activities in the retail sector.

Design/Methodology/Approach: This work is based on a bibliometric analysis of the publications on complex environments and forecasting in retail, examined through the adoption of a web-based social network analysis (SNA) on the citation data.

Findings: The paper shows the last research trends in multi-factors forecasting in retailing, from which it emerges that when market complexity increases, new forecasting tools should be developed with the aim to make linear the relationship between complexity and optimization of forecasting models.

Research implications: The study highlights the inherent limits to forecasting, showing that an evolution of forecasting methods is necessary and the complexity science should be seen as opening up new paths to reveal important insights to assist decision-making.

Originality: The work provides an original interpretation of the research trends presenting the inverse relation between the complexity of the environment and optimization of forecasting plans.

Key words: Complex environments, forecasting, retail, bibliometric analysis, social network analysis.
1. Introduction
The worldwide economy is characterized by high levels of complexity that affect how activities are managed to achieve competitive advantage.
In the systems theory, complexity derives from three dimensions: variety, which is the possible variations with which the phenomenon presents itself to the observer, or better, the number of variables; variability, each variable is not stable but changes over time creating additional variety; and indeterminacy, which is the impossibility for the observer to understand the phenomenon in its entirety.
In management literature, authors often distinguish between internal complexity, which depends on the size of the company, the number of its components, the variety of social roles and personalities; and external complexity, which depends on the variety and variability of the environment in which a company operates. External complexity is the hardest to manage because it depends on variables that are not under the control of managers. Moreover, it continues to rise due to the continuous changes in consumption and communication, climate change, economic and political instability, transnational competition in the global marketplace, among many other factors. This creates dynamism in markets that are not simple to interpret, analyze or predict, making forecasting activities and marketing strategies difficult, particularly in the retail sector where complexity affects decision-making processes from store organization to supplier and customer relationships.

The ineffectiveness of traditional forecasting plans is partly due to the inability to predict in environments that are near the edge-of-chaos (Kurtyka 2000), because the system is continually and unpredictably changing, and managers have to continually obtain new information to understand the environment; any plan is therefore obsolete before it has been fully implemented (Mason 2007). Traditional forecasting techniques are often based on: (1) information that is obsolete by the end of the planning process (Loewen 1997; White 1998); (2) the assumption of a stable environment (Volberda 1997; Chakrarthy 1997); (3) the assumption that the firm can, to an extent, control its environment (Cravens 1991, White 1998). It is, therefore, necessary to develop new forecasting methods more suited to the current complex markets.

Focusing on the retail industry it becomes challenging forecasting its activities, especially considering that nonfinancial information on environmental changes is hardly provided (Harrauer and Schnedlitz 2015). At the individual level, Harrauer and Schnedlitz (2015) found that retail managers accept and regularly apply performance reports as information sources in each context. Especially, turbulence and unpredictable events drive store managers to demand more flexible performance-reporting procedures (Harrauer and Schnedlitz 2015). Based on these considerations, the aim of this work...
is to analyze actual research trends in retailing multi-factor forecasting, particularly analyzing the impact of environmental factors on prediction in retail. This paper, by using the bibliometric analysis, collects, summarizes and synthesizes various theoretical approaches, through co-citation techniques, with a view to answering to two main research questions:

**RQ1**: What are the general research streams regarding environmental impact on forecasting?

**RQ2**: What are the research trends in environmental impact on forecasting plans in retailing?

The results represent a useful base for a more detailed future research on the forecasting in retail.

The work is organized as follows: at first, the conceptual framework regarding to complexity of the environment and causal relationships between complex environments and forecasting activities is presented; at second, the methodology and data collection are described; then, a social network/citation analysis identifies the main literature aspects on the topic; last, the paper provides the discussion of results, the systematic framework of actual theoretical perspectives and the related conclusions.

2. **Conceptual framework**

The retail environment is changing faster than ever before (Hamel and Prahalad 1994; Kotter, 1996; Loewen1997; Conner 1998) thus increasing complexity (Achrol 1991). Complexity is defined as the measure of heterogeneity and variability in environmental factors (Lane and Maxfield 1996; Chae and Hill 1997; Chakravarthy 1997). When complexity increases, the ability to understand and use information to plan and predict becomes more difficult (Black and Farias 1997), the decision windows shorter, the risk of obsolescence greater and the long-term control becomes impossible (Mason 2007).

Literature highlights difficulties in outline a causative link between environmental variables and forecasting plans because of the complexity of variables and the chaotic nature of environments (Windsor 1995). However, research trends in forecasting continue to stress the analysis and prediction of the inter-relationship between an organization and its environment (Polonsky et al. 1999).

The business environment in general, as the more specific retail environment, presents several complexity constructs:

- Co-determination or co-evolution taking place between firms and their environments (Achrol 1991; Polonsky et al. 1999).
- Self-organisation and emergence occurring through participants in the environment (Mason 2007; Peters 1999; Mason 2007).
- Environmental changes starting small and developing slowly and unpredictably (Mason 2007).
- Non-linear relationships (Black and Farias 1997; Mason 2007).
Many authors clearly see environments as Complex Adaptive Systems (CASs) (Black and Farias 1997; Mason 2007; Peters 1999; Prendergast and Berthon 2000). CASs are systems made up of many individuals, self-organizing elements able to analyse the changes in the external environment (Begun et al. 2003) and to adapt to them. Bruni et al. (2016) show how the CAS framework could be useful for gaining a better understanding of the evolution of market dynamics, focusing on topics such as the market complexity, adaptability, system features and purpose. Essentially, CASs are networks of relationships and interactions (Moretta and Bruni 2015), in which the whole is more important than the sum of the parts; when a single element of the system changes, produces reactions and changes in associated elements and in the environment. The environment is always responding and adapting to these changes and the effects cannot be predicted with complete accuracy (Axelrod and Cohen 2001).

Complex systems face inherent bounds on their mathematical describability, computability, and predictability because they are nonlinear, dynamic, adaptive, and emergent (Linstone 1999).

In making a distinction between non-adaptive and adaptive complex systems, Casti (1997) specifies that the available predictive mathematical models could describe the firsts effectively because it is possible to see the whole picture and no rule changes are permitted inside them; while CASs permit rule creation or change and are not amenable to statistical approaches (Linstone 1999).

Since environments do appear to be CASs, a complexity or chaos perspective should be used to understand the dynamics of these systems and to guide forecasting activities for the benefit of the planner and decision maker (Mason 2007; Prendergast and Berthon 2000).

The principal characteristic of complex systems is self-organization, hence they cannot be controlled by an outside party or “manager” making plan longer-term outcomes unpredictable (Wilkinson and Young 1998; Frederick 1998; Kelly 1999). While in a stable system small changes have small effects, in a CAS small changes or errors can grow exponentially with each iteration (Diamond 1993) and an infinite amount of precise data would be required to produce accurate long-term predictions (Mix 1993). However, many authors note that in the chaotic state CASs appear to exhibit a deterministic behaviour fixed by equations and yet incorporating randomness (Thietart and Forgues 1995). It may be orderly and suddenly become chaotic or vice versa but in every case the system is remarkably sensitive to initial conditions, making the use of historical data as a basis for forecasting dubious at best (Gordon and Greenspan 1988). This transition between order and chaos is the point at which sensitive dependence on initial conditions causes small inputs to
cause big changes (Mason 2007). Nilson (1995) refers to this as non-repetitive repetitiveness. Exactly where the system will go next cannot be predicted, but it will not go outside certain limits (Mason 2007).

Tables:

### Table 1: Implication of complexity theory on forecasting techniques

<table>
<thead>
<tr>
<th>Elements of complex systems</th>
<th>Implications on forecasting techniques</th>
</tr>
</thead>
<tbody>
<tr>
<td>The system needs to be considered as a whole. Complex systems exhibit emergence – (self-organised) behaviour that results from the interactions.</td>
<td>Forecasting techniques need to enable practitioners to develop a vision of a system’s emergent properties – the self-organised behaviour that could result from interactions between the parts.</td>
</tr>
<tr>
<td>The interactions between the component parts of a complex system lead to non-linear relationships between “causes” and “effects”. A “small” cause can have “large” effect, and a “large” cause a “small” (or no) effect.</td>
<td>Forecasting techniques need to enable visions of phase-changed worlds. Foresight techniques must also accept the likely absence of any early warning signals.</td>
</tr>
<tr>
<td>The starting slate is never clean – extremely tiny errors in understanding where the system starts from can send any “forecast” off in totally the wrong direction.</td>
<td>Forecasting techniques need to recognise that everything is part of a system, that there is no “new” starting point, and that tiny, often trivial actions can have huge, irreversible, impacts.</td>
</tr>
<tr>
<td>Complex systems are not at equilibrium (if they are they are dead) and are always changing.</td>
<td>Forecasting techniques must be able to provide both optimisation and exploration processes to help identify a range of potential future situations and options.</td>
</tr>
</tbody>
</table>

Source: Author’s elaboration from Horton (2012)

3. **Methodology and data collection**

This work is based on a bibliometric analysis of the publications about environment and forecasting activities. Bibliographical data has been gathered from ISI Web Of Science by searching in the topic firstly for the keywords “external complexity”, “environmental variables”, “heterogeneous market” and “multi-factor” combined with the keyword “forecasting”, secondly, for the keywords “trends in forecasting sales” and “retail”, in the time period from 2013 to 2016. From the first search, 41 publications were selected, from the second search, 49. The works collected have been examined through the adoption of a web-based social network analysis (SNA) on the citation data (see Knutas et al. 2015). There are developed bibliometric tools providing literature review based on the network analysis. Analyses based
on co-citation techniques are widespread in science studies. They are among the major quantitative methods used with the aim of mapping the structure and dynamics of scientific research (Riviera 2012).

The analysis identifies the important authors, journals and keywords in the dataset, based on the number of occurrences and citation counts. A citation network of the provided records has been created and used to identify the important papers according to their in-degree, total citation count, and PageRank scores.

For greater completeness of the results, the analysis has been expanded to the most specialized journals on this matter (International Journal and Retail Distribution and Journal of Personal Selling and Sales Management), which were not indexed in Web Of Science, and to Google Scholar database.

The results of the analysis have been discussed in order to identify the most recent trends in retailing multi-factor forecasting.

4. Findings

As Figure 1 shows, the interest of scholars for the environmental impact on the forecasting has increased significantly since 2014. Besides the positive trend, there are not many studies about it. During this period, the main topics discussed are: how to measure environmental complexity, how to include hardly controlled factors in forecasting and how to well define the environment and predict its impact on business activities.

Figure 1: Trend in research of the environmental impact on the forecasting (2013-2016)
4.1. Results from Social Network analysis - the macro aspect

The first, general research including keywords: “external complexity”, “environmental variables”, “heterogeneous market”, “multi-factor” and “forecasting”, gives the wide spectrum of articles (41) from the different research streams. These keywords were selected to export the important research streams related to the first research question. Co-citation analysis gives the rank by the most popular and cited keywords mentioned in the selected articles, which are, besides forecasting, forecast and its techniques, optimization, climate change, as well, business circle analysis, budgeting and bankruptcy (Figure 2).

Figure 2: Social network analysis of the general literature research of environmental impact on the forecasting plans by the most occurred publications and the cited keywords.

Expanding the social network analysis with the detailed analysis of the high-scored papers, it emerges that the first problem for the authors is the choice of the environmental factors to include in the forecasting methods.

We have classified the significant environmental factors that the authors of the papers detected identify at a macro-level, i.e. that affect the companies’ activities in general, irrespective to the related sector. The most common macro-environmental factors emerging from the analysis are Climate change, Financial economic crisis, Affected transport capacity, Consumer Price Index (CPI), Fuel price.
Sometimes climate change is set apart as an influential factor, thus climate change affects and make changes worldwide. It affects production plants, farms, water resources, translating influence via marketing channels until the final consumers. Climate change is a hardly controlled factor, but involving it in the future strategies and plans, companies could better prepare for a weather surprises; hence, it is considered within the relevant forecasting factors. On the other hand, along with it, there are the financial crisis, bankruptcy and high volatility in financial markets that represent the second macro-level influence. For example, reflecting the retail industry, the bankruptcy of a company can direct affect unemployment, Consumer Price Index (CPI) and fuel price leading to decrease the consumption and change shopping behavior.

Harrauer and Schnedlitz (2016) address to the recent financial economic crisis as the explicit cause of the turbulent market. The authors highlight that since 2008, neither long-term forecasts nor schedules are possible. Before the crisis, it was possible to plan every two or three weeks, but now companies have gone to weekly planning only because they cannot forecast that fast anymore. As a consequence, in several companies the top management has undertaken profound restructuring activities, which have led to significant changes in in-store activities and performance measurement (Harrauer, Schnedlitz, 2016). Reports even provide store managers with information on goal completion on a daily or even hourly basis in some cases. Moreover, they show deviations from past results and forecasts for the future to facilitate decision-making. All in all, store managers need to react immediately to reports if store performance is weak. However, they acknowledged that business success could only be reached if store managers and their employees jointly deal with turbulent developments (Harrauer and Schnedlitz 2016).

Capello and Caragliu, (2015) point that cities hosting financial activities have been severely hit by the crisis; however, they also host hard and soft territorial capital elements, high physical accessibility, access to information and knowledge, advanced functions, agglomeration economies, generating inter-sectoral productivity growth and the ability to adjust to the crisis. The authors apply the new version of a macroeconomics “regional growth forecasting model” taking account of the crisis and capturing scenarios of long-term costs. In industrial transportation, the forecast demand at each destination may be affected by a number of factors. Consequently, a conventional transport plan often fails to match the reality, so the planned transport capacity is either insufficient to meet the demand or wastefully excessive (Corso 2015).
4.2. Results from Social Network analysis - the retail aspect

In the second analysis are outlined the trends about the environmental impact on forecasting plans in the retail industry, using the keywords in the search engine: trends in forecasting sales, retail. The most popular cited keywords (49 articles) are: google trends, demand forecasting, data mining, sales forecasting, e-commerce, big data, biopharmaceuticals and bio-manufacturing (Figure 3).

![Social network analysis of the research trends in influence of external factors on retailing by the most occurred publications and the cited keywords.](image)

In this analysis, the influence of online activity on the retail industry emerges, nevertheless, data mining, particularly big data that every company is streaming to handle in the more efficient way, take an important role in forecasting plans. At the retail level, the environmental factors emerging from the analysis are: Internet data, Competition, Industry concentration, Shared information in a supply chain, Limited data, Seasonality, Weather, Location of the decoupling point, Relations inside a supply chain.

According to Carriere-Swallow (2013), the majority of economic variables are released with a lag, making it difficult for policy-makers to make an accurate assessment of current conditions. The author explores whether observing Internet browsing habits can inform practitioners about aggregate consumer behavior in an emerging market. Choi (2014) discusses fast fashion as a commonly adopted strategy in fashion retailing. Under fast fashion, “operational decisions have to be made with a tight schedule” and the
corresponding forecasting method has to be completed with very limited data within a limited time duration. Motivated by fast fashion business practices, in the paper, an intelligent forecasting algorithm, which combines tools such as the extreme learning machine and the grey model, is developed. The work is focused on two important features in the fashion industry: (a) the demand trend slope is large, or (b) the seasonal cycle’s variance is large.

The paper of Eksoz (2014) develops a conceptual framework for factors involved in collaborative forecasting in food supply chains. It is addressed to a scarcity of research examining how manufacturers and retailers conduct long-term and accurate collaborative forecasting for seasonal, perishable, promotional, and newly launched products. In the proposed framework, Eksoz (2014) focuses on the collaborative forecasts between manufacturers and retailers. The author identifies trends, gaps and areas for future research involving partners’ integration, information sharing and forecasting processes in the supply chain. The review reveals that partners’ integration is a key requirement for collaborative forecasting while the type and quality of information shared are critical for forecasts. Moreover, forecasting strategies of manufacturers and retailers play a pivotal role for consensus forecasts while the role of forecast horizon and frequency should not be neglected (Eksoz 2014).

The biggest issues of forecasting in the retail industry are the trend and seasonality in the sales, that can produce many uncontrolled patterns and several authors suggest to overcome these findings with advanced statistical tools as Support Vector Regressions, Hol-Winter, ARIMA models etc. Besides trends of using modern forecasting tools in retail, analyzing online platform data becomes popular in order to discover consumer behaviors and set the marketing strategies.

As online data flow, social media, e-commerce have a high impact on consumer behavior and it becomes the crucial environmental factor, not just internal, in the retail industry, it is worthy to analyze in the future literature regarding the forecasting consumers reactions related to the retail.

4.3. Research findings of literature review

According to Harrauer and Schnedlitz (2016) "environment" is an established construct in the contingency theory literature (Chenhall 2003). Combining internal (inner corporate) and external (outer corporate) elements (Waterhouse and Tiessen 1978), the construct summarizes all changes and market dynamics that are hardly predictable and generate uncertainty (turbulence) (Child 1975). At the retail store level, the environment is created by the level of performance given the variety of store’s products and services (Kumar and Karande 2000). Moreover, it deals with changing customer needs (diversity).
Mintz and Currim (2013) discuss how often companies have to adapt their marketing and service technology to stay competitive in the market and cover the complexity of retailing business in their performance measurement design (*complexity*). High-stress level, suppression and restrictions also shape working environment (hostility) (Banker et al. 1996).

Several authors outline that retailers have to focus proactively on demand forecasting and managing supply requirements until the consumer enters the store, as all following processes are only reactive. For example, retailers can vary products or prices based on anticipated consumer behavior. This refers not only to demand forecasts but also to proper optimization methods to steer consumers’ behavior. *The location of the decoupling point* has a misleading impact on planning separating the planning tasks into forecast-driven and order-driven processes (Hubner and Kuhn 2013).

Arunraj and Ahrens (2016) relate to weather as the risky factor for a retail industry that can cause the change in consumer demand and shopping decisions. However, only few research studies about weather and retail shopping are available in the literature. The study by Arunraj and Ahrens (2016) aims at developing a model to analyze the relationship between weather and retail shopping behavior (i.e., store traffic and sales).

As retail business is becoming a complex set of activities also its sales prediction is becoming a complex activity that does not lean on a one factor, as the history of sales, but many factors that are indirect or direct linked to the sales: orders, promotions, customer behaviors, logistic information, competition distance, the price of gas, etc. The nature of the retail business is an important factor in provisional predictions. In the fashion industry, operational decisions have to be made with a tight schedule and corresponding forecasting method has to be completed with very limited data within limited time duration (Choi 2014), while in food supply chains it leans on collaborative forecasting between manufacturers and retailers.

Literature describes the complexity of forecasting activities in terms of many relations in the supply chains and their exchange of information. Forecasting could not stand the process by itself for a one business unit, but it has to integrate with others in the way of creating the value for all units. It allows the forecasting process owner, usually the director or manager of demand planning, to view departmental forecasts from various functions that have different perspectives on the state of the business based on their views of the marketplace (Chase Jr, C.W. 2013).

The study by Arunraj and Ahrens (2016) aims at developing a model to analyze the relationship between weather and retail shopping behavior (i.e., store traffic and sales). Nevertheless, limitation of such data makes a forecasting process more inaccurate. Sensing the environmental factors is the important phase in the
forecasting process and could not be ever done in the perfect way. The most difficult explanatory variables to simulate are those related to competitors and to items that people have little control over, such as weather, economy and local events. Taking uncontrollable factors such as weather or climate change into the model could give the more realistic predictions, or the model could fail because of their hardly control nature.

5. Discussion

The findings of the social network analysis allow identifying the most important environmental factors recognized by the literature at a macro and retail level (Table 2).

Table 2: The most important environmental factors in retailing

<table>
<thead>
<tr>
<th>I. Macro level</th>
<th>II. Retail level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Climate change</td>
<td>Internet data/Internet browsing habits</td>
</tr>
<tr>
<td>Consumer Price Index (CPI)</td>
<td>Competition</td>
</tr>
<tr>
<td>Fuel price</td>
<td>Industry concentration</td>
</tr>
<tr>
<td>Financial economic crisis</td>
<td>Shared information in a supply chain</td>
</tr>
<tr>
<td>Affected transport capacity</td>
<td>Limited data</td>
</tr>
<tr>
<td></td>
<td>Seasonality</td>
</tr>
<tr>
<td></td>
<td>Location of the decoupling point</td>
</tr>
<tr>
<td></td>
<td>Weather</td>
</tr>
<tr>
<td></td>
<td>Relations inside a supply chain</td>
</tr>
<tr>
<td></td>
<td>Unexpected external events</td>
</tr>
</tbody>
</table>

Source: Authors’ elaboration

With this classification, it is possible to answer on both research questions. For the first (RQ1) the general streams of environmental impact on forecasting are trying to observe and measure recent financial crisis, climate change, volatility in Consumer Price Index and industrial transportation, creating models that will optimize their influence in the long term. Their hardly measurable nature is prevailing on the retail level (RQ2) influencing volatility of prices, industry concentration, unexpected events (hurricane, strikes etc.), limited data from weather, demography structures, missing information in supply chain, etc. These factors require a short-term forecasting; their uncontrollable effects result in no “perfect” forecasting models, but in many “optimal models” that work well, assuming them, in the specific situation for a specific purpose. A forecasting model consists in matching internal factors with the influence of the externals ones through statistical analysis based on the observation of data from the past or present. By integrating the findings of the research, analyzing the different theoretical approaches, organizing and systematizing them by the number and type of factors
included in the forecasting models, the level of complexity, the role of forecast horizon and the solutions proposed by the authors, it is possible to outline the last research trends in multi-factors forecasting in retailing (Table 3). The complexity of the model is a function of the number of variables, the method used, the relationships among the model elements, and relationships among models, forecasts, and decisions. Essentially, a complex forecasting is a process that is not very understandable to forecast users.

Table 3: Organizational framework of theoretical perspectives on the topic.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Number of external factors</th>
<th>Type of factor</th>
<th>Complexity</th>
<th>The role of forecast horizon</th>
<th>Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carriere-Swallow Y (2013)</td>
<td>Many/Aggregate</td>
<td>Internet</td>
<td>High</td>
<td>Short-term</td>
<td>Improve the efficiency of nowcasting models.</td>
</tr>
<tr>
<td>Hubner and Kuhn (2013)</td>
<td>One</td>
<td>Location of the decoupling point</td>
<td>Medium</td>
<td>Short-term</td>
<td>Optimization methods to steer consumer behavior, demand to forecast order-driven processes.</td>
</tr>
<tr>
<td>Eksoz C (2014)</td>
<td>Many</td>
<td>Shared information in a supply chain</td>
<td>High</td>
<td>Long-term</td>
<td>Collaborative forecasts between retailers and manufacturers.</td>
</tr>
<tr>
<td>Choi T (2014)</td>
<td>Less</td>
<td>Limited data/Seasonal cycle</td>
<td>Low</td>
<td>Short-term</td>
<td>Efficient forecasting models that will help operational decisions with a tight schedule.</td>
</tr>
<tr>
<td>Arunraj and Ahrens (2016)</td>
<td>One</td>
<td>Weather</td>
<td>High</td>
<td>Long-term</td>
<td>Developed a model that analyze the relationships between a weather and retail shopping behavior.</td>
</tr>
</tbody>
</table>

***based on the relevant publications
Source: Authors’ elaboration

As the Table 3 shows, the trend in literature is to use complex forecasting models, although there is a heated debate about their capacity to provide more accurate forecasts because, even if complex models are preferred because they use more sophisticated analysis and include a greater number of variables, the probability of errors and the difficulties for forecast users to make plans appears to be greater.

Putting their different perspectives in a one framework and looking for the relations and
trends, authors explain the inverse relation (Figure 4) between two aspects—complexity and optimization—, in the turbulent environment, when complexity (x) increases it is difficult to optimize forecasting plans in retail considering many uncontrolled factors, then optimization (y) decreases and vice versa, optimization (y) increases when complexity (x) decreases; in other words, it is easy to maintain simple forecasting models (F), not considering the environmental impact. In the middle point, complexity and optimization are delivering “balanced” forecasting plans.

Figure 4: The environmental impact on forecasting plans in retail business through relation between complexity and optimization of the forecasting plans

The present and the near future are moving forward those perspectives (f1-fn): by increasing a market chaos, new forecasting tools will be developed to try to maintain complexity in an efficient way so that the most complex model is the most optimal model (fn). It is the matter of the time when the relationship between complexity and optimization will become linear, and the most complex model with numerous environmental factors will show the best results in forecasting plans.
6. Conclusion

The retail environment affects the retailers’ sales and performance. Forecasting activities are necessary to predict external events and provide data to elaborate strategic plans to stay competitive. However, these activities are becoming increasingly difficult due to the increasing complexity of the environment, which implies an evolution of forecasting methods. Several authors see environments as Complex Systems and suggest applying the complexity theory to improve the accuracy of predictions.

According to the complexity theory, as stated by Horton (2012), the new forecasting techniques should:
- Enable a vision of a system’s emergent properties.
- Embrace emergence rather than planning and forecasting.
- Focus on interactions rather than constituent parts.
- Recognise that even the basic rules and essential profile of a system can change (where rules can be also values and perspectives).
- Enable visioning of phase change situations (with no early warning signals) and the resulting changed world.
- Recognise that everything is part of a system where tiny, trivial actions can have huge, irreversible impacts.
- Enable practitioners to visualise systems from very different perspectives, including ones not possible now.
- Enable the generation of a range of future options and alternative potential strategies through both optimisation and exploration, including some that sound negative, impossible or ludicrous now.

As stated by Linstone (1999), it is evident that the challenge for the forecaster is an awesome one. A better understanding of the internal dynamics of nonlinear systems is vital for more effective forecasting and it will require unprecedented insight and ingenuity. “Rather than merely confirm the inherent limits to forecasting, complexity science should be seen as opening up new paths to reveal important insights to assist decision-making” (Linstone 1999, p.88). The study of the evolution of complex dynamic systems shows that the conjunction of order and chaos, stability and instability, self-organization and chance, is decisive for progress (Linstone 1999).

However, the results of this paper show a different trend in literature. Through a bibliometric analysis, the work identifies the most recent trends on environmental impact in retail forecasting. The results show that the actual forecasting models are not focused on the environment as a whole but instead each model includes different environmental factors (Climate change, Fuel price, etc.) without considering the relationships between them or considering their relationships linear. These techniques provide a distorted and incomplete vision of the markets and make forecasting plans ineffective in a turbulent environment.

From literature it emerges that authors...
recognize the importance of including a greater number of variables and more sophisticated analysis able to capture the causal relationships between them in the forecasting models; but, at the same time, they are aware that this could increase the probability of errors and the difficulties for forecast users to make plans. Hence, trends in literature are based on the idea that when market dynamism increases, new forecasting tools should be developed with the aim to make linear the relationship between complexity and optimization of the forecasting model, so that the most complex model will show the best results in forecasting plans.

References
Choi T., Hui C., Na L., Ng S. and Yong J.


Exploring the Adoption of Augmented and Virtual Reality in the Design of Customer Experiences: Proposal of a Conceptual Framework

Summary
This article explores the current and potential impact Augmented Reality and Virtual Reality have on Consumer markets by analyzing adoption patterns, different uses and specific applications in the commercial field.

The authors propose a conceptual framework from which the commercial implications linked to the introduction of high-impact technologies into the market will be analyzed. In developing this conceptual framework, it will cite and classify the key players by identifying the consumer industries in which a major disruption in consumer habits may be caused. The authors also review the relevance of technology-based marketing, emphasizing the main factors to be taken into consideration to evaluate its growth potential from the perspective of both the company and end users.

Augmented Reality and Virtual Reality can enrich consumers’ perceptions of brands and transform business processes. Using these technologies makes it possible to bring the customer experience to a new level of convergence and immersion through close interaction between the real and the virtual world. When combined with other technological trends (ex. Internet of Things –IoT, Social Media, Wearables) it is possible to take consumers to a new sensory dimension (Immersive Media) and open a new era for creativity and innovation in strengthening the consumer-brand relationship.

This research project hopes to stimulate reflection on adoption patterns and technological factors to be taken into account in designing business strategies and in managing customer experiences based on Augmented Reality and Virtual Reality.

Key words: Marketing Strategy, Augmented Reality, Virtual Reality, Customer Experience, Innovation.
1. Introduction

Augmented reality (AR) and Virtual Reality (VR) are the spearhead of a revolution in the digital communication ecosystem towards a truly immersive media. They can enrich consumers’ perceptions of brands and have the potential to transform consumer experiences and business processes.

Many brands in different sectors are scrambling to figure out how they might try AR/VR in the market, as the technology is still in the early days. However, there are adoption barriers to take into consideration from the perspective of consumers and the company. Having a better understanding of the scope of these immersive platforms will be of aid in making the most out of these emerging communication channels.

This article explores the current and potential impact AR and VR have on consumer markets by analyzing the adoption patterns, different uses and specific applications in the commercial field.

In this first stage of this research, we will propose a historical and conceptual framework identifying the key players and consumer industries in which a major disruption in consumer habits may occur. We will review the relevance of technology-based marketing, emphasizing the main factors to evaluate its growth potential from the perspective of end consumers and companies.

2. Historical Evolution of Virtual and Augmented Reality

The origins of virtual and augmented reality can be found in the 1960s when photography director Morton Heilig created the first motorcycle simulator called the Sensorama. This simulator allowed users to experience a complete sensory immersion with images, sounds, smells, and vibrations (1962). Later came the theoretical work of computer scientist Ivan Sutherland, who suggested in 1965 that:

« A display connected to a digital computer gives us a chance to gain familiarity with concepts not realizable in the physical world. It is a looking glass into a mathematical wonderland ».

This was the digital pioneer who, along with founder of the Department of Computational Sciences at the University of Utah, David C. Evans, created the virtual reality system called the Head Mounted Display (1966). This helmet-shaped device was the first to permit three-dimensional immersive visualization. However, in spite of Sutherland’s best efforts to put his theories into practice, progress was stunted by the slow-developing digital ecosystem – computers at that time being too archaic to produce relevant results.

In the following years, drastic reduction in the size of computers and an increase in their calculating capacity sparked the growth of interesting projects, such as:

- The interactive system called Video Place (1975), created by the artist Myron Krueger.
- The Data Glove (1977), designed by Dan Sandin, Richard Sayre and Thomas Defanti, members of the Electronic Visualization Laboratory team at the University of Illinois.
- The first position sensors, like the Polhemus (1979), based on magnetic field technology.

Only years later, when computer scientists Jaron Lanier and Thomas G. Zimmerman founded VPL Research – considered the first company dedicated to commercially
producing virtual reality peripherals (specifically primitive versions of gloves and helmets in 1985 that garnered attention in popular media) – did the binomial “Virtual Reality” begin to enter the popular lexicon.

At the beginning of the 1990s, the gaming industry would fix its attention on this technology’s potential with the arrival of W. Industries’ Virtuality arcades (1991); and later, with the Virtual Boy console produced by Nintendo (1995).

At that time, an investigator at Boeing named Tom Caudell coined the term “Augmented Reality” to categorize improvements the company was making to its production processes. For these improvements, the company used software to display the wiring plans for finished pieces. Months after this term came into use, Steven Feiner, Blair MacIntyre, and Doree Seligmann developed the first prototype called Karma (1994).

All of these efforts had similar bottlenecks: lack of quality and speed of digital graphics, the need for expensive optics, nausea- inducing experiences and scarcity of easy paths to adoption were the major factors that caused this type of developments to go into a semi-dormant state until recently.

The two key developments that sparked the revived interest in AR/VR occurred in 2012:

1) **On VR side (Oculus Rift):**
Developed by Palmer Luckey and eventually acquired by Facebook in 2014, the Oculus Rift demonstrated that the technical barrier that had previously frustrated creators had finally been overcome. Multiple companies have followed and created a thriving ecosystem (HTC, Sony, Samsung).

2) **On AR side (Google Glass):**
Augmented reality glasses that have produced perhaps the biggest industry milestone to date – the first surgical operation (a Percutaneous Endoscopic Gastrostomy) carried out by American surgeon Rafael Grossmann using this Google device (2013). Although this product did not have all the expected commercial success, Microsoft followed through shortly after by announcing its Hololens headset and Magic Leap, which at the time of writing this article are still in development mode. These programs were launched and funded at an extremely high valuation point, adding an equally vibrant expectation for AR capabilities.

A most recent crucial development has been **Pokémon Go.** This game launched in 2016 in Australia, New Zealand, and the United States (July 6, 2016) became a massive worldwide sensation. Pokémon Go amassed more than 100 million downloads in just a few weeks. Nintendo’s share price rose by an initial 10% by July 14 and it peaked at 50% on July 22. Nintendo gained ¥1.8 trillion ($17.6 billion) in market capitalization since the game’s launch.

Pokémon Go (the idea of which originated from an April Fools’ prank in 2014) combines the use of AR technology with the GPS and camera functions of various smart devices. This game’s characters appear in augmented reality superimposed on the device’s map, allowing players to capture them. There is an exploration element by having “Poké Stops” and “Gyms” tied to real-world locations. The sudden success of Pokémon Go illustrates the potential for Augmented Reality to become a game changing technology, with its ability to attract mass interest and engagement.

On the other hand, “**Henry,**” – an animated virtual reality experience available for the Oculus Rift platform and developed
by Oculus VR's film division, Story Studio – received an Emmy award in the Outstanding Original Interactive Program category (September 8, 2016). These awards were traditionally offered to major TV shows made by prestigious Studios. "Henry’s" win marked the second year in a row that a VR Experience has won at the Emmys.

2. Methodology

For this stage of our research, we have focused on a literature review of articles, case studies, blogs and books related to virtual, augmented and diminished realities. We have also conducted several deep interviews with experts and executives in Mexico, Spain and the United States who are already applying these technologies (notably, Spain's New Horizons VR CEO Edgar Martin-Blas). Unfortunately, there is still a lack of a structured framework to guide Marketers and Academics in this new field. Our goal is to contribute with a conceptual framework to clarify constructs, adoption barriers and challenges to be assessed in future research projects.

3. Conceptual Framework

This conceptual framework encompasses three main blocks. The first part defines and compares three types of realities: Virtual, Augmented and Diminished. The second part clarifies the differences and interrelation between Mixed Reality and Immersive Media. Finally, the third and final part of this framework explores adoption barriers from two perspectives: The Consumer and the Company (brands).

Virtual Reality (VR)

Virtual Reality is a relevant area of study because it offers truly immersive experiences. VR is able to support creative storytellers with a completely new set of tools and capabilities, still in early stages of its full potential. Virtual Reality is a technology that allows for the creation of a new dimension in which it is possible to interact with any other person or object. This computer-generated environment makes the user feel as if they are physically in this virtual world by providing real time simulations and interactions using distinct auditory, visual, tactile, and olfactory sensory channels (Burdea, 1993).

Large industries, such as healthcare, media and entertainment, are showing great interest in VR, which in turn has driven the design of diverse platforms to build virtual landscapes that recreate everyday situations. Some examples would include making commercial transactions, simulating trips around the world, playing alone or with friends, or having virtual meetings or training sessions (Grimsdale, 1995).

Currently, there are two types of virtual reality: a) Immersive Virtual Reality and b) Non-Immersive Virtual Reality.

a) Immersive Virtual Reality (IVR): The user enters this digital, three-dimensional, stereoscopic, interactive environment via sophisticated hardware. This type of device is usually attached to the user's body, giving him or her the feeling that he/she is in a real environment in which he/she can walk around, fight, or reach objectives.

b) Non-Immersive Virtual Reality (NIVR): This is a synthetic environment featuring computer-generated images with the ability to create three-dimensional virtual spaces. The novelty is in the possibility of adding interactive objectives, videos, sounds, and even links with other virtual worlds. This is similar to what is offered by immersive virtual reality, but here the area is limited to a screen, which provides an experience of limited immersion.
Augmented Reality (AR)

This type of reality allows for the introduction of virtual elements in the real world through a technological development. AR is a combination of physical and intangible space giving users the ability to create beings, images, objects, or texts through a computer. In augmented reality, users can superimpose virtual elements onto the real world by providing additional relevant information to the environment he or she is actually seeing. This «enriched» or «augmented» environment is clearly advantageous in our current information and communication society.

To date, AR has already proven useful in various industries like entertainment, engineering, military defense, and of course, medicine (Azuma et al., 2001; Bimber & Raskar, 2004).

There are considerable differences between Virtual and Augmented Reality. One critical difference is the degree of immersion experienced by the user. VR surrounds the user completely in a virtual world, while augmented reality allows users to remain in the “real world.” In sum, if virtual reality seeks to replace reality, augmented reality seeks to complement it.

Diminished Reality (DR)

In essence, diminished reality consists of the utilization of techniques taken from augmented reality, but with the opposite goal: where one adds elements to the real world, the other allows users to subtract or eliminate real objects (Azuma, 1997).

In 2001, Steve Mann (University of Toronto’s Department of Electrical and Computer Engineering) proposed the concept of DR. Scientists Jan Herling and Wolfgang Broll (Ilmenau Technical University in Germany) took up this line of research and turned their focus to identifying and selecting objects in order to eliminate them. Some examples are:

- **Hearing aids**: Reduce noise to make music sound clearer: for example, eliminating specific instruments or crowd noise during a concert.
- **Touch-screen video cameras**: Extract objects in real time during filming.
- **Security cameras**: Remove the images of people not under suspicion.
- **Airplanes with clear floors**: Allow pilots to better see the runway, or applications that allow users to gaze at the stars or 360-degree landscapes as if walls and ceilings did not exist.

Mixed Reality and Immersive Media

Augmented Reality and Virtual Reality are distinct constructs, but are deeply interrelated: similar 3-D imaging techniques are applied, many of the technical and storytelling challenges are common, and both overlap in terms of the types of problem they can help to solve. When an AR experience shows a virtual object and it allows its exploration, it comes very close to being a VR experience. When VR headsets are equipped with cameras to “pass-through” real world images and overlay objects on them, they create experiences bordering those of an AR experience. Milgram and colleagues (1994) highlighted the interrelation of these constructs when they proposed the concept of a continuum between AR and VR. This continuum allowed the emergence of the term “Mixed Reality”:...
It is interesting to note that what seemed like separate worlds and techniques are indeed converging, and this convergence starts to be used in content creation under the notion of Immersive Media (Rose, 2015). Our proposed framework is therefore an expansion on the Mixed Reality notion, highlighting the fact that AR and VR are not alone in this mix anymore. Several new developments and techniques could be combined in order to achieve the phenomenon of immersive media. This type of media allows the user to immerse him/herself in a story from every possible perspective and sensorial dimension, interacting with both digital and real planes simultaneously. This interaction affects the inner experience sphere and the external environment elements.

Herein, we refer to technologies such as:
- **Wearables**, that allow for two-sided communication with an individual’s vitals
- **Internet of Things (IoT)**, which enables interaction with real objects
- **Social media**, which breaks the isolation of a single person experiencing this media.

Each of these elements expands into the continuum seen above, and adds the possibility of engaging with real and digital environments. The growing capability to combine these techniques is what allows the development of alternate worlds that are so appealing to consumers and brands.
VR and AR Adoption Barriers

It is important to note that AR/VR may not fit every business. A well-considered AR/VR experience can be a transformative experience for customers, and may set companies on the way to profit from this platform as it continues to grow (Riley, 2016). A case-by-case analysis reveals diverse purpose-driven situations. Let us look at some of the main barriers preventing a more widespread proliferation.

**AR/VR Adoption Barriers: The Consumer Perspective**

**Price:** The total expenditure needed to achieve a decent experience must be within reach for average consumer. Nowadays, the necessary expenditure can reach the $750-2,000 USD range. The exact target price point varies in each country. A key factor helping to break this barrier is that “entry-level” experiences can be achieved with an already existing device: smartphones. This means that for those users who own a high-end phone, the only barrier is acquiring the headset.

The sharing economy has proven to be an effective way to reduce what otherwise would be significant spend/investment barriers for everyday users (e.g. Uber for car ownership). There could be an opportunity for such disruption to occur in the AR/VR space as well, although this research yielded no known example.

**Device Comfort:** The Device must not be cumbersome, painful or otherwise uncomfortable to wear for long periods of time. In the case of VR, the main variable still affecting this is the weight of the Head-Mounted Display (HMD). Currently, these headsets can weigh as much as 500-600gr, which can cause fatigue and injury if not used properly.

In the case of AR, the field of view (FOV) is the main limiting factor. AR HMDs available today are reaching FOVs of 40-60 degrees; technology must evolve to achieve FOV values close to their VR counterparts (~90-110 degrees)

For both, VR/AG, high-medium definition screen resolution is still a problem, as artifacts in the image (e.g. visible pixel borders) can break the VR/AR illusion. Nowadays this quantity can reach 1080p per eye, and probably needs to grow to 4K.

**Aesthetics:** One undesired effect of one of the pioneers in the new wave, Google Glass, was the rejection of the device among certain segments due to the way its users looked and behaved. This is called the “Glasshole effect”, and the risk of rejection is still something that must be addressed to see growth, particularly for AR applications. Currently, devices have very limited aesthetics customizations (if at all). Improvements in this direction will make it possible to combine AR/VR equipment with personal style.

**Quality of Experience:** Preventing nausea is necessary for both types of experiences, but represents a greater challenge in the VR side. For VR experiences even the most advanced devices still require wired tethering, which affects the quality of the exploration experience and is related to the length of the cable. This can also cause some discomfort. Development of untethered or wireless-tethered experiences will represent significant progress in making experiences better.

In this nascent industry, many User Interface (UI) and User Experience (UX) elements still need to be optimized, with most of the experiences taking inherited elements from previous platforms (PC, Smartphone). However, this new medium can greatly benefit from new UI/
UX paradigms supported by novel user input interfaces such as: gaze-tracking, advanced haptic, and specifically, hand gestures. The growing maturity of these techniques will increase the immersion gap with other types of media.

Content Availability: Any platform is useless without content. In the case of AR/VR, supply of this content remains a challenge. In general, when companies both in entertainment and non-entertainment industries implement VR/AR experiences as part of their business models, this barrier will start to become less relevant. In VR, one factor helping to alleviate this is the growing availability of consumer-grade 360° cameras to feed User-Generated Content (UGC) communities.

Monetization of this Content is an open question in this regard as well. Currently, there is a divide between thinking of AR/VR as extremely premium content (and thus subject to strong monetization) and making the purchase of AR/VR equipment something attractive (which asks for substantial free content to enjoy the experience).

Addressable Market: Depending on the shape of consumer perspective, companies that are aware of the developments in AR/VR should also grow their understanding of emerging user segments. These segments, and their relationship with the company's own customer segmentation strategy, must be understood to show a clear picture of which will be the most relevant platforms/media. It is in these platforms where relevant customers could be reached.

Talent Pool: The skillset needed to produce AR/VR content is unique: 3-D, video, interaction design, mobile, storytelling, etc. This combination of technical and non-technical skills is proving difficult to acquire. On the other hand, it is also a skillset that might not fit well with the overall company's profile (depending heavily on industry), which would in turn become a retention problem. This translates into a reduced and niche Talent Pool.

Companies have several options in addressing the lack of talent. In the following, we propose three non-exclusive options:

a) Association with Specialized Players: Let early niche companies be the source and filter of talent and let them have a stronger role in the experience lifecycle.

b) Organic Growth: Develop the talent in-house with existing resources.

c) Partnership with Universities: Identify the skills gap to try to develop targeted programs aimed at developing such skills.

AR/VR Adoption Barriers: The Company Perspective

Strategic Alignment: Many companies in several consumer and industrial sectors are experimenting with AR/VR just for the sake of experimenting. Experimentation is not enough. This could lead to abandonment unless companies actively work on finding applications that fit and reinforce their overall business and marketing strategy. A way of doing this is to think of paradigm-breaking use cases where AR/VR can speed-up processes or remove obstacles in every day work. It can also aid in strategic decision-making due to its ability to immerse, enrich and combine rich visualization with interaction.

Key Performance Indicators (KPIs): Being able to establish concrete KPIs linking AR/VR activities with productivity gains, communication improvements,
sales growth and other business objectives will help in justifying providing funding for more ambitious AR/VR projects. As technologies mature, some components are likely to reach lower price points throughout the entire value chain. This will help in reducing the investment barrier and shortening the payback periods of project involving AR/VR content. This is partially a hardware and equipment availability issue and partly a problem of professional services cost.

Market Fragmentation: In the current growth phase of AR/VR, the trend is for continuous emergence of new platforms. This creates a significant issue for content creators, as incompatibility between these platforms is a barrier to achieve cost-effective reach. Being able to reach a desired number of users without having to re-develop content will make content in AR/VR easier to become financially viable. This could be done either by creating or adopting open standards to secure interoperability between the platforms, or simply by industry player consolidation once technology enters a more mature phases of development.

4. Discussion: Challenges and Market Opportunities

Virtual, augmented, and diminished reality technology have attracted attention from big tech players like Facebook, Google, Apple, Microsoft, Sony, HTC, Samsung, Intel, Xiaomi, and Amazon, which have announced their short and medium term projects. In the future, several of these companies may have a clash of interest in their quest to grow this new ecosystem.

According to Goldman Sachs, virtual and augmented reality will generate hardware sales in the amount for $80 billion USD (€71 million) in 2025, a sum currently generated by personal computer sales.
The use of portable (wearable) technology incorporating virtual, augmented, and diminished reality will considerably enrich our daily lives. Tasks like reading a product's instructions, or problems related to language barriers will cease to exist or at the very least, to be diminished.

Among the sectors that will receive a tremendous boost will surely be Education. These technologies also have the potential to revolutionize Advertising, Marketing and Entertainment by taking sensory experiences to a new level of immersion. There are also great opportunities for the proliferation of these innovations in the Healthcare sector.

Table 1: Examples of Successful AR/VR Applications

<table>
<thead>
<tr>
<th>AR Applications</th>
<th>VR Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales:</strong> &quot;Show in my home&quot; by IKEA</td>
<td><strong>Entertainment:</strong> Long form Cinema by Fox The Martian VR Experience</td>
</tr>
<tr>
<td>Uses AR to simulate how an item would look in an existing environment.</td>
<td>Studio-grade content with carefully crafted narratives for VR viewing.</td>
</tr>
<tr>
<td><strong>Sales:</strong> Magic Mirror by Uniqlo and Magic Mirror Inc</td>
<td><strong>Entertainment:</strong> Live events streaming by Fox NCAA Basketball, US presidential debates VR streaming, Rhapsody VR's live 360° concerts</td>
</tr>
<tr>
<td>Combines AR and gesture interfaces to provide item information to customers in a mirror, and simulates how an item would look on a person.</td>
<td>Has live content streamed in 360°. Primarily sports, but also concerts, speeches, etc.</td>
</tr>
<tr>
<td><strong>Medicine:</strong> Anatomy highlighting for error reduction by Accu Vein</td>
<td><strong>Training:</strong> Simulators by CAE training and Seabery</td>
</tr>
<tr>
<td>Enhances a doctor/nurse’s vision with overlays of relevant body parts to aid in execution of specific medical procedures.</td>
<td>Combines visualization and gesture interfaces to simulate real work environments.</td>
</tr>
<tr>
<td><strong>Automotive:</strong> Assisted driving by Jaguar</td>
<td><strong>Culture/ Education:</strong> VR tailored courses by zSpace</td>
</tr>
<tr>
<td>AR / holographic to display navigation, warnings, road safety highlights, etc.</td>
<td>Crafts educational content taking advantage of new visualization and experiences from VR and AR.</td>
</tr>
<tr>
<td><strong>Operations:</strong> Overlaid instructions sent to workers to complete complex construction/assembly jobs.</td>
<td><strong>Analytics:</strong> VR dashboards Use the 3-D space as information visualization tool (ie.. carting, correlating).</td>
</tr>
<tr>
<td>ScopeAR is a software layer enabling this across several devices (ie. Daqri, ODG…)</td>
<td>Applies to both general information visualization and in VR-specific analytics (ie. interaction/visualization heatmaps). Demonstrated by CognitiveVR.</td>
</tr>
</tbody>
</table>
The greatest obstacles or barriers for the adoption and diffusion of these tools are associated with consumer education, cultural change, and innovation acceptance. Technical / Technological difficulties and adoption barriers related to cost are temporary (Grossmann, 2015).

Table 2 summarizes the AR and VR adoption barriers for consumers and companies analyzed in the conceptual framework. Removing these barriers will require changes to foster their adoption and diffusion worldwide.

<table>
<thead>
<tr>
<th>AR and VR Adoption Barriers</th>
<th>CONSUMER</th>
<th>COMPANY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Strategic Alignment</td>
<td></td>
</tr>
<tr>
<td>Device Comfort</td>
<td>Addressable Market</td>
<td></td>
</tr>
<tr>
<td>Aesthetics</td>
<td>Talent Pool</td>
<td></td>
</tr>
<tr>
<td>Quality of Experience</td>
<td>Key Performance Indicators</td>
<td></td>
</tr>
<tr>
<td>Content Availability</td>
<td>Market Fragmentation</td>
<td></td>
</tr>
</tbody>
</table>

We predict that innovations in altered realities will be rapidly adopted because they have the potential to cause disruption in various categories. However, large-scale implementation will require strong investment on the part of individuals and institutions. This implies the risk of creating an access gap among different socio-economical segments and countries.

5. Future Research and Limitations

This paper presents a conceptual framework built from an extensive literature review, interviews and case study analysis meant to clarify concepts and challenges associated with alternative consumer realities (VR/AR/DR). Our goal was to stimulate reflection on adoption patterns and technological factors to be considered in the design of business and branding strategies, as well as the management of customer experiences based on virtual, augmented and diminished realities in different sectors and categories. In the following phases of this research project, we plan to apply quantitative techniques to assess the adoption patterns of these innovative immersive tools using the Technology Adoption Model (TAM) to enrich the study of adoption patterns and barriers with quantitative thresholds. Our focus will be in two main sectors: Entertainment and Healthcare.
References

Exploring the psychological mechanisms underlying the cognitive and affective responses to consumption desires

Abstract

The objective of this research is to examine the psychological mechanisms through which the internal responses that accompany consumption desires occur. The research is based on a conceptual model where these responses are assumed to follow from consumers’ propensity to desire consumption objects, which itself is hypothesized to be a function of materialistic values and social pressures.

A survey was conducted among a sample of 203 North-American adult consumers in order to assess the various concepts of the theoretical framework and test the hypothesized relationships. This was accomplished by means of a series of mediation analyses performed on the basis of the collected data.

The overall pattern of results is consistent with the proposed theoretical model, showing that the effects of general materialism and susceptibility to social influence on the various affective and cognitive responses that accompany consumption desires are mediated, totally or partially, by the extent to which one is inclined to desire consumption objects.

Key words: consumption desires, materialism, internal responses

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Background

Although theoretical accounts of consumer motivation commonly assume that consumption is guided by hierarchically-organized individual goals that derive from problems, or unsatisfied needs (e.g., Baumgartner and Pieters, 2008), it must be recognized that in economically developed societies, consumers are fundamentally motivated by the pursuit of happiness, an end-goal that they seek to achieve in good part through the formation and fulfillment of consumption desires (Belk, Ger, and Askegaard, 2003; Boujbel and d’Astous, 2015; Dholakia, 2015).

Despite their importance for understanding consumer behavior in general, and consumer motivation in particular, little is known about consumption desires. Research by Belk, Ger, and Askegaard (2003) and Boujbel and d’Astous (2015) suggests that desiring is a psychological experience that is accompanied by internal responses that are probably more complex than those associated with primary needs. Thus, while desiring a consumption object may correspond to a pleasurable experience, it may also lead to frustration when the desire cannot be satiated, or guilt when it is felt as unreasonable, and may prompt the person to engage in psychological control.

Desiring is indeed a psychological experience leading to ambivalent feelings (Belk, Ger, and Askegaard, 2003). Recent research by Boujbel and d’Astous (2015) has revealed that the internal responses that accompany consumption desires relate to affective (i.e., pleasure, discomfort, and guilt) as well as cognitive (i.e., control) dimensions. Thus, to think of a desired object gives pleasure, not only because the act of desiring is fantasy-like (e.g., d’Astous and Deschênes, 2005), but also because joy and satisfaction are anticipated (Belk, 1985). This pleasure is however likely to be greatly diminished when, for some reasons (e.g., lack of financial resources, social or cultural constraints), the desire cannot be fulfilled. This in turn may lead to a state of discomfort and if, for instance, the individual still pursues the consumption desire experience, even strong feelings of guilt. This in part explains why individuals may engage in controlling their consumption desires, trying to postpone or suppress their satiation.

Boujbel and d’Astous (2015) have developed a psychometrically valid instrument to assess the internal responses that accompany the experience of desiring consumption objects (i.e., goods or experiences). Their scale is composed of 19 items aimed at evaluating the extent to which consumers associate each of four different responses to the experience of desiring consumption objects: pleasure, discomfort, guilt, and control. However, Boujbel and d’Astous (2015) did not look at the psychological processes by which these desired-based internal responses come along. The objective of this research is to propose and test a theoretical model of these processes.

Conceptual development

The conceptual framework of this research is displayed in Figure 1. As can be seen, it is proposed that consumers’ level of general materialism and the extent to which they admit being influenced by others when choosing and buying products are determinants of their propensity to desire consumption objects. In turn, this propensity influences the degree to which the internal responses that accompany the experience of desiring consumption objects (i.e., pleasure, discomfort, guilt, and control) occur. Thus, this model’s basic hypothesis is that one’s propensity to desire consumption objects acts as a mediating variable in the relationship between the internal responses that consumers activate when desiring...
consumption objects, and their level of materialism and susceptibility to social influence in a consumption context.

**Materialism and consumption desires**

Research has shown that consumers’ level of materialism influences the extent to which they engage in consumption activities. Fitzmaurice and Comegys (2006) found a statistically significant relationship between consumers’ materialism and how much time and money they spend on shopping. Watson (2003) on the other hand found that materialistic consumers have a positive attitude toward credit and are more likely to borrow money in order to buy products that may not be essential. These findings are consistent with the idea that consumers who are guided by materialistic values tend to desire consumption products to a greater extent. Some authors (Belk, 1985; Richins and Dawson, 1992) even see the desire to possess products as a basic facet of the concept of materialism. Richins’s (1987) much utilized scale, for instance, has two dimensions that are termed “general materialism” and “individual materialism”. While general materialism refers to beliefs regarding the relationship between money and happiness (e.g., “It’s really true that money can buy happiness”), individual materialism refers to beliefs that buying and possessing products can bring personal happiness (e.g., “I’d be happier if I could afford to buy more things”). It appears therefore that in the case of this well-known scale, individual materialism is not conceptually distinct from one’s tendency to desire consumption objects. Hence, in the context of the present research it is the general materialism dimension of the concept that is of relevance.

![Figure 1. The conceptual framework](image)

**Susceptibility to social influence and consumption desires**

Desiring consumption products is a way of feeding one’s hope to achieve a certain social status or to be accepted by important others (Hoffmann, Baumeister, Förster, and Vohs, 2012). An object is desired not only for its utility, but also for the image that it helps to project in one’s social environment. Individuals in general seek to attain a minimum of social recognition (Leary, Kelly, Cottrell, and Schreindorfer, 2013) and consumption appears as a privileged means to get this. Consumption desires therefore participate in one’s identity construction (Dholakia, 2015), just as it is the case with possessing objects (Belk, 1988) and having consumption dreams (d’Astous and Deschênes, 2005).

Social factors are important determinants in the process by which consumption desires...
are formed. As argued by Belk, Ger, and Askegaard (2003), consumption desires stem in part from the need to interact with others because they imply some social connection. This connection may unfold through mimesis, as when one tries to imitate the desires of important people. The social environment in general also has an important role in how desires are created and evolve. Socialization agents (family, friends, and educators) contribute to create desires by stimulating consumers’ imagination. In other words, desires stem from one’s mind which itself is nourished by the physical, commercial, and social environments (Belk, Ger, and Askegaard, 2003). Hence, the extent to which consumers use others as information sources for making their consumption choices and as reference points for consumption decisions (i.e., susceptibility to social influence) should influence positively their propensity to desire consumption objects.

Method and results

Overview

A survey was conducted among a sample of 203 adult consumers in order to assess the various concepts of the theoretical framework (Figure 1) and test the hypothesized relationships. This was accomplished by means of a series of mediation analyses performed on the basis of the collected data.

Measures

The scale aimed at measuring the respondent’s propensity to desire consumption objects was developed specifically for this research. The items are based on a scale used by d’Astous and Deschênes (2005) to assess people’s propensity to engage in consumption dreaming. It is composed of four items: “In general, I desire new products or services all the time”; “I am a person with little desire for new products and services” (reversed); “I often have in mind an object (product, service, or brand) that I desire”; and “In general, I spend a great deal of time thinking about my consumption desires”. All other measures used in this study are based on or adapted from existing scales. The concept of materialism was assessed using Richins’s (1987) six-item scale. Four of these items reflect individual materialism (e.g., “It is important to me to have really nice things”) whereas the other two items reflect general materialism (e.g., “It’s really true that money can buy happiness”). Although the interest in this study centers on people’s general materialism (i.e., as a value), the entire scale was used in the questionnaire. Susceptibility to social influence was measured with eight items from Bearden, Netemeyer, and Tell’s (1989) scale (e.g., “It is important for me to buy products and brands other people like”). Finally, the affective and cognitive responses that accompany consumption desires were measured with Boujbel and d’Astous’s (2015) four-dimensional scale: pleasure (6 items – e.g., “I really enjoy it when I know that I’ll be able to buy a product or a brand that I really desire”); discomfort (5 items – e.g., “When I can’t buy myself a product or a brand that I desire, I feel frustrated”); guilt (4 items – e.g., “Sometimes, I feel ambivalent between my will to satisfy my consumption desires and the ensuing guilt”); and control (4 items – e.g., “In general, I can control my desires to buy products and brands”.

Data collection

The data were collected by means of a self-administered questionnaire that was distributed using a drop-off delivery survey procedure. A total of 551 dwellings in a sample of streets located in residential areas of a major North American city were visited in order to secure the participation...
of adult consumers. Among the 322 potential respondents that could be contacted (contact rate = 58%), 248 accepted to fill in the questionnaire (acceptance rate = 77%). Seventeen of the 220 questionnaires that were picked up were incomplete or badly filled in, resulting in a total of 203 valid questionnaires for analysis (response rate based on total number of contacts: 63%).

Psychometric assessment of the measures

The items of the different scales were factor analyzed (i.e., principal components) for dimensionality as well as discriminant validity assessment. The factor analysis of the susceptibility to social influence items resulted in a single factor explaining 69.6% of the total variance. The items of the Richins (1987) scale loaded on two dimensions that reflected, as expected, general and individual materialism. The factor analysis of the four items purported to assess one’s propensity to desire consumption objects led to a single factor. However, the reversed item had a very low communality (0.17) and was therefore eliminated. The two general materialism items and the three propensity to desire items were factor analyzed altogether, which resulted in two distinct factors (total explained variance: 70.7%; materialism: 49.9%, propensity: 20.8%) where each item loaded on its respective factor (minimum loading: 0.73). This provided empirical evidence that the two measures were adequate from a discriminant validity point of view. Reliability was very good in the case of the susceptibility to social influence (alpha = 0.94) and propensity to desire (alpha = 0.85) scales, but somewhat low as regards the two-item measure of general materialism ($r = 0.19$; $p < .01$). The mean of the items served as a measure of the concepts.

The three propensity to desire items were factor analyzed with all items aimed at measuring affective and cognitive responses to consumption desires. This resulted in five factors where each item loaded on its proper factor (total explained variance: 73.6%; discomfort: 35.4%, pleasure: 13.8%, control: 11.6%, guilt: 7.9%, propensity to desire: 4.9%). These results provided evidence that the scales are well differentiated. The reliability of the responses scales were high (minimum alpha: 0.83).

Sample description

Female participants were slightly more numerous than male participants (51.7% and 48.3%, respectively). The age of respondents varied from 18 to 82 years with a mean of 38 (standard deviation: 16.35). The participants were well educated with 68.8% of them having attended the university (students represented 26.8% of the total sample). About one-third of the sample reported a household annual income of more than 120,000$, a result that is consistent with the sample’s fairly high level of education.

Mediation analyses

The research hypotheses were tested by means of a series of regression-based mediation analyses (Hayes, 2013; MacKinnon, 2008). The first step consisted in testing through multiple regression analysis the combined effect of the independent variables, namely general materialism and susceptibility to social influence, on the mediating variable (i.e., propensity to desire consumption objects), as this is a necessary condition for concluding that mediation is taking place. As shown in Table 1 (Model 1), both variables had a positive and statistically significant effect on the mediator (materialism: beta = 0.13, $t(197) = 1.90$, $p < .05$; social influence: beta = 0.53, $t(197) = 6.53$, $p < .001$).
Subsequent steps of the analysis consisted in regressing each dependent variable (i.e., the affective and cognitive responses that accompany consumption desires: pleasure, discomfort, guilt, and control – Model 2 to 5) on the independent variables and the mediator. It is concluded that mediation takes place when the effect of the mediator is statistically significant in the context of these models.

As can be seen by looking at the results displayed in Table 1, in all cases (i.e., Models 2 to 5), the mediating variable (i.e., propensity to desire consumption objects) was statistically significant. In two cases (i.e., discomfort and control), the analysis revealed a total mediation effect of propensity to desire. As for the other two models, susceptibility to social influence still had a direct effect in the context of the pleasure response while in the case of guilt, it was materialism which had a direct effect.

The statistical significance of all indirect effects was ascertained via the PROCESS macro developed by Hayes (2013). The estimates along with their bootstrap 90% confidence intervals are presented in Table 2. As can be seen, none of the confidence intervals contains the value zero. To complement these results, Sobel tests are displayed in the table and they all are statistically significant.

In conclusion, the overall pattern of results is consistent with the proposed theoretical model since it shows that the effects of general materialism and susceptibility to social influence on the various affective and cognitive responses that accompany consumption desires are mediated, totally (in the case of the discomfort and control responses) or partially (in the case of pleasure and guilt), by the extent to which one is inclined to desire consumption objects.

<table>
<thead>
<tr>
<th>Model</th>
<th>Dependent Variable</th>
<th>Independent Variables</th>
<th>Standardized Coefficients</th>
<th>R²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model 1</td>
<td>Propensity to desire</td>
<td>General Materialism</td>
<td>0.13*</td>
<td>0.43***</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Susceptibility to Social Influence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Model 2</td>
<td>Pleasure</td>
<td>General Materialism</td>
<td>0.01 NS</td>
<td>0.17*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Susceptibility to Social Influence</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Propensity to Desire</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Model 3</td>
<td>Discomfort</td>
<td>General Materialism</td>
<td>-0.05 NS</td>
<td>0.13 NS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Susceptibility to Social Influence</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Propensity to Desire</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Model 4</td>
<td>Guilt</td>
<td>General Materialism</td>
<td>-0.16*</td>
<td>0.14 NS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Susceptibility to Social Influence</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Propensity to Desire</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Model 5</td>
<td>Control</td>
<td>General Materialism</td>
<td>-0.10 NS</td>
<td>0.36***</td>
</tr>
</tbody>
</table>
Table 2
Tests of Indirect Effects

<table>
<thead>
<tr>
<th>Hypothesized Mediating Process</th>
<th>Est. Indirect Effect</th>
<th>Bootstrap C.I. (90%)</th>
<th>Sobel Test (Z)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materialism→Propensity→Pleasure</td>
<td>0.08</td>
<td>0.01; 0.17</td>
<td>1.82*</td>
</tr>
<tr>
<td>Materialism→Propensity→Discomfort</td>
<td>0.06</td>
<td>0.01; 0.14</td>
<td>1.78*</td>
</tr>
<tr>
<td>Materialism→Propensity→Guilt</td>
<td>-0.04</td>
<td>-0.11; -0.02</td>
<td>-1.66*</td>
</tr>
<tr>
<td>Materialism→Propensity→Control</td>
<td>0.27</td>
<td>0.19; 0.37</td>
<td>4.81***</td>
</tr>
<tr>
<td>Social→Propensity→Pleasure</td>
<td>0.21</td>
<td>0.14; 0.31</td>
<td>4.29***</td>
</tr>
<tr>
<td>Social→Propensity→Discomfort</td>
<td>0.24</td>
<td>0.15; 0.35</td>
<td>3.86***</td>
</tr>
<tr>
<td>Social→Propensity→Guilt</td>
<td>-0.14</td>
<td>-0.22; -0.07</td>
<td>-3.58***</td>
</tr>
</tbody>
</table>

p < 0.05; *** p < 0.001

a Bootstrap confidence intervals based on 10,000 samples generated with 200 resampled observations (3 missing values). The 90% level of confidence reflects the predicted directionality of the estimates.

b One-tailed tests.

Discussion

The results of this study are consistent with previous research having theorized about and corroborated the existence of a relationship between the need to be accepted by important others (e.g., social recognition) and consumption. As shown by Belk, Bahn, and Mayer (1982), people form impressions of others partly through observing the products that they consume. It is therefore logical that the importance attached to the opinions of others be positively related to one’s propensity to desire consumption objects. They are also consistent with research having shown that materialism is positively related to the propensity to engage in consumption activities (e.g., Fitzmaurice and Comegys, 2006). This latter finding is even more relevant since this study specifically focused on the effects of general materialism on the propensity to desire consumption products and associated internal responses, in an attempt to eliminate the possibility that a positive correlation between desiring products and materialism be explained, at least in part, by the fact that the latter concept would include the notion of deriving pleasure from buying products (e.g., Richins, 1987). This conceptual distinction between materialism as a general value and the propensity to desire consumption products is analogous to that made years ago by Fishbein and Ajzen (1975) who argued that people’s beliefs should be considered distinct from their attitudes.
A significant contribution of this research is that it did not restrict itself to simply examining the impact of consumers’ materialism and susceptibility to social influence on their propensity to desire consumption objects; it also looked at the direct and indirect effects of these two determinants of people’s consumption desires on the experience of desiring products, more specifically on the internal responses that this experience commonly generates. This approach offers a fine-grained analysis which allows a more comprehensive understanding of the processes which underlie the experience of desiring consumption objects. In particular, the results have shown that these responses entail different mediating processes. Thus while susceptibility to social influence has both a direct and indirect impact on the pleasure and discomfort felt when desiring consumption objects, it only has an indirect effect on people’s feeling of guilt and their inclination to engage in controlling their desires. Similarly, while there are direct and indirect effects of general materialism on guilt, this is not the case with the three other responses where the effects of materialism are totally explained by the propensity to desire.

Since this is an exploratory study, one can only speculate about the psychological processes that lead to these differentiated mediating effects. A first observation concerns the direct effects of consumers’ susceptibility to social influence on the pleasure and discomfort responses that accompany the experience of desiring consumption objects. This indicates that, irrespective of their natural propensity to desire, consumers who attach some importance to people’s opinions about products (informational social influence) and who want their approval (normative social influence) are more likely to derive pleasure from desiring products and more likely to feel frustrated if they cannot satiate their desires. Desiring consumption objects therefore represents a means to fulfill consumers’ need for social approval, leading to pleasant feelings when anticipating the purchase of products that important others favor and annoyance when they foresee that these desires will not be satisfied. Interestingly and consistent with these results, consumers’ susceptibility to social influence does not impact the extent to which desiring products activate feelings of guilt and perceived self-control.

The observation of a direct negative effect of general materialism on feelings of guilt during the consumption desire experience (Table 1) along with a positive indirect effect (Table 2) is an intriguing result. While general materialism leads to stronger feelings of guilt because it is associated with a greater propensity to desire consumption objects, more materialistic consumers, irrespective of their propensity to desire, are less inclined to feel guilty when experiencing consumption desires. These opposite effects probably explain why the simple correlation between general materialism and guilt is not statistically significant ($r = -.02, p > .78$, not shown in the tables). In her study of the impact of materialism on consumers’ product-evoked emotions during the purchase process, Richins (2013) also found no statistical relationship between materialism and guilt. Apparently this result was expected because, as she mentioned, arguments can be advanced for a positive or a negative relationship (unfortunately, she did not detailed these arguments). Although her result concurs with the results of the present study, it is worth noting that in her study, guilt was assessed with a single item, leaving open the possibility that the non-observation of a relationship between the two variables might be due to the unreliability of the guilt measure. In contrast, in her research about splurge purchases and materialism, Fitzmaurice (2008) observed that highly materialistic consumers...
had stronger feelings of guilt than their less materialistic counterparts when reflecting upon a splurge (or extravagant) purchase made in the last six months. However, the fact that she did not provide a clear explanation for this somewhat surprising result, in the context of an exploratory study dealing with what might be considered a singular purchase episode, along with a small sample size (n = 107), are factors that cast doubt on the reliability of this observed relationship. The conceptual framework developed in this study offers a more convincing explanation of the effects of materialism on consumers’ feelings of guilt by showing their underlying psychological mechanisms (i.e., the mediating role of propensity to desire).

**Conclusion**

This study is the first to investigate the causal determinants of consumers’ cognitive and affective responses when they experience consumption desires. Further studies should be undertaken in order to verify if the relationships that were uncovered can be replicated. It would be particularly pertinent in these endeavors to use a more reliable measure of general materialism than the one used in this study. As argued in this paper, the concept of individual materialism (Richins, 1987) appears to share too much conceptual similarity with the propensity to desire consumption objects. Consequently, some effort should be devoted to the construction of a materialism scale that is distinct from consumption desires, a scale focusing on people’s fundamental beliefs about the importance of acquiring material goods in the quest for happiness.

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Experience marketing from a teaching and learning perspective

Abstract

The current paper aims to examine how business schools can utilize concepts from experience marketing in the teaching practice. The theoretical framework of this study is derived from holistic human and learning theories. The paper compares the educational and experience production models. The methodology involves interpretive research and sensory ethnography. The empirical research material has been collected within the years 2013 to 2016 and consist of learning diaries and project presentations. The study proposes insight into students’ learning experiences gained in master program course at Tallinn School Business and Governance. The problem-based, active, experiential teaching method helps MA students to increase their competitiveness. Moreover, the efficient and advantageous course helps students to develop and design their business ideas and acquire collaboration skills. On the other side, the paper discusses teaching experiences. The learning of the experience design takes place only in the co-creation and through interactions between two eager partners. Without bearing in mind the learners’ needs and motivation, the learning experience cannot be designed.

Key words: experience marketing, teaching experience, learning experience, project learning, experiential learning, service and product design, sensory ethnography
Introduction and objective

Continuing globalisation, networking, digitalisation and market saturation are the processes that should take into consideration in marketing communication and consumer behaviour. The new consumer-oriented marketing guides the focus of marketing practitioners and academic researchers on the consumer-brand engagement and value co-creation through the experience marketing.

In the marketing literature the idea that consumers are looking for memorable experiences is well established. Experiences are memorable events (Pine and Gilmore 1999) and in order to leave a memory trace, they must take place outside the daily routine (Sundbo and Sørensen 2013). Thus, memorable experience is something unusual standing out from the rest. Experiences are provoked by stimuli; they may occur as a result of online and offline activities; they may be evoked by products, packaging, communication, in-store actions, engineer work, salespeople, after-sale service; and events (Schmitt 2010, Jensen 2013).

Experience are considered part of the marketing activities which focuses on the character of product of service (Sundbo and Sørensen 2013) and which may have experiential value for the consumer. Marketing communications can establish the brand in memory, create a brand image, engage consumers both on-line and off-line, and create experiences (Keller 2009). Experience marketing can generate emotions to the customers by making entertainment, by enabling to escape from the reality, by educating, and providing customers’ aesthetic objects or places to see (Pine and Gilmore 1999). Experience marketing can deliver sensory, emotional, cognitive, behavioural and relational value (Tynan and McKechnie, 2009). Experience marketing is usually broadly defined as any form of consumer-focused marketing activity that creates a connection to consumers. All this increases the competitiveness of an enterprise.

Little is known how business schools can utilize concepts from experience marketing in the teaching practice. The experiential learning approach in the educational settings is not a novel in the academic literature. For instance, to name just a few, Cooper, Bottomley and Gordon (2004) discuss an experiential learning approach to entrepreneurship education. Leppiman and Puustinen-Niemelä (2004) introduce Estonian and Finnish social work students’ joy of learning in multicultural project.

This paper extends our previous research (Leppiman and Riivits-Arkonuso 2016, Leppiman and Kukk 2017) and presents a teaching case study from a successful course in experience marketing aiming to answer the two research questions: How to teach experience marketing and how the students reflect their learning experience? The paper opens by discussing the experiences and experiencing that is the theoretical basis of the current research. The remainder of the paper is devoted to finding the similarities between of the logic how the experience production and the process of experiential learning are built up. Next, the results are reported followed the empirical findings. Finally, discussion elaborates contribution, theoretical and practical implications of this study.

Theoretical framework

The concepts of experiences, experiencing, experience offering and production have sprouted from holistic human- and learning theories. “Learning is a process whereby knowledge is created through the transformation of experience.” (Kolb 1984, 38). The experiential learning model proposed by Kolb includes a cyclical four-mode learning process that
embraces the concrete experience, reflective observation, abstract conceptualization and active experimentation. Concrete experience is feeling the experience of activity (FEEL). Reflective observation (WATCH) involves observing others or forming opinions concerning one’s personal experience. Abstract conceptualization (THINK) means the forming theories to reveal views. Active experimentation (ACT) is using theories to solve problems and to make decisions.

In the experiential learning theory can be seen overlapping the different types of experiences that marketers can create for customers. By Schmitt (1999) are such the created experiences: sensory (SENSE), affective (FEEL), cognitive (THINK); physical experiences, behaviours and lifestyles (ACT), and experiences that follow from relating to a reference group (RELATE). Experience production manages four levels - the producer, the production, the offering, and the outcome, that is the experience (Sundbo and Damer 2008, Gelter 2010). Gelter (2010) sees the parallelism on the logic how the experience production and the process of experiential learning are built up (Figure 1). Experience producer corresponds to the teacher, the experience production process with the teaching process and the experience product with the classroom activity. The customers engage in the purchased experience product with a pre-experience and leave the experience with memories and feelings. The students attend their lesson with a pre-understanding of the subject and leave the learning experiences with new knowledge and understanding.

Figure 1 Adapting experience production and educational models, sources: Sundbo and Damer (2008), Gelter (2010).
Experience evaluation depends on recipients’ expectations, stimuli appearing from interactions with provider, and moments of contacts. Whether an experience is provoked depends on the state of the individuals “mental readiness and the specific situation” (Sundbo and Sørensen 2013, 4).

Experience production in Experience Marketing course

Experience Marketing is a master program course that combines theoretical and practical dimensions of the subject. To deliver essential knowledge, skills and attitudes and ensure the transfer of learning into students’ practice, the course facilitators at Tallinn School of Business and Governance elaborated a set of teaching tools and techniques. The course helps the students to develop and design their business ideas into a viable experiential products or services.

The aim of the Experience Marketing course is the co-creation of value for the students and the potential customers through meaningful experiences. As a whole, the course includes different educational activities: traditional lectures introducing the experience marketing concepts, seminars, reading assignments, fieldwork and sensory ethnography, and reflection on what the participants have learned from the course by keeping a learning diary in an essay form.

The course includes active learning and working on a project to promote student involvement. Active learning is frequently contrasted to the traditional lecture where students are the passive information recipients (Prince 2004). Working in the project enables the students to use their academic knowledge, skills and likewise to learn teamwork (Leppiman and Puustinen-Niemelä 2006).

The main task to be performed during the course is to design a viable experiential product or service and develop a communication and digitalisation strategies for it. Experience design is a outstanding approach to design that has wider boundaries than traditional design and that strives for creating experiences beyond just products or services, concerned with invoking and creating an environment that connects on an emotional or value level to the customer (AIGA, http://www.aiga.org). Particular attention is paid to the experiential dimension of value, striving to design impactful, meaningful experience for the customer.

The learning process of the course is designed according to the four stages of experience design: Customer Discovery, Conceptualization of the Experience, Product/Service Design, and Digitalisation of the Experience (Figure 2). Each section includes its own set of tools that enhance the learning process and make it more engaging and useful to the students. Strong emphasis is also laid on co-creation techniques that allow the delivery of useful, usable, and potentially profitable value to the beneficiaries of the service.

Figure 2  Sections of the Experience Marketing course, source: Leppiman and Kukk (2017).
To obtain consumer market insights and develop customer-oriented strategies, students are introduced to interpretative research method and techniques. Interpretive research, ethnographic research in particular, is based on studying people in their natural environments and situations (Moisander and Valtonen 2011). To get an experience of conducting a mini-scale ethnographic fieldwork, the students go to the field. They take notes, videos and pictures in the settings within they see the potential customers for their “experience product” design. They observe actions, interactions and conversations, eye contact, and body language. The visual materials are combined with interviews and conversations. The students pay attention to the sights, sounds, touches, tastes, and smells. Such sensory ethnography enables to empirically investigate the senses in action in the immediate settings (Valtonen, Markuksela and Moisander 2010).

The students reported that they do know not very much about topics covered in the course which they have taken to their study plan. The most typical answer was the relating the experience marketing with creating the emotions.

We name the second category marketing mind-set. Such students usually already work in the marketing area. They use the marketing vocabulary talking about a differentiation strategy, focus on the customer, achieving the competitive advantage, value creation, added value, out-of-box mind-set. We name the third category experiential since the students described their personal experiences that they noticed and remembered in tourism, entertainment, events, restaurants or PDUNHWLQJ RQOLQH DQG RIÀLQH FDPSDLJQV. Unique, distinctive, memorable, surprising, more than expected, and trust were the most mentioned keywords. Leppiman (2010) says that an experience is the existential and rational reality experienced by the consumer him/herself.

When compare the theories and concepts of the experience marketing to the business product/service design and worked out the communication strategy. These diaries and reports were read by two authors of this paper in parallel. The actual analysis was born in dialogue.

**Pre-experience**

Before beginning the course were the students asked to describe how they understand the concept of experience marketing. The following categories were found. The common denominator for the first category would be *tabula rasa*. The students reported that they do know not very much about topics covered in the course which they have taken to their study plan. The most typical answer was the relating the experience marketing with creating the emotions.

Next, we provide insight into students’ learning experiences. We use the model presented in the Figure 1 as the analytical tool to examine the empirical data – learning diaries and the group assignments within the years 2013-2016. During this time almost 200 students participated in the experience marketing course. Working in the groups they presented 28 projects for
students’ knowledge before starting the course it can be said that they understand the core of the experience marketing.

**Experience production (design)**
Experience production in the teaching of experience marketing class context comprises four phases. First, the *observation* phase, that means doing the sensory ethnography in the field. This phase is within four years liked by the students very much. They determined the potential target group and described the customer profile. They admitted that initially was the going to the field scary in some extent. It means the step-out of the comfort-zone. Reflecting the learning experiences, they emphasized how valuable skill is putting oneself in the customer’s setting, doing what the customers do and adopting customers’ beliefs.

The second phase is the *conceptualization* of the experience product/service. To gain a deeper insight into their customers, students used tools and techniques of Design Thinking and Service Design (Mager 2004, Maffei, Mager and Sangiorgi 2005). For example through the course they created an empathy map (Ferreira, Silva, Oliveira and Conte 2015), defined jobs-to-be-done (Christensen, Johnson and Horn 2010) and filled out the value proposition canvas (Osterwalder, Pigneur, Bernarda and Smith 2014, Leppiman 2013/2016).

The third stage is the elaboration *the communication strategy*. One of the most successful outputs of the series of experience marketing courses might consider the involvement the students to the preparation the marketing spring conferences organized by faculty at the business school. The conferences were titled “Experience Design in Marketing” (2016), “From Consuming to Marketing Experiences” (2015), “Experiences in Marketing – Marketing in Experiences” (2014), and “Changing Consumer in the Changing Marketing” (2013). The task was to find new target groups, which would be the participants in these conferences, to develop messages that would speak effectively to the target group and work out a communication plan. The scope of the target groups was wide, from start-ups to mechatronics students. Fourth, and final, stage is defining a *digitalisation strategy*, to enrich and expand the experience for the consumer as well as make it more profitable for the business, enabling scalability of the experience.

The students highly appreciate the fact that every year, some of them belonging to a group called “the best” get the opportunity to present the results of their project work at the spring conference.

**Experience and post-experience**
The experiential learning engages the concept “a sense of achievement” (Hall 1988). If an individual is being challenged, he or she has to make an effort. If the goal has been reached, the self-esteem improves; a sense of achievement is being experienced. An individual develops a new identity. The motivation to accept even bigger challenges and to use the resources to succeed improves as well (Leppiman, Riivits-Arkonsuo and Kaljund 2013). Such learning method applies to the business students who are highly motivated and success oriented.

**Conclusions and implications**
Creating and teaching the experience marketing course offers an excellent opportunity to learn together with students. Since this marketing domain is developing rapidly, the lecturers themselves should be involved in a continuous learning process. Learning together with the students is an authentic experience regarding understanding how students perceive their learning experiences. Things that were new and surprising (customer research) for some students were a daily routine for others. A personal experience is always
subjective (Leppiman 2010). There is a challenge when using an individual approach with students, considering their previous work experience and exposure to the project.

The second crucial point is the teacher’s ability to invoke eagerness and enthusiasm. If teachers are ready for new challenges and contribute time to learners, the learners reciprocate. The students experienced production through a particular project. They gained the courage and inspiration for planning the increase of their competitiveness.

The third finding that such project learning revealed is the fact that the business students have a strong desire to succeed. Having been titled “the best team” and selected for presenting the experience design ideas in the annual marketing conference, organized by the business school, encouraged them to surpass themselves.

After completing the course, some of the students decided that experience marketing would be the topic of their master’s thesis. The student feedback underlines the highly practical value of this course. Students choose to work on actual business projects or the companies that they are employed at, or collaborate with other organisations that are interested in adding an experiential dimension to their business. Moreover, some of them provided the feedback how the knowledge acquired from the course helped them to organize campaigns for their business.

The experience design thinking mind-set and design demonstrated an excellent methodological match to teach marketing subjects in general and Experience Marketing course in particular (Kukk and Leppiman 2016). The most important finding relating to this study is that the both parties - teachers and learners - should have experience in co-creation (Kukk, Leppiman and Pohjola 2014). It cannot be designed without considering the learners' need and motivation. The teacher creates the environment for learning being the inspirer. The teaching experience consists widely of the learning experience. By teaching, we learn, and by learning, we teach. The learning experience occurs in the cooperation between the two enthusiastic partners. Learning and teaching experiences shared in this paper can point the way toward curriculum development and improvement.

Limitations and further research

The current study has its limitations that suggest opportunities for further research. The empirical material collected within the years 2012-2016 was planned for the design and development the experience marketing course. Further studies need to be conducted considering the ascertainment the reasons of forming experiences and systematization the phases in the experiential learning exploiting the ethnography and the others qualitative methods and experience design tools.
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The cultural aspect in the relationship customer-place: Proposal and test of an integrated model

Abstract

This research examines the perception of a heritage place, richness from a historical and architectural point of view, and rehabilitation at the place of service. The question is how the fingerprints of the past, allow customers to experience a unique experience. The advanced conceptual framework tested with structural modeling can identify dimensions of a service space holding significant cultural value and the perceptions of clients according to their degree of acculturation and appropriation to space. The results show that the level of acculturation of the client moderates the relations between the rehabilitated physical environment and the quality of the offer on the one hand and the intention of fidelity on the other hand.

Key words: physical environment, service, acculturation, perception, rehabilitation

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Introduction
With the development of service activities on the one hand and their globalization on the other hand, there is a multiplicity of service locations. It is now necessary to reflect on original axes of positioning beyond that of price, quality of service or form of relationship. More than a supply to consume, the time is to share a consumer experience. In this aim, commercial environments, commercial places, tourist and leisure sites have evolved to offer spaces more playful, more exotic, more sensory, more emotional.

In the context of increasing competitiveness and demand, service centers play an increasingly central role: more than a context or a scenic place capable of supporting the service experience, they become the heart of the offer. Examples proliferate that the customer consumes as much - if not more - space than the service itself (e.g., Starbucks, themed restaurants or amusement parks). This becomes more complex when there is a strong cultural dimension. We can then ask ourselves what is the perception of a space heavily burdened culturally for a client, also strongly acculturated.

Today, the importance of the physical environment in services is recognized by managers who constantly spend energy and considerable financial resources in order to develop it, to theatricalize it, to particularize it to make it more user-friendly and more conducive to endure the service experience. This desire to offer strong and original spaces of experience leads the provider to turn to places of rehabilitation of which the first life could give thickness to the emotions.

Box 1: The challenges of rehabilitated service spaces
After the wave of renovations in the 90s during which, shops and malls were redesigned to allow for strolling, appropriation and comfort shopping experiences (such as Levi’s stores, American Girl stores, Nature & Découverte And other Nike’town), after the craze for technology and 3D-loaded spaces (such as the NewYork Information Center, Colourmatic’s interactive windows, LED architecture abundant at the Beijing Olympics and even The holograms to assist passengers boarding the Paris-Orly airport), after the hyper-sensorialized spaces (from Abercrombie & Fitch shops to the restaurant Dans le Noir, via the Icehotels, and other Underwaterhotels of the chain PoseidonResort) The thematized spaces which play on the theatricalization and the simulacrum like the Rainsforestcafe or the CentersParks, after the e Spaces such as Dinning in the Sky, Viktor & Rolf’s Upside Down spaces or hotels in the trees, and finally the artistically designed places of service such as the Mama Shelter, the Phantom The Opera Garnier, the Guggenheim museums, the Kring in Seoul or even the Stockholm underground, after all these spatial forms, here are the rehabilitated spaces.

As a result, many service activities take place in hidden places. These new spaces have lost their original vocation which, nevertheless, remains present in certain architectural details. The providers will then exploit the dual identity of the place to play on the ambiguity and to reinforce the symbolic charge. For example, a church becomes a luxury hotel (Martin’s Patershof), or a bookshop (Waanders In de Broeren), or a skateboard track (La Iglesia Skate). Another example is the prisons rehabilitated in hotels (“Hostel Celica” in Ljubljana, “The Liberty Hotel” in Boston, “Malmaison” in Oxford, “Het Arresthuis” in the south of the Netherlands, “Hi Ottawa Jail Hostel” in Ottawa...). Another example is the hotel, a former military fortress (Cap Rocat), or the one in an airplane (Jumbo Stay), or in a former hospital hotel Dieu (Intercontinental Marseille-Hotel Dieu). Finally, let’s mention the unusual
Development of aquatic spaces: the old swimming pool Lutetia which Hermès has rehabilitated for its flagship boutique in Paris. The old municipal swimming pool of the city of Roubaix became the industrial museum, and even the old Turkish baths in Plovdiv (Bulgaria) redesigned into a space of contemporary art.

Rehabilitating old places in service spaces is an interesting innovation path in terms of space that allows us to re-live an abandoned place and to revalorize the place in the eyes of the client from its history.

However, we can imagine that these places, which are part of the historical and cultural heritage, are perceived differently according to the customer’s own history and more specifically, its culture.

The objective of our research is to evaluate the influence of the perceived physical environment on the client’s affective, cognitive and behavioral responses according to the moderating effect of acculturation. Our research is part of the general problem that questions the place-individual relationship and introduces two new elements: one specific to the place: a rehabilitation space strongly marked culturally, the other relative to the client: its level of acculturation.

Our research ground is made up of ancient palaces of caliphs Omeyades rehabilitated and transformed into restaurants in Old Damascus in Syria. They are frequented by a varied customers that goes from the foreign tourist to the local inhabitant. These places have the particularity of houses courtyard formerly built according to the characteristics peculiar to the Syrian culture. At a time of globalization and the mobility of individuals, we have chosen to consider this perception according to the level of acculturation of clients from two different cultures: Syrian and French. At the same time, there is a fortuitous but challenging interest in teaching: at a time when Syria is experiencing war, many cultural heritage buildings (including palaces) are unfortunately destroyed. Our research was able to be realized just before the events and thus possesses in spite of us a unique character.

After presenting the key concepts of our research, we will propose a model whose hypotheses will be tested. We will then discuss and discuss our results. We conclude with the managerial implications and the perspective of the research.

1. The conceptual framework

The first step towards the construction of the conceptual model of this research is to clarify the concepts of physical environment and acculturation.

1.1 The physical environment

The first research using the term “atmospherics” in marketing returns to the year 1973 when Kotler defined it as “the efforts made to design a buying environment capable of producing specific emotional effects in buyers that can increase their probability of Purchase” (page 50). Aubert-Gamet (1997) was the first to highlight this conceptual blurring and to pave the way for research on service spaces.

Several authors have relied on the first conceptualization proposed by Kotler to identify the term physical environment which refers to all controllable elements that can influence the psychological and / or behavioral emotional responses of consumers. From a service marketing perspective, Bitner (1992) studies the effects of the servicescape that it calls servicescapes. It emphasizes the importance of physical elements in the service delivery process. Thus, Ezeh and Harris (2007) define the physical environment of a service as the one in which occurs the service encounter. According to the authors, the physical environment can arouse to the customer reactions that leads him to show an approach or avoidance behavior. For Temesek-Behi (2008), the physical environment of the service refers...
to “all artificial, natural and social conditions partially controllable and exercise (alone or in interaction) influence on the affective states, cognitive, physiological, and behavior of the occupants of the service (customers and employees)” (page71).

The literature reflects a multiplicity of definitions of the concept of physical environment. The definition of Baker (1987) defines three constituents of the physical environment: 1) ambient factors (air quality, sensoriality and cleanliness); 2) design factors (layout, shapes and materials) and 3) social factors related to all the people co-present in the place (other clients and staff).

We chose to adopt the typology of Baker (1987) because it is considered the most cited typology in marketing research, the most comprehensive and the most general in a wide variety of industries (Hightower, 2010).

1.2 Acculturation and the perception of the physical environment

Acculturation describes all the changes that occur as a result of contact between individuals and groups from different cultures. Thus, by entering into the process of acculturation, individuals or groups gradually adopt elements of the other culture (ideas, words, values, norms, institutions) (Stamboli-Rodriguez, 2011). Berry & al. (2006) define acculturation as the general process of intercultural contacts and their results. For Peñaloza (1994), acculturation is the movement and adaptation to the cultural environment of the consumer in a country by people from another country. Marketing research has focused on the role of acculturation in leisure (Carr and Wiliams, 1993), the type of object consumed (Lee and Tse, 1994), and the effectiveness of advertising (Kara and Kara, 1996).

Only few studies consider the effect of the environmental elements of the point of sale on consumer behavior by considering its culture. Some exceptions, however, should be highlighted: Seock (2009) who studied the influence of perception of the environmental elements of clothing stores as well as the influence of Hispanic customer demographic characteristics, such as his age and the number of years that he lived in the United States, on his choice of different store formats; Veresiu and Giesler (2012) who cited the role of public and private space in constructing the ethnic identity of immigrants; and Schau, Dang and Zhang (2017) who have examined online forums as an acculturation platform for Chinese consumers in the United States, where they help each other by navigating and even exploiting the American retail servicescape. If these online forums are considered a virtual space, play the role of a lever of acculturation of Chinese immigrants to the United States (Schau, Dang and Zhang (2017), we can think that a culturally marked place of service can be perceived differently depending on the level of acculturation of the client. For the sake of clarity, we should already point out that acculturation with respect to a national culture does not interest us, but it is with respect to the degree of appropriation of a culturally marked space that we are considering the concept of acculturation.

Although acculturation is a widespread phenomenon and has important consequences on consumer behavior, to our knowledge there is no work that has verified the role that the level of acculturation of the client can play in the perception of a service space. However, acculturation seems important to evaluate the perception of a rehabilitated place which, by definition, is strongly marked culturally by its history. When the client shares the cultural values that are readable in the place, it can be assumed that his perception will be different and more intense than when he is foreign. This is what our research model seeks to demonstrate.
2. The research model

The construction of the conceptual model of this research makes it possible to understand the role of the acculturation level of the client in the process of influencing the physical environment of a rehabilitation space on its responses. The effects of the various variables of the conceptual model will be explained in the following.

2.1 Effects of the physical environment

To study the effects of the physical environment on the client’s perceptions, we will distinguish the hypotheses relating to each of its dimensions: ambient, design and social factors, knowing that these dimensions are identifiable with those resulting from the proposed typology by Baker (1987) that we adopted as part of our research.

The basic proposition of Mehrabian and Russell’s SOR (Stimulus Organism Response) (1974) posits the existence of a relationship between the physical environment and the emotional states. Empirical studies on this theme have, in their majority, convergent results that go in the direction of the existence of an effect of the physical environment on the emotional states. We can make the following assumptions:

- **H1a**: The perceived ambient has a direct positive influence on the emotional states.
- **H1b**: Perceived design has a direct positive influence on emotional states.
- **H1c**: Social factors perceived have a direct positive influence on emotional states.

The physical environment appears as a tool capable of influencing the perceived quality of service (Bitner, 1992). We postulate the following set of assumptions:

- **H2a**: The perceived ambient has a direct positive influence on the perceived quality of service.
- **H2b**: Perceived design has a direct positive influence on the perceived quality of service.
- **H2c**: Perceived social factors have a direct positive influence on the perceived quality of service.

Work on the direct link between the service space and loyalty intentions has demonstrated the existence of significant relationships between the different elements of the physical environment and the intention of recommendation (Keillor et al., 2007). Thus, we make the following assumptions:

- **H3a**: The perceived mood has a direct positive influence on behavioral intentions.
- **H3b**: Design perceived has a direct positive influence on behavioral intentions.
- **H3c**: Perceived social factors have a direct positive influence on behavioral intentions.

2.2 Effects of emotional states

The most tested proposal in the literature demonstrates a causal link between emotional states and perceived quality of service (Jang and Namkung, 2009, Kim and Moon, 2009). We have adopted here the fact that quality of service has a cognitive character (Bitner, 1992) and that the experiential approach favors the anteriority of affect on cognition.

This leads us to propose the following hypothesis:

- **H4**: Emotional states have a direct positive influence on perceived quality of service.

Work on the link between emotions and loyalty intentions has revealed sometimes contradictory results. Thus, Jang and Namkung (2009) found a positive effect of positive emotions on behavioral intentions. However, Walsh et al (2011) find that the experience of a coffee can often go beyond a good cup of coffee and can cause an emotional connection. The authors show that the emotions measured by pleasure and stimulation, positively influence the loyalty of the client. We propose to re-test this link by stating the following hypothesis:

- **H5**: Emotional states have a direct positive influence on behavioral intentions.

2.3 The effects of perceived quality of service
Much of the research on the relationship between perceived quality of service and loyalty intentions (Zeithaml, Berry, and Parasuraman, 1996) is consistent. For their part, Jang and Namkung (2009) found a direct and positive influence. The quality of service perceived on the behavioral intentions of the client. However, Kim and Moon (2009) obtain different results. In order to re-test this relation, we propose the following hypothesis:

**H6:** The perceived quality of service has a direct positive influence on behavioral intentions.

### 2.4 The Moderating Effects of Acculturation

Despite the abundant literature on the concept of acculturation, no research has examined the role it can exert in the process of influencing the physical environment on the reactions of the client. Our hypotheses concerning the moderating effect of acculturation emerge from a qualitative exploratory study we carried out among 12 clients (6 Syrians and 6 French) and 4 experts (architects and archaeologists including 3 Syrians and 1 French): local customers have a high level of acculturation while foreign clients are a low level of acculturation. We can assume that acculturation is a mediator and we formulate the following two groups of propositions:

**H7a:** The acculturation of the client has a moderating influence on the relationship between the perceived ambient and the perceived quality of service.

**H7b:** Client acculturation has a moderating influence on the relationship between perceived design and perceived quality of service.

**H7c:** Client acculturation has a moderating influence on the relationship between perceived social factors and perceived quality of service.

**H8a:** The acculturation of the client has a moderating influence on the relationship between the perceived ambient and the behavioral intentions.

**H8b:** Client acculturation has a moderating influence on the relationship between perceived design and behavioral intentions.

**H8c:** Client acculturation has a moderating influence on the relationship between perceived social factors and behavioral intentions.

**FIGURE 1:** below gives a graphical presentation of the proposed research model.
3 Research Methodology
This research was conducted in restaurants located in the heart of the historic city of Damascus in Syria. These restaurants exist in old districts like “Bab Touma”, “BabSharqi”, “Medhat Pasha”, “Qaimaryah”, in the old town.

Box 2: Data collection and measurement of variables
The measurement items already tested and validated in a French context have been translated from French to Arabic using the method of blind parallel translation “. They were validated by 4 experts who spoke perfect French and Arabic. The questionnaires were administered face-to-face and electronically to a sample of customers in Old Damascus restaurants. This step resulted in the collection of 326 usable questionnaires divided into two equal sets of data (N1 = 163, N2 = 163) for exploratory factor analysis and testing of research hypotheses. The instruments for measuring constructions were developed based on the literature supplemented by a qualitative phase. The distribution of respondents in the sample was checked for optimal representativeness in terms of age, sex, and CSP. The majority of items were measured on a five-point Likert scale ranging from 1 “Strongly Disagree” to 5 “Strongly Agree”. The perceived physical environment scale of rehabilitation was created based on a qualitative exploratory phase, but also on previous work. The validated scale consists of two levels of latent variables and 16 items. The scale of emotional states (4 items) was adapted from Rieunier (2000). The perceived quality of service (5 items) was measured by adapting the SERVQUAL measurement scale. The behavioral intentions (3 items)

4 Search Results
We have processed the data by structural modeling using a PLS approach to the XLSTAT software. Thus, the measurement models first made it possible to ascertain the structure and validity of the measurement scales. Then, the test of the global model revealed the hypothetical causal relations of the research model.

4.1 Validation of measures and quality of adjustment of the global model
The scale of the perceived physical rehabilitation environment that was developed by us according to the Churchill paradigm (1979) reveals a multidimensional structure. Item purification (27 final items) measures the ambient, design and social factors. Moreover, it seemed essential to integrate the temporal dimension by differentiating three moments: 1) elements of design that existed before the activity of service and which are part of the past; (2) the “social factors” dimension, which belongs to the service experience and which takes place at the very moment when the service is used; 3) the elements of ambient that were created by the provider before the arrival of the customer and therefore before the experience of service. As shown in the table in appendix B, the reliability and convergent validity indices of the scale of physical environment and other scales are satisfactory (Rho of DG equal to or greater than 0.7 and AVE equal to or greater than 0.5). Discriminant validity is also ensured (see appendix C).

The quality of the global model was verified by using a global adjustment indicator to probe the performance of the PLS model:

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1 The sample consists of 176 Syrian respondents (Syrian native residents residing in Syria and Syrian expatriates residing outside Syria) and 150 French respondents (French immigrants residing in Syria).
the Gof. The results show that Gof is 0.526; value higher than the reference value (0.36) proposed by Wetzels et al. (2009). This leads us to conclude from the satisfactory quality of the research model. Thus, we can appreciate the structural model (see appendix D) and examine the hypothesis test of the research. It should be pointed out that acceptance or rejection of a hypothesis is based on the significant relationships provided by PLS, that is, on the basis of significant structural links (path coefficients) at 1% or 5%. We also verified the predictive power of the model presented by $R^2$.

4.2 Testing hypotheses and discussion

We present and discuss first the test results of the direct effects between the variables of the model, and then the test results of the moderating effect of acculturation.

4.2.1 Direct Effects Testing

We proceed variable by variable, focusing first of all on effects on emotional states. 28% of the variability of emotional states was explained by perceived mood, perceived design and perceived social factors. Only the perceived ambient directly and positively influences emotional states (Path coefficient = 0.430, p <0.01). These results corroborate hypothesis H1a, and reject hypotheses H1b, H1c. This confirms the results of previous research showing a direct impact of the ambient on the client’s emotions (pleasure and activation) (Ryu and Jang, 2008). However, the absence of a direct effect of design on emotions against Bellizzi and Hite (1992), according to which color (strong visual component) stimulates its emotional responses. While the fact that social factors do not influence the emotional states of the client confirms the results obtained by Ryu and Jang (2008).

The verification of assumptions about the effects on quality of service shows that 20.8% of the perceived quality of service variability was explained by the ambient, design, social factors and emotional states, and that two environmental elements contribute to a positive perception of quality of service: ambient and social factors (Path coefficient respectively = 0.252 and 0.227; p <0.01). However, neither design nor emotions have a direct effect on the perceived quality of service. The hypotheses H2a and H2c are therefore corroborated whereas H2b and H4 are rejected. Thus, the elements of the ambient (Pond water quality, cleanliness, odors from flowers and plants, lighting, noise intensity and temperature) have an influence on perception Quality of service. This confirms previous work (Bitner, 1992). Moreover, the direct link between social factors and the quality of service confirms that it is possible to act on it through interpersonal relationships.

Testing hypotheses about the effect of the model variables on behavioral intentions shows that 17.5% of variability in loyalty intentions was explained by ambient, design, social factors, emotional states and quality of service. Only the design and quality of service have a positive and direct effect on behavioral intentions (Path coefficient = 0.184, 0.318, p <0.05, p <0.01, respectively). This corroborates hypotheses H3b and H6, and reject hypotheses H3a, H3c, H5. These results are consistent with those found in several previous studies that found a direct link between design and behavioral intentions; (Ryu and Jang, 2008), or the results obtained, for example, by manipulating the colors of the shop’s walls (Bellizzi and Hite, 1992). Similarly, the direct link between quality of service and loyalty intentions converges with the results of previous research (Jang and Namkung, 2009), and confirms that it is possible to act on declared loyalty intentions by offering a The quality of which can be positively perceived.

4.2.2 Test of the moderating effect of acculturation

...
We verified the moderating effect of acculturation at the level of the overall sample and on the highly acculturated (Syrian) sub-sample (n1 = 88) and sub-sample weakly acculturated (French) (n2 = 75) Using an interaction² variable of the acculturation variable in the relationship between two other variables.

The H7a, H7b, H7c hypothesis test results (Table1) show that at the overall sample level there is a significant positive effect of interaction of the “ambient” and “acculturation” variables at the 1% threshold, and a significant negative interaction effect of the variables “design” and “acculturation” and the variables “social factors” and “acculturation” at the 1% threshold. Cross-validation on sub-samples partially confirms hypothesis H7b with a positive modulation effect of acculturation for the French sub-sample (path coefficient = 0.341; p <0.01) and fully confirms hypothesis H7a with an effect Moderator negative for the Syrian sub-sample (path coefficient = -0.262, p <0.05) and a positive moderating effect for the French subsample (path coefficient = 0.508; p <0.01); As well as the hypothesis H7c with a negative moderating effect for the two Syrian and French sub-samples. The hypothesis test results H8a, H8b, H8c show that in the overall sample, acculturation moderates negatively all relationships (p <0.01). Cross-validation on subsamples fully confirms hypothesis H8a with a negative moderator effect of acculturation for the two Syrian and French sub-samples (path coefficient = -0.229, p <0.05 and path coefficient = -0.552; P <0.01), and partially confirms hypothesis H8b with a positive moderating effect for the French sub-sample (path coefficient = 0.417; p <0.01), as well as hypothesis H8c with and a negative moderator effect For the French sub-sample.

### TABLE 1: Results of test of the moderating effect of acculturation

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Testing of the moderating effect of acculturation</th>
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<tbody>
<tr>
<td></td>
<td>Overall sample</td>
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<tr>
<td></td>
<td>Path coefficient</td>
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<tr>
<td>H7a: Ambient x Acculturation ➔ perceived quality of service</td>
<td>0.344**</td>
</tr>
<tr>
<td>H7b: Design x Acculturation ➔ perceived quality of service</td>
<td>-0.226**</td>
</tr>
<tr>
<td>H7c: Social factors x Acculturation ➔ perceived quality of service</td>
<td>-0.273**</td>
</tr>
<tr>
<td>H8a: Ambient x Acculturation ➔ behavioral intentions</td>
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<tr>
<td>H8b: Design x Acculturation ➔ behavioral intentions</td>
<td>-0.277**</td>
</tr>
<tr>
<td>H8c: Social factors x Acculturation ➔ behavioral intentions</td>
<td>-0.189**</td>
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*: p<0.05 ; **: p<0.01 ; n.s. = not significant

2 In order to measure the impact of each interaction variable created and integrated in the global model, the analysis was carried out in six steps, since it is not possible to study the moderating effect of the six variables of Interaction at the same time.
We conclude from a moderating effect of acculturation on the links physical environment - quality of service and physical environment - behavioral intentions. Taking into account the elements of the relationship, its significance and the level of acculturation of the client, we identified three roles of acculturation: 1) relationship amplifier, 2) relationship reducer, 3) relationship developer.

1. The enhancing role is the positive moderating role of acculturation on already significant relationships. Only two links are concerned and only among the least acculturated group (French):
   - Ambient - Quality of service: the elements that culturally mark the ambient (the water of the pond and the specific noise it makes, the smells of jasmine and orange, etc.) may seem unknown or unusual to French customers who perceive the ambient positively, and consequently, to evaluate the quality of service positively. In other words, the positive perception of quality of service will be amplified by the culturally marked ambient.
   - Design - Behavioral Intentions: The same phenomenon of ignorance of design and its elements (Islamic architecture, layout, authenticity) explains the role of acculturation in the relationship between design and behavioral intentions. When the level of acculturation is low (in French), a positive perception of design boosts the intention to return or to develop a positive buzz on the provider.

2. The reductive role of acculturation indicates that it moderates negatively a (already significant) link between two variables. The relations concerned are:
   - Ambient - Quality of service and Social Factors - Quality of service among highly acculturated (Syrian) group. This is due to an addictive effect, or habituation effect to the ambient and social factors. These clients are so accustomed that it can be assumed that they become less sensitive to the ambient and social factors and that, consequently, the perceived quality of service will be less linked to the perception of the ambient and the factors social partnerships.
   - Social factors - Quality of service for the weakly acculturated group, which translates into the fact that the client is less expansive and more socially reserved and that, as a result, culturally marked social factors are less related to quality of perceived service.

3. The revealing role is the role of acculturation when it moderates a non-significant relationship. Three links are concerned:
   - the link between Design and Quality of service that acculturation reveals with positive moderation in the less acculturated group and which is explained by the existence of a form of progressive adoption of the design of the rehabilitated space. These customers gradually become accustomed to the elements of design until they evaluate the quality of the offer.
   - the link Social factors - Behavioral intentions generated by acculturation with negative moderation in the less acculturated group. This is reflected in the customer’s indulgence with regard to staff in contact. Thus, in a possible problem with the employee, French excuses it more easily than the Syrian. However, culturally marked, the employee intervenes only slightly in the fact that the foreign client declares or not intends to return to this place or to recommend it.

---

3 In order to better understand the level of acculturation of each group of respondents (Syrian native, Syrian expatriate and French immigrant), we calculated the distance in terms of consumption subculture between, on the one hand, expatriate Syrians and French immigrants and, on the other hand, the native Syrians considered to be the referent of the subculture of consumption in the host country (Syria). We found that expatriate Syrians are more acculturated to space than French immigrants. Details of the calculation are presented in appendix E.
the Ambient - Behavioral Intentions link revealed by acculturation with negative moderation in the weakly acculturated or strongly acculturated group. Indeed, it is the attraction for an ambient strongly marked culturally that would justify the fact that the French goes in this kind of space compared to a Syrian who would go there in a more systematic way. However, this sensitivity to the ambient only weakly influences the customer’s loyalty intentions.

5 Conclusion
At the end of our research, we present, first, the contributions for the marketers and then, we put into perspective the results obtained.

5.1 Managerial Contributions
If we consider that the trend of managers to choose to rehabilitate places to set up their activity is increasingly strong (see Box 1), the perception of these places and their influence on quality and intention To come back needs to be considered by integrating the concept of acculturation. The three roles (amplifier, reducer or developer) played by acculturation open up new horizons as regards the management of rehabilitated places. More specifically, it can be said that in the case of rehabilitated places of service, the degree of acculturation of the customers can be considered as a criterion of segmentation:
- For highly acculturated clients (i.e. who are familiar with the architectural and spatial culture expressed by the place), the high level of acculturation:
  - reduces the link between the ambient factors and the quality of service as well as that of the social factors with also the quality of service. In other words, Aboriginal clients who know the history of the place and share the values of the culture that this place symbolizes, use less ambient factors and social factors to evaluate the quality of service. Thus, the manager has no interest in betting on the physical environment if he wants to increase the perception of quality of service and more specifically on the ambient and social factors (since the hypothesis H7B Design on quality of service has not been corroborated). Other marketing variables, other than the physical environment, deserve the attention of the manager (such as value for money or accessibility to the service).
  - reveals the link of ambient factors with the intention of returning to the site. Thus, the manager can count on the factors of ambient to develop in these highly acculturated customers an intention of fidelity.
- For weakly acculturated clients (i.e. those who do not understand the culture to which the building refers - usually foreign customers), the low level of acculturation:
  - amplifies the link between ambient factors and quality of service, as well as that of design with behavioral intentions. For these weakly acculturated clients, managers have an interest in focusing on ambient factors to increase perceived quality and design to increase the intention to return. In particular, this situation could be effective when other performance variables (restaurant quality, staff competence, service delivery process, etc.), other variables related to the customer (length of stay, tourist status vs resident) or other market variables (harsh competition) are unfavorable; the factors of ambient and design thus compensate for these disadvantages. It’s to the manager to communicate on the history of his place, to stage the initial culture, or even to build an experiential offer of animation (music, dance, exhibitions) or visit the place.
  - reduces the link between social factors and perceived quality. For these clients, the folklore of the staff in contact does not intervene in the quality perceived. The
same applies to actions devoted to the management of other clients. Knowing, as stated above, that our results show the same for highly acculturated clients, it is questionable whether the manager really has an interest in investing in the social factors (personnel and other clients) of the physical environment. The manager should focus on other elements typically marked with the place culture, such as ambience or also design for non-native guests.

- reveals the link of design factors with quality as well as the link of ambient factors with the intention to return to the place. For the manager, it would be interesting to insist on marking and even culturally over-designing the design and to preserve as much as possible the traditional and authentic character of the place. The gain achieved at this level lies in the positive evaluation of the design and, subsequently, in the demonstration by the weakly acculturated customer of an intention of fidelity.

We can thus see that the manager can exploit acculturation as a criterion of segmentation. If, in a non-counter-intuitive way, the weakly acculturated clients are more sensitive to the place in their evaluation of the quality of the service and their intention to return, for highly acculturated customers, the rehabilitated place intervenes little on the relations of the environment physical activity with quality of service and behavioral intentions. But we can assume that for the latter, the place strongly marked culturally, plays a major role in their process of spatial appropriation. This is in line with the identity dimension of acculturation (Berry, 2000). Contrary to what we thought, when the client shares the cultural values that are readable in the place, his perception is no more intense than when he is foreign.

5.2 Putting the results of the research into perspective

It should be noted that this research has limitations which are as many avenues for future research. First, the sample size may be larger than ours, to allow for the application of other methods such as the method of analyzing covariance structures. This could make it possible to ensure a better validity of the scale of measurement of the physical rehabilitation environment developed by us. We have also carried out this research in one sector (the catering sector) with customers in a single rehabilitated area (former Omeyyad palace rehabilitated in restaurants) and in one country (Syria). Consequently, it is difficult to generalize the results obtained to other sectors, to other rehabilitation areas and to other countries. These are indeed different from an economic, cultural and social point of view. We therefore recommend that this research be replicated taking into account these different elements. For example, it would be interesting to validate our results in other sectors, such as the hotel sector, such as hotels that resemble the restaurants we studied. It would also be desirable to examine the influence of a rehabilitated physical environment in the cultural field (such as museums and live shows) or other forms of rehabilitation (from an industrial space to a restaurant) (Rehabilitation of Riad in North Africa or castle in France). Finally, acculturation remains a concept to be deepened, as for example on the relevance of acculturation in general or according to the reference cultures. What we have done by differentiating the natives, expatriates, immigrants and foreigners deserve to be reworked according to different cultures.
References


29- Walsh G., Shiu E., Hassan L. M., Michaelidou N. and Beatty S. E. (2011),


### Appendix A: Validated scale Items

<table>
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<tr>
<th>Variable Level 2</th>
<th>Variable Level 1</th>
<th>Items</th>
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<td><strong>Perceived Ambient</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pond water quality</td>
<td>Le bruit de l’eau du bassin attire l’attention</td>
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</tr>
<tr>
<td></td>
<td>J’aime entendre le bruit de l’eau du bassin</td>
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</tr>
<tr>
<td></td>
<td>Le bruit de l’eau du bassin est apaisant</td>
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</tr>
<tr>
<td></td>
<td>Je sens le frais grâce à l’eau du bassin</td>
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</tr>
<tr>
<td>Cleanliness</td>
<td>Le restaurant est propre</td>
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</tr>
<tr>
<td></td>
<td>La vaisselle est propre</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Les habits du personnel sont propres</td>
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</tr>
<tr>
<td>Odor</td>
<td>Je sens l’odeur du jasmin</td>
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</tr>
<tr>
<td></td>
<td>Je sens l’odeur de la cuisine damascène</td>
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</tr>
<tr>
<td>Lighting</td>
<td>Je trouve la lumière : agressive/ douce</td>
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</tr>
<tr>
<td></td>
<td>Je trouve la lumière : artificielle/ naturelle</td>
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</tr>
<tr>
<td></td>
<td>La cour est éclairée par la lumière de soleil</td>
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</tr>
<tr>
<td>Noise intensity</td>
<td>Je trouve la musique d’ambiance : forte/ faible</td>
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</tr>
<tr>
<td></td>
<td>L’ambiance est bruyante/ calme</td>
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<tr>
<td>Temperature</td>
<td>La cour amène de la fraîcheur</td>
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<tr>
<td></td>
<td>La végétation permet d’avoir une température modérée</td>
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<tr>
<td><strong>Perceived design</strong></td>
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</tr>
<tr>
<td>Islamic architecture</td>
<td>L’architecture du restaurant est islamique</td>
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</tr>
<tr>
<td></td>
<td>Je trouve l’alternance des pierres déplaisante/ séduisante</td>
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</tr>
<tr>
<td></td>
<td>Je trouve les motifs décoratifs non islamiques/ islamiques</td>
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</tr>
<tr>
<td>Layout</td>
<td>L’aménagement est bien adapté</td>
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</tr>
<tr>
<td></td>
<td>La disposition des tables facilite la prestation de service</td>
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</tr>
<tr>
<td>Authenticity</td>
<td>Le restaurant est inauthentique/ authentique</td>
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<tr>
<td></td>
<td>Je trouve la décoration rénovée/ en l’état</td>
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<td><strong>Perceived social factors</strong></td>
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<tr>
<td>Personnel</td>
<td>Le personnel est en nombre suffisant</td>
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<tr>
<td></td>
<td>La tenue de la personne qui s’occupe des narguilés est inspirée de la tradition</td>
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<tr>
<td>Other clients</td>
<td>Les autres clients sont dérangeants/ sympa- thiques</td>
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<tr>
<td></td>
<td>Les autres clients sont bien habillés</td>
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<td>Appendix B: Reliability and validity of the measurement model</td>
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<td>-------------------------------------------------------------</td>
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<tr>
<th>Variables</th>
<th>Reliability (Dillon-Goldstein’s rho &gt; 0,7)</th>
<th>Convergent validity (AVE &gt; 0,5)</th>
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</table>

**Perceived Ambient**
- Pond water quality 0,843 0,572
- Cleanliness 0,813 0,582
- Odor 0,888 0,771
- Lighting 0,815 0,592
- Noise intensity 0,819 0,694
- Temperature 0,786 0,647

**Perceived design**
- Islamic architecture 0,782 0,547
- Layout 0,848 0,732
- Authenticity 0,856 0,741

**Perceived social factors**
- Personnel 0,727 0,558
- Other clients 0,743 0,591

**Emotional states**
- Je me sens heureux
- Je me sens gai
- Je me sens calme
- Je me sens détendu

**Perceived quality of service**
- Le personnel travaille bien et rapidement
- Le personnel est très à l’écoute
- Le personnel est aimable
- Le personnel a le souci de me rendre service
- Le personnel accorde une attention individualisée à chacun

**Behavioral intentions**
- Je dirais du bien de ce restaurant à d’autres personnes
- Je recommanderais ce restaurant à toute personne qui me demandera conseil
- Si je veux manger dans un restaurant, je considérerai ce restaurant comme mon premier choix

**Acculturation**
- J’aime écouter de la musique arabe orientale
- J’aime écouter de la musique syrienne arabe
- J’aime la musique de l’Oud
- Je pense que ma culture est plutôt syrienne
- Je pense que ma culture est plutôt française

Reliability and validity of the measurement model.
Appendix C: The discriminant validity of the measurement model

<table>
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</table>
Appendix D: Structural model with PLS

Caption:
- On the arrows are placed the path coefficients.
- The presence of a single star near the path coefficients indicates that they are significant at the threshold of 5%.
- The presence of two stars in the path coefficients indicates that they are significant at the 1%.
- The figure in bold is the $R^2$ of each latent variable.
Appendix E: The calculation of distance in terms of consumption subculture
In order to calculate the distance in terms of subculture of consumption, we used the Euclidean distance indicator applied by Jolibert and Jourdan (2006).

The results show that immigrant French are far removed from native Syrians in terms of consumption subculture, while expatriate Syrians are closest to native Syrians (distance is 0.580 and 0.293 respectively). The Syrians are thus strongly acculturated to the culturally marked space compared to the French which are weakly acculturated.

The Euclidean distance is given by the following formula:

$$D_{ij} = \left( \sum_{k=1}^{P} \left( |X_{ik} - X_{jk}| \right)^2 \right)^{1/2}$$

Where: $D_{ij}$: distance between individuals i and j.
P: number of variables.
Xik: value of the variable k for the subject i.
Xjk: value of the variable k for the subject j.

In order to calculate this distance, we rely on the clients’ answers to the items relating to the measurement of the elements of acculturation, as follows:

1. we calculated the average of each item in each sub-sample obtained after dividing our database by respondent groups (native Syrians, expatriate Syrians and immigrant French);
2. Based on the averages of the items composing each cultural element, we calculated the averages per element.
3. Once these averages were obtained, we used the Euclidean distance formula to calculate the distance between the groups of expatriate and French Syrians on one side and the group of Syrians native on the other side;
4. After calculating the distances between these groups, we have interpreted the results to empirically identify the nearest group and that away from the group having the pure sub-culture of consumption in the host country.
Consumer response to cause-related sport sponsorship: does gender matter?

Abstract

The purpose of this study is two-fold. First, this research contributes to an understanding of the effects of the emerging area of cause-related sport sponsorship (CRSS) on consumer perceptions and responsiveness in terms of sponsor interest, favourability, and intended purchase. Second, this investigation examines the potential influence of gender at all stages of the sponsorship process through a comparison of grouped samples that include spectators of men’s versus women’s sport, and cancer-cause versus social-cause affiliated events. A proposed framework highlights multiple paths of possible influence for both women and men to process sponsorship factors and to respond at the various levels of effect. The answer to whether gender matters in CRSS was discovered to be highly contextual and reflective of complex relationships that are not only based on differences but also on equally important similarities between genders.

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**Introduction**

The modern marketing landscape is dynamic and in a perpetual state of evolution. Tied to social trends and changing consumer attitudes and behaviours, marketing strategies must be quickly adapted to new marketplace realities. Sponsorship is often overlooked in mainstream marketing discourse despite the fact that it has rapidly become a preferred strategy to engage consumers and to realize various business objectives (Delia & Armstrong 2015). Sponsorship is a growing industry that represents over $62 billion in global investment (IEG 2017). Sport remains the most prominent form of sponsorship while growth is also observed in other areas such as entertainment, causes, and arts (IEG 2017; O’Reilly, Beselt, & Degrasse 2017). As the industry matures, the various types of sponsorships are beginning to merge (such as sports with causes) and are effectively blurring the traditional understanding of sponsorship marketing.

Given the prominence of sport, early sponsorship research efforts were mainly grounded in the context of sport (Quester & Thompson 2001). Furthermore, sport has traditionally been male-dominated and therefore a significant portion of sponsorship knowledge has been derived through investigations of male sports and male consumers with little consideration for women’s sports or for women as targets of sponsorship efforts (Lough & Irwin 2001). Over the past decade, some needed attention has started to shift to women in the sponsorship industry (Dodds, DeGaris, & Perricone 2014; Maxwell & Lough 2009). A synthesis of reviewed literature suggests that this focus toward female interests can be attributed to three main influences. The first is that gender is among the most relied upon consumer segmentation variable. Gender (in the context of biological sex) is an objective variable that is sizeable, identifiable and reachable through marketing campaigns (Crane et al. 2017). The second factor driving interest in the female market is the increased recognition of the influence of women and the corresponding profit potential of engaging this lucrative consumer segment (Barletta 2006). Finally, evidence of fundamental gender differences in consumer behaviour has effectively captured the attention of sponsorship scholars and practitioners who realize the need to adapt marketing strategies to reflect these significant distinctions (Dodds et al. 2014; Goodrich 2014; Green & Antoine 2011).

The purpose of this research was to contribute to an understanding of the effects of the emerging area of cause-related sport sponsorship (CRSS) on consumer perceptions and responsiveness in terms of sponsor interest, favourability, and intended product use. Furthermore, the potential influence of gender at all stages in the sponsorship process was investigated.

**Literature Review**

The literature supports the legitimacy of sponsorship as an integral element of the promotional mix (Seguin & O’Reilly 2007; Slåtten et al. 2017). Corporate investment in sponsorship continues to grow while the nature and managerial expectations have evolved in terms of complexity as well as sophistication. Today’s sponsorship is no longer a pure philanthropic gesture of goodwill but rather it is an important strategic business-building approach that is capable of realizing significant corporate objectives, necessary consumer effects, and socially demanded goodness (Cahill & Meenaghan 2013; Djaballah, Hautbois, & Desbordes 2017; Gwinner, Larson, & Swanson 2009).

While several forms of sponsorship exist, the unique intensity, drama and emotion of sport render this the dominant choice of sponsors and an ideal gateway to consumer passion and engagement (Bal, Quester,
& Plewa 2009). According to IEG (2017), sport sponsorship represents 70% of North American sponsorship spending. Sport has long been used to reach and engage avid male athletes and sport fans. It was not until the 1990s that savvy marketers began to recognize the untapped opportunity to connect with the increasingly lucrative female market through the uncluttered and progressively meaningful medium of sport (Kell 2014; Shani, Sandler, & Long 1992). The role of gender in response to sponsorship efforts however remains unclear (Dodds et al. 2014; Pegoraro, O’Reilly, & Levallet 2009; Wheeler 2009).

Cause sponsorship is reportedly also enjoying a surge in both consumer and corporate interest (IEG 2017; Johnston 2010). Goodness is indeed required and rewarded for organizations that truly leverage or enhance the emotional involvement of consumers (Fortunato 2013; Plewa & Quester 2011; Pope 2010). Benefits to the nonprofit sector distinguish cause from other types of alliances and compound the potential for meaningful consumer engagement (Hyllegard at al. 2011). There remains amply opportunity to better understand consumer response to these growing cause marketing efforts (Geue & Plewa 2010; Lacey, Close, & Finney 2010; Walker & Kent 2009).

The merging of sponsorship types is a trend that is gaining significant momentum as sponsors seek to deliver exponential consumer impact (Fortunato 2013; Roy 2011). Forinstance, the societal importance, massive reach and emotion of sport render it a natural conduit to goodness (Walker & Kent 2009; Watt 2010). This unity of business, sport, and cause is increasingly common and effective at communicating shared values and delivering mutual gain for all involved parties. Sponsorship effects in such increasingly popular settings however remain under-investigated (Chang 2012; Djaballah et al. 2017). Pharr and Lough (2012) acknowledged that although CSR has been the focus of academic research since the early 1980s, CSR in sport has only recently begun to receive research attention.

Theories relating to the need for congruency (Chien, Cornwell, & Pappu 2011; Close & Lacey 2013; Zdravkovic, Magnusson, & Stanley 2010) and the process of image transfer (Grohs & Reisinger 2005; Gwinner et al. 2009; Meenaghan 2001) as well as perceived sponsor sincerity (Alay 2008; Chang 2012; Speed & Thompson 2000) are well developed and supported throughout the sponsorship literature. Consumer involvement is also identified as an important moderator of sponsorship effects and is considered a multi-dimensional construct that can significantly vary by consumer segment (Alexandris & Tsiotsou 2012; Ko et al. 2008). Funk et al. (2001) suggested that involvement can be gender-based and that women may respond more favourably to opportunities to be involved with and/ or support other women. Evidence of gender solidarity was noted throughout the reviewed literature with findings suggesting that women trust other women and seek to support female sports and causes (Bennett et al. 2007, Edwards & La Ferle 2009; Ridinger & Funk 2006). Whether gender solidarity is a factor in female sponsorship response has not yet been investigated thereby establishing a meaningful line of inquiry.

Researchers strongly advocate for further strategic evaluation of sponsorship efforts. Simply relying on awareness measures is generally regarded as insufficient to accurately capture the potential consumer impact of modern sponsorship campaigns (O’Reilly & Madill 2009). The hierarchy of effects model is a prominent theoretical framework used to measure consumer response to sponsorship at the cognitive, affective, and behavioural stages (Chang 2012; Filo, Funk, & O’Brien 2010; Hyllegard et al. 2011; Lacey et al. 2010;
Furthermore, the Sponsorship Evaluation Questionnaire (SEQ) is a valid and reliable measurement of consumer response to sponsorship. Speed and Thompson (2000) introduced this questionnaire with a student sample in Australia while Alay (2008) employed this same tool with female students in Turkey. There is a need to extend the international applicability of these measurement tools in new markets and evolving sponsorship settings while also involving potential consumers in lieu of convenient student samples. Much of the current understanding of sponsorship has been derived from experimental settings prompting appeals for greater external validity through realistic field-based studies (Close & Lacey 2013; Gwinner et al. 2009). Presuming that involvement levels are elevated by sheer event attendance, Kinney, McDaniel, and DeGaris (2008) encourage on-site data collection.

**Conceptual Framework and Research Hypotheses**

This inquiry was grounded in the theoretical framework originally introduced by Speed and Thompson (2000) and later extended and validated by Alay (2008, 2010). Adopting a classical conditioning framework, Speed and Thompson (2000) tested six independent variables as determinants of sponsorship response (measured by the three dependent variables of interest, favorability and use). Alay (2008) added two additional independent measures (attitude to event and image of sponsor) for a total of eight independent variables measuring the same three levels of sponsorship response in accordance with the hierarchy of effects model. These earlier investigations confirmed significant relationships between these factors and sponsorship response. The proposed framework omits variables strongly supported in previous models (such as status of event, attitude to sponsor, image of sponsor and ubiquity of sponsor) in order to introduce and focus on consumer elements proposed to be of particular importance to a female audience and previously unexamined in the proposed sponsorship setting of cause-related sport. Gender was the principal component driving this inquiry and, as such, all proposed relationships in the sponsorship process were tested for significant gender influence. Personal involvement was also central to this proposed framework and was considered on two levels: i) involvement with the sport, and ii) involvement with the cause. It is important to note that earlier models also acknowledged forms of personal relevance or involvement (i.e., personal liking of event, attitude to event) under the grouping of “event factors”. Given the multidimensional nature of involvement as well as potential gender interactions with this variable, involvement in this model was considered as a separate consumer construct that mediates consumer perceptions and ultimately consumer response to sponsorship. An extensive review of sponsorship literature did not reveal any studies that considered the influence of gender solidarity on sponsorship response. The importance of gender support however was strongly conveyed through efforts in the areas of marketing to women, sport management, and cause marketing and was therefore introduced in this model as a possible influence on sponsorship outcomes. Sponsorship factors included sponsor-event fit and perceived sincerity of the sponsor and were preserved as in past models given the importance of these variables in previous studies. Sponsorship response was the final stage of this examined process and measurement of these outcomes conformed to the well-established hierarchy of effects model. Consumer cognition was measured through interest in the sponsor, affection was assessed through sponsor favourability,
and behavioural effects were tracked through consumers’ intended use of the sponsor’s offerings.

There are three categories of variables from which the hypotheses for this study were formed. These categories include: a) consumer factors (gender, personal involvement with the sport, personal involvement with the cause, gender support for women, gender support for men), b) sponsorship factors (sponsor-event fit and perceived sincerity of the sponsor), and c) sponsorship response (interest, favourability and use). Guided by the reviewed literature, eleven hypotheses were developed. Each proposed relationship was also tested for possible gender influence in an effort to highlight any significant differences between the processing and response of women and men in the context of this cause-related sport sponsorship investigation. These hypotheses are detailed in the results section of this paper (see Table 1) and reflected in the conceptual framework of consumer processing of CRSS presented in Figure 1.

**Figure 1: Consumer Processing of CRSS - Hypothesized Relationships**

**Research Design and Methodology**

In order to contribute to the latest understanding of sponsorship marketing, this study was designed to: i) intercept consumers at the point of field-based sponsorship consumption, ii) focus specifically on the emerging practice of cause-related sport sponsorship, and iii) secure balanced input from both women and men in order to allow for meaningful gender comparisons.

**Measurement Scales**

Measurement scales were adapted from previously validated research. A 25-question survey included demographic profiling (gender, age, income range and number of children) as well as measures of cause involvement (Bennett et al. 2007), sport involvement (Alexandris & Tsiotsou 2012; Funk, Ridinger, & Moorman 2004), gender support (Cornwell & Coote 2005) and sponsor-event fit, perceived sincerity, and sponsorship response (Speed & Thompson 2000; Alay 2008, 2010). Apart from the four demographic profile questions (measured as nominal data), all items were measured on five-point Likert interval scales anchored by
Strongly Disagree (1) and Strongly Agree (5).

Research Participants and Data Collection

Participants of this study were spectators at a variety of charity-linked hockey events taking place during the period of October to December 2013 across three different cities in Ontario, Canada. Respondents were consenting adults (i.e., minimum of 18 years old) and included representation of both male and female spectators. Natural field settings are an emerging method to examine the realistic dynamics of sponsorship and event-based marketing (Bennett, Ferreira, Lee, & Polite 2009; Close & Lacey 2013; Maxwell & Lough 2009). A key objective of this research was therefore to capture consumer perceptions at the point of sponsorship consumption. With a focus on the growing trend of sporting events associated with charitable causes, many possible opportunities were considered and efforts made to gain access for the purpose of data collection. Five suitable events were confirmed and included two women’s hockey games and three men’s games and spanned three levels of hockey including collegiate (i.e., Ontario University Athletics), major junior (i.e., Ontario Hockey League), and professional (i.e., National Hockey League). While the investigated sport of hockey was constant at all events, the associated charities involved a range of cancer and social-related causes.

Procedures

Participant recruitment took place through event intercepts (upon entry to the game, during intermissions, in common areas, and upon exit). A team of trained research assistants were employed to support in the collection of data. A research table was set up in the main entrance and was hosted by at least two members of the research team. Other data collectors roamed approved areas to recruit as many suitable participants as possible to complete the survey. Spectators were first screened to ensure that they were of minimum age (i.e., 18) and then invited to complete the brief survey with an estimated completion time of 5-10 minutes. All interested individuals were assured of the voluntary and confidential nature of this study and presented with a consent form that was explained by the researchers. Willing participants were then given the option to complete the questionnaire through paper format or through an e-survey accessible through iPads carried by members of the research team. Approximately 30% of respondents opted for the e-questionnaire.

Summary of Findings

In order to thoroughly address the research hypotheses, analyses were performed with several sample treatments. These included: i) the total all-events sample (n=633), ii) spectators of women’s hockey events (n=197) versus spectators of men’s hockey events (n=436), iii) respondents at cancer-cause events (n=257) versus respondents at social-cause events (n=376), and iv) attendees at the five individual CRSS events. Both women and men were part of each investigated spectator sample. The all-events sample offered a broad view of findings with the greatest number of respondents and balanced gender representation while the individual event samples provided unique perspectives and contrasting features. The gender of sport being played was also an important consideration in this investigation of gender effects. As such, women’s hockey and men’s hockey samples were distinguished. As a final level of investigation, the various causes linked to these events were grouped into two broad categories: cancer-cause events and social-cause events. Exploring the data from these multiple perspectives extended the platform of potential discovery and offered a deeper understanding of outcomes. Statistical tests were relied upon to explore differences between investigated samples.
(i.e., independent sample t-tests and observed values of z) and to assess the presence of hypothesized relationships (i.e., Pearson correlation analysis and multiple regression model testing). This study investigated many (i.e., seventeen) relationships across a total of ten different sample groups. Some hypotheses were supported across all investigated samples (i.e., H5a, H6a, H7a, H8a, H9a) while others were fully rejected (i.e., H2, H4, H8b, H9b, H10b). There were also cases of mixed results, as expected outcomes were realized with some sample groups but rejected by others (i.e., H1, H5b, H6b, H7b, H11). Table 1 itemizes the relationships, analytical procedures, and results of each individual hypothesis.

Table 1: Summary of Findings from Tested Hypotheses

<table>
<thead>
<tr>
<th>Hypotheses</th>
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<th>Analyses</th>
<th>Results</th>
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<tr>
<td>H1: Females are more highly involved with cause (PIC) than males at charity-linked sporting events.</td>
<td>Gender → PIC</td>
<td>T-Tests</td>
<td>Supported (all-events, men's hockey, social-causes, event 5) Not Supported (women's hockey, cancer-causes, events 1-4)</td>
</tr>
<tr>
<td>H2: Males are more highly involved with sport (PIS) than females at charity-linked hockey sporting events.</td>
<td>Gender → PIS</td>
<td>T-Tests</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H3: Females are more supportive of women's sport and causes/charities (GSW) than are males.</td>
<td>Gender → GSW</td>
<td>T-Tests</td>
<td>Supported (with all samples, except event 1)</td>
</tr>
<tr>
<td>H4: Males are more supportive of men’s sporting events and men’s charitable/social causes (GSM) than are females.</td>
<td>Gender → GSM</td>
<td>T-Tests</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H5a: Personal involvement (PI) has a direct and positive effect on perceived sponsor-event fit (FIT) in charity-linked sport settings.</td>
<td>P1 → FIT</td>
<td>Correlation</td>
<td>Supported</td>
</tr>
<tr>
<td>H5b: Gender has a significant impact on the interaction of PI*FIT and the effect is greater for women.</td>
<td>Gender → PI*FIT</td>
<td>Comparison of Correlations</td>
<td>Supported (social-causes sample only) Not Supported (all-events, women's hockey, men's hockey)</td>
</tr>
<tr>
<td>Hypothesis</td>
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<td>H6b</td>
<td>Gender, PI*SINC</td>
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<tr>
<td>H7a</td>
<td>PI, INT, FAV, USE</td>
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<td>H7b</td>
<td>Gender, PI<em>INT, PI</em>FAV, PI*USE</td>
<td>Comparison of Correlations</td>
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<tr>
<td>H8a</td>
<td>FIT, INT, FAV, USE</td>
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<tr>
<td>H8b</td>
<td>Gender, FIT<em>INT, FIT</em>FAV, FIT*USE</td>
<td>Comparison of Correlations</td>
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<tr>
<td>H9a</td>
<td>SINC, INT, FAV, USE</td>
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<td>H9b</td>
<td>Gender, SINC<em>INT, SINC</em>FAV, SINC*USE</td>
<td>Comparison of Correlations</td>
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<tr>
<td>H10a</td>
<td>GSW (female sample), INT, FAV, USE</td>
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<tr>
<td>H10b</td>
<td>GSW (female sample), INT, FAV, USE (women's hockey)</td>
<td>Comparison of Correlations</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H11</td>
<td>Gender, INT, FAV, USE</td>
<td>T-Tests</td>
<td>Supported (men's hockey at INT level, social causes and event 5 at all levels) Not Supported (all-events, women's hockey, cancer-causes, events 1-4)</td>
</tr>
<tr>
<td>Proposed Model - Consumer Processing of CRSS</td>
<td></td>
<td>Multiple Regression</td>
<td>Significant Fit of 39.8%</td>
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</table>
**DISCUSSION OF THEORETICAL CONTRIBUTIONS**

This research contributes new and value-added insights to the current understanding of sponsorship marketing in four principle ways. These include: i) the focus on CRSS and the expanded platform of reciprocal exchange that this form of sponsorship entails, ii) a more rigorous understanding of personal involvement as a determinant of sponsorship response, iii) the addition of gender support as a new variable in understanding consumer behaviour in sponsorship, and iv) the testing of sponsorship effects from a gendered lens.

**Expanded Platform of CRSS Reciprocal Exchange**

The merging of sport and cause is a growing reality of the sponsorship industry. Focusing on this hybrid form of sponsorship revealed a broader portrayal of the reciprocal relationships among multiple partners of sport and cause. In the context of sport, Meenaghan (2001) developed a triangular relationship framework for understanding the goodwill effect of fan involvement in sponsorship. In this presentation, the interaction among fans, sponsors and sport/activity was mediated by fan involvement with the activity, which generates “positive emotional orientation toward the sponsor who bestows benefit on the consumers’ favored activity” (Meenaghan 2001, p.106). This triangular relationship, presented in Figure 2, involves unidirectional relationships between all elements.

![Figure 2: Goodwill Effects of Fan Involvement (Meenaghan, 2001, p.106)](image)

The conceptual relationship suggested by Meenaghan (2001) was quantifiably verified in this current study. PI*SINC correlations were significant with all investigated samples (H6a). In this current study of CRSS, Meenaghan’s (2001) triangular relationship evolved from sponsor, activity/sport and fan to also include cause affiliations. The interaction between involved stakeholders was amplified in this scenario as consumers’ dual-involvement with both sport and cause expanded the potential for goodwill toward sponsors and shared benefits were broadened between the sponsor, charity/cause, and sport/event. As an extension to Meenaghan’s (2001) triangular relationship, Figure 3 presents the “Diamond of CRSS Goodwill” derived from this current study.
The extended platform of engagement is represented by the diamond shape that unites consumer, sponsor, cause, and sport. The direction of relationships (represented by arrows) is also modified in this conceptual representation of goodwill effects in CRSS scenarios. Whereas Meenaghan (2001) indicated all unidirectional exchange (fan involved with activity; fan extends goodwill to sponsor; and sponsor benefits the activity), this expanded view recognizes mutual exchange and reciprocal return. Consumers’ one-way involvement with sport and sentiments of goodwill (or perceived sincerity) are maintained as per Meenaghan’s (2001) original depiction. A new involvement relationship is introduced as consumers are also connected with an affiliated cause. Reciprocal exchange (depicted as two-way arrows) captures the interaction between sponsors and sports; sponsors and causes; and causes and sports.

The review of sport and cause sponsorship literature identified the numerous benefits of such partnerships. For sponsors of sport, benefits may include strategic consumer targeting, the opportunity to engage consumers, employees, and external stakeholders in an emotional and receptive state, the generation of goodwill, brand awareness, favourable brand image and preference, and consumer response in terms of sales revenue (Meenaghan 2001; Slåtten et al. 2017). The partnering sport property benefits mainly from funding and in-kind assistance as well as event profiling and sport promotion (Davis 2012). For sponsors of cause, the benefits are similar to sport (i.e., brand awareness, enhanced image, emotional engagement, goodwill and sales) with the added features of being able to display tangible acts of CSR and generating cause-linked publicity and meaningful differentiation from competing brands (Chang 2012; Close & Lacey 2013; Djaballah et al. 2017; Hyllegard et al. 2011). For the affiliated causes, the benefits are mainly funding, awareness, cause education and the recruitment of volunteers and donations (Bernardo 2011; Harvey & Strahilevitz 2009; Taylor & Shankai 2008). The final exchange is among sports and causes. For sport organizations the benefits of cause-associations include enhanced image, new audience reach, and
grassroots development of sport (Plewa & Quester 2011; Walker & Kent 2009). King (2001) referred to the NFL’s Real Men Wear Pink campaign as an example of associating with a cause to reach a new (female) market and to improve a faulty brand/player image. Finally, sport can benefit cause (in similar ways as sponsors benefit causes) by extending mass audience reach, generating cause awareness and education, providing access to sponsors and incremental funding opportunities, offering an attractive outlet for corporations to promote their social goodness, and by linking charitable partners to emotionally charged sports fans (Smith & Westerbreek 2007; Walker & Kent 2009; Watt 2010).

Meenaghan, McLoughlin, and McCormack (2013) presented a broadened view of sponsorship that includes similar multi-stakeholder relationships. Although charitable affiliates are not explicitly examined among this list of expanded stakeholders, these authors bring further attention to a major development in the sponsorship industry. A more holistic approach to sponsorship is expanding organizational connections, objectives, and corresponding expectations of return. The “Diamond of Goodwill” is therefore an important reflection of these current industry dynamics. As sports and causes increasingly partner to deliver exponential return, there is a corresponding need to further the understanding of these relationships. The development of this framework is a substantial output of this current research and the foundation for future investigations.

More Rigorous Understanding of Personal Involvement

This study joins many published findings in supporting a direct and positive relationship between personal involvement and sponsorship response at all levels of consumer effect (i.e., INT, FAV, and USE). The layering of cause with sport however demanded a more robust treatment of the construct of personal involvement. Earlier concepts of personal liking were broadened in this investigation to capture consumer connections with elements of both sport and cause. This approach revealed interesting insights concerning differences but also similarities between the involvement levels of women and men. The disparity between genders regarding both cause and sport/ hockey connections was much less than originally presumed. Grouping individual event samples by both type of hockey (i.e., women’s hockey versus men’s hockey samples) and by type of affiliated cause (i.e., cancer causes versus social causes) revealed intriguing outcomes.

Women indicated greater involvement, interaction, and response to social causes while involvement with pink-themed cancer causes was comparable between genders. Breast cancer is no longer a women-only issue. In addition to the female patient, a breast cancer diagnosis has a notable impact on men. Whether it’s their wife, sister, mother, relative, or friend, men are invested as supporters and co-survivors of breast cancer (Varner 2011). Most sport leagues have partnered with breast cancer as both a charitable act and a means of targeting a growing female fan base (Clark, Apostolopoulou, & Gladden 2009). Merging the masculinity of sports and the femininity of pink-marketed breast cancer (King 2001) has created a more level platform of cause engagement across genders as evidenced by the results of this investigation. This knowledge that women and men are equally invested in breast cancer initiatives presents sponsors with multiple targeting opportunities.

Given that both genders indicated strong involvement with cancer causes, it was interesting to discover that relative to the social-causes sample, this significant connection to cancer-causes had a weaker correlation to sponsorship response. This finding may be influenced by the saturation of pink efforts targeting consumers and...
the increased scrutiny of such efforts often viewed as pink-washing (King 2006). There is a growing call to “think before you pink” (Twombly 2004, p.1736) as Harvey and Strahilevitz (2009) warn that the “overuse of the pink ribbon could potentially lead to visual saturation, with a decline or loss of the emotional and intellectual response” (p.30).

It is also worth noting that men had a weaker sponsorship response at the investigated women’s hockey events. With this particular sample, men’s personal involvement did not translate into significant sponsorship response at the higher levels of effect (i.e., FAV and USE). There was a loss of connection for these male fans between personal involvement levels and direct sponsorship response. This finding may also relate to the saturation of pink-themed events and the corresponding dilution of consumer impact. Gender support may have also shaped these findings as men’s support of women’s sport was found to be significantly less (than women’s) and in this case, may not have served as sufficient motivation for sponsor support at these higher levels of effect.

Contrary to expectations (H2), results of this study indicated that hockey involvement levels between surveyed men and women were not significantly different with any of the investigated samples. Certainly favourable bias toward the sport of hockey is expected to have influenced reported involvement levels as all research participants were intercepted as paid spectators of these various hockey events. Mere attendance suggests a certain level of involvement with the sport which contributes to high mean scores (women’s M=4.00, men’s M=4.04) but does not necessarily imply gender equivalence in response. The growth of women’s hockey in Canada is a probable justification for these comparable levels of gender involvement with hockey. Reported registration for female hockey has grown 130% since 1998 with almost 87,000 girls and women currently participating in this sport (Hockey Canada 2016). The fact that women and men expressed comparable involvement in the stereotypical male sport of hockey is encouraging for promoters of women’s sport. The evolution of the women’s game presents promising opportunities for commercial support and a meaningful outlet to engage both genders of sports fans. This finding serves as notice that sponsorship properties should no longer be restricted to gender-tied lines.

**Introduction of Gender Support**

The inclusion of gender support as a potential influence on sponsorship response is another significant contribution of this study. In terms of sponsorship effects, there were no existing studies found that included elements of gender support as a possible determinant of sponsorship response. Given that the purpose of this investigation was to identify any significant gender effects in the sponsorship process, it was deemed necessary to introduce gender support as a potential motivation of female consumer response and to initiate discussion around this topic. Gender support for women (GSW) was treated as a consumer factor and measured in terms of general support for women’s sports and women’s causes. Similarly, gender support for men was measured in terms of general support for men’s sports and men’s causes. Responses to these variables were collected from both female and male research participants.

Based on the reviewed literature, gender solidarity was expected to be observed by both genders. In other words, the expectation of this study was that women would mostly support women (H3) and that men would mostly support men (H4). H3 was supported as results from this study did in fact confirm stronger GSW among female respondents (M=4.41) than male respondents (M=3.99). Consistent with the findings of Ridinger and Funk...
(2006), the magnitude of the difference between sentiments of GSW between genders was greatest among spectators of women's hockey. Women's support of their own gender was strongest at women's hockey games. This finding suggests that sponsors targeting female consumers may effectively leverage the passion of gender solidarity through association with female sports.

H4 anticipated similar results for men whereby gender solidarity would be ascertained through stronger expressions of support for men's sports and causes by men. This presumption was proven wrong. In fact, the opposite was revealed as women expressed significantly stronger support than men, not only for women's sports and causes but also for men's. For the all-events sample, women's GSM response (M=4.25) was significantly stronger than men's (M=4.02).

This new consideration for gender support established that women support both women (M=4.41) and men (M=4.25). Having said this however, women ultimately support women more than they do men. Women (of this study) indicated that they care most for their own gender. What remains unknown is whether these feelings of gender solidarity manifest into favourable sponsorship response and if this effect is stronger at women's CRSS events than at men's events. A comparison of female responses between the women's hockey spectators and men's hockey spectators revealed no significant differences in sponsorship response based on the gender of sport being played. H10b was therefore not supported. While recorded GSW was stronger for women at female events, the corresponding impact on sponsorship response was not significantly different and therefore not dependent on the gender of sport being played.

Unlike other variables in the proposed model of this study (such as involvement, fit and sincerity), gender support was approached in a more exploratory fashion. Observations of differences between genders and the impact of gender support on sponsorship response are sufficient to engage further discussion on the importance of this consideration in the consumer processing of sponsorship programs. As hybrid forms of sponsorship continue to develop (such as sports and cause, festivals and sports, arts and causes, etc.), the potential basis of gender support also broadens. Sponsors therefore have increased opportunity to establish shared relevance and consumer engagement.

**Testing of Sponsorship Effects from a Gendered Lens**

Many efforts are made to identify differences between genders. In the reviewed literature gender differences were highlighted with regards to physicality, information processing, decision-making, priorities and interests, sport consumption, charitable giving and gender support. The original intent of this inquiry was to follow these tendencies of distinguishing genders through differences. The findings from this research suggest that in the context of CRSS, women and men may be more similar than they are different.

Involvement with pink-themed cancer causes, involvement with the sport of hockey, and the significance of gender support also broadens. Sponsors therefore have increased opportunity to establish shared relevance and consumer engagement.
and SINC on sponsorship response were all similar across genders. The most noteworthy gender differences found through this study involved social causes, perceived sincerity and gender support. At social-cause affiliated events, women’s PI had a greater impact on perceptions of sponsor-event fit. Gender in isolation of other mediating variables, was not a significant predictor of consumer response for all, but the social-causes group. For this sample, women’s response at all levels of effect was significantly greater than men’s. The most consistent gender difference observed across all sample treatments was women’s greater PI*SINC scores. When women are connected to a sponsored event, they are more likely to perceive the sponsor as being sincere in their motives to contribute to the event and affiliated causes.

Understanding differences allows marketers to be effective in developing strategies that best resonate with multi-targeted consumers. Recognizing similarities, however, also allows marketers to be more efficient by combining segments with common needs and behaviours (Crane et al. 2017). Based on the examined findings of this study, the impact of gender is highly contextual and is reflective of complex relationships that are not only based on difference, but also on equally significant similarities between genders.

Managerial Implications

Based on the findings of this research, several practical suggestions are proposed. These are presented in terms of marketing to women through CRSS, marketing to men through CRSS, and general sponsorship recommendations.

Marketing to Women through CRSS

Sponsor-event fit was the strongest predictor of women’s response to sponsorship. In order to establish acceptable perceived fit, sponsors must first align with congruent partners. Congruency can be based on several factors including functional or image-based fit. This fit should be clearly articulated to consumers through aggressive sponsorship activation programs. Given women’s significantly higher involvement with social causes, sponsors should seek such affiliations when targeting a female audience and ensure that these partnerships are sufficiently promoted. All sponsor’s actions must be genuine and transparent in order to strengthen women’s perceptions of sponsor sincerity. Although not significantly proven, findings from this study implied that perceptions of sincerity may impact women mainly at the higher levels of effect (i.e., affection and behaviour). In this case, sponsor messaging should be emotionally-based with a possible call-to-action. Gender solidarity was found to be strong among women. Sponsors can tap into this emotional space by supporting women’s sports and causes and genuinely promoting these associations. Having said this, women’s response to sponsorship was consistent across both women’s and men’s investigated events. Sponsors should therefore not limit themselves to women’s sports and causes and can instead consider broader opportunities to engage women. Comparable gender involvement with the sport of hockey reported in this study supports the proposition that women are actively engaged in sports beyond the traditional female-oriented activities. The risk of pink-saturation was also implied through the findings of this study. The suggestion made here to sponsors is not to avoid pink-themed event sponsorship but rather to expand consideration beyond simply stereotypical female events and sports. Resonance can be derived from sources other than gender.

Marketing to Men through CRSS

Given the many similarities confirmed between genders, the fit, sincerity, and activation related suggestions (made above) for marketing to women are equally
applicable to a male audience. One noted difference is that the effect of sincerity on men was suggested to be strongest at the level of cognition. Given this finding, a more rational communication approach could be used to establish sincerity with men. Men indicated significantly greater involvement with cancer-cause affiliated events (versus social-causes). Sponsors seeking to engage a male audience should therefore prioritize cancer causes over social causes. This study was limited in its consideration of only two broad types of causes. There are many other causes (such as education, animal welfare, environment, etc.) that are available to sponsors and event organizers for the purpose of partnership. Male respondents reported strong involvement with both cause and sport. Sponsors of charity-linked hockey events can therefore leverage either of these properties in their promotional efforts. Given that men's reported involvement with sport was higher than cause, messaging priority for a male audience should first be given to the sponsored sport. In this study, the interaction of sponsorship predictors was somewhat diluted for men when attending female hockey games. While it was recommended that targeting women through sponsorship not be confined by gender lines, in the case of men, continuing to sponsor traditional male (or gender neutral) sports may remain most effective.

General Sponsorship Recommendations
Regardless of gender, sponsors should connect with their targeted consumers through points of relevance. The merging of sport and cause effectively expands the platform for consumer engagement. Meaningful connections can be made through affiliations with sport and/or through cause. Marketers must understand their consumers at deeper levels than simply gender. It is essential to recognize and respond to significant gender differences in order to effectively satisfy the needs of different consumer segments. Equally important is the need to seek and accept gender similarities in developing common marketing strategies.

Limitations of this Study
Limitations of this current study should be kept in mind when interpreting results. Whetten (1989) cautioned that “meaning is derived from context” (p.492). In order to accurately capture research results, we must first acknowledge where and when data was collected. In the case of this study, the common denominator across all tested venues was cause-linked hockey events. The inclusion of both men’s and women’s hockey allowed for interesting comparisons that contributed to gender findings. The consistency of hockey however did restrict findings to this one sport. Geographic coverage spanned three different Canadian cities however these were all Ontario-based. Given this one sport and one province coverage, findings cannot be generalized to other sports or geographic markets without further collaborating research. The number of affiliated causes provided more breadth than did sport by including four different charitable organizations. These were grouped by themes of cancer and social-related causes for the purpose of data analysis and discussion. Again, this treatment of samples allowed for insightful comparisons and new discoveries but findings are limited to these specific types of causes and are unable to be extended to charitable causes beyond this particular scope of inquiry.

The inclusion of cause-related issues can elicit social desirability response bias when relying on self-reported data (Hyllegard et al. 2011). A bias such as this could inflate favourable response. Field based studies also introduce uncontrollable factors that can influence respondents. For instance, at Event #4 the research table was set up in a high traffic entrance that was very cold. In this setting respondents appeared rushed to complete the survey.
In comparison, at Event #5, the research station was located near the concession area where long waiting lines may have encouraged more thoughtful response. As is common practice in the sponsorship literature, the behavioural measures were based on intentions and not actual behaviour. It is acknowledged that there are many situations in which intentions do not accurately predict actual behaviour.

**Direction for Future Research**

The framework originally developed by Speed and Thompson (2000) and later extended by Alay (2008), has been further advanced through this study of CRSS and gender comparisons. The scope of this investigation was purposely broad in order to extend the boundaries of sponsorship knowledge. This included measuring the influence of multiple consumer and sponsorship variables (gender, gender support, involvement with sport, involvement with cause, sponsor-event fit, and perceived sincerity of the sponsor) on three levels of sponsorship response (interest, favourability, and use), with four levels of sample analysis (i.e., all events, type of hockey, type of cause, event specific). As a follow-up to this study, a tighter scope of particular elements of this model could offer additional depth of understanding.

Gender support as an influence in consumer processing of sponsorship was introduced in this study. Further efforts are needed to better understand the role of this variable from the perspective of both genders. Sources of gender solidarity (sport, cause, or other) could also be explored and measured in terms of influence in the sponsorship process. Consumer response measured along the hierarchy of effects could also be re-examined in terms of gender differences to substantiate suggestions that women’s engagement may be more affective while men’s may be more cognitive.

The extent to which these findings are applicable to other sports, causes, and geographical markets should also be empirically examined. Cause considerations should extend beyond the two broad types (i.e., cancer and social) considered in this study. Piper & Schnepf (2007) found that women had greater support for causes that involved animals, education and the elderly while men preferred to support sports and recreational causes. Consideration for these and other topical causes (such as the environment or mental health) would be of significant value in advancing cause-related sponsorship knowledge.

Sponsorship response can be impacted by many variables beyond the current scope of investigation. Among others, these could include further demographic variables, sponsorship portfolios, duration of partnerships, competitive activity, or sponsorship activation. Sponsorship activation was commonly noted throughout this paper as a key factor in sponsorship response. The addition of this variable to the current predictors of sponsorship outcomes would inject an additional level of understanding.

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The relationships between satisfaction, loyalty, spending and tourist attraction images: the moderating role of label sensitivity

Abstract

This article proposes a model that tests the influence of the image of touring sites as well as labels’ sensitivity on satisfaction, loyalty and visitor spending. These relationships are tested via a structural equation model on a sample of 200 people (N = 200). The results confirm the idea that both image and labels are important determinants of satisfaction and visitors’ loyalty. More specifically, the findings confirm that the image of tourism sites has a positive influence on satisfaction and loyalty. The results also emphasize that labels’ sensitivity positively moderates the relationship between the image of tourism sites and satisfaction and loyalty, implying the fact that labels are an important source of differentiation and performance of tourism attractions. The article provides theoretical and managerial implications as well as fruitful avenues for future research.

Key words: image, label sensitivity, satisfaction, loyalty, spending, tourism, tourist sites

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Introduction

Labels are increasingly used by both merchant and non-merchant organizations. Products or services that highlight these labels are different in nature. Thus, one can find labels applied to food, tourism, heritage, etc. For example, to date, just over 2800 buildings or urban areas have been awarded “The 20th century Heritage” label. Generally speaking, the label can be considered as a credible sign or communication tool, distinct from the brand which, not only comes from a third entity and is independent of the company or organization, but also aims to inform consumers about the intrinsic dimensions of a product or service (Chameroy and Chandon 2010, Larceneux 2003). The intrinsic dimensions of a product or service are thus communicated through a multitude of signals including brand, price, packaging, origin or label. Previous research has investigated the effect of these information tools on consumer perceptions and preferences toward a product. For example, Chameroy and Chandon (2010) carried out an exploratory study based on the content analysis and lexical method, thanks to an interview guide developed from 18 interviewees in order to explore consumer attitudes, their perception and their sensitivity towards labels. This study showed that labels are a choice criterion that varies according to product category (research, experience and belief) and that labels have a positive influence on the expenses incurred for “certification or guarantee labels”. Despite the interest generated by the exploration of labels, the number of studies devoted to this field remains limited (Chameroy and Chandon 2010, Marcotte, Bourdeau and Leroux 2011). In addition, little academic research has focused on tourism labels including heritage labels.

The aim of our research is to study the influence of the brand image of tourism sites and labels on the attitude and behavior of visitors. More specifically, we focus in particular on how labels moderate the relationship between tourist sites’ image and satisfaction, loyalty and tourists’ expenses. Studying labels is very important as it can allow site managers to increase their attractiveness and develop derivative products or services that meet the performance requirements of visitors and stakeholders. This article is organized as follows: we will first present the theoretical framework and develop the hypotheses. We will then explain the methodology. After this part, we will present the results of the study. Finally, we will discuss the implications of the findings and propose future research avenues.

Theoretical framework

The main tenet of this research is that marketing actions and consumer characteristics play a crucial role in visitors’ attitudes and behavior towards tourist sites. Tourism destinations create or rely on brands (e.g. co-branding) to mark their identities and differentiate themselves from competitors (Morrison and Anderson 2000). The brand image of a tourist destination is one of the elements intended to influence the customer. A tourism destination brand image is the perception that consumers develop towards it. In the field of tourism and its literature, brand image is apprehended by cognitive, affective and conative elements (Baloglu and Mangaloglu 2001; Pens & Andronikidis 2013). If the cognitive factors consist of the beliefs and the knowledge and the affective factors represent the feelings, the conative elements refer to the dynamic consideration of a site as potential destination (Pensos et al. 2016). The conative aspect can also refer to the uniqueness of the destination as a desired image by those responsible for the latter.
Indeed, to be effective in a competitive world, brand image is to be “unique” and needs to be considered as an important association of a brand (Qu et al. 2011). Thus, a positive brand image will be an important stimulus in the way the visitor will form his perceptions and behave towards the tourist site. This is explained by the “signal theory”, and therefore, brand image acts as a signal in this context (Erdem and Swait 1998, Spence 1974). Moreover, we consider that the associative network theory of memory can explain the associations (attributes, attitudes, perceived value) that consumer forms about a tourist site (Keller 1993). Previous studies have shown that the brand image of a tourist destination can influence the performance of the latter, i.e. satisfaction (Chi and Qu 2008), loyalty (e.g. intention to revisit) and visitor spending (Amendah and Park 2008, Matzler, Füller and Faulant 2007).

Labels have several functions. They can act as risk reducers. By reducing the perceived risk, label contributes to increasing the utility of visitor with regard to the information asymmetry theory. Thus, label can not only positively influence the intention to purchase or recommend, but also the visitor behavior, particularly the willingness to pay and mostly the expenses incurred. Through his sensitivity to labels, the visitor expresses his involvement. As a signal in the same way as the image of the tourist site, label can reinforce the influence of the latter insofar as it is taken into account in the decision-making process and positively influence the perceived quality, the perceived uniqueness, and the consumer associations (Chameroy and Veran 2014; Larceneux 2003; Robert-Demontrond 2009). Therefore, we propose the hypotheses (direct and moderator effects) below:

Hypothesis 1: The brand image of tourist sites has a positive influence on visitor satisfaction.
Hypothesis 2: The brand image of tourist sites has a positive influence on visitor loyalty.
Hypothesis 3: The brand image of tourist sites has a positive influence on visitor spending.
Hypothesis 4: Sensitivity towards labels has a positive influence on the relationship between the brand image of tourist sites and the satisfaction of visitors.
Hypothesis 5: Sensitivity towards labels has a positive influence on the relationship between the brand image of tourist sites and the loyalty of visitors.
Hypothesis 6: Sensitivity to labels has a positive influence on the relationship between brand image and visitor spending.
Methodology

Presentation of the sample

This article is based on a sample of 200 people who self-administered the questionnaire via the Internet concerning tourist sites (e.g. Château de Chambord, Château de Versailles, Mont Saint-Michel, etc.). Respondents come from several departments and major cities of France. This sample consists of 29.50% men and 70.50% women and represents all ages (Table 1): 18-24 years (2.50%), 25-34 years (7.50%), 35-44 years (27.50%), 45-54 years (55.5%), and 55 years and over (7%).

Table 1. Summary statistics of the sample

<table>
<thead>
<tr>
<th>Gender</th>
<th>Age</th>
<th>Socio-professional categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Men</td>
<td>29.50</td>
<td>18-24</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2.50</td>
</tr>
<tr>
<td>Women</td>
<td>70.50</td>
<td>25-34</td>
</tr>
<tr>
<td></td>
<td></td>
<td>7.50</td>
</tr>
<tr>
<td></td>
<td>35-44</td>
<td>27.50</td>
</tr>
<tr>
<td></td>
<td>45-54</td>
<td>55.5</td>
</tr>
<tr>
<td></td>
<td>55 and over</td>
<td>7</td>
</tr>
<tr>
<td></td>
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<td></td>
<td></td>
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</tr>
</tbody>
</table>

Moreover, these people represent most among the socio-professional categories of the French population, in particular: farmers (1.50%), workers (4.50%), supervisors, technicians (15%), liberal professions (10%), retirees (38%), crafts-persons (9%), executives (22%), etc. These different percentages indicate how all categories of the population are concerned by the tourism industry and its environment, in particular labels.

Variables the study

The instruments for measuring variables have been adapted from previous research. The items used have, for the most part, been evaluated on a Likert-type scale. We used the brand image of tourist site as an independent variable and the sensitivity towards labels as a moderator variable. To measure the brand image of tourist sites, items were borrowed from Qu, Kim and Im (2011). Label sensitivity is measured on a 5-point Likert-type scale and comes from Chameroy (2010, 2013). The second variable is visitor loyalty. To measure this variable, we used the scales proposed by Arnett, Laverie and Meiers (2003), Back and Parks (2003), Baloglu (2002), Odin, Odin and Valette-Florence (2001) and Yoo and Donthu (2001). The last dependent variable is the expense incurred by the visitor. We built the latter by drawing inspiration from the works of Díaz-Pérez et al. (2005), Wilton & Nickerson (2006), and especially the scale used by Matzler, Füll and Faullant (2007).
Results

Before performing the analyses of direct effects and moderating effects, we first checked that all the items relating to a construct really measure the latter. Table 2 shows the items’ coefficients of each construct and Cronbach’s alpha. We examined the one-dimensional nature of the extracted factors. The coefficients range from 0.31 to 0.86 and Cronbach’s alpha from 0.73 to 0.85, which implies that the data fit satisfactorily with the model of our work.

Table 2. Measure and reliability of the constructs

<table>
<thead>
<tr>
<th>Construct</th>
<th>Item</th>
<th>Score</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Label sensitivity</td>
<td>LABSENS1</td>
<td>0.604</td>
<td>0.854</td>
</tr>
<tr>
<td></td>
<td>LABSENS2</td>
<td>0.580</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LABSENS3</td>
<td>0.689</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LABSENS4</td>
<td>0.764</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LABSENS5</td>
<td>0.684</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LABSENS6</td>
<td>0.569</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LABSENS7</td>
<td>0.460</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LABSENS8</td>
<td>0.383</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LABSENS9</td>
<td>0.464</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LABSENS10</td>
<td>0.602</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LABSENS11</td>
<td>0.683</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LABSENS12</td>
<td>0.734</td>
<td></td>
</tr>
<tr>
<td></td>
<td>LABSENS13</td>
<td>0.637</td>
<td></td>
</tr>
<tr>
<td>Brand image</td>
<td>BRIMAG1</td>
<td>0.413</td>
<td>0.809</td>
</tr>
<tr>
<td></td>
<td>BRIMAG2</td>
<td>0.338</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BRIMAG3</td>
<td>0.626</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BRIMAG4</td>
<td>0.581</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BRIMAG5</td>
<td>0.562</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BRIMAG6</td>
<td>0.576</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BRIMAG7</td>
<td>0.576</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BRIMAG8</td>
<td>0.618</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BRIMAG9</td>
<td>0.638</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BRIMAG10</td>
<td>0.612</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BRIMAG11</td>
<td>0.633</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BRIMAG12</td>
<td>0.604</td>
<td></td>
</tr>
</tbody>
</table>
After checking the unidimensionality of the constructs, we analyzed the relations between brand image of the tourist sites and its consequences thanks to the Stata 14 software using a structural model.

**The effects of the brand image of tourist sites**

Table 3 shows that the brand image of tourist sites has a positive influence on satisfaction (β = 0.687, p <0.001) and loyalty (β = 0.321, p <0.01). On the other hand, it does not influence expenditures (β = 0.033, p = ns). Thus, while hypothesis H1 and H2 are validated, hypothesis H3 is not validated.
Table 3. Direct effects of brand image of tourist sites

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Coef. (z)</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 : Brand image of tourist sites → Satisfaction</td>
<td>0.687 (15.59) ***</td>
<td>Validated</td>
</tr>
<tr>
<td>H2 : Brand image of tourist sites → Loyalty</td>
<td>0.321 (3.44) **</td>
<td>Validated</td>
</tr>
<tr>
<td>H3 : Brand image of tourist sites → Expenses incurred</td>
<td>0.033 (0.34) ns</td>
<td>Not Validated</td>
</tr>
</tbody>
</table>

Note: ***< 0.001; **< 0.01; *<0.05

When we look at Table 4, we find that the sensitivity towards labels positively increases the influence of the brand image of tourist sites on satisfaction in case of strong sensitivity ($\beta = 0.576$, $p <0.001$) or weak ($\beta = 0.569$, $p <0.001$). Hypothesis H4 is validated. Hypothesis H5 predicted a positive influence of label sensitivity on the influence of the brand image of tourist sites. This is partially validated ($\beta = 0.397$, $p <0.05$) because the effect is only significant for the “low” sensitivity. As with direct effects, the sensitivity towards labels has no influence on the effects of brand image on visitor spending. In addition, we note that income has a positive influence on loyalty ($\beta = 0.125$, $p <0.01$) and the committed expenses ($\beta = 0.294$, $p <0.001$) in case of strong sensitivity towards the labels.

Table 4. Effects of label sensitivity on satisfaction, loyalty and expenditures

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Coef. (z)</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>H4 : Label sensitivity → Brand image of tourist sites and satisfaction</td>
<td>0.576 (8.85) ***</td>
<td>Validated</td>
</tr>
<tr>
<td>H5 : Label sensitivity → Brand image of tourist sites and loyalty</td>
<td>0.175 (8.85) ns</td>
<td>Validated</td>
</tr>
<tr>
<td>H6 : Label sensitivity → Brand image of tourist sites and expenses incurred</td>
<td>-0.066 (-0.43) ns</td>
<td>Not Validated</td>
</tr>
</tbody>
</table>
**Discussion and conclusion**

The objective of our research was to study the impact of the brand image of tourism sites on satisfaction, loyalty and the expenses incurred on the one hand, and to examine the moderating influence of the tourist labels on these last relationships on the other hand. The results found open perspectives on both theoretical and managerial implications.

From a theoretical perspective, one of the merits of this work is to have proposed a model that integrates simultaneously three major consequences of the brand image of tourism sites and labels. To date, this orientation has not yet been taken into account by tourism studies (Stylos et al. 2016). We have shown that brand image of a tourist site positively influences satisfaction and loyalty. This research corroborates the results of previous studies regarding the effects of the image of tourist destinations (Chi and Qu 2008). However, it does not confirm the studies that showed the influence of the image or the labels on the expenditures made by visitors (Chameroy and Veran 2014). This implies that an increasingly strong image does not necessarily imply a high price to be paid by visitors. The visitor may become more demanding about the perceived value of image factors and eventually become accustomed to viewing the quality of the image as normal. This result calls for tourist sites to build and improve their images in terms of unique brands. Our research is the first to show that sensitivity toward labels interacts positively with the image in the context of satisfaction and loyalty concerning strong and weak sensitivity. In this respect, these results contrast with previous studies because they had never studied the moderating effect of labels in the relationship between image and satisfaction and fidelity (Chameroy 2013). In addition, we have applied both the theory of signal and the associative network theory of memory for a better understanding of the role of site image and labels which exert an impact on customer attitude and behavior towards tourist sites. This may lead researchers and managers to take an interest in other potential drivers of sites’ attractiveness.

From a managerial point of view, these results call on the managers of tourist sites to consider labels as sources of differentiation and performance of the concerned sites. However, these managers should pay attention to the fact that when the sensitivity, and therefore the expertise, of visitors towards labels increases, their loyalty becomes more “elastic”. As mentioned above, it is imperative that tourist sites become unique or differentiated brands by adapting to specific segments of visitors. Indeed, we have shown that income has a positive

<table>
<thead>
<tr>
<th>Income \ Satisfaction</th>
<th>-0.022 (-0.69) \ ns</th>
<th>0.006 (0.13) \ ns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income \ Loyalty</td>
<td>0.125 (2.94) \ **</td>
<td>0.108 (1.38) \ ns</td>
</tr>
<tr>
<td>Income \ Expenses incurred</td>
<td>0.294 (4.92) \ ***</td>
<td>0.086 (1.35) \ ns</td>
</tr>
<tr>
<td><strong>Model quality (fit)</strong></td>
<td>Nbr. Obs : 200</td>
<td>LR chi2(4) = 10.673</td>
</tr>
<tr>
<td></td>
<td>Prob &gt; chi2 = 0.000</td>
<td>SRMR = 0.035</td>
</tr>
<tr>
<td></td>
<td>CFI = 0.987</td>
<td>R² = 0.558</td>
</tr>
<tr>
<td></td>
<td>R² = 0.409</td>
<td></td>
</tr>
</tbody>
</table>

Note: ***< 0.001; **< 0.01; *<0.05
influence on loyalty and the expenses incurred in case of strong sensitivity. This result should allow site managers to offer premium products/services to the extent that there are visitors who agree to pay the high price. One of the limitations of our research is that it is mono-sectoral. It would be interesting to perform studies that make comparisons between different sectors of activity (e.g., tourism vs. food) and cultural contexts (e.g., inter-country). That being said, this work has shown that labels play a vital role in determining satisfaction and loyalty towards the tourist site.

Bibliography:


Revisiting the effects of travel satisfaction on visitor’s behavioral intentions – Evidence from a cultural heritage site

Abstract

Purpose: This study extend the existing literature by providing a new consideration of the effects of travel satisfaction in a context where the role of travel satisfaction might be more ambiguous than in conventional settings. Design/methodology/approach: Structural equation modelling (SEM) and multi-group analysis are applied on responses from visitors (n=225) of the Italian city of Vicenza and its world heritage site (WHS) of the United Nations Educational, Scientific and Cultural Organization (UNESCO). Findings: The findings demonstrate the positive effects of destination image, destination distinctiveness, and destination familiarity on behavioral intentions. The effects between these constructs are stronger when satisfaction is high (versus low). Originality value: Instead of conceptualizing satisfaction as predictor or mediator of behavioral intentions in previous research, this study highlights the moderating effect of travel satisfaction.

Key words: Behavioral intentions, destination loyalty, heritage tourism, multi-group analysis, travel satisfaction

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1. Introduction

Cultural tourism bears significant potential for the economic development of many regions. For many destinations, culture is more easily exploitable and accessible than other tourism products (Richards 2011). Since ancient times, the consumption of cultural heritage is one of the most important motivations to travel (Waitt 2000). Although there might be different reasons for travelers to visit cultural heritage destinations, the site’s perceived heritage characteristics are usually one of the most important travel motivations for visiting cultural heritage destinations (Poria et al. 2001). In this context, the study of the consumer has been an underexplored area in cultural heritage tourism (Palau-Saumell et al. 2013). Although there are previous studies focusing on travel motivations to cultural heritage sites (see Poria et al. 2004), the antecedents of loyalty toward heritage destinations have received limited attention (Chi and Hu 2008). The latest studies in this field focus among others on the effects of institutional designations in order to explain tourist behavior. According to Poria et al. (2011), the cumulative effect of the world heritage site (WHS) designation by the United Nations Educational, Scientific and Cultural Organization (UNESCO) is positively related to willingness to revisit a particular country. Although there is preliminary research addressing the effects of travel satisfaction on visitor loyalty toward cultural heritage sites, most of them conceptualize travel satisfaction either as predictor or as mediator.

The objectives of this study are therefore to extend the existing literature by providing a new consideration of the effects of travel satisfaction in a context (i.e. cultural heritage sites) where the role of travel satisfaction might be more ambiguous than in conventional settings. Focusing on the specific case of a heritage site, this study advances the argument that due to the divergence in opinions regarding the effects of travel satisfaction, further investigations of the role of travel satisfaction might employ a more nuanced consideration of the construct and distinguish between different levels of travel satisfaction. There are very few studies analyzing the moderating effects of destination satisfaction with multi-group analysis, as most studies conceptualize destination satisfaction as predictor or mediating variable of tourists’ behavioral intentions.

The paper starts with introducing travel motivations to cultural heritage destinations. Based on this, hypotheses for an empirical model are defined and the results of an online survey are tested with structural equation modelling and multi-group analysis. Finally, the theoretical and practical implications are discussed.

2. Literature review

Heritage tourism falls under the category of cultural tourism (and vice versa), and is one of the most ancient forms of travel (Timothy and Boyd 2006). Cultural heritage tourism mainly includes visiting archeological and historic sites, cultural festivals, traditional shows, dances and ceremonies, or shopping of handcrafted arts (Besculides 2002). The motivation for visiting cultural heritage sites is generally characterized by the profile of the heritage tourist, which is different form the profile of conventional tourists (Remoalodo et al. 2014). Perez (2009) identifies three profiles of heritage tourists: 1) “The culturally motivated”, which is a small market segment that is attracted by cultural reasons and spends several nights at a heritage destination; 2) “The culturally inspired”, which is inspired by cultural sites and only spends short periods of time at cultural destinations, but is motivated to return to the same place; and 3) “The culturally attracted”, which...
carry out a day visit to cultural sites, but are not strictly motivated by cultural reasons. Visitor profiles of cultural heritage sites tend to include more women than men, younger ages, and higher educational levels (Remoaldo et al. 2014). Poria et al. (2004) distinguish between three groups of reasons for visiting cultural sites: Recreational experience, heritage experience, learning history. The first group looking for recreational experiences is made up of reasons such as the desire to have a day out, to be entertained and to see a world-famous site, and to relax. The second group of reasons is that the site’s heritage is part of the visitor’s own heritage, whereas visitors perceive a desire to pray there and to be emotionally involved, as well as a sense of obligation. The third group’s reasons are willingness to learn, to discover the physical nature of the site and its historic background (Poria et al. 2004). After analyzing panel data from 66 countries between 2006 and 2009, Su and Lin (2014) for example find that there is a positive relationship between countries having heritage sites and tourist numbers. Ribaudo and Figini (2016) however show that, on average, growth rates of tourism demand in the 5 years after WHS listing are not higher than growth rates in the 5 years before the listing. For a mature destination like Italy, there is no statistical evidence that WHS listing is associated with accelerating market growth rates (Ribaudo and Figini 2016). Besides, Poria et al. (2011) found that only moderate awareness of the designation or its logo barely affects visitors’ behaviors. Although there is divergence with regards to the effects of the WHS designation by the UNESCO on tourism patterns, there is convergence that cultural heritage might have a positive effect on tourists’ behavioral intentions (Poria et al. 2011).

In the case of cultural heritage sites, destination image was already identified as a main predictor of behavioral intentions (Chen and Chen 2010). There is strong empirical support on the positive effects of destination image on behavioral intentions (Chen and Tsai 2007). With regards to cultural heritage sites, there is also evidence that the destination’s attributes and specific characteristics exert a significant effect on behavioral intentions (Poria et al. 2004). Cultural distinctiveness has been identified as important factor influencing behavioral intentions and loyalty (Kladou and Kehagis 2014). Besides, Anton et al. (2017) for example highlight the effects of past travel experience with a heritage site on future behavioral intentions. There is a solid basis of research (Alegre and Cladera 2006) suggesting a positive relationship between past travel experience and familiarity on behavioral intentions and destination loyalty.

3. Specification of an empirical model

3.1 Destination image

Kim and Richardson (2003) define destination image as “the totality of impressions, beliefs, ideas, expectations and feelings accumulated towards a place over time by an individual or group of people”. Destination image is likely to guide tourists in the process of choosing a destination, the subsequent evaluation of the trip, and future behavioral intentions (Chi and Hu 2008). Positive destination images may increase travelers’ intentions to revisit the destination in the future (Chen and Tsai 2007). When tourists have a positive destination image, they are likely to be more satisfied (Liu et al. 2015). Positive images of the destination can strengthen both immediate and future intentions to return (Bigne et al. 2009). For these reasons, it can be hypothesized that:

*Destination image has a positive significant relationship with behavioral intentions (H1)*
3.2 Destination distinctiveness

The perceived distinctiveness of a destination is defined by its sense of place. Jiven and Larkham (2003) define sense of place as a description of the atmosphere of a place and the quality of its environment. Sense of place refers not only to visual and morphological appearances of places, but also to the emotional experience with a place and the retrospective reaction toward it. Sense of place mainly affects the intangible assets of a place, which means that determining the sense of a place relies on experience through sense, memory, intellect and imagination (Jiven and Larkham 2003).

Tourist perceptions of heritage sites with important cultural heritage not only shape the destination image, but also seem to have a significant effect on tourists’ choices (Remoaldo et al. 2014). Chen and Chen (2010) demonstrate a positive link between experience quality, perceived value, satisfaction and behavioral intentions for returning to heritage sites. Therefore, it can be assumed that:

**Destination distinctiveness has a positive relationship with behavioral intentions (H2)**

3.3 Destination familiarity

The degree of familiarity with a destination is a function of the visual or mental impression of the destination (Milman and Pizam 1995). Destination familiarity can be defined as the number of destination-related experiences accumulated through continuous visits (Tasci et al. 2007). The more time with an environment or people a tourist spends, and the more recent the exposure to it, the more familiar the stimulus becomes (Lee and Crompton 1992). A high degree of destination familiarity suggests more time to explore the attractions on offer and in greater depth.

Tourists that are familiar with a destination tend to be more interested in and likely to revisit the destination than tourists who are only aware of the destination. Tourists may develop their destination knowledge from awareness to familiarity, while their interest and likelihood to visit the destination increase (Milman and Pizam 1995).

Destination familiarity can thus positively influence travel intentions, since familiar tourists show higher propensities for returning to a place than unfamiliar travelers (Chen and Lin 2012). Therefore, the following hypothesis can be defined:

**Destination familiarity has a positive relationship with behavioral intentions (H3)**

3.4 Travel satisfaction and behavioral intentions

Previous research mostly conceptualized satisfaction as predictor or mediator variable on behavioral intentions (Assaker et al. 201; Prayag and Ryan 2012; Yoon and Uysal 2005). Feng and Jang (2007) for example show that satisfaction is a direct antecedent of short-term revisit intention, and that novelty seeking is a predictor of mid-term revisit intentions.

However, the link between satisfaction and behavioral intentions might be even more complex (Dolcinar et al. 2013). For instance, satisfied tourists might not strictly return to the same destination if they prefer to see other destinations (Gitelson and Crompton 1984), whereas less satisfied tourists might become repeat visitors in order to avoid perceived risk (Oppermann 2000). Therefore, there is a certain ambiguity regarding the effects of travel satisfaction on behavioral intentions. Although travel satisfaction might have an important influence on behavioral intentions, the two constructs may not have a direct relationship. This suggests that travel satisfaction could be a moderator affecting
the strength of the relationships between the predictor variables of behavioral intention and behavioral intention.

For these reasons, this study holds that travel satisfaction should be considered as a moderator of the relationships between destination image, destination distinctiveness, destination familiarity and behavioral intentions:

**Tourist satisfaction has a positive moderating effect on the relationships between the predictors of behavioral intention and behavioral intention (H4)**

**Tourist satisfaction has a positive moderating effect on the relationship between destination image and behavioral intention (H4a)**

**Tourist satisfaction has a positive moderating effect on the relationship between perceived destination distinctiveness and behavioral intention (H4b)**

**Tourist satisfaction has a positive moderating effect on the relationship between destination familiarity and behavioral intention (H4c)**

In order to analyze the moderating effects of travel satisfaction on the relationships between destination image, destination distinctiveness, destination familiarity and behavioral intentions, a hypothetical model was developed. As mentioned before, the predictor variables were chosen in alignment with previous research. There is empirical support that it is the destination’s image and perceived distinctiveness, as well as past experiences with the destination that incite tourists to (re-)visit a cultural heritage site. The hypotheses and relationships that are being addressed with the empirical model are shown in fig. 1.

![Conceptual framework](image)

**Fig. 1 Conceptual framework**
4. Methodology

For the purpose of this study, visitors of the city of Vicenza and the surrounding area were targeted through an online survey. The survey was conducted at the end of 2014. The questionnaire belonging to the survey was posted on the website and Facebook® profiles of international travel agencies in order to obtain responses. Respondents were informed about the purpose of the research before they replied to the questionnaire. The data sample is derived from a non-probability convenience sampling method. In total, 225 international tourists completed the questionnaire, which was composed of three parts. The first part dealt with information related to the trip to Vicenza. It included items describing the travel behavior of respondents (i.e. number of visits of Vicenza, purpose of visit). The second part was designed to assess the respondent’s satisfaction, destination image, destination distinctiveness perception, familiarity and behavioral intentions. The third part contained questions about the demographic profile of the visitors such as gender, age, and level of education.

The study instrument was designed in accordance with previous research. All constructs were measured through items using a 7-point Likert scale ranging from 1 for “strongly disagree” to 7 for “strongly agree”. The results of the second part of the online questionnaire, which asked visitors about their satisfaction, destination image, perceived distinctiveness, destination familiarity and behavioral intentions, was used for testing the hypothesis. Visitor satisfaction was measured by using the satisfaction scale developed by Lee et al. (2007), which includes items dealing with the visitor’s experience in Vicenza. In order to measure destination image, five items used by Tasci et al. (2007) were employed. Perceived destination distinctiveness was measured with four items adapted from Kladou and Kehagis (2014). Familiarity was measured by four items adapted from Kim and Richardson (2003). Behavioral intentions were evaluated by two items asking visitors about their likelihood of returning to Vicenza (behavioral loyalty) and their likelihood of recommending Vicenza to others (attitudinal loyalty). These two items were adapted from Kozak (2001) and Palau-Saumell et al. (2013).

5. Results

The main study consisted of 225 participants, so the necessary number of 200 observations for applying structural equation modeling (SEM) has been respected. 47 percent of the surveyed persons were male. Half of the respondents were younger than 35 years. Most respondents came from European countries (72 percent), the rest came from Asia (12 percent), North America (14 percent) and other countries (2 percent). The majority of the participants came to Vicenza to spend their vacation there (69 percent). 40 percent of the respondents came to Vicenza for the first time. Furthermore, most visitors have a secondary level of education (53 percent), the rest has a primary level (15 percent) or an academic level (32 percent).

5.1 Factor analysis

A factor analysis was performed to detect the factorial structure of destination image, destination distinctiveness, destination familiarity, satisfaction and behavioral intentions. Table 1 shows that most factor loadings were higher than 0.7 on a threshold, ranging from 0.67 to 0.96. The results showed that Cronbach alpha was $\alpha = 0.93$ for satisfaction, $\alpha = 0.86$ for destination image, $\alpha = 0.88$ for destination distinctiveness, $\alpha = 0.85$ for destination familiarity, and $\alpha = 0.90$ for behavioral intentions.
Table 1: Reliability of items

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction</td>
<td>- My overall experience with Vicenza was higher than my expectations</td>
<td>0.90</td>
</tr>
<tr>
<td></td>
<td>- Visiting Vicenza was a wonderful experience</td>
<td>0.96</td>
</tr>
<tr>
<td></td>
<td>- Vicenza is one of the best destination I have ever visited</td>
<td>0.94</td>
</tr>
<tr>
<td></td>
<td>- Vicenza is safe and secure</td>
<td>0.67</td>
</tr>
<tr>
<td>Destination image</td>
<td>- Vicenza offers exciting and interesting places to visit</td>
<td>0.84</td>
</tr>
<tr>
<td></td>
<td>- Vicenza has beautiful scenery and natural attractions</td>
<td>0.89</td>
</tr>
<tr>
<td></td>
<td>- Vicenza has a pleasant climate</td>
<td>0.69</td>
</tr>
<tr>
<td></td>
<td>- As a tourism destination, Vicenza offers good value for money</td>
<td>0.91</td>
</tr>
<tr>
<td></td>
<td>- Vicenza is Palladio and the Palladian villas</td>
<td>0.83</td>
</tr>
<tr>
<td></td>
<td>- Vicenza is a famous UNESCO World Heritage site</td>
<td>0.87</td>
</tr>
<tr>
<td>Destination distinctiveness</td>
<td>- Vicenza with its &quot;baccalà&quot; (stockfish) tradition, wines and grappa</td>
<td>0.90</td>
</tr>
<tr>
<td></td>
<td>- Vicenza with the Monte Berico Sanctuary is a sacred destination</td>
<td>0.88</td>
</tr>
<tr>
<td>Destination familiarity</td>
<td>- Familiarity with the lifestyle of the people in Vicenza</td>
<td>0.86</td>
</tr>
<tr>
<td></td>
<td>- Familiarity with the cultural/historical attractions in Vicenza</td>
<td>0.89</td>
</tr>
<tr>
<td></td>
<td>- Familiarity with the landscape in Vicenza</td>
<td>0.83</td>
</tr>
<tr>
<td></td>
<td>- Familiarity with the nighttime entertainment in Vicenza</td>
<td>0.78</td>
</tr>
<tr>
<td>Behavioral intention</td>
<td>- Likelihood of revisiting Vicenza</td>
<td>0.81</td>
</tr>
<tr>
<td></td>
<td>- Likelihood of recommending Vicenza</td>
<td>0.79</td>
</tr>
</tbody>
</table>

5.2 Confirmatory factor analysis

Confirmatory factor analysis (CFA) was conducted to test the reliability and validity of the research model. As shown in table 2, the overall model fit indices for the confirmatory analysis were acceptable or even satisfying (Chi-square = 147.30; p<0.05, GFI = 0.89, NFI= 0.93, TLI=0.93, RMSEA = 0.09).
Table 3 shows that all average variance extracted (AVE) values were greater than 0.5, ranging from 0.5 (destination image) to 0.63 (destination distinctiveness), indicating convergent validity. Furthermore, T-values associated to each standardized factor loading were significant (p<0.01). Besides, discriminant validity was confirmed, as the AVE values for each factor were greater than all squared correlations.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Items</th>
<th>Standardized factor loadings</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Destination image</td>
<td>Det1</td>
<td>0.53</td>
<td>8.47</td>
<td>0.50</td>
</tr>
<tr>
<td></td>
<td>Det2</td>
<td>0.66</td>
<td>12.69</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Det3</td>
<td>0.91</td>
<td>25.94</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Det4</td>
<td>0.56</td>
<td>10.35</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Det5</td>
<td>0.96</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Destination distinctiveness</td>
<td>Dist1</td>
<td>0.75</td>
<td>11.97</td>
<td>0.63</td>
</tr>
<tr>
<td></td>
<td>Dist2</td>
<td>0.84</td>
<td>13.70</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dist3</td>
<td>0.88</td>
<td>14.50</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Dist4</td>
<td>0.78</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Destination familiarity</td>
<td>Pl1</td>
<td>0.87</td>
<td>10.07</td>
<td>0.54</td>
</tr>
<tr>
<td></td>
<td>Pl2</td>
<td>0.89</td>
<td>12.14</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pl3</td>
<td>0.60</td>
<td>10.72</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Pl4</td>
<td>0.69</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3: CFA results

5.3 Model validation

The results of the overall structural model indicated that the model fits the data well (Chi² = 131.23; p < 0.01, GFI = 0.90, RMSEA = 0.08).
Therefore, hypothesis 1 was supported. Likewise, hypothesis 2 was retained, which emphasized the positive relationship between perceived destination distinctiveness and behavioral intentions ($\beta = 0.30; p < 0.05$). Hypothesis 3, which predicts a positive relationship between destination familiarity and behavioral intentions, was also supported ($\beta = 0.39; p < 0.05$). This confirms for instance the findings of Alegre and Caldera (2006).

### 5.4 Multi-group analysis

In order to test the moderating effects of travel satisfaction, multi-group analysis was performed in the next step. The moderating variable “overall travel satisfaction” was categorized into two groups (i.e. high versus low) by dividing the scores through the median split method (Jaworski and MacInnis 1989). For the relationship between destination image and behavioral intentions, table 5 shows a significant improvement in the $X^2$ value (131.48).

<table>
<thead>
<tr>
<th>Values</th>
<th>Constrained model</th>
<th>Unconstrained model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi²</td>
<td>241.12 (P &lt; 0.01)</td>
<td>109.64 (P &lt; 0.01)</td>
</tr>
<tr>
<td>GFI</td>
<td>0.90</td>
<td>0.90</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.83</td>
<td>0.85</td>
</tr>
<tr>
<td>NFI</td>
<td>0.91</td>
<td>0.92</td>
</tr>
<tr>
<td>TLI</td>
<td>0.94</td>
<td>0.94</td>
</tr>
<tr>
<td>CFI</td>
<td>0.93</td>
<td>0.93</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.09</td>
<td>0.09</td>
</tr>
<tr>
<td>$\square X^2$</td>
<td>131.48</td>
<td></td>
</tr>
<tr>
<td>Sig</td>
<td>(P&lt;0.01)</td>
<td></td>
</tr>
</tbody>
</table>

Table 5: Moderating effect of satisfaction on destination image-behavioral intentions
Furthermore, the standardized parameter estimate confirmed that the influence of destination image is more effective when satisfaction is high (β = 0.26, p < 0.05) than when it is low (β = 0.20, p < 0.05). Based on this, it can be concluded that travel satisfaction moderates the relationship between destination image and behavioral intention. As a result, hypothesis 4a was supported.

With regards to the assumption that travel satisfaction moderates the relationship between destination distinctiveness and behavioral intentions, table 6 shows that the change in X was also significant (ΔX² = 98.02, p < 0.01).

<table>
<thead>
<tr>
<th>Values</th>
<th>Constrained model</th>
<th>Unconstrained model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi²</td>
<td>200.17 (P &lt; 0.01)</td>
<td>102.15 (P &lt; 0.01)</td>
</tr>
<tr>
<td>GFI</td>
<td>0.90</td>
<td>0.90</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.87</td>
<td>0.87</td>
</tr>
<tr>
<td>NFI</td>
<td>0.92</td>
<td>0.91</td>
</tr>
<tr>
<td>TLI</td>
<td>0.93</td>
<td>0.90</td>
</tr>
<tr>
<td>CFI</td>
<td>0.90</td>
<td>0.90</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.08</td>
<td>0.08</td>
</tr>
<tr>
<td>△X²</td>
<td>98.02</td>
<td></td>
</tr>
<tr>
<td>Sig</td>
<td>(P&lt;0.01)</td>
<td></td>
</tr>
</tbody>
</table>

Table 6: Moderating effect of satisfaction on destination distinctiveness-behavioral intentions

The standardized parameter estimate for high travel satisfaction (β = 0.33, p < 0.05) is greater than the standardized parameter estimate for low travel satisfaction (β = 0.25, P < 0.05). Therefore, the effect of perceived destination distinctiveness on behavioral intentions is stronger when satisfaction is high than when it is low, implying that hypothesis 4b was also supported. Regarding the supposed effect of travel satisfaction on the relationship between destination familiarity and behavioral intention, Table VII indicates that the change in X² value (67.82) is also significant.

<table>
<thead>
<tr>
<th>Values</th>
<th>Constrained model</th>
<th>Unconstrained model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi²</td>
<td>159.42 (P &lt; 0.01)</td>
<td>91.60 (P &lt; 0.01)</td>
</tr>
<tr>
<td>GFI</td>
<td>0.91</td>
<td>0.89</td>
</tr>
<tr>
<td>AGFI</td>
<td>0.89</td>
<td>0.87</td>
</tr>
<tr>
<td>NFI</td>
<td>0.92</td>
<td>0.92</td>
</tr>
<tr>
<td>TLI</td>
<td>0.94</td>
<td>0.92</td>
</tr>
<tr>
<td>CFI</td>
<td>0.90</td>
<td>0.91</td>
</tr>
<tr>
<td>RMSEA</td>
<td>0.09</td>
<td>0.08</td>
</tr>
<tr>
<td>△X²</td>
<td>67.82</td>
<td></td>
</tr>
<tr>
<td>Sig</td>
<td>(P&lt;0.01)</td>
<td></td>
</tr>
</tbody>
</table>

Table 7: Moderating effect of satisfaction on destination familiarity-behavioral intentions
It was found that the moderating effect is stronger when satisfaction is high ($\beta = 0.34$, $p < 0.05$) than when satisfaction is low ($\beta = 0.23$, $p < 0.05$). This means that the effect of destination familiarity on behavioral intentions is more pronounced when travel satisfaction is high (versus low). Therefore, hypothesis 4c was also retained.

6. Discussion

This study provides evidence on the moderating effects of travel satisfaction. At first sight, it might seem logical that satisfaction explains repeat visitations. However, the link between satisfaction and behavioral intentions is more complex (Dolcinar et al. 2013). For this reason, satisfaction was conceptualized as moderating variable in this study in order to address the convoluted characteristics of the relationship between satisfaction and behavioral intentions. Confirming the argumentation of Faullant et al. (2008), overall travel satisfaction might in this context be a necessary, but not sufficient condition for favorable behavioral intentions.

The findings of this study therefore demonstrate that a more detailed perspective on travel satisfaction seems to be necessary, since previous research mainly conceptualized travel satisfaction either as predictor or moderator of behavioral intentions. These findings might not seem very surprising, but given the complexity of the satisfaction-loyalty-relationship, especially in the case of cultural heritage sites where the site’s perceived attributes and the visitor’s own attitude are the most important travel reasons, a detailed consideration of the effects of travel satisfaction can be very valuable.

Regarding the positive relationships between destination image and behavioral intentions, and destination distinctiveness and behavioral intentions, the empirical model presented in this study shows that the appreciation of particular place assets (e.g. people, architecture) is likely to result in favorable behavioral intentions.

7. Managerial implications

Understanding the effects of travel satisfaction for heritage sites may help tourism marketers better target their customers.

The city of Vicenza should therefore focus on the attributes associated with its product and service offering in order to develop its destination brand based on history and tradition. Culture and entertainment affects the use of cultural events (e.g. 500th birthday festival of Palladio, Vicenza Jazz) in order to create economic and social attractiveness. For developing its destination brand distinctiveness, Vicenza should capitalize on its unique architecture. Frequent restorations and maintenance of ancient Palladian buildings are therefore undeniable for sustaining the city’s charm and for reinforcing place authenticity.

The positive link between destination familiarity and behavioral intentions suggests that repeat visitors might be an important market segment for destination marketers. Even if visitors might be familiar with the city of Vicenza and its surrounding area, they are nevertheless likely to revisit the destination, especially when satisfaction is high (versus low).

8. Limitations and directions for future research

This study focused on certain constructs that affect tourists’ revisit intentions at cultural heritage sites. Additional research may employ other variables such as the perceived quality of tourism services or the hospitality of local residents that could also exert an influence on travel satisfaction. The relevance of heritage-driven destination distinctiveness also needs to be explored.
at other destinations. The concept of perceived cultural distinctiveness could in this context be assimilated to brand equity theory, since the empirical model of this study already suggested the positive effect of certain brand equity components (e.g. image, loyalty) on behavioral intentions. Further analyses of tourist profiles and their different likelihoods to revisit cultural heritage sites in dependence on demographic factors would also be important. A more detailed segmentation of such tourist profiles based on different propensities for (re-)visiting the city of Vicenza in dependence of exogenous variables and specific travel reasons could be relevant for further considerations of the findings. Besides, this study did not provide insights how destination image, perceived destination distinctiveness, and destination familiarity could and already have changed over time and how this could affect tourist’s behavioral intentions. The temporal dimensions of tourist satisfaction already turned out to influence behavioral intentions differently over time, suggesting that the same could be valid for the variables used in the empirical model of this study.

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