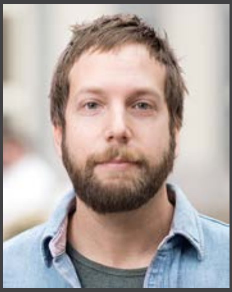
Stefan Szugalski

MARKETING WITH BENEFITS

ESSAYS ON CONSUMER REACTIONS TO UGLINESS, SUSTAINABILITY REPORTS, POP-UP BANNERS AND VIP TREATMENT

STOCKHOLM SCHOOL OF ECONOMICS



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Stefan Szugalski

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Dissertation for the Degree of Doctor of Philosophy, Ph.D.,
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To

To mom, for being my biggest fan. Be sure that when writing this
I was in a secure place, never hungry and always wearing warm clothes.

To dad, for your positive view of life. I want to be like you dad.

Foreword

This volume is the result of a research project carried out at the Department of Marketing and Strategy at the Stockholm School of Economics (SSE).

This volume is submitted as a doctoral thesis at SSE. In keeping with the policies of SSE, the author has been entirely free to conduct and present his research in the manner of his choosing as an expression of his own ideas.

SSE is grateful for the financial support provided by the Torsten Söderberg Foundation, which has made it possible to carry out the project.

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I want to thank the Torsten Söderberg Foundation for funding my research and giving me the freedom to select my research topic. I see a strong point for research founders to keep initiatives as yours ongoing to attract curious people from the industry. I sincerely appreciate Mattias Svahn's effort and excellent feedback as my mock opponent.

I offer great thanks to present and former colleagues at the Center for Consumer Marketing and the Center for Retailing: Carl-Philip Ahlbom, Hanna Berg, Angelica Blom, Ann Cedersved, Maja Fors, Mikael Hernant, Claes-Robert Julander, John Karsberg, Svetlana Kolesova, Fredrik Lange, Karina Liljedal, Erik Modig, Rebecca Gruvhammar, Sara Rosengren, Reema Singh, Karl Strelis, Martin Sondergaard and Nina Åkestam. These individuals were great sources for theoretical discussions and laughs (in almost equal proportions). Per-Jonas Eliaesson – for discussions about SSE then and now. Sofie Sagfossen – for sharing the return from industry to academia, as well as sharing an office and Moccamaster. Thanks also to Jan Nilert and Christian Sundgren for valuable non-academic comments.

I seem to have picked up a thing for Finnish athletes during my Ph.D. Thank you, Niklas Meyer, for trusting me to take on the consumer perspective of CSR and for the joint conference paper for the CSR conference, CR3+. Thank you, Carolina Stubb, for your valuable support in improving my running step. A special thanks to COOP for giving me access to sales data; I really appreciate it.

And to you, my dear, we have known each other half of my life. A few years apart, and now so many more together again. Your extensive experience, strong network of contacts, and often pervasive traditional view of life and business start becoming more contemporary. Thank you, Stockholm School of Economics.

To Ida-Maia, for being my love today, tomorrow, and forever. To Ed and Lovisa—without you, this work would have been completed much earlier. Finally, and perhaps most important, I would like to thank P.O. Andersson, my high school music and math teacher. You developed my interest and understanding of mathematics and numbers by teaching me the similarities between music theory and math.

Stockholm, August, 2018

Stefan Szugalski

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Preface

In 1571, Michael de Montaigne left his official mission as counselor of a high court in Bordeaux. He had chosen himself a more important task. During the following years, he isolated himself in his now infamous Tower of the Château, to study contemporary market phenomena and to write about them in the work that he named Essays. For Montaigne, an essay (attempt, trial, and experiment) was a way to think critically as well the result. Montaigne is best known, perhaps, for popularizing the essay as a literary genre.

Five years ago, I stepped back into the tower at Sveavägen 65. After almost 10 years in the industry, I had the opportunity to dive into the subjects that interest me the most: marketing and consumer behavior. It is both what I had feared and what I had longed to do. In front of me, I found infinite articles to read and theories to grasp. However, I had an advantage; I had the questions, which had grown over the years. I was able to turn toward academia to search for the answers. I did this because, after consulting at yet another fast food chain, helping another financial actor to increase the value of its products, and being in the midst of a car company's emissions crisis, I asked myself, "What role and impact does marketing have on people and society? What do I achieve as a marketing professional?" Over the years, several phenomena constantly present in my mind that I wanted to examine further. This thesis is my link between the worlds. These are my essays.

Introduction

During my years in the industry, several questions caught my attention that I never had the opportunity to explore. My primary focus is on what marketing can achieve and the impact it has on companies, consumers and society. I want to understand if marketing can be good for society and business simultaneously, or whether companies have to choose. Ultimately, I want to know if marketing produces effects beyond the expected.

Psychologists and researchers have studied the impact marketing has on people–both mentally and emotionally–since the early 1900s. These years in academia have given me the opportunity to contribute the results of my scholarly work to the body of research, but what remains the most important to me is a will to make marketing that is beneficial to multiple actors. I achieve this by revisiting marketing phenomena that I encountered during my years in the industry and studying these topics using marketing theory. Specifically, I study consumers' reactions to companies' marketing. These phenomena yield benefits, either by themselves and/or by the effects they produce when exposed to consumers. Further, phenomena are marketing to which consumers are exposed; they are going on out there in the business world. They are high frequent and together; the selected marketing phenomena say something about the times in which we live. The marketing discipline is a living organism, constantly influenced by old and new phenomena. These are my selected phenomena:

Marketing of ugly vegetables – Do they have any value? How do consumers react when exposed to ugly products? *Sustainability reports* – How do investors react to sustainability reports, depending on the content? Could exposure to controversial information have effects beyond those expected? *Marketing as an exchange of effort* – in a time when consumers simultaneously avoid advertising, but also seek out advertising and share it, what happens when consumers devote high effort rather than low effort? *Customer loyalty clubs* – How do customers who are not rewarded react? These are questions that were present in my mind and that I now can answer. The result of Montaigne's work included 10 volumes of explorations. My result is in your hand – five articles, ten empirical experiments, and one field study. The articles either have been published or have been submitted to academic journals.

I examine consumers' reactions to companies' marketing; thus, the participants in all of my studies are consumers. However, in one study, consumers play the role of investors. The thesis is explored using a deductive research approach (Hunt, 2014). That is, theory serves as the backbone of the studies and forms the basis of the developed hypotheses, tested in empirical studies using experimental designs. I decided to use experiments in my studies to test whether causal claims correspond to the empirical reality and, consequently, to explain how marketing influences consumers' attitudes and behaviors. Experiments are the dominant way of evaluating how people react to different stimuli in their roles as consumers (Söderlund, 2018). Further, experimentation makes it possible to measure the differing effects of certain stimuli on groups exposed to them and control groups (Perdue & Summers, 1986). My main interest is to generate answers that are reliable and applicable in a broader context. Using a quantitative, experimental design is the most suitable method to test causal claims in a rigorous manner (Söderlund, 2018). By using measures of high reliability and validity, the researcher can produce replicable results. The causalities tested are based on theoretical grounds; there are many testable causalities and the researcher has an active, visible role in the experiments (Söderlund, 2018).

The choices made are also limitations of this work. Of course, using any one method has its drawbacks and limitations. My interest rests on the reactions of the main population. The context of the studies is ordinary life in situations with which the ordinary consumer is familiar, such as large retail stores, airline check-in at airports, and pop-up ads. One could expect that the reactions of exposure to ugly produce at a farmers' market would differ from that occurring if exposed at a large retail store. However, that is beyond the scope of this thesis. In this thesis, the focus lies at explaining the psychological mechanisms behind the attitudes, emotions, and behaviors of consumers – not to study a specific context.

The reader of this dissertation should not expect all the articles to fit neatly together into a single topic. This dissertation contains a number of self-contained articles that address different marketing phenomena, different theoretical frameworks, and different psychological mechanisms that inform the results. The articles cover topics in consumer behavior, advertising, sustainability and service marketing. Although this thesis does not have any univocal question to answer, there are conclusions to be drawn based on the results of my studies.

This dissertation is for those who have an interest in how marketing affects consumers. My main contribution targets industry, in order for marketing professionals and policymakers to broaden their views on the possible impact marketing has on society, people, and companies. Further, this dissertation makes an academic contribution by extending the body of research on marketing and consumer behavior. The third target group is you, dear reader, in your role as a consumer, and I hope that you will broaden your view regarding the power of marketing and your role in the marketing exchange. I will now go through each selected phenomenon and the articles that came out of studying it. The full articles appear at the end of this dissertation.

Phenomena and articles

In the following chapter, I present the backgrounds for the selected phenomena, which began in my personal experience, and describe how I encountered each phenomenon. This is followed by a summary of each article, the outcome of my examinations.

Article 1: "What Is Beautiful Is Good" Revisited: An Examination of Consumers' Reactions to Unattractive Food Items

That we laugh and cry for the same thing.
Michel de Montaigne, Essays

A phenomenon at the top of the agenda for many practitioners is unnecessary food waste. This topic was relevant in several projects and one in particular – when working with a large food retailer chain. One part of the project was to gain understanding and insights about the in-store customer journey. The results from a market research study we conducted revealed that the quality of the fruit and vegetable section was, by far, the most important factor for the overall evaluation of the shopping visit. Stores always try to have perfect looking fruits and vegetables on display. A storeowner once told me that about 3-4 % of the fruit and vegetables in the stores were thrown out. Produce that does not make it all the way to consumers' shopping baskets are thrown away or turned into animal food. We now start to close in on the main issue here. Today, unnecessary food waste is one of the great paradoxes of our time: hundreds of millions of people go hungry, yet we waste about 1.43 billion tons of food annually - or one-third of what we produce (Barclay, 2013). However, during the last couple of years, major retailers have actualized the food waste issue and offered less attractive produce in marketing campaigns.

In 2014, Intermarché, the third largest supermarket chain in France, launched a campaign called "Fruits et légumes moches" (ugly fruit and vegetables), which involved selling odd-shaped or visually flawed fruits and vegetables in their stores. In 2016, the U.S. food chain, Wholefoods, teamed up with the company Imperfect Produce to offer less-than-perfect vegetables to the market. Even the largest U.S. grocer, Walmart, ran a pilot campaign in 300 stores in Florida, in which consumers were offered weather-dented apples at a discount (National Public Radio, 2016).

Returning to academia gave me the opportunity to study the phenomenon, *marketing of ugly vegetables.* I understood that it was positive from an environmental perspective to supply ugly vegetables to the market. I was curious about several things: Why do people prefer what is beautiful? What happens when consumers are exposed to unattractive vegetables? Could selling unattractive vegetables be good for business? The first two articles come as a package and investigate different aspects of the food-waste phenomenon.

In the first of the two articles, *"What is Beautiful is Good" Revisited: An Examination of Consumers' Reactions to Unattractive Food Items,* we investigated the "what is beautiful is good" pattern in a food setting with a focus on understanding the mechanisms behind this pattern from a consumer perspective. Further, we investigated whether unattractive vegetables could have positive effects on beliefs and evaluations beyond those related to the product per se and whether unattractive food items could produce consumer responses that are valuable for companies that supply unattractive vegetables. The perception of the physical attractiveness of the objects is the first and primary theory for our examination. We carried out three experiments in which respondents saw either attractive or unattractive versions of vegetables. Based on the results, we proposed a model that explains the mechanisms behind the "what is beautiful is good" pattern, and we demonstrated that perceived quality, perceived supplier effort, and perceived effort had mediating roles. Practical implications for retailers from this study are clear: retailers who want to boost overall consumer evaluations should not offer unattractive vegetables. If they do, however, the perception of unattractive vegetables may be improved by boosting the perceived level of health and effort behind producing relatively unattractive vegetables.

The second aim of this study was to examine the possible positive effects of unattractive vegetables, although consumers clearly prefer attractive vegetables. Previous research has demonstrated that "ugly" expressions can signal rebellion and resistance (Eileraas, 1997). We suggest that marketing unattractive vegetables may have such "mind-expansion" potential. The results demonstrate that exposure to unattractive vegetables has a positive impact on consumers' views of retailers' corporate social responsibility (CSR) efforts. One can conclude that selling unattractive vegetables that would otherwise be perceived as waste is good from an environmental point of view, but unattractive vegetables take up valuable space in the store and consumers prefer attractive vegetables. However, we have shown that exposure to unattractive vegetables also has positive effects for the company by increasing perceived CSR. This finding is valuable given the relationships among CSR, customer satisfaction, and the company's market value (Sankar and Bhattacharya, 2001). Our study contributes to the marketing literature by explaining why the "what is beautiful is good" pattern exists in a food context. A contribution to marketing professionals comes in the form of explaining that unattractive vegetables can be more attractive to consumers if the perception of health and effort increases. This article also contributes to the food waste discussion by providing support for positive effects for retailers supplying unattractive vegetables.

The article is in the second round of review for the *Journal of Retailing and Consumer Services*. The article is first-authored by me, co-written with Jonas Colliander and Magnus Söderlund.

Article 2: Non-Conforming Produce and Its impact on Basket and Receipt Size

I am afraid that our eyes are bigger than our stomachs,
and that we have more curiosity than understanding.
We grasp at everything, but catch nothing except wind."
Michel de Montaigne, Essays

A point of departure in the second article is the perception that business and positive actions often conflict with one another; however, they should be seen independently (Porter & Kramer, 2009). Drawing on the results from the first article, it seems that exposure to unattractive vegetables may be mind-expanding. However, the first study fell short in examining the mechanisms behind that claim. Further, marketing unattractive vegetables benefits the brand by increasing the consumer's perception of CSR. However, consumers prefer attractive vegetables, and unattractive vegetables take up valuable store space, thus marketing unattractive vegetables should negatively impact the bottom line.

The purpose of the second article, *"Non-Conforming Produce and its Impact on Basket and Receipt Size,"* was to examine whether marketing unattractive vegetables in the stores affected the purchasing behavior on the rest of the assortment. In this study, rather than attractiveness theory, we used congruency theory and defined unattractive vegetables as incongruent. Further, schema theory (Mandler, 1982) was used to explain the effects on company sales when the consumer is exposed to the incongruent (unattractive) vegetables. In 2016, the Swedish retail food chain, COOP, conducted a marketing campaign called Crazy Vegetables (Knasiga grönsaker), selling odd-shaped vegetables at a discount. We conducted a field-experiment based on 90,000 receipts from customers involved in COOP's campaign, which provided the opportunity to compare the receipts of a large number of consumers prior to exposure to these products and then during their initial purchase of them. The results from the field study and an experiementshowed that unattractive produce is mind-expanding; exposure to unattractive vegetables produces a higher number of thoughts in consumers mind.

This, in turn, leads to the consumer becoming more curious, taking new routes in the store, and trying different products. The results demonstrated that, when consumers buy unattractive vegetables, their total basket size increases by 31%.

Drawing on the results of this project, we demonstrated that marketing such products is not only good from an environmental point of view, but also good for business. Unattractive vegetables have traditionally been perceived as waste in the value chain, but the implication is that one should not look at unattractive vegetables in isolation; they also have value beyond the expected. Thus, we demonstrate that marketing that is good for society can have positive effects for the company as well, a so-called win-win approach (Lerman & Shefrin, 2015). Marketers do not have to choose between good for business or good for society when setting up the marketing objectives.

This article is first-authored by me, co-written with Jonas Colliander, Micael Dahlén and Magnus Söderlund, and it is in first round of review with the *Journal of Consumer Behaviour*.

Article 3: Home Bias Revisited: How Controversial Information in ESG Reports Primes the Allocation Intentions of Domestic and Foreign Investments?

Then fear drove out all intelligence from my mind
Michel de Montaigne, Essays

As a marketer, I helped several companies to communicate their CSR efforts to the market – a car manufacturer's environmental policy, a national sports league about their positive impact on society, and a fast food chain about which ingredients to use and which to discharge to be perceived as a good citizen. In close quarters, I have seen how sustainability reports have changed, from being something companies do because they feel obligated, to being something they see stakeholders want and that is beneficial to companies. In one project, the company's environmental policy was communicated in a brand book to its employees. That company, later on, became the "centra" in a controversial emission crisis. Since these types of reports are becoming frequent in marketing, it made me curious about the possible impact. I was particularly interested whether the content in these reports might affect investors and, if so, what are the consequences?

Corporate sustainability has reached the mainstream and there are several reasons that explain why. One reason is the increasing and spreading belief about a direct link between CSR and company performance. In a study by Boston Consulting Group (2017), the authors demonstrated that the companies that scored highest on environmental, anti-corruption, and social issues produced a four percent higher profit margin compared to average scoring companies (SvD 2017).

Another possible reason is increasing interest from the financial sector, which means that it is now a relevant issue from central banks to stock-exchanges (Kiron, 2017). In early 2018, Larry Fink, the CEO of Blackrock, the world's largest asset owner, wrote the following in his annual letter to S&P 500 CEOs:

> Society is demanding that companies, both public and private, serve a social purpose. To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. (Winston, 2018)

Andrew Ross Sorkin, a financial reporter for the New York Times, later summarized Fink's message to the CEOs as:

> Contribute to society, or risk losing our support. (Winston, 2018).

Companies' sustainability efforts have become increasingly relevant; thus, communicating the efforts to the market becomes a necessity. According to Boston Consulting Group, 65% of executives report that sustainability is at the top of their management agenda, up from just 46% in 2010. Further, 75% of senior executives in mainstream investment firms believe sustainability performance is materially important to their investment decisions (Kiron, 2017). Nowadays, the most common form of corporate sustainability reports is the environmental, social and governance (ESG) report. An ESG report presents the performance of a company's environmental sustainability, social impact and contribution to society and local community.

The phenomenon studied in the third article is ESG reports and investors reactions depending on the content of the ESG reports. In the article, *Home Bias Revisited: How Controversial Information in ESG Reports Primes the Allocation Intentions of Domestic and Foreign Investments,* I examine whether controversial information in an ESG report influences investors' affective states and whether it subsequently influences unrelated investment decisions. Investors, in this context, have a wider definition – not only professional investors, but anyone who makes a financial investment with the purpose of increasing the value of the investment. Taking Sweden as an example, making investments in stocks or housing is ordinary and nearly one in five Swedes own stocks (di.se).

In this study, I investigate the impact of controversial products. Controversial ideas, services and products have previously been assigned to areas such as political advertising, advertising of tobacco, alcohol and underwear. Controversial refers to

> Products, services, or concepts that for reasons of delicacy, decency, morality, or even fear tend to elicit reactions of distaste, disgust, offence, or outrage when mentioned or when openly presented (Wilson and West, 1981, p. 92).

A common characteristic of controversial products, also referred to as unmentionable products, is that the attitude toward the products is highly personal, whether perceived positively or negatively (Wilson and West, 1981).

The marketing of controversial products has increased in recent years. In my study, weapons serve as the controversial product (Barnes and Dotson, 1990). Weapons belong to a group of controversial products, associated with a supply and demand scenario. One may assume that most people perceive the production of weapons as having a negative impact on society. However, both professional investors and consumers invest in companies that produce such products.

Many assume that investors react rationally to information in efficient markets (Fama, 1970). However, some researchers have argued that investors do not act rationally, and that human behavior, mood, and biases induce investors to make irrational financial decisions (Thaler and Shefrin, 1981). I suggest that marketing such as producing an ESG report, can prime investors to make irrational financial decisions, here executed as the allocation of domestic and foreign investments.

With the support of two experiments and by using schema theory, I found that controversial information in an ESG report primes investors' emotions, thereby increasing levels of worry and sadness, unlike investors exposed to a report not containing controversial information. Further, the results reveal that home bias increases when the controversial information is about a foreign company. However, drawing on assimilation theory and the results of the second experiment, I also show that the willingness to invest in the home market decreases when the controversial information is about a domestic company.

This study contributes to CSR- and ESG-related research and, to the best of my knowledge, it is the first study to address investor reactions to ESG reports. The study also contributes to behavioral finance, as it demonstrates how sensitive investors' states of mind are, which can affect their investment intentions. Taking this one step further, stakeholders who have a political interest in increasing or decreasing the level of domestic investments in any country could use marketing to impact investors' affective states.

Reflecting on the results, the study of this phenomenon adds to the discussion on whether marketing affects people and society, and whether the effects are negative. This topic has been widely debated over the years and views on it are highly scattered. Some have suggested that companies are doing people a favor by providing them with information and that this approach is valuable for people and society (Hayko, 2010). Others, however, have gone as far as using "brain surgery" as a metaphor for the negative impact marketing has on society (Pollay, 1986). The increase in marketing companies' good citizen efforts is positive in itself; however, this study demonstrates how sensitive the human mind is to influence. Humans are creatures of emotions, and the content of an ESG report may have extended effects and influence the receivers in ways beyond the expected.

This article is single-authored by me and the manuscript is in the second round of review for publication in the *Journal of Marketing Communications.*

Article 4: Multi-Level Loyalty Program Rewards and Their Effects on Top-Tier Customers and Second-Tier Customers

Of the inequality amongst us.
Michel de Montaigne, Essays

The deregulation of the Swedish pharmacy market in 2011 opened up some interesting challenges and possibilities for marketers. My agency, Here Are Lions, became head agency to one of the newly born pharmacy brands on the newly opened market which presented many opportunities. On a daily basis, we encounter a loyalty club. However, unlike the state-owned pharmacy, we did not have any established loyalty program, with many thousands of members. Since the program was created from scratch, the agency and the pharmacy discussed how to divide members in the loyalty club and what benefits they would receive. Another assignment of the project was to improve the in-store customer flow, in terms of selling more products and ensuring that consumers leaving the store remember the brand from which they just purchased. An issue when creating the in-store layout is overhearing customers' sensitive medical discussions with pharmacists, which is regulated by law. When creating the in-store layout, we also discussed how different customers would be affected by the experience in the store. Could we have a fast lane for seniors or for our most valuable customers? How would other customers respond to this scenario? Now, through a marketing theory lens, I have the opportunity to study marketing in a social setting and investigate how other customers respond to companies' marketing plans.

We all know that companies should treat customers as kings, especially their most loyal customers. As Jack Ma, founder of Alibaba Group, put it, "Forget about your competitors, just focus on your customers." But then, in what ways does marketing impact people *other* than the intended receivers? The marketing phenomenon studied is *loyalty clubs* in the social context of marketing. Specifically, we investigate how consumers react when exposed to a company's marketing targeted at another consumer. In many cases, consumers are exposed to marketing in a social setting. It could be watching an advertising film when sitting next to a friend in a cinema or reading a magazine together. There could also be a situation in which customers are treated differently. For instance, one customer is treated like a king, but another customer is not. This is happening all the time out there. The use of loyalty programs by companies has become a common market phenomenon (Henderson et al., 2011). Since the 1980s, firms and researchers have demonstrated that customer loyalty has a positive impact on profitability. Today, many consumers in the Western world are members of loyalty programs (Berman, 2006; Zhang & Breugelmans, 2012).

In the article, *Multi-Level Loyalty Program Rewards and Their Effects on Top-Tier Customers and Second-Tier Customers,* we study how members at different levels in multilevel loyalty programs react when they can compare the rewards they receive with the rewards received by other members of the same loyalty program. Previous research has often neglected the social setting in which consumers encounter marketing activities, such as rewards. Two between-subjects experiments were set up using an airline check-in setting as the context. Drawing on the results of the experiments, we found that in social settings, multi-level programs increased perceptions of justice, customer satisfaction, and repurchasing intentions for top-tier members. However, they did not alienate second-tier members who did not receive the same rewards. This finding can be explained by equity theory and perceived justice. That is, members of loyalty programs are aware that higher-level memberships are associated with greater inputs and, thus, they should receive greater rewards.

This study contributes to service marketing research by examining downward and upward comparisons. We also contribute to research on loyalty programs and their effects on consumer behavior. Reflecting on our findings, marketing professionals should use equity-based loyalty programs and make rewards contingent upon consumers' inputs. Additionally, the potentially negative effect of rewarding top-tier members is relatively low. This finding also manifests the impact marketing has on people by producing a feeling of perceived justice. The practical implication for marketers is that they can treat their best customers as royalty without alienating other customers, as long as the customers' input is visible.

This article has been published in the *Journal of Consumer Marketing*. It is third-authored by me, co written with Jonas Colliander and Magnus Söderlund.

Article 5: Earning the Attention? Advertiser Effort and Consumer Perceptions of Equitable Exchange

> Marriage, a market which has nothing free but the entrance.
>
> *Michel de Montaigne, Essays*

Back at the Storåkers McCann advertising agency, our most valuable client, Sweden's largest telecom company, had a problem. The company, predominantly state-owned was perceived as boring and expensive by consumers; even more worrying was the company's churn rate of fixed telephone subscriptions. Young people moving into apartments did not buy subscriptions and our brief was to stop the churn and to improve consumer attitudes toward the brand and the product. So, how does one advertise for a product that everyone knows exists and what it does, but that they do not want?

Our idea was the Doodle-campaign. Instead of focusing on the product, we focused on what people do when having long telephone conversations: doodling. Consumers were asked to put forth high effort into the campaign by submitting their own doodles. We also created ads with doodles from famous Swedes. A panel selected the best doodles from the public, which were presented in an art exhibition at the Central Station in Stockholm. The campaign received considerable coverage in the media, stopped the loss of telephone subscriptions, and increased the interest for increased consumer interest in obtaining a fixed telephone subscription. This campaign exemplifies not only on the importance of marketers devoting considerable effort into marketing, but also the possible positive outcomes when consumers put forth great effort when taking part of companies marketing.

The last phenomenon in this thesis explores *marketing as an exchange of effort*. This notion raises several questions: How aware are consumers of a company's marketing effort? What happens if the company devotes high or low effort? What happens when the consumer devotes high, rather than low, effort? The extent to which consumers put effort into an exchange with a company can even impact the price of the good or service. An example of this is evident in Petit Syrah, a café in south of France that offers the same coffee at three different prices depending on the consumer's effort. A customer who orders "a coffee" is charged €7; "a coffee please" costs €4.25; and those who say "Hello, a coffee please," are charged only €1.40 (The Telegraph, 2013).

A scarce currency for Western consumers today is time and attention. Marketing is not about a consumer being exposed to an ad in a glossy magazine. It could be, but it could also be an unattractive vegetable, an ESG report, or a pop-up banner. In a 2004 study by the Nielsen Norman Group, they found that pop-up ads were the most hated online advertising technique. Today, consumers use ad blockers and the pop-up ads that opened up in a new window are virtually extinct. Marketers constantly create new techniques to expose consumers to marketing, although consumers do seek out and share advertising. However, consumers do devote effort to the marketing exchange. Advertising is no longer about selling products; it is about rewarding consumers for their valuable time and effort.

In the last paper, *Earning the Attention? Advertiser Effort and Consumer Perceptions of Equitable Exchange,* we test the popular notion that *advertisers needs to earn consumers' attention*. In a survey by Millennial Media, 79% of consumers agreed that advertising is an exchange, and that they (the consumers) expect advertisers to reward them for their attention (Millennial Media, 2015). This notion is not new, but it has never explicitly been put to the test. In this study, my co-authors and I use equity theory to suggest that individuals rate a relationship based on what they receive and what they contribute. The main academic contribution at hand is the introduction of the concept of equity in an advertising context—to increase knowledge of the marketing exchange and advertising effectiveness.

Two experiments using an online panel were set up to capture respondents' reactions when the company devoted high or low effort, and when consumers devoted high or low effort. The results demonstrated that consumers could recognize the advertiser's effort in the exchange, relate it to their own effort, and base their ratings on this relationship. The most intriguing finding, I think, is that the positive impact on advertiser effort increases when consumer effort increases.

The implications for the marketing industry are that advertisers need to be mindful of this finding, as consumer behavior is shifting from passive to active, with consumers seeking out ads online and sharing them–if they enjoy the content. This finding also implies that marketers focus should not remain solely on advertiser effort, but that it will extend to consumer effort as well. To value the relationship and to give something in return is particularly important. Companies that devote high effort when producing marketing gain from also asking consumer to devote high effort in the exchange.

Speaking of effort, it is relevant to mention Jan Stolpe. Between 1986 and 1992, he published a Swedish translation of Montaigne's *Essays*, which is an extensive work, to say the least. Recently, however, yet another translation–of the same work and by the same translator–was published. One might expect that a revision would not imply much effort. In an interview in the Svenska Dagbladet (SvD), however, Stolpe cleared up this matter, stating,

> No, it is a total renovation from the basement to the attic. I also made some mistakes last time and I was not totally satisfied with the style (SvD, 2009).

This article is first-authored by me, co-written with Lars Bergkvist and Micael Dahlén. The manuscript has been submitted for possible publication in the *Journal of Consumer Marketing*, and is currently under the first round of review.

Reflections

The implications drawn from this dissertation contribute to the ongoing discussion about whether marketing is evil or good. In the marketing literature, one can find that marketing is criticized for its adverse effects on individuals, communities, and society (Stoeckl and Ledicke, 2015). There are also accusations that marketing has ill effects on human relationships (Malefyt, 2015), namely that advertising manipulates social values (Ewen 1976, Pollay, 1986), or that values such as play and pleasure are minimized in favor of material gain (Penaloza and Barnhart, 2011). Marketing is also accused of jeopardizing consumers' health (Varey, 2010) by seducing vulnerable consumers to buy harmful products such as alcohol, tobacco and fast-food (Smith & Cooper-Martin, 1997), and that marketing has even contributed to the obesity epidemic (Chandon and Wansink, 2011). However, I stand on the side with several other researchers who suggest that marketing can have positive impacts as well.

A service researcher can argue that improved satisfaction benefits the consumer (Fornell, 1992). A cause-related marketing (CRM) researcher would argue that a CRM campaign could benefit the cause (Lafferty & Godlman, 2005; Ross et al, 1992) and the company (Basil & Herr, 2006; Ross et al, 1992). A green marketing researcher would argue that it produces value for the environment and, consequently, for consumers. Finally, a social marketing researcher would argue that a governmental marketing campaign yields benefit for consumers and society at large (Kotler & Zaltman, 1971).

However, my point of departure is the relationship between the company and the consumers, and the positive impact by the selected marketing phenomena. My main findings are that marketing can yield benefits for several stakeholders and that this impact can be beyond the obvious, (e.g., that marketing unattractive produce, previously perceived as waste in the food system, generates unexpected benefits for the company by increasing sales on unrelated products). However, I also demonstrate the strong impact marketing has on consumers' emotions and its consequences (e.g., controversial information in an ESG report increases worry among investors and, consequently, their willingness to invest in the market). One may argue that this reality is a negative impact. However, my perspective emphasizes the importance for companies and consumers to be aware of the strong impact marketing can have beyond that which is expected.

The main contribution of this thesis targets practitioners. This thesis emphasizes marketing as an exchange of giving and receiving. Drawing on the findings of these studies, I suggest that marketing can benefit multiple stakeholder groups simultaneously; however, the impact is beyond the expected. Marketing an ugly product can have positive impacts on sales for the rest of the assortment. A loyalty program can have a positive effect on customers who do not receive a reward; influencing consumers to devote greater effort can be valuable for the advertiser. Drawing on these studies, there are important implications for practitioners. Marketing takes different shapes that make the results relevant for practitioners within the retail- , advertising- and service industries.

Regarding industry, marketers should broaden their horizons, step back, and be aware of the impact of their company's marketing strategies. Further, practitioners should perceive marketing and the benefits it can produce as a state of mind, rather than a series of functional activities (McDonald, 1989). Companies need to change their approach from today's campaign focus and take a wider approach on what they aim to achieve with their marketing. Marketing with the purpose of doing good for society (and consumers) should not be seen as a costly or a charitable activity, but rather as an innovation that creates an opportunity for an advantage (Porter and Kramer, 2006).

Companies' marketing objectives should, therefore, include additional measures beyond the traditional. Many companies present a purpose beyond generating profits. I have demonstrated that marketing is a tool that can generate benefits to both consumers and society, and it does not have to be at the company's expense. However, companies need to evaluate marketing differently than how it is typically done today. Marketing tobacco and alcohol to children is regulated by law but the impact of marketing is not regulated and pre-tested as for instance pharmaceutics. That is, companies need to understand the impact of their marketing.

Taking this notion a step further–to a political level beyond that of the ESG report–a stakeholder who deliberately want to influence the willingness to invest domestically could do so by using real or fake controversial information to increase consumers' (investors') level of worryness. This relates to the ongoing discussion on fake news (Reuters, 2017). We live in a fake news era in which markering is a part of. Fake news on social media may have dramatically changed the level of trust and consequently increasing political polarisation. However, it is easy to spread fake news containg controversial information and one should be aware of the possible impact controversial may have on financial decisions, even when the source is something "good" as an ESG report.

Companies should also broaden their perspective beyond increasing brand awareness and purchase intention. Positive benefits are achievable through a series of effects, through the impact marketing has on consumers' emotions and, consequently, on their behavior, as demonstrated by the increase in sales of unrelated products when consumers were exposed to ugly vegetables. The results from studying these marketing phenomena also explain how marketers can increase value for consumers. To my knowledge, all of the "ugly vegetable" campaigns worldwide have offered the products at a discount, which sends a signal of poor product quality. I suggest marketers go the other direction. Use marketing messages that increase the perception of health and effort and sell these products at full price or higher.

Marketing takes place in an ever-changing environment and, as a consequence, the discipline is never static. A deeper understanding of marketing's positive impacts can change the perception of what is *good marketing*. Good marketing could, or perhaps should, take a win-win approach (Lerman & Shefrin, 2015). That which has traditionally been defined as good marketing is that which is creative or yields positive results for the company. These two criteria are the most common evaluation measures for industry competitions on marketing communications. Companies' marketing should continue to yield a benefit to the company, but companies ought to look beyond that and strive to yield benefits to consumers and society as well. Rather than being an outcome of the advertising agencies' creative processes, the brief from the company could include objectives for desired impact on consumers and society.

Consumer demands constantly evolve and the world at large is developing rapidly. Companies need to be aware that today's consumers are socially intelligent and market-savvy. They know how to avoid marketing if they so desire; they want equity, they value companies that put in an extra effort to produce marketing, and they find VIP treatment to another consumer fair if the other consumer is deserving. Consumers are not lazy; they value companies that do that little extra and consumers are willing to put effort into the relationship if they believe the company deserves it. Companies should also see the marketing as an opportunity, rather than a cost, since consumers evaluate whether they receive an equitable exchange. Marketing professionals who perceive marketing as an exchange of giving and receiving, and who continuously invest in good marketing, are in for the win.

Consumers should be aware of the impact marketing has, as well as the impact consumers have on the company and society. The marketing exchange exists in the context of an open system rather than in a vacuum. Consequently, all stakeholders, including consumers, have an impact on the society in which you live. When exposedes to marketing, it influences emotions, and physical processes begin that influenc attitudes and behavior not related to the product or marketing per se.

The research touch on what advertising researchers define as unintended or extended effects. However, my point of departure is different. The unintended or extended effects are beyond the effects on the consumers' relationship to the ad/brand and focuses on effects such as self-satisfaction, creativity, and social connectedness (Åkestam, 2017). My interest is aimed at the relationship between the consumer and the company. Further, the perspective within this body of research holds that advertising is good for business but bad for society (Pollay, 1986). Drawing on the studies addressed herein, there is no support for a statement that marketing in itself is evil. What is good for society can also be good for business and vice versa. The examination of the reactions of ugly vegetables revealed that a good for society marketing initiative produce an extended effect of increasing sales on unrelated products.

My interest focuses on marketing's positive benefits for companies, consumers, and society is in common with the Positive Marketing research community. The term "positive marketing innovation" refers to a marketing activity that has a reciprocal and positive impact for the company, its customers, and society (Gopaldas, 2015). Positive Marketing researchers focus on marketing that creates social value from the company's core operations (Gopaldas, 2015), namely, by the products and services the company offers. My focus lies at the micro level, targeting the relationship between the company and its consumers and addresses the influence on consumers' emotions, attitudes, and behaviors. My point of departure is in the marketing phenomena, which are not the core products of the companies. I would also question whether marketing that does not yield positive impacts for the company, consumers, and society is negative marketing. Related to CSR, I touch on the topic in some studies, but my context is wider and focuses more closely on consumer reactions. CSR is claimed to be a "give back" approach (Gopaldas, 2015), while the benefit yielded by the marketing phenomena generates benefits forward. For instance, when what is previously perceived as waste in the food system, is sold to consumers and generates benefit to retail stores by increasing sales.

Now going back to the industry, I am returning with wider perspectives and deeper knowledge of marketing impacts gathered from studying marketing litteraure from other scholars, but also from my own work.

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Articles

Article 1: "What is beautiful is good" revisited: An examination of consumers' reactions to unattractive food items

In the second round of review for possible publication in the Journal of Retailing and Consumer Services. First-author, co-written with Jonas Colliander and Magnus Söderlund.

Abstract

The present study examines the mechanisms behind the "what-is-beautiful-is-good" pattern that is expected to characterize consumers' evaluations of agri-food items and thereby serves as a basis for considerable waste when less attractive items never appear in retailers' shelves. Three experiments, in which participants were exposed to either unattractive or attractive versions of vegetables, were conducted. The experiments showed that perceived quality, perceived supplier effort, and perceived healthiness had mediating roles in the impact of attractiveness on evaluations. In addition, the results indicated that exposure to unattractive agri-food items can have a positive impact on consumers' views of the corporate social responsibility of retailers supplying such items.

Keywords: Agri-food products, physical attractiveness, perceived quality, perceived effort, perceived healthiness, product evaluations, corporate social responsibility

Introduction

The majority of consumers' purchases of vegetables and fruit takes place in large chain stores, and such chains typically carefully select the items at display in their stores. This begins already in the specifications provided to producers; these specifications, it has been argued, "spell out our supermarkets' vision of a perfect world where all produce is groomed to beauty pageant standards" (Blythman, 2004). Tomatoes sold in Europe, for instance, have to fit within a 10 mm band of a standard requiring 53-63 mm in tomato circumference (ibid.). Specifications of this type is one of several expressions of so-called private agri-food standards, which have become an increasingly dominant instrument for coordination and power in contemporary food distribution (Henson and Reardon, 2005; de Hooge et al., 2017; Sumner, 2015).

Appearance-related private agri-food standards exist in detailed form for most produce. And they are taken seriously: it has been estimated that some 30 percent of all produce fails to meet existing standards, which causes considerable waste (de Hooge et al., 2017; Loebnitz et al., 2015; Louis and Lombart, 2018). Food waste is indeed a major global challenge because of its implications for issues such as climate change, international trade, and environmental sustainability, at the same time as hundreds of millions of people are chronically undernourished (Block et al., 2016). The standards also have several effects at the micro level; one of them is that the typical consumer is exposed to minimal variety of produce. For example, in the U.S., it has been argued that apples have become a bland, uniform commodity devoid of the nuanced flavors that marked the myriad varieties existing widely only a few decades ago (Winson, 2013). Another result, which is the point of departure for the present study, is that the agri-products that do conform to the standards typically have a flawless, ideal appearance. In other words, they are physically attractive.

Research regarding several objects, such as human beings in general (Langlois et al., 2000), service firm employees (Söderlund and Julander, 2009), stores, buildings, cars, and webpages (Chitturi et al., 2008; Hassenzahl 2004; Orth and Wirtz, 2014; Pawlicka, 2014; Vilnai-Yavetz et al., 2005; Yoo et al., 1998), shows that a physically attractive version of an object is evaluated more positively than a less physically attractive version. It has also been suggested that both animals (Wäckers, 2004) and humans (Imram, 1999) have strong preferences for food products with appealing appearances. In other words, consumer bias toward beautiful products can override rational judgement (Wu et al., 2017). This pattern is sometimes referred to as "what-is-beautiful-is-good" (Dion et al., 1972). Here, we expect the same pattern also for agri-food products. The specific mechanisms behind this pattern, however, are far from clear, and the purpose of the present study is to examine why an unattractive version of a food product is likely to be evaluated more negatively than an attractive version. A main rationale behind this examination is that theories should not only be able to state that one particular variable influences another variable; a good theory should also be able to articulate why there is an influence (Sutton and Staw, 1995). Here, we make an attempt to articulate this in terms of mediating variables, because they are assumed to be able to explain why and how an effect occurs (Söderlund, 2018). In addition, knowledge about such mechanisms may be used for interventions with the purpose of making less attractive food products more acceptable, which in turn may reduce the considerable waste that exists based on the appearance of food products.

Some major grocery retailers – such as Intermarché in France, Whole Foods in the U.S., and Coop in Sweden – have made attempts to introduce "ugly" food items in their assortment, but so far there have been only a few attempts by academic researchers to assess consumers' reactions to such items (de Hooge et al., 2017; Loebnitz et al., 2015). Existing studies have conceptualized these items in terms of abnormality (Loebnitz et al., 2015) and suboptimal appearance (de Hooge et al., 2017). The present study, however, differs from these studies in the sense that physical attractiveness is the main independent variable.

In addition, we explore the possibility that unattractive agri-food products can have positive effects on beliefs beyond those related to the product per se. Even in the field of aesthetics, traditionally occupied with what is beautiful, it is recognized that ugly objects can produce positively valenced responses (e.g., Brady, 2011; Kieran, 1997). Indeed, if Eco (2007) is right when he claims that ugliness reminds us that the world is not perfect, and that ugliness calls for compassion, we expect that unattractive food items can elicit consumer beliefs related to corporate social responsibility that are valuable for firms supplying such items.

Theoretical framework and hypotheses

The main assumptions in our framework are that (1) consumers exposed to agri-food products are hardwired to react with physical attractiveness perceptions, and that (2) such perceptions subsequently influence the perceived quality of the product – both directly and indirectly via the variables perceived supplier effort and perceived healthiness. We also assume that (3) perceived quality positively influences the consumer's overall evaluation of the product.

Physical attractiveness and product quality perceptions

Physical attractiveness is viewed here as subjective, aesthetic perception regarding the visual appeal of an object. It can be seen as a pre-cognitive assessment that evolved early in human beings as a means to "know about the world" in the absence of semantic cognition (Lindgaard and Whitfield, 2004). We assume that attractiveness perceptions still have this pre-cognitive character; we assume that the very first appraisal of a food object is attractiveness-related and that the other responses in our framework follow as consequences.

More specifically, we assume that food attractiveness serves as a shortcut regarding product quality, because the quality of food items cannot be observed explicitly at either the point of purchase or consumption (Henson and Rearden, 2005). Indeed, food items have immediate physiological consequences when they are consumed, so a positive attractiveness-product quality link is likely to have evolutionary roots and serves adaptive purposes related to nutritional value and, ultimately, survival (cf. Hekkert, 2006). It is also possible that the salience of an attractive appearance in existing high performance products (e.g., Apple mobile telephones and Braun shavers) creates expectations among consumers that more attractive products are superior (Hoegg et al., 2010), and such expectations may rub off on food items. Therefore, we assume that the physical attractiveness of a food item is positively associated with its perceived quality. Some previous studies provide empirical evidence for a direct link of this type (e.g., Orth et al., 2010), so we hypothesize the following:

> H1: A relatively attractive version of a food item will be subject to higher perceived quality perceptions than a relatively unattractive version

However, we also assume that there are indirect routes of influence from product attractiveness to perceived quality, namely in terms of (a) perceived supplier effort and (b) perceived healthiness. First, we assume that product attractiveness provides the consumer with clues regarding the effort expended by the supplier. In general, effort is the amount of energy put into a behavior, while perceived effort is the amount of energy an observer believes an actor has invested in a behavior (Mohr and Bitner, 1995). With respect to consumers' views of effort expended by suppliers, perceived supplier effort has been defined as the consumer's perception of how much money, managerial time, and hard work there is behind the supplier's activities (Kirmani and Wright, 1989; Modig et al., 2014). We assume that there is a positive association between product attractiveness and perceived supplier effort, because an object's attractiveness has been shown to enhance perceptions of effort-related attributes such as the creativity and the skills involved in producing the object (Hagtvedt et al., 2008) as well as overall perceptions of supplier effort (Wu et al., 2017).

In the next step, we expect a positive link between perceived supplier effort and the perceived quality of an offer (Kirmani, 1997; Kirmani and Rao, 2000; Kirmani and Wright, 1989; Kruger et al., 2004; Söderlund and Sagfossen, 2017). One reason is that perceived supplier effort signals confidence and commitment (Kirmani and Wright, 1997; Modig et al., 2014), which are characteristics likely to have a positive impact on quality perceptions. An additional reason why the link is likely to exist is that an actor's effort signals the actor's level of motivation (Mohr and Bitner, 1995), and the level of perceived motivation is likely to go hand in hand with the observer's quality perceptions. Thus, we hypothesize the following:

> H2: The positive effect of an attractive food item on perceived quality is mediated by perceived supplier effort in producing/distributing the item

Second, we assume that a food item's physical attractiveness is positively associated with healthiness perceptions. Attractiveness as a characteristic providing clues regarding health has been discussed frequently in a person perception context (e.g., Barber, 1995), and we assume that this link exists also in a food context, because consumers often indicate that health is an important motive for food choice (Ronteltap et al., 2012). Moreover, a main function of healthiness perceptions in food assessments, we assume, is to serve as a mechanism protecting individuals from consuming potentially toxic foods. Empirical evidence for an attractiveness-healthiness link is provided by Steptoe et al. (1995). In addition, we assume that healthiness as a product attribute is positively related to perceived product quality in a food context (Bredahl et al., 1998; Clydesdale, 1991). Therefore, we hypothesize the following:

> H3: The positive effect of an attractive food item on perceived quality is mediated by the perceived healthiness of the food item

Perceived quality and overall evaluations

Several studies suggest that perceived quality and overall evaluations are two discrete constructs, that quality perceptions precede overall evaluations, and that perceived quality has a positive influence on overall evaluations (Baker and Crompton, 2000; Cronin and Taylor, 1992; Söderlund et al., 2017). Therefore, given that exposure to a food item induces attractiveness perceptions, and given that such perceptions have a positive impact on perceived quality (i.e., H1), we expect that a version of a food item perceived as relatively attractive generates higher overall product evaluations than a relatively less attractive version. Indirect support for this is provided by Loebnitz et al. (2015) who found that abnormal versions of food items produced lower purchase intentions than normal versions. Similarly, de Hooge et al. (2017) found that versions of food items with suboptimal appearance produced lower levels of preferences. The following, then, is hypothesized:

> H4: A version of a food item that is perceived as relatively more attractive produces a higher level of overall product evaluations than a less attractive version

Study 1

3.1 Procedure and participants

Study 1 was conducted to test H1-H4 with a between-subjects experiment in which participants were exposed to either (1) a photo of relatively unattractive carrots or (2) a photo of relatively attractive carrots. Both photos were in color and in the 16 x 10.5 cm size (see Appendix 1). The participants (n = 133; Mage = 21.96; 55 men and 77 women), which we recruited from undergraduates who participated in business administration courses, were randomly allocated to exposure to one of the two photos. After having seen the photo, they were asked to respond to paper-based questionnaire items regarding the depicted carrots.

Measures

Each item was scored on a 10-point itemized rating scale. Product attractiveness was measured with the question "What do you think about the appearance of the products?", followed by the adjective pairs "unattractive-attractive", "do not look good-look good", and "ugly-beautiful". Similar items have been used by Orth et al. (2010) and Orth and Wirtz (2014). Cronbach's alpha for this scale was .94. Perceived supplier effort was measured as the responses to the statement "My impression of the process to develop this product can be described as follows…", followed by the adjective pairs "low effort-high effort", "easy-difficult", and "limited resources are required-extensive resources are required" (alpha = .71). Similar items have been used by Mohr and Bitner (1995), Söderlund and Sagfossen (2017), and Wu et al. (2017). Perceived healthiness was measured with the adjective pairs "unhealthy-healthy", "innutritious-nutritious", "unsound-sound", and "nonnutritive-nutritive (alpha = .84). Such items have been used by, for example, Andrews et al. (1998) and Burton et al. (1994). Moreover, perceived quality was assessed with the question "How do you perceive the quality of this product?". The adjective pairs "low quality-high quality", "poor craftsmanship-good craftsmanship", and "low standard-high standard" were used to capture the responses (alpha = .91). This measure thus reflects a view of quality as an overall judgment variable (Steenkamp, 1986; Zeithaml, 1988). As for the overall product evaluation, the question was "What is your overall evaluation of this product?". This question was followed by the adjective pairs "bad-good", "dislike it-like it", "unpleasant-pleasant", and "negative impression-positive impression" (alpha = .98).

Analysis and results

A manipulation check with the attractiveness variable revealed that the attractive carrots scored higher in attractiveness (Mattractiveness = 5.70) than the unattractive carrots (Mattractiveness = 3.93). This difference was significant ($t = 4.98$, $p < .01$). The manipulation thus behaved as intended.

The attractive carrots produced a higher level of perceived quality ($M = 6.43$) than the unattractive carrots ($M = 5.13$). This difference was significant ($t = 3.99$, $p < .01$), thus providing support for H1. To examine the mediation mechanisms involved in H2 and H3, a structural modeling approach with AMOS 22 was employed. The proposed model (see Table 1) contained a link between the experimental treatment (scored as 1 for participants exposed to unattractive carrots and 2 for participants exposed to attractive carrots) and attractiveness (Link 1), a link between attractiveness and perceived quality (Link 2), a link between attractiveness and perceived supplier effort (Link 3), and a link between attractiveness and perceived healthiness (Link 4). Our proposed model also contained a link between perceived supplier effort and perceived quality (Link 5) and a link between perceived healthiness and perceived quality (Link 6). Finally, perceived quality was seen as linked with the overall evaluation (Link 7). The proposed model was characterized by a good fit with the data (χ^2 2 = 215.56, df = 129, p < .01, CFI = .96, NFI = .90, RMSEA = .07). The coefficients for the associations are presented in Table 1.

Table 1:
Standardized path coefficients in the proposed model

Link 1: Treatment → Attractiveness	.40*
Link 2: Attractiveness → Quality	.64*
Link 3: Attractiveness → Perceived supplier effort	.42*
Link 4: Attractiveness → Perceived healthiness	.37*
Link 5: Perceived supplier effort → Perceived quality	.20*
Link 6: Perceived healthiness → Perceived quality	.22*
Link 7: Perceived quality → Overall evaluations	.80*

* $p < .01$

The results indicate that attractiveness had a direct influence on perceived quality (Link 2). This, then, is an alternative way of indicating support for H1. The results also indicate indirect influence of attractiveness on perceived quality – via perceived supplier effort and perceived healthiness. To explicitly assess the mediating role of perceived supplier effort and perceived healthiness, we examined an alternative model in which the influence on – and from – these two variables were constrained to be zero (i.e., Link 3, Link 4, Link 5, and Link 6 were constrained to be zero). This alternative model, in which all influence on perceived quality is seen as stemming from attractiveness, however, produced a significantly lower level of fit than the proposed model (df = 4, delta χ^2 = 49.53, p < .01). Moreover, a second alternative model in which the direct influence of attractiveness on perceived quality (Link 2) was constrained to be zero (thus a model in which all influence is seen as mediated) reduced the fit significantly in relation to the proposed model (df = 1, delta $\chi 2$ = 40.80, p < .01). It must therefore be contended that attractiveness had both a direct and an indirect influence (via perceived supplier effort and perceived healthiness) on perceived quality. This provides support for the meditation hypotheses H2 and

H3 in the sense that complementary mediation was at hand (cf. Zhao et al., 2010). Finally, the attractive carrots produced a higher level of overall evaluations ($M = 7.17$) than the unattractive carrots ($M = 5.78$). This difference was significant ($t = 4.05$, $p < .01$). H4 was thereby supported.

Discussion

As expected, the attractive carrots produced higher product evaluations than the less attractive carrots. More important, however, is the results that perceived quality, perceived supplier effort, and perceived healthiness contributed to the impact of attractiveness on overall evaluations. These results thus explicate mechanisms behind the "what-is-beautiful-is-good" pattern. Given that perceived quality, perceived supplier effort, and perceived healthiness can be subject to managerial control, the results also indicate possibilities of interventions for producers and retailers of agri-food products who are interested in reducing consumers' sensitivity to product appearance when evaluations are formed (i.e., interventions with a potential to reduce food waste). The intervention issue is something to which we return in the general discussion.

One limitation of Study 1 should be observed: the manipulations comprised photos of food products (i.e., pictorial representations of food). To address if similar results would be obtained in a "live" setting (i.e., exposure to real carrots and a tasting opportunity), we decided to conduct a second experiment. In addition, the second experiment served the purpose to examine if ugly food items could evoke consumer reactions that are valuable for a retailer. That is to say, even though Study 1 shows that ugly versions of a food product are less positively evaluated than attractive versions, we assume that product ugliness can influence also reactions related to other objects than the product per se. More specifically, as suggested in the literature on aesthetics, we assume that ugly objects in general (in art and in nature) has a special potential to capture our attention and enhance the free play of imagination (Brady 2011; Kuplen, 2013). Ugliness reflecting what is wild in nature (i.e., not tinkered with by humans) seems to have a particular potential to stimulate imagination (Prior and Brady, 2016). This potential should be seen in the light of neural studies suggesting that exposure to beautiful and ugly objects activate different brain regions (Cela-Conde et al., 2011). In a food item context, the thought expansion potential of ugliness, we argue, is particularly likely given that agri-food standards makes exposure to ugly food items a rare event. Moreover, once this thought expansion has been set in motion, we assume that it may comprise thoughts of the environment, climate threats, and food waste as well as various resistance activities. With respect to the latter, it has been argued that deliberate choices of ugly expressions can signal resistance, rebellion, and disobedience (Eileraas, 1997). This means that we expect that exposure to an ugly food item can foster beliefs that those who allow the ugly items to exist (e.g., producers and retailers) are responsible actors. More specifically, we assume that exposure to unattractive agri-food products can have a positive influence on consumers' beliefs about the corporate social responsibility (CSR) of a retailer supplying such items. We therefore hypothesize the following for the second study:

> H5: A relatively unattractive version of a food item will induce stronger consumer beliefs regarding the corporate social responsibility of a retailer supplying such items than a relatively attractive version

Study 2

Procedure and participants

Study 2 was conducted to examine if the results for H1 and H4 from Study 1 would be replicated in another setting and to test the additional Hypothesis 5. To do so, we employed a between-subjects experiment in which participants were exposed to a plate with either (1) unattractive carrots of the type that do not match private agri-food appearance standards or (2) attractive carrots that can be found in grocery stores. In contrast to Study 1, however, the participants were exposed to real carrots and were also asked to taste them. The procedure was this: the participants were randomly allocated to being exposed to one of the two types of carrots and were asked to assess attractiveness and perceived quality. Then, a tasting sample was offered (all participants, however, tasted slices of carrots of the same type). In the next step, the participants were asked to provide their overall evaluation of the carrots and to respond to a CSR item regarding a retailer offering such carrots. The responses were collected in individual face-to-face encounters with researchers who recorded them in a paper questionnaire. The participants (n = 116; 55 men and 61 women) were recruited from undergraduates who participated in business administration courses.

Measures

Each item was scored on a 10-point itemized rating scale. Single-item measures from the Study 1 scales were used for all variables, because a pretest of the procedure revealed that multi-item scales were perceived as odd by participants in a face-to-face setting and that such scales created an unwelcome focus on the questions rather than on the food items ("Why are you asking the same question again?" was a typical comment). Product attractiveness was measured with the question "What do you think about the appearance of the product?", followed by the adjective pair "unattractive-attractive". Perceived quality was assessed with the question "How do you perceive the quality of this product?", followed by the adjective pair "low quality-high quality". For the overall product evaluation, the question was "What is your overall evaluation of this product?", which was followed by the adjective pair "bad-good". The CSR belief variable comprised a question about the extent to which participants believed that a retailer supplying the product was concerned with the future of the planet (scored on a scale bounded by "do not agree at all" and "agree completely").

Analysis and results

A manipulation check with the attractiveness variable revealed that the attractive carrots scored higher in attractiveness (Mattractiveness = 7.00) than the unattractive carrots (Mattractiveness = 4.33). This difference was significant ($t = 5.75$, $p < .01$). The manipulation thus behaved as intended.

The attractive carrots produced a higher level of perceived quality ($M = 7.59$) than the unattractive carrots ($M = 6.10$). This difference was significant ($t = 3.97$, $p < .01$), thus providing support for H1. Moreover, the attractive carrots produced a higher level of overall evaluations ($M = 7.31$) than the unattractive carrots ($M = 6.56$). This difference was significant ($t = 2.38$, $p < .05$); H4 was thereby supported.

H1 and H4 imply a view that the impact of product physical attractiveness on product evaluations is mediated by perceived quality, and this was assessed with the mediator analysis approach comprising Hayes' Model 4 (cf. Zhao et al., 2010) in which attractiveness was the independent variable, perceived quality was the mediator, and product evaluation was the dependent variable. This indicated a significant indirect effect from the bootstrap analysis of 0.07 (5000 bootstrap samples, 95% CI limits 0.03 and 0.15), thus suggesting that the effect of physical attractiveness on product evaluations was mediated by perceived quality. The direct effect was also significant ($b = 0.18$, $p < .01$), which indicates that complimentary mediation was at hand (Zhao et al., 2010).

As for H5, which had to do with CSR beliefs regarding the retailer, the unattractive carrots ($M = 8.60$) produced higher belief scores than the attractive carrots ($M = 4.57$). This difference was significant ($t = 8.40$, $p < .01$), thus providing support for H5.

Discussion

Study 2 replicated the findings from Study 1 with regards to consumer reactions in terms of the attractiveness-perceived quality association (H1) and the attractiveness-product evaluation association (H4). These associations are thus consistent with the "what-is-beautiful-is-good" pattern, and the Study 2 results highlight perceived quality as a mechanism involved in this response pattern. In addition, Study 2 showed that an unattractive food item can influence CSR beliefs about a retailer supplying such items in such a way that the outcome is likely to be valuable for the retailer. Both Study 1 and Study 2, however, comprised only one vegetable type (carrots). To examine if the results regarding H1-H5 would generalize to other vegetables, a third study was conducted. The third study also comprised slightly different measurement items, a different data collection approach, and other participants than business school students.

Study 3

Procedure and participants

Study 3 was conducted to (re)test H1-H5 for other vegetable types than carrots. A between-subjects online experiment was conducted in which participants were randomly allocated to viewing a color photo of either (1) relatively unattractive pepper and tomatoes or (2) relatively attractive pepper and tomatoes. Each photo depicted six pepper and six tomatoes; these items were shown against a white background (see Appendix 2).

The participants were recruited by a message in a newsletter sent from a food fair organizer to potential fair visitors; the message stated that a research project regarding "people's views of vegetables" was underway, and the receivers of the newsletter were invited to the experiment through a link to a Qualtrics site. On this site, they were shown one of the two photos, which was followed by a questionnaire items to measure the variables in the hypotheses. Two hundred and sixty-seven persons started to take part in this online experiment, and 41 dropped out before having answered all questions. The attrition rate was thus relatively low compared to many other online experiments (Zhou and Fishbach, 2016). Moreover, the dropout proportion was not significantly different between the two conditions. The analysis below was based on those participants that answered all questions (n = 111 in the unattractiveness condition; n = 115 in the attractiveness condition; Mage = 54.78, 192 women and 34 men).

Measures

Each item was scored on a 10-point itemized rating scale. Product attractiveness was measured with the question "What is your view of these vegetables?", followed by the adjective pair "ugly-beautiful". Perceived supplier effort was measured as the responses to the question "How much effort to you think lies behind the production and distribution of these vegetables?" followed three response pairs: "low effort-high effort", "limited resources are required-extensive resources are required", and "little work is needed-much work is needed" (alpha = .93). Perceived healthiness was measured with the adjective pairs "unhealthy-healthy" and "innutritious-nutritious" ($r = .77$, $p < .01$), and for perceived quality we used the adjective pair "low quality-high quality". The participants' overall product evaluations were captured with the question "What is your overall evaluation of these vegetables?", which was followed by the adjective pairs "bad-good", "dislike them-like them", and "negative impression-positive impression" (alpha = .97). Finally, for the CSR beliefs, we used the question "What is your view of a store that sells these products?" and the adjective pairs "does not take responsibility for the environment-takes responsibility for the environment", "does not care about the future of the planet-cares about the future of the planet", "not at all innovative-very innovative", and "low trustworthiness-high trustworthiness" (alpha = .94). Similar items have been used in CSR scales by, for example, Alvarado-Herrera et al. (2017), Martinez et al. (2014), Pérez et al (2013), and Turker (2009).

Analysis and results

A manipulation check with the attractiveness response variable revealed that the attractive set of vegetables scored higher in attractiveness ($M_{attractiveness} = 8.88$) than the unattractive set of vegetables ($M_{attractiveness} = 6.86$). This difference was significant ($t = 6.56$, $p < .01$), which indicates that the manipulation behaved as intended.

The attractive vegetables produced a higher level of perceived quality ($M = 8.11$) than the unattractive vegetables ($M = 6.97$). This difference was significant ($t = 3.69$, $p < .01$), thus providing support for H1.

H2, stating that the positive effect of an attractive food items on perceived quality is mediated by perceived supplier effort in producing/distributing the items, was assessed with the mediator analysis approach comprising Hayes' Model 4 (cf. Zhao et al., 2010). Attractiveness was the independent variable, perceived supplier effort was the mediator, and perceived quality was the dependent variable. This resulted in a significant indirect effect from the bootstrap analysis of 0.06 (5000 bootstrap samples, 95% CI limits 0.02 and 0.12), indicating that the effect of attractiveness on perceived quality was mediated by perceived supplier effort. H2 was thus supported. The direct effect was also significant ($b = 0.52$, $p < .01$), which indicates that complimentary mediation was at hand (Zhao et al., 2010).

H3, the second mediation hypothesis, with perceived healthiness as a mediator, was also assessed with Hayes' Model 4 (attractiveness was the independent variable, perceived healthiness the mediator, and perceived quality was the dependent variable). This analysis indicated a significant indirect effect from the bootstrap analysis of 0.37 (5000 bootstrap samples, 95% CI limits 0.26 and 0.49), thus suggesting that the effect of attractiveness on perceived quality was mediated by perceived healthiness. This means that H3 was supported. The direct effect was also significant ($b = 0.21$, $p < .01$), indicating that complimentary mediation was at hand (Zhao et al., 2010).

As for H4, stating that a version of a food item that is relatively attractive produces a higher level of overall product evaluations than a less attractive version, the attractive set of vegetables produced a higher level of overall evaluations ($M = 9.10$) than the unattractive set of vegetables ($M = 8.09$). This difference was significant ($t = 3.70$, $p < .01$). H4 was thereby supported. Finally, and with respect to the CSR beliefs (i.e., H5), the unattractive vegetables ($M = 7.84$) produced a higher score than the attractive vegetables ($M = 6.62$). This difference was significant ($t = 4.45$, $p < .01$). This means that H5 was supported.

Discussion

Study 3, an online experiment in which the stimuli comprised depicted attractive and unattractive versions of pepper and tomatoes, replicated the findings from Study 1 and Study 2. That is to say, the "what-is-beautiful-is-good" pattern was at hand again with respect to overall product evaluations, while perceived supplier effort and perceived healthiness served as mediating variables. In addition, Study 3 provided additional evidence that unattractive food items can enhance customers' retailer-related CSR beliefs.

General discussion

Summary of main findings

The three experiments showed that relatively unattractive versions of agri-food products were evaluated less favorable that attractive versions, which is consonant with the "what-is-beautiful-is-good" pattern obtained in previous studies of several types of objects. In relation to such studies, however, the present studies also provided evidence for why this pattern materialized, in the sense that it was shown that perceived quality, perceived supplier effort, and perceived healthiness had mediating roles. In addition, the results indicated that ugly items can outperform attractive items for reactions to other objects than the item itself; in the present case, the result was that unattractive agri-food products boosted customers' CSR-related beliefs regarding a retailer who is supplying such products.

Contributions

Several authors have stressed that the visual appearance of food is important for consumer acceptance (Clydesdale, 1991; Hutchings, 1977; Loebnitz et al., 2015), thus suggesting a pattern of "what-is-beautiful-is-good", and we contribute to such research by identifying several mediating variables that influence the outcome. Perceived product quality and perceived healthiness are variables that have been included in several prior studies of consumers' reactions to food, so our findings offer new possibilities for how these variables can be integrated in the overall nomological network comprising consumers' reactions to food items. Our finding that perceived supplier effort influences perceived quality contributes to the food literature, too – in the sense that the role of perceived supplier effort have hitherto not been extensively examined in this literature. However, perceived supplier effort has been assessed in prior marketing-related literature – for example, with respect to printed ads or ad campaigns (Kirmani, 1997; Kirmani and Rao, 2000) and for service employee behavior in service encounters (Mohr and Bitner, 1995; Söderlund and Sagfossen, 2017). In relation to such studies, the present findings can be seen as extending the context in which perceived supplier effort is an influential variable for consumer evaluations.

Moreover, emerging research shows that consumers tend to reject food items that are abnormal (Loebnitz et al., 2015) and have suboptimal appearance (de Hooge et al., 2017). We contribute to this discourse by focusing on food items' physical attractiveness as a main independent variable, which thus broadens the range of attributes of non-standard confirming food items that can influence consumers' reactions.

In addition, our finding regarding the potential for ugly items to influence other reactions than those related to evaluations of the item per se contributes to the aesthetic literature that suggests the existence of various thought expansion-related effects of ugliness (e.g., Brady, 2011; Eco, 2007; Kieran, 1997; Kuplen, 2013). This literature, however, has hitherto been characterized more by reasoning and speculations than empirical assessments.

Managerial implications

For a grocery retailer who wishes to boost consumers' overall evaluations of agri-food items, the implications of our results are straightforward: unattractive items should not be provided. A practice of this type indeed already exists, in the sense that standards of the type discussed in the introduction section keep the unattractive agri-food products off the shelves.

More interesting, however, particularly from a waste reduction point of view, are the implications for the possibility to make relatively unattractive agri-food products better liked. This is truly a challenge, because one of the top reasons people support environmental causes is due to physical attractiveness. That is to say, it is relatively easy to rally individuals behind attempts to promote picturesque landscapes and cute animals, but less easy to do so for slimy, grubby and ugly creatures (Lintott, 2006). Yet we believe that the mediating variables identified in the present study can be used for interventions to boost evaluations for relatively less attractive products. That this possibility should be taken seriously is suggested by research on new foods for which there seems to exist biologically-based reasons for initial dislike and avoidance, sometimes referred to as food neophobia

(Tourila et al., 1994). Yet in that case it has been shown that interventions based on providing more information than the product's visual appearance improves liking and acceptance (Fenko et al., 2015; Tourila et al., 1994). Similarly, with respect to ugly creatures (such as bats), information comprising facts about them has been able to increase appreciation (Lintott, 2006). Given this, and in a situation in which relatively unattractive versions of food items are marketed, our results regarding mediation variables indicate it might be possible to improve evaluations with information regarding both healthiness and supplier effort in producing and distributing such items.

First, for a healthiness-based approach, it has been suggested that natural entities in general are perceived as healthier than unnatural entities, because of beliefs based on the superiority of nature and/or beliefs that humans often deprive natural entities of their important virtues (Rozin et al., 2004). It has also been suggested that a natural appearance contributes to consumers' quality perceptions in a food context (Clydesdale, 1991; Steenkamp, 1986). Thus, if arguments about unattractive agri-food items stress that such items are natural, healthiness perceptions (and quality perceptions) may be enhanced.

Second, for a perceived effort-based approach, existing research shows that the time spent in producing an object (Kruger et al., 2004), or producing a service offer (Morales, 2005), and the time spend with the customer by the firm's employee (Mohr and Bitner, 1995) enhance customers' perceptions of supplier effort. Similarly, both Bechwati and Xia (2003) and Buell and Norton (2011) show that self-service technologies provided by websites can enhance supplier effort perceptions by "operational transparency" (i.e., explicitly signaling how much "sweat" it takes to produce an outcome). This thus suggests that packages, ads, in-store signage, and other promotion materials may be used to inform the customer about the time and other resources invested in producing and distributing the product. Moreover, when products are provided by brick and mortar retailers and restaurants, frontline employees can be provided with information about supplier effort so that such information can be passed on to consumers.

In addition, clues related to product quality perceptions may be used to enhance evaluations. Given that the price is often a signal of product quality, particularly when there is little other available information than the price per se (Boyle and Lathrop, 2009; Zeithaml, 1988), higher as opposed to lower prices may be used for relatively unattractive agri-food items. It may be noted that the attempts by, for example, Intermarché in France and Co-op in Sweden to sell "ugly" vegetables in their stores were made with price reductions for the "ugly" items.

Moreover, our finding that unattractive agri-food products can boost consumers' CSR beliefs regarding retailers offering such products implies that grocery retailers should consider including less attractive food products in their assortment (event though this may result in reduced evaluations for the products per se). Enhanced CSR beliefs are indeed likely to be valuable for retailers, given links between CSR and variables such as customer satisfaction (Luo and Bhattacharya, 2006), trust (Louis and Lombart, 2018), and the market value of the firm (Luo and Bhattacharya, 2006).

Limitations and suggestions for further research

The experiments in the present study comprised only some types of agri-food products (carrots, pepper, and tomatoes), so further research should examine also other specific products in this category. It should be noted that previous research has found that vegetables are perceived as relatively healthy (Harris et al., 2009), so the perceived healthiness variable in our model may perform differently for less healthy items. Moreover, the stimuli products were shown to consumers in a non-packaged form. The package, however, can be seen as a central communication vehicle for food items, and previous research has shown that supplier effort related to the packaging can provide consumers with clues regarding product quality (Söderlund et al., 2017). This means that further research should also examine the attractiveness-product evaluation link in terms of packaged food items.

Moreover, even though we identified several forms of mediation in the present studies, additional mediating variables may give a more detailed view of consumers' reactions to product attractiveness. It should also be underscored that the unattractive items in the present studies are likely to have been perceived as incongruent, in the sense that few consumers are exposed to unattractive agri-food products (if their main shopping activities take place in retail grocery chains). This introduces the possibility that in-concruency can mediate various responses stemming from the visual appearance of objects (Loebnitz et al., 2015). For example, incongruency demands more information processing, which may result in less information processing fluency (Reber et al., 1998). In the next step, this may impact evaluation variables so that congruent objects are perceived as more pleasing (Averill et al., 1998). It is also possible that an incongruent-appearing product can be seen as novel, and neophobia (i.e., avoidance of new foods) appears to be a well-documented intrinsic biological reaction (Tourila et al., 1994). In addition, product attractiveness may impact perceived freshness, and perceived freshness can influence the appeal of a food product (Gvili et al., 2015). Thus incongruency, perceived novelty, and perceived freshness deserve attention in further examinations of how food product attractiveness influences product evaluations. Further research should also explicitly assess in empirical terms mediators that may explain why unattractive food items can have a positive effects on belief variables related to the retailer offering such items.

Several potentially moderating variables may also be explored in further research, particularly variables related to consumer characteristics. For example, consumers' health consciousness (Yepes, 2015) may influence the strength of the impact of perceived healthiness on perceived quality. It is also possible that the consumer's motivational orientation (task orientation vs. recreational orientation; Kaltcheva and Weitz, 2006) can moderate the impact of appearance-related aspects of food items in such a way that task-oriented shoppers are relative less influenced by physical attractiveness. Age and concern with environmental sustainability are also likely to have an impact (de Hooge et al., 2017). Moreover, in the process of conducting Study 2, we received comments from several participants exposed to the non-conforming carrots suggesting that they would be relatively more difficult to handle in the kitchen. This may imply that the extent to which a consumer is involved in preparing food (as opposed to purchasing food items) may affect the strength of various links in our model.

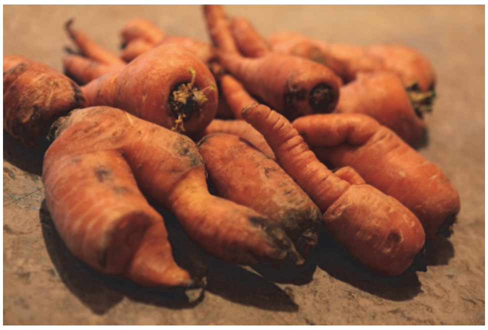
With respect to the product-related dependent variable in the present studies (i.e., product evaluations), it should be noted that our measures comprised evaluations in a pre-purchase situation. Thus they reveal nothing about consumption activities. Recent research, however, has shown that product attractiveness can have an inhibiting effect on consumption behavior. That is to say, highly attractive products can elicit supplier effort perceptions, and given that consumers appreciate such effort, it can reduce consumption of an attractive product (once purchased) in order not to destroy the effort involved in creating the product (Wu et al., 2017). This issue needs to be explored in further research on the attractiveness of food items and its impact on consumer behavior.

Finally, it should be noted that the experiments in the present study comprised exposure only to vegetables. In a grocery store, however, consumers are exposed to a huge number of products. Previous research by Hsee and Leclerc (1998) has indicated that evaluations in a separate mode (only one product is evaluated) can differ from evaluations in a joint evaluation mode (several products are evaluated at the same time). Similarly, when we humans eat, we rarely eat only one item; we eat a number of items in the context of a meal. And the presence of one particular food item during the meal can affect evaluations of other items and overall evaluations of the meal (Jimenez et al., 2015). Further research is therefore needed to explore what happens to evaluations, purchase behavior, and consumption behavior when less attractive items in one particular food category are exposed along with items in other categories.

Appendix

Appendix 1: The photos used in Study 1

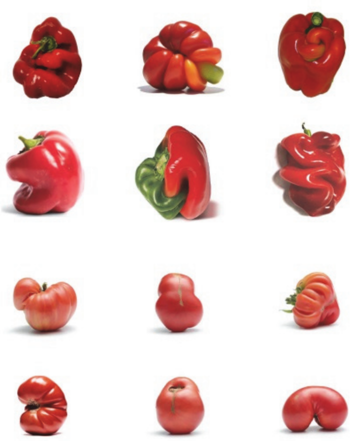
Unattractive carrots



Attractive carrots

Appendix 2: The photos used in Study 3

Unattractive pepper and tomatoes



Attractive pepper and tomatoes

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Article 2: Non-Conforming Produce and Its impact on Basket and Receipt Size

In review for possible publication in the Journal of Consumer Behaviour. First-author, co-written with Jonas Colliander, Micael Dahlén and Magnus Söderlund.

Abstract

This study examines how the in-store existence of produce not conforming to the visual norms in their category affects the purchasing behavior for other products in the retailer's assortment. Using schema theory, we posit that the existence of these products will evoke (a) more consumer thoughts and (b) more customer curiosity in comparison to standard-conforming products, and that these aspects are likely to result in increased purchases of additional products and thus more money spent in the store. Two empirical studies, one experiment and one field study, confirmed these assumptions.

Keywords: Retail, agri-food products, corporate social responsibility

Introduction

The vast majority of consumers' purchases of vegetables and fruit take place in supermarkets, and such stores typically carefully select the items at display on their shelves. This is especially true for the larger supermarket chains where it begins in the careful specifications provided to producers. Tomatoes destined for sales in Europe, for example, have a standard requiring 53-63 mm in circumference (Blythman, 2004). These so-called private agri-food standards are a powerful force in modern food distribution (Henson and Reardon, 2005). Appearance-related private agri-food standards are at least partly responsible for some 30 percent of all produce being discarded (Loebnitz et al., 2015; Verhulst et al., 2017). The rejected products are often thrown away or become animal food. This has led to one of the great paradoxes of our time where hundreds of millions of people are suffering from malnutrition, and yet we waste a staggering 1.43 billion tons of food — one third of what we produce (Barclay 2013). Over the past few years, food waste has become an increasingly prominent issue among retailers and several chains have carried out marketing campaigns drawing attention to the subject. For example, in 2014, French supermarket chain Intermarché ran a campaign called "Fruits et légumes moches" (ugly fruit and vegetables), which promoted odd-shaped or visually flawed fruit and vegetables. Supermarket chains in other countries, such as American retail chain Wholefoods and Swedish retail chain COOP, have followed suit.

With sustainability becoming ever more present in our daily discourse, more retailers are likely to bring produce not conforming to private agri-food standards into their stores. Research into how these products affect consumers, however, is scarce. Moreover, the few existing studies are centered around the question of how consumers react specifically to these products per se. de Hooge et al., (2017), for example, found that suboptimal-looking food products are preferred less, while Loebnitz et al. (2017) found that food abnormality reduces consumers' purchase intentions. These studies, then, indicate that including incongruent produce in the assortment is not beneficial from a pure sales perspective – with respect to the sales of the incongruent produce per se. However, previous studies have looked at non-conforming products in isolation from other items in the retailer's assortment. They leave open the issue of how the existence of incongruent products in the store affect customers' purchasing behavior for the rest of the assortment. Understanding that issue, however, is key prior to making and definitive statement about the effects of introducing non-conforming produce in the store.

The purpose of the present study, then, is to examine the impact of incongruent produce on consumer's purchase activities vis-à-vis other products in the assortment. To this, end, two studies were employed. Study 1, an experiment, tested whether exposure to non-conforming produce induces more thoughts, more curiosity, and stronger intentions to purchase additional products. Study 2 was a field study, analyzing the purchasing behavior of 28,086 unique visitors to a large supermarket chain. Gaining access to purchasing data prior to and after the introduction of non-conforming vegetables, we were able to compare the receipts of these consumers prior to exposure to these products and during their first purchase of them. Our results show that when purchasing non-conforming produce for the first time both the number of products bought as well as the total sum on the receipt increased by an excess of 30%. When investigating the next purchase of the consumers, those who again bought non-conforming produce maintained both the number of products bought (+3%) as well as the receipt size (+1,9%). Those who did not buy the non-conforming produce during the next purchase bought 24% fewer products for 21% less money. Implications for both researchers and practitioners are discussed.

Theoretical framework and hypotheses

Incongruity

We refer to congruity as the matching between aspects of a given product and aspects of the consumer. A broad conceptualization of congruity makes a distinction between functional congruity and self-congruity (Sirgy et al., 1991). Self-congruity deals with the customer's own identity in relation to the perception of the typical user of products. Functional congruity refers to relationship between a consumer and a product's attributes. Conversely, incongruity is defined as "perceptual events which occur when perceptual expectancies fail of confirmation" (Bruner and Postman, 1949). That is something unexpected and mismatching, or an unlikely pairing of cause and effect, to what the consumer expects of an event (Bruner and Postman, 1949).

Schema incongruity and agri-food standards

A schema is a mental representation of a class of people, events, situations or objects (Fiske and Taylor, 1991). The schema congruity theory framework posits that when exposed to information that is conforming with the expectations of person or object, the information is only processed a little in order to relate it to the schema (Mandler 1982). However, when exposed to incongruent information, that is, non-conforming information with the existing schema structure, individuals experience tension. Coping with such uncomfortable tension the human mind has three possible strategies (Mandler 1982). In an event of slight incongruence, the information is incorporated in the existing schema. This is referred to as assimilation (Mandler, 1982). In other cases, where the incongruent information will not fit into an existing schema, the resulting tension is relieved by finding an alternative schema. A third strategy is referred to as accommodation and is applied in cases of severe incongruity. In these instances, the mind employs serious cognitive effort in order to interpret the incongruent information and subsequently modifies the existing schema in order to fit the incongruent information. As a rule, consumers have limited ability and motivation employ significant cognitive effort in order to create a new schema. Schema structure is thus quite resistant to change. According to the theory of cognitive consistency, the mind will therefore expend cognitive effort to maintain the existing schemas.

Here, we posit that produce that are incongruent with prevailing agri-food standards will result in such cognitive effort. More specifically, products that conform to private agri-food standards typically have a flawless, ideal appearace, and humans typically have a strong preference for this type of food items. We therefore expect that food items deviating from such appearance norms result in perceived incongruence, which will elicit additional processing to reconcile the deviating produce with the established schema for produce. This, in turn, is expected to call for more thinking activity. Such processing is similar to how consumers process incongruent visual stimuli (e.g., Rosengren, Modig & Dahlen, 2015), incongruent olfactory stimuli (e.g., Spangenberg, Crowley & Henderson, 1996), and incongruent auditory stimuli (e.g., Mattila & Wirtz, 2001). Extending these previous findings to incongruent produce, we hypothesize the following:

> H1: Consumers exposed to non-conforming produce will generate more thoughts than consumers exposed to produce conforming to agri-food standards.

In addition to generating more thoughts, we expect that incongruent produce will increase consumers' curiosity. In general terms, curiosity is a temporary motivational state that can be expected as a consequence of new, incongruent stimuli (Hill et al., 2016). Previous studies in marketing-related contexts suggest that curiosity can be elicited by incongruent visual stimuli in advertising (Arias-Bolzmann, Chakraborty & Mowen, 2000; Dahlen et al., 2005), in-store design (e.g., Koo & Ju, 2010), in-store scent (Orth & Bourrain, 2005), and mystery appeals (Hill et al., 2016); these studies thus indicate that incongruence results in increased customer curiosity for both products and contexts. Extending the previous findings to incongruent produce, we hypothesize the following:

> H2: Consumers exposed to non-conforming produce will be more curious than consumers exposed to produce conforming to agri-food standards.

Following H1 and H2, we would expect consumers who are exposed to and subsequently purchase incongruent produce to be less prone to routine in-store behavior. Being open to new stimuli and curious about the context would increase the likelihood of taking new routes and attending to other products while shopping. Ambient stimuli, such as scent (e.g., Morrin & Ratneshwar, 2000; Orth & Bourrain, 2005) and music (e.g., Mattila & Wirtz, 2001), have indeed been found to challenge consumers' routines and impact their shopping behaviors both within and across product categories. We expect that purchasing incongruent produce functions in a similarly way and thus that it impacts shopping behaviors. In other words, we assume that purchasing incongruent produce can create a shopping momentum effect (Dhar et al., 2007). More specifically, we assume that an increased number of thoughts and more curiosity following from the purchase of incongruent produce will positively impact the likelihood of additional shopping beyond the routine. This would result in exposure to more products than those shoppers who follow their traditional paths, which is likely to increase both the number of purchased products as well as the total amount of money spent in the store for consumers who purchase incongruent produce. Hence, we hypothesize the following:

> H3: Consumers purchasing incongruent produce will a) purchase more products and b) spend more money in the store than consumers exposed to congruent produce.

Study 1

Study design, Procedure, Materials and Participants

Study 1 was conducted to test H1, H2, and H3a. We used a one factor (non-conforming produce vs. conforming produce) between-subjects experiment. Participants were approached in a café at a European business school and asked whether they would like to partake in a study on food. Upon responding positively to participating they were handed a paper questionnaire and a pencil and asked to read the instructions and fill in the questions provided. Participation in the experiment lasted approximately four minutes.

On the front page of the questionnaire participants were told that on the next page they would be exposed to a photograph of a food-item. They were told to study the photograph and then proceed and answer some questions on the following pages. Photos of either non-conforming or conforming carrots as the stimuli material for study 1. Carrots have been used in the supermarket campaigns mentioned in the introduction, thus increasing the validity of our study. Participants were randomly assigned to watch ether a photo of about a dozen non-conforming or conforming carrots. The questions used were identical across the two conditions. Both photos were in color and in the 16 x 10.5 cm size, and the photo quality background and aesthetics were the same across the two conditions.

Following the location of data collection, all participants (n = 143; 53% women, Mage = 22) were students at the bachelor and masters levels. Using a student sample is established practice in similar research (e.g., Söderlund and Colliander 2015) and we believe that if we can find significant differences in such a homogeneous group of respondents a more diverse group will demonstrate even more substantial differences.

Measures

Number of thoughts was captured with the following open question "Describe what you think of when looking at these products", followed by a number of open boxes on the same page. Participants were instructed to write down one thought per box (as many or few as they wished). A similar measure for catching the amount of thoughts elicited by a stimulus was used by Åkestam et al. (2017).

Curiosity was captured by the question "After looking at the picture, I feel…?", followed by the adjective pair "no at all curious-very curious" on a ten-point scale. A similar measure has previously been used by Colliander et al. (2015) and Hill et al. (2016).

To capture the extent to which more products are purchased as a consequence of purchasing incongruent produce (i.e., H3a), the questionnaire contained a role-play scenario part. The participants were given this instruction: "Imagine that you are shopping in a grocery store and that you have put the produce you have been assessing above in your shopping cart. You are now continuing your shopping." This was followed by two intention items, namely "How likely is it that you would test new products that you have never bought before?" and "How likely is it that you would treat yourself with something extra?". Both were scored on a scale ranging from 1 (very unlikely) to 10 (very likely).

As a manipulation check, the participants were asked the following: "What do you think about the appearance of the depicted carrots in relation to what carrots typically look like?", followed by the adjective pair "incongruent-congruent". The responses were captured on a10-point scale.

Analysis and results

The manipulation check revealed that the standard-conforming carrots scored higher in terms of congruency (Mcongruency = 7.55) than the non-conforming carrots (Mcongruency = 3.72). This difference was significant ($t = 10.06$, $p < .01$). The manipulation thus behaved as intended.

Moreover, the non-conforming carrots produced a higher number of total thoughts ($M = 3.68$) than the conforming carrots ($M = 3.00$). This difference was significant ($t = 2.57$, $p < .05$), thus providing support for H1. Moreover, the non-conforming carrots produced a higher level of curiosity ($M = 6.31$) than the conforming carrots ($M = 5.24$). This difference was significant ($t = 0.79$, $p < .05$); H2 was thereby supported. As for the intentions to test new products, given the purchase of the depicted stimulus products, participants exposed to the non-conforming produce were subject to higher levels of intent ($M = 6.12$) than the participants exposed to conforming produce ($M = 4.57$). This difference was significant ($t = 3.72$, $p < .01$). Similarly, the intention to treat oneself with something extra was higher for the participants exposed to non-conforming produce ($M = 5.76$) than for the participants exposed to conforming produce ($M = 4.58$). This difference was significant, too ($t = 2.72$, $p < .01$). Taken together, then, this provides support for H3a.

Discussion

Study 1 showed that non-conforming produce (carrots) have the potential to generate positive inter-category effects, despite the fact that previous research suggests that consumers can react negatively towards such products per se (de Hooge et. al, 2017; Loebnitz et al., 2015). More specifically, exposure to non-conforming produce generates more thoughts and more curiosity than their conforming counterparts (and stronger intentions to purchase additional products). This thus suggests that purchases of non-conforming produce can result in additional shopping. Putting this to the test, we launched a second study to test whether those who were exposed to and purchased non-conforming produce actually ended up with larger shopping baskets and spent more money during their visit, thus testing our hypothesis 3a and 3b.

Study 2

In order to investigate the effects of incongruent produce beyond an experimental setting we conducted a field study based on a campaign in which a European food retailer actually sold incongruent produce.

Following the end of the campaign, we gained access to receipt data (n=84258) from 28086 unique consumers from the retail chain. The campaign was carried out from October to December 2016 in 32 stores. The campaign contained eight incongruent produce sold side-by-side with congruent produce during that period. The incongruent produce sold constituted about 1% of what was sold in those 8 product segments during that time period. We compared the total size of the shopping baskets of customers who purchased incongruent produce for the first time compared to the previous purchase (of the same customer) and the subsequent one in order to evaluate what effects exposure to and purchase of these products had on the basket size and size of the receipt.

Data selection

Three purchases per individual was submitted to the research team as they were recorded by the retail chains loyalty program. A purchase is recorded in this program if the consumer swipes his or her membership card during the payment process. Firstly, we gained access to the data of the first purchase where any of the non-conforming produce occurred for a consumer shopping in the select stores which took part in the campaign. We called this purchase 0. Secondly, we gained access to the last purchase that occurred before purchase 0 for that same consumer in the same store. We called this purchase -1. Thirdly, we gained access to the first purchase immediately after purchase 0 for the same customer in the same store. If the consumer had not bought non-conforming produce during this third purchase, we called it purchase 1a. If. On the other hand, the consumer again bought non-conforming produce during this purchase we called it purchase 1b. Thus:

- Visit -1: The last purchase before buying non-conforming produce
- Visit 0: Bought non-conforming produce (for the first time)
- Visit 1a: First store visit after buying non-conforming - did not buy non-conforming produce
- Visit 1b: First store visit after buying non-conforming produce - bought non-conforming produce

When preparing the analysis, the first step was to set criteria for the purchase to make the comparison of receipts as valid as possible, thus eliminating differing shopping motivations to the extent possible. For that reason, a prerequisite was for the receipt to include produce on all occasions. In addition, to avoid effects of small purchases all receipts had to contain at least five products. This, we believe, rendered us a comparable sample of three purchases per individual where each purchase included in the analysis was fairly large.

The dependent variables chosen for this study was the total basked size of the purchase as well as the total amount on the receipt. These two variables represent common was to measure the effect of retail activities and has been used in a host of previous studies (Nordfält, 2011; Russell and Petersen, 2000). Three pairwise comparisons were made on the two dependent variables. A) a comparison in sales before buying non-conforming produce (-1) to when consumers bought non-conforming produce for the first time (0). B) a comparison of the first purchase of non-conforming produce (0) to the first purchase visit after buying non-conforming produce if consumers did not buy non-conforming produce (1a). C) a comparison of the first purchase of non-conforming produce (0) to the first purchase visit after buying non-conforming produce if consumers bought non-conforming produce (1b). When looked at together, these three pairwise comparisons will serve as the empirical test of our hypothesis 3a and 3b.

Results

An analysis of pair A showed that consumers purchased an average of 31% more products for 33% more money when they bought non-conforming produce for the first time (0) compared to the last purchase before that time (-1). These differences were significant (see table 1).

Table 1. A comparison in sales before buying non-conforming produce to when consumers bought non-conforming produce for the first time

Variable	Purchase -1 (last purchase before buying non-conforming produce)	Purchase 0 (first purchase of non-conforming produce)	*t*	*p*
Number of items on the receipt (N=13514)	25.96	34.31	1.32	<.000
Total sum of money on the receipt (N=13514)	559.13	741.71	1.33	<.000

An analysis of pair B showed that consumers purchased an average of 24% fewer products for 21% less money the first purchase visit after buying non-conforming produce if consumers did not buy non-conforming produce (1a) compared to when they bought non-conforming produce for the first time (0). These differences were significant (see table 2).

Table 2. A comparison of the first purchase of non-conforming produce to the first purchase visit after buying non-conforming produce if consumers did not buy non-conforming produce

Variable	Purchase 0 (first purchase of non-conforming produce)	Purchase 1a (first purchase visit after buying non-conforming produce if consumers did not buy non-conforming produce)	t	p
Number of items on the receipt (N=12124)	33.66	26.47	1.27	<.000
Total sum of money on the receipt (N=12124)	725.38	572.25	1.28	<.000

An analysis of pair C showed that consumers purchased an average of 3% more products for 1.9% more money the first purchase visit after buying non-conforming produce if consumers again bought non-conforming produce (1b) compared to when they bought non-conforming produce for the first time (0). These differences were significant (see table 3). In conclusion we believe that the three pairwise comparisons provide robust empirical support for H3a and H3b.

Table 3. A comparison of the first purchase of non-conforming produce to the first purchase visit after buying non-conforming produce if consumers again bought non-conforming produce

Variable	Purchase 0 (first purchase of non-conforming produce)	Purchase 1b (first purchase visit after buying non-conforming produce if con-sumers again bought non-conforming produce)	t	p
Number of items on the receipt (N=1318)	33.51	34.6	1.03	<.000
Total sum of money on the receipt (N=1318)	721.42	735.5	1.02	<.000

Discussion study 2

Study 2 confirmed that exposure to and purchase of non-conforming produce can indeed have inter-category effects. When consumers bought non-conforming produce for the first time their average basket size and money spent in the store increased substantially compared to the last purchase. If, during the subsequent purchase, the consumer again bought non-conforming produce they maintained this basket size and money spent. If, on the other hand, consumers did not buy the non-conforming produce during the subsequent purchase their basket size and money spent decreased to the levels seen before the introduction of non-conforming produce.

Final discussion

The results of our two studies indicate that exposure to and purchase of non-conforming produce can indeed make you buy more other products. Study one showed that exposure to non-conforming carrots lead to an increased number of thoughts as well as a higher level of curiosity in the consumer. Picking up where study 1 left off, study 2 showed that once consumers actually pick up and purchase the non-conforming produce this leads to a larger shopping basket and more money spent in the store.

Our study adds another angle to previous studies on non-conforming produce in the store. That research has indicated that consumers tend to prefer standard-conforming produce (de Hooge et al., 2017; Loebnitz et al., 2015) and that they avoid non-conforming produce because of the altered self-perceptions they incur (Grewal et al. 2018). This study in no way contradicts that research. However, we claim that even though consumers prefer conforming produce, curiosity can still lead them to pick up the non-conforming kind which will lead them to purchase other products in store. Thus, even though we concur with previous research in the intra-category effects of non-conforming produce, we add findings on the positive inter-category effects of this produce.

Theoretically, we believe this study adds further weight to those arguing for positive effects of incongruency. Moderate incongruence has been demonstrated to have positive effects in many different contexts such as emotion intensification (Biernat and Billings, 2003), improved memory (Meyers-Levy and Tybout, 1989) and brand evaluations following advertising (e.g., Arias-Bolzmann, Chakraborty & Mowen, 2000; Dahlen, 2005). In bringing incongruence into the field of retail management, we find that incongruence in one category can alter the consumer behavior in-store. Through increased elaboration and cognitive effort, incongruence can lead to a break in shopping routines and thus affect categories that are adjacent to the one in which the incongruence occurs. This is similar to previous findings on how incongruent advertising can not only change the impressions of the advertised brand, but also of the magazine in which such advertising takes place (Colliander et al. 2010). Incongruence, then, can seemingly have more far-reaching effects than demonstrated in previous research.

Managerially, this study makes two primary contributions. Firstly, it adds weight to the argument that reducing food waste by bringing non-conforming produce (and other products) that previously would have been discarded into the store is a good idea. In looking at previous studies that have demonstrated negative inter-category effects, store managers could conclude that while bringing these products into the store could be positive from a communications perspective but negative from a bottom line perspective. That is, bringing non-conforming produce into the store could signal desirable things to customers such as environmental consciousness but since consumers hesitate to buy these products, and since they are often sold at a discount, the space allocated for these products could be perceived as being not generating enough revenue for the store. However, the results of this study indicate that it would be a mistake to look at the revenue generated by these products in isolation. These products, it would seem, generate revenue by driving sales of the rest of the assortment. We therefore suggest that the approach to category management in the store should reflect this fact.

Secondly, this study illuminates the potentially positive effects of introducing other forms of incongruence in the store. Our results show that the cognitive effort devoted to adjusting a mental schema can have positive effects for the store overall. We posit that there are other ways of achieving this through reorganization of the store or the shelf, the fronting of products, the behavior of the staff etc. If done carefully so, as to avoid confusing or irritating the customers, we believe that this could be a way of increasing customer thinking and curiosity, and thus changing their shopping behavior in a desirable direction.

This study is not without limitations. Firstly, we have not investigated the effects of introducing non-conforming produce in the store over longer periods of time. We believe that investigating these issues over longer time periods could generate both interesting intra-category as well as inter-category findings. That is, consumers' preferences for non-conforming produce might change over time as they get used to them, thus shedding new light on the studies by Grewal et al. 2018 and Söderlund et al. 2016. In addition, a longitudinal study could determine whether the results of this study stand over longer time periods or is a novelty effect where store managers have find new ways of introducing incongruence in store over time. In any case, we encourage future researchers to perform longitudinal studies on this interesting phenomenon.

Second, this study used data from only one supermarket chain in one country. It could be that our results would look different had our study been performed elsewhere. Replicating our results in different stores and in different cultural contexts is another task that we leave to future researchers.

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Article 3: Home Bias Revisited: How Controversial Information in ESG Reports Primes the Allocation Intentions of Domestic and Foreign Investments?

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Abstract

An Environmental, Social, and Governance (ESG) report presents the performance of a company's environmental sustainability, ethical impact, and contribution to society and community. We propose that the content of an ESG report may impact the reader's view on issues not related to the company. By using priming theory, investor sentiment theory, as well as the empirical finding that investors are prone to invest in their home country (so-called "home bias'); this research tested whether exposure to controversial information in ESG reports impacted investors' general investment strategies. More specifically, we tested whether the exposure of controversial information in a single company's ESG report had an impact on the investors' affective state and consequently primed investors to increase or to decrease the intentional allocation of domestic and foreign investments. Results from two experiments demonstrated that controversial information in a company's ESG report impacted investors' affective states and consequently led to increases or decreases in willingness to invest on the domestic market, depending on the company's country of origin.

Keywords: ESG report, priming theory, home bias, affective state, controversial products, controversial advertising

Introduction

The question raised in this paper is whether controversial information in a Company's non-financial report impacted investors unrelated business decisions. Professional investors are exposed to financial and non-financial reporting on a daily basis. The information in the reports serves as basic data for investment decisions and client recommendations, especially important since consumers of today are often exposed to the same reports. The focus of this research was to examine whether controversial information in a non-financial report could impact investors intentional unrelated investment decisions. This paper serves as an example of investors not being fully rational and that investors' affective states may be manipulated, which impacts judgements of the company. However, we also demonstrated that the consequences could be beyond the expected, and could impact intentional investment decisions not related to the company.

Controversial products, ideas or services previously were assigned to areas such as political advertising, advertising of tobacco, alcohol, and underwear. Common for these products was the question of whether these items should be advertised based on issues of delicacy, decency, and morality. It was suggested that these might even elicit fear (Waller, Fam, and Erdogan, 2005). These groups of products were given names such as controversial, decent, socially sensitive, and unmentionables (Rehman and Brooks, 1987; Shao and Hill, 1994; Fahy et al., 1995; Barnes and Dotson, 1990; Waller, 1999; Waller and Fam, 2000). Marketing of controversial products has increased during the last couple of years. There are numerous explanations behind this trend including the growth of new media and strategies to cut through the advertising clutter and using global marketing strategies containing the same marketing messages, which each culture perceived differently (Waller et al., 2005).

In this paper, so-called "weapons" served as the controversial products (Barnes and Dotson, 1990), which were perceived as offensive and controversial. Weapons belong to a group of controversial products, including pornography, associated with a supply and demand scenario. A common characteristic of unmentionable products is that these are controversial and that the attitude towards the products are highly personal in that each is evaluated as positive or negative (Wilson and West, 1981). One may assume that most people perceive production of weapons as having a negative impact on society. However, both professional investors and consumers invest in companies that produce such products. Exposure to controversial products has been found to produce reactions of distaste, disgust, offence, and even outrage (Wilson and West, 1981).

Marketing Communication is a well-studied research area. The academic research community possesses deep knowledge about the effects TV advertisements and print ad exposure has on the consumer; however, there are other types of Marketing Communication, not typically studied. The context here is Corporate Communications, and more specifically, Environmental, Social, and Governance (ESG) reports, which along, other types of CSR reports may be perceived as yet another marketing communication tool (Sweeney and Coughlan, 2008). Consumers are more marketing savvy than ever and the interest for firsthand information is increasing and there is mounting exposure to financial information and non-financial information, such as ESG reports, that were previously only in use by professional investors. The focus here is the controversial information and the effects it may have on people, no matter if it is consumers or professional investors. Making important investments decisions is part of consumers' lives, such as investing in housing, education, or financial instruments such as bonds and stocks.

An ESG report measures the performance of a company's environmental sustainability, ethical impact, and contribution to society and community. Pressure from external stakeholder investors and companies seeing the benefits of being perceived as socially responsible, have made companies to use different media to communicate their efforts to the market (Sweeney and Coughlan, 2008.) According to the Governance and Accountability Institute Inc, 82% of S&P 500 Companies published Corporate Sustainability Reports in 2016 (3blmedia). Research concerning ESG, and other types of CSR reporting, has mainly focused on finding a relation between ESG criteria and corporate financial performance (CFP). The search for this relation can be traced back to the beginning of the 1970s and there are over 2000 studies regarding this relationship (Margolis, Elfenbein, and Walsch, 2015; Krüger, 2015; Friede, Busch, and Bassen, 2015). Researchers have also shown interest in exploring the motivations for carrying out ESG reporting (Murphy and McGrath, 2013) and sustainable business practices (Busch et al., 2015).

The aim of this study was twofold, first to examine whether controversial information in an ESG report could impact investors affective state negatively. Second, to examine whether this impacted investors' unrelated investment decisions. We hypothesized that controversial information in ESG would impact investors' worldwide asset allocation. An investor has 100% of a total investment to divide between the home and foreign markets. There is a well-established perception in the academic world and by practitioners that investors tend to invest more on the home market than what could be explained by rational behaviour. To our knowledge, no previous effort has been made to explore the possible impact exposure of ESG reporting on consumers and investors.

In efficient markets, investors are assumed to react to news and information rationally (Fama, 1970), to make decisions according to the axioms of expected utility theory (von Neumann and Morgenstern, 1944), and to forecast the future almost perfectly (Thaler, 1999). Opponents to the efficient market hypothesis (Shiller, 2003; Thaler, 1999; Statman, 2008) argue that market participants are not fully rational and that human behavior, mood, and biases affect investor decisions and market prices. Researchers even argue that investors make systematic errors when making financial decisions (Thaler and Shefrin, 1981; De Bondt and Thaler, 1985; Loewenstein and Willard, 2006). Investors tend to "overreact' to unexpected news (Hirshcleifer, and Subrahmanyam, 1998). Kaplanski and Levy (2010) looked at aviation disasters (i.e., negative unexpected news) and found that the market significantly overreacted negatively. The overreaction is explained by anxiety, which is found to lead to negative investor sentiment (Barberis, Schleifer, and Vishny, 1998; Baker and Wurgler, 2007), which affects the decisions of the stock market participants negatively, leading to a decline in stock prices. Similar reactions have been found following other types of news and events such as negative sport results (Edmans, Garciá, and Norli, 2007), sunny (cloudy) weather conditions (Hirschsleifer and Shumway, 2003), and terror attacks (Drakos, 2010). In conclusion, a multitude of studies suggests that investors do not react rationally to external cues. We suggest that controversial information about a company in an ESG report impacts a subject's optimism negatively, potentially to produce anxiety in the subject, leading to an increased home bias tendency among respondents. In addition, we expect home bias to decrease, in case of the sender containing controversial information about a domestic company. Standing on the results of two between-subjects experiments, we find a single exposure to an ESG report to affect investor state of mind, and consequently impact the attitude and willingness to invest in that company. Furthermore, we find that the level of home bias may decrease when investors' are exposed to an ESG report with "controversial information' from a domestic company.

Theoretical Background

Controversial information as priming cues on emotions

According to priming theory, processing of an initial encounter can influence a response to a subsequent stimulus (Janiszewski and Wyer, 2014). When exposed to a stimulus, the processing of the prime stimulus makes content, and the cognitive operations used to comprehend and manipulate this content, more accessible. ESG reports are a marketing tool that serves as priming stimulus for investors. Controversial information in an ESG report, may serve as an affective prime, which makes investors' affective states (e.g., moods, feeling states, emotions) more accessible. Our view of affect is consistent with Gorn, Goldberg, and Basu (1993) who describe a subjective internal feeling state or mood. That is, a person's explicit or implicit liking of an object or person is seen as an evaluative judgement rather than an internal feeling state. In the situation at hand, we expected investors to be primed by the controversial information in the report, which served as a cue to trigger a negative general affective state, as well as negative affective reactions in terms of emotions towards the company. Thus, we hypothesized the following:

H1: Controversial information in an ESG report produces negative emotions.

Furthermore, the accessible content influences subsequent judgments, decisions, and behavior. Priming cues have been shown to have effect on memory (Berger and Fitzsimons, 2008) and sales (White, 1997). These priming cues serves as an explanation for the unexpected increase in sales of the Mars bar at the same time as the Pathfinder's successful Mars landing (White, 1997). Gorn, Goldberg, and Basu (1993) demonstrated that the affective state impacted product evaluations. Waller 2002, demonstrated that controversial advertising may offend people and produce negative reactions to the company. Following this, we believe that a negative impact on investors' affective state will have a negative effect on the judgements of the company that produced the negative affect. In line with the negativity effect (Ahluwalia, Burnkrant, and Unnava, 2000) we expect investors to be more heavily impacted by controversial information than positive information when forming judgements about a company. Drawing on this, we suggest that controversial information, in an ESG report, about a company will affect a subject's optimism negatively, which potentially will induce anxiety in the subject, and create a negative impact on the attitude towards the company. Furthermore, we suggest that it will also impact the intentions of the company, here conceptualized as the willingness to invest in the company. Thus, we hypothesized:

H2: Controversial information in an ESG report has negative impact on attitudes towards the company, and willingness to invest in the company.

Priming the intentional allocation of investments on the domestic and foreign market to study different factors' impact on the allocation of domestic and foreign investment is relevant since optimizing portfolios are crucial in order to hedge risk across countries (Lewis, 1999). Home or domestic bias is a well-known phenomenon receives much attention in the finance literature and refers to investors' irrational allocation of investments. Home bias is the empirical finding that investors tend to invest in assets in their home country despite the apparent benefits of international equity diversification and is inconsistent with standard asset pricing theory where all investors have identical information sets and markets function perfectly (van Nieuweburgh and Veldkamp, 2009; Kang, and Stulz, 1997; Cooper, I., and E. Kaplanis. 1994. Home Bias is caused by both rational and irrational factors (Karlsson and Nordén, 2007). Iinvestors' are subject to behavioral biases, where they feel more comfortable in investing in domestic companies (Coval and Moskowitz, 1999) and firms that were located geographically close (Grinblatt and Keloharju, 2001; Massa and Simonov, 2006; Feng and Seasholes, 2004). The feeling of fear was also found to impact financial decision making (Lo, Repin, and Steenbarger, 2005; Shefrin, 2002; Cao et al, 2012). In conclusion, the priming literature has shown us that consumers can be primed by different kinds of stimuli, which influences subsequent judgements. Furthermore, the behavioral finance literature found that investors were not always rational when making financial decisions and according to investor sentiment theory, and empirical evidence suggesting that home bias exists on financial markets, this would imply that investors tended to make domestic rather than foreign investments. Synthesizing these literatures, we suggest that controversial information in ESG reports may serve as a cue and prime investors to "overreact' and make irrational decisions on unrelated issues, such as determine the allocation of investments worldwide. According to the affect-as-information hypothesis, an affective state (by for instance a stimulus) might produce feelings that can influence judgements about unrelated stimuli (Clore and Storbeck, 2006). Previous research demonstrated that watching TV programs that depicted death impacted the evaluation of the advertisements exposed in connection with the programs (Rangan, Sing, Landau, and Choi, 2015), and that the evaluation of the advertisements differed depending on whether the company in the ad was perceived to be of domestic or foreign origin (Greenberg et al., 1991). We expect that controversial information in an ESG report, although typically not as violent as TV programs, will impact the affective state negatively by producing anxiety and sadness, which consequently makes investors prefer the familiar and geographically close alternative, thus increasing the allocation of domestic investments. Thus, we hypothesize:

H3: Controversial information about a company increases the intentional level of investment domestically, i.e. increase home bias.

Method

Procedure and stimuli

Study 1 was designed to test hypotheses H1, H2, and H3. We employed a between-subjects experiment in which participants were exposed to an ESG report. The respondents were randomly given a booklet with a cover page with instructions asking them to read an ESG report and then answer a questionnaire. The reports contained a shortened ESG report containing information about the company's ESG score and 3-4 measures under each ESG part with "yes/no,' or "XX%' answers. The information in the ESG report was retrieved from the ESG ASSET4 database, provided by Thomson Reuters (2017), using real data for a real company. Each participant was exposed to one of the two versions of an ESG report, either (1) an ESG report controversial information or (2) an ESG report without controversial information (our control group). The report was in English and the questionnaire in native tongue in order to reassure that respondents were of the same nationality. What we referred to as controversial information was material about the products that the company produces. The information contained the following questions; 'Does the company produce cluster bombs?,' with the answer 'yes;' 'Does the company produce vehicles, planes, armaments or any combat materials used by the military?', with the answer 'yes;' 'Does the company construct nuclear reactors, produce nuclear energy or is active in another way in the nuclear energy industry?', with the answer 'yes.' The ESG report in the control group did not include questions about what the company produces.

The American company selected was Lockheed Martin Co, an American aerospace, defense, security, and advanced technologies company, which operates globally. The name of the company was blinded in order not to have previous experience of the company or associations to the name of the company that might have had confounding effects on the results. However, we did include information about the country of origin in the report. The company has a rather good ESG rating, on a scale from 0 to 100, 100 being the best possible score, Lockheed Martin's Environmental Score was 94.0, Social score was 88.1, and Governance score was 94.0, resulting in an equally-weighted ESG score of 92.2 in 2015. Our intention was to select a company from a foreign country that respondents (investors) possessed knowledge regarding. We expect most of the participants to have knowledge of at least some American companies. Both studies followed the standard procedures to exclude participants who skipped the experimental manipulations, failed attention check questions that asked what condition they were in, or reported difficulties in understanding the given instructions (Shapiro, 1999).

Sample

Eighty-nine undergraduate and graduate students were randomly recruited in a study area at a European Business School. The data was collected over two days. The participants (Mage =22.33 years, 48.3% women) were undergraduates in Business Administration.

Measures

In the experiments, the general affective state was captured by measuring the level of worry/harmony and sad/happy with the questions: "How do you feel after reading the report? (Based on Janiszewski, 1989). A scale were used to catch the attitude towards the company. The attitude towards the company was captured with the question "What is your overall evaluation of the company?', followed by the adjective pairs "bad/good;' "do not like it/like it;" and "negative/positive" (adapted from Muehling, 1987). Cronbach's alpha for this scale was .95. To capture the investment intentions, we first gave respondents the following instructions: "Imagine that you are an investor when answering the following questions,' which was followed by the question: "How likely is it that you would invest in this company," followed by "Not likely at all/very likely" (Zhou and Pham, 2004). To capture the intentional allocation of domestic and foreign investments, the following question was used: “How big part of your total investment budget would you invest in your home market?.” The respondents filled out the percentage in an open line.

Results

We used mean comparisons to test our hypotheses. The results are displayed in Table 1. T-test for equality of means between the two groups showed that the affective state was rated significantly lower in the group exposed to a report with controversial information compared to the control group. Concerning the effects on affective state: for the “Worried/Harmony” dimension the difference was significant (Mworried-harmony = 4.76 in the controversial information group” compared to Mworried-harmony = 5.77 in the control group; $t = 2.6$, $p < .05$). For the “Sad/Happy” dimension the difference in means was also significantly lower for the “negative info” group (Msad-happy = 4.76 for the “negative info” group compared to Msad-happy = 5.64 for the control group; $t = 2.6$, $p < .05$). These findings support hypothesis 1.

Regarding the Attitude towards the company, the report with controversial information produced lower levels in attitude (Matt = 4.47) compared to the control group (Matt = 5.41; $t = 2.3$, $p < .05$). Similar were the results on the willingness to invest in the company. The controversial information produced a lower level of willingness to invest in the company (Minv = 3.51) compared to the willingness to invest in the company in the control group (Minv = 5.14; $t = 3.4$, $p < 0.1$), thus supporting hypothesis 2. Regarding the extended effects of the impact that the controversial information had on investors’ general investment strategy, the results showed that the intentional level (1 - 100 percent) of investment in the home market was (Mhome = 60.59) for the “controversial info’ group, and (Mhome = 51.53; $t = 1.6$, $p < .1$) for the control group. The results supports hypothesis 3 that home bias increases when exposed to an ESG report containing controversial information, which causes anxiety and fear. However, although the difference between the means for the two groups was 9 percentage units, the difference was not significant ($p = 0.051$).

Table 1. Mean comparisons (study 1)

Dependent variables	Controversial information	Control group	Mean difference	T-test for equality of means
Worry-harmony	4.76	5.77	-1.01	*t = -2.60, p = .011*
Sad-happy	4.76	5.64	-0.88	*t = -2.63, p = .010*
Company Emotions	4.33	5.20	-0.86	*t = -2.28, p = .025*
Willingness to invest	3.51	5.14	-1.63	*t = -3.44, p = .001*
Home market	60.53	51.53	9.07	*t = 1.65, p = .051 (one-sided t- test)*

Discussion

As expected, the report that contained the controversial info produced a more negative general affective state. Our analysis also showed that exposure to the controversial info decreased the attitude towards the company and the willingness to invest in the company, compared to when exposed to the control report. Furthermore, the report with the controversial information produced higher intention to invest on the domestic rather than the foreign market, compared to when exposed to the control report.

The results from the first study are relevant because these confirm our expectations that 1) controversial information may have a negative impact on investors affective state that 2) impact investors' attitude, and willingness to invest in the company, and furthermore that it 3) impacts investors' unrelated investment decision intentions, by increasing the intentions to invest in the domestic market relative the foreign market. The results are consistent with the large group of studies that proposed how different factors such as comfortness (Coval and Moskowitz, 1999), familiarity (Grinblatt and Keloharju, 2001), physical closeness (Massa and Simonov, 2006; Feng and Seasholes, 2004), optimism (Kilka and Weber, 2000), and fear (Cao et al., 2011) increased home bias.

Study 1 stopped short in investigating whether the negative affect on affective state and consequently the negative ratings on attitude and willingness to invest in the company was only valid when controversial information was about a foreign company. Thus, study 2 was set up to investigate whether these results are valid when the company is of domestic origin.

Study 2

Study 2 was conducted to test H3 and also gave opportunity to increase the validity of the results by testing hypothesis 1-2 again, in another setting. The results from Study 1 confirmed our expectations that ESG reports could impact investors' attitudes to a company and intention to invest in that company. More interestingly, was the confirmation that exposure to controversial information in ESG reports may have extended consequences by impacting investors' intentions on unrelated investment decisions. However, we believe that the sender of the information that causes the negative affective state may be of significance for determination of investor asset allocation worldwide. Furthermore, we expect it can be explained through the phenomenon known as contrast and assimilation (Martin, Seta, and Crealia, 1990).

Country of origin and the willingness to invest the market

An assimilation effect is defined as a positive relationship between value associated with an object, and the value associated with a contextual cue (Meyers-Levy and Sternthal, 1993). The relationship between a target and the context may also be of a negative nature. This phenomenon is referred to as a contrast effect (Martin, Seta, and Crealia, 1990). Previous studies demonstrated contrast- and assimilation effects can impact product evaluations (Huber and McCann, 1982), consumer choices (Shen, 2002), sales people judgements (Stafford, Leighn, and Martin, 1995), and brands

(Dahlén and Lange, 2006). The level of overlap between the object and the content determines whether a contrast or assimilation effect occurs (Herr, 1989). When there is a high level of similarity of associations and features brands and companies group together, it is easier to minimize the cognitive effort in setting up alternatives and make selections in purchase situations (Ratneshwar, Barsalou, Pechman, and Moore, 2001). Researchers demonstrated that product categories were not fixed but rather changeable by new information (Moreau, Markman, and Lehmann, 2001). According to this, a negative impact on the affective state will make the company more salient in investors' minds and consequently impact investors' evaluations of the category (Dahlén and Lange, 2006). We expect respondents to sort the associations and divide companies into two categories, domestic and foreign. A foreign company will have high (low) category overlap with other foreign (domestic) companies and a domestic company will have high (low) category overlap with other domestic (foreign) companies. The company in the report functions as a signal cue on consumer evaluations on other companies in the same category (Dahlén and Lange, 2006), known as a contagion effect (Kodres and Pritsker, 2002). The controversial information in the report will prime investors to increase or decrease the willingness to invest in companies in the category, depending on the similarity of the company that triggers the negative affective state, and the company category. Investors will evaluate similar companies more positively and dissimilar companies more negatively (Dahlén and Lange, 2006). Drawing on this, we expect an assimilation effect where the controversial information about a domestic company in the report produces negative emotions and primes investors to decrease the willingness to invest in the company category, thus decreasing the allocation of domestic investments. Thus, we hypothesized:

> H4: Controversial information in an ESG report from a domestic company decreases the intentional level of investment domestically.

Method

Procedure and stimuli

Study 2 used the same procedure as study 1: a between-subjects experiment in which participants were exposed to either (1) an ESG report with additional "controversial' information or (2) a control report, without "controversial' information. The company name was anonymous as in study 1. This time, however, the company was said to be of Swedish origin, as the respondents were Swedish. This was done in order to catch the possible impact a report from a domestic company had on the allocation of domestic and foreign investments. After exposure, the participants were asked to respond to a set of questionnaire items. Each item was scored on a 10-point scale. The data was collected in a study area in a European Business School.

Sample

Seventy-four students were randomly recruited in a study area at a European Business School. The data was collected at lunchtime on two days. The participants (Mage =21.85, 47.3% women) were undergraduates in Business Administration.

Measures

The same measures as in study 1 were used. Each item was scored on a 10-point itemized rating scale. The scale for the attitude towards the company had a Cronbach's alpha of 0.96. The country of origin represents the contextual cue and serves as an independent value in our experiments.

Results

T-test for mean comparisons was conducted to test our hypotheses. The results are displayed in Table 2. The results from study 2 confirmed the results from study 1. The affective state was rated significantly lower in the "controversial info' group compared to the control group. For the "Worried/Harmony' dimension the difference was significant on a 1% significance level (Mworried-harmony = 4.32 in the "controversial info' group compared to Mworried-harmony = 6.14 in the control group; $t = 2.6$, $p < .05$). For the "Sad/Happy' dimension the difference in means was also significantly lower for the "controversial info' group (Msad-happy = 4.53 for the "controversial info' group compared to Msad-happy = 5.91 for the control group; $t = 2.6$, $p < .00$). These findings support hypothesis 1.

Regarding the attitude toward the company, (Matt = 4.21) for the group exposed to "controversial info' compared to (Matt = 5.51; $t = 2.3$, $p < .05$) the control group. Similar patterns were found on the willingness to invest in the company, the group exposed to a report with controversial information produced a lower level of willingness to invest in the company (Minv = 3.39) compared to the willingness to invest in the company in the control (Minv = 5.51; $t = 3.4$, $p < .01$). Regarding the extended effects of the impact the controversial information had on investor general investment strategy, the results showed that the intentional level (1 - 100 percent) of investment in the home market was Mhome = 50.67 for the group exposed to "controversial info,' and Mhome = 63.74 ($t = 1.6$, $p < .1$) for the control group. These results supports hypothesis 5 (i.e., the hypothesis stating that allocation of domestic investment would decrease).

Table 2. Mean comparisons (study 2)

Dependent variables	Controversial information	Control group	Mean difference	T-test for equality of means
Worry-harmony	4.76	5.77	-1.01	t = -2.60, p = .011
Sad-happy	4.76	5.64	-0.88	t = -2.63, p = .010
Company Emotions	4.33	5.20	-0.86	t = -2.28, p = .025
Willingness to invest	3.51	5.14	-1.63	t = -3.44, p = .001
Home market	60.53	51.53	9.07	t = 1.65, p = .051 (one-sided t- test)

Discussion

Study 2 replicated the findings from Study 1 in regard to investors' reactions to ESG reports and demonstrated an ESG report with controversial information produced a negative general affective state and affective response in terms of emotions towards the company (H1), compared to the control report. This work found that the information also produced lower levels of attitude and willingness to invest in the company (H2). Study 2 further demonstrated that a domestic report containing controversial information impacted the allocation of worldwide investments, and decreased the intention to invest in the domestic market and increased the intention to invest on the foreign market.

General discussion

Summary of main findings

The two studies showed that exposure to controversial information in ESG reports could impact the affective state and consequently impact judgements on the company and on unrelated events. Our results found that triggering information that impacted the affective state negatively could increase or decrease the intentional level of domestic investments. An interesting note is the mean difference regarding the willingness to invest on the domestic market between the control groups in the two studies. The control group with a company of foreign origin produced a lower level of willingness to invest on the domestic market compared to when the company was of domestic origin, (MhomeFor=51.54) compared to one of domestic origin (MhomeDom=63.74). The mere exposure of an ESG report from a domestic company seemed to increase the willingness to invest in the domestic market.

Contributions

Our results serve to broaden the scope of marketing of controversial products and the impact exposure to such marketing have on investors. First, we believe that our study offers contributions to ESG and CSR related research beyond the benefits and opportunities to invest in such programs. To the best of our knowledge, our study is the first to examine the effects ESG reports might have on readers. Given that our results found that, the information in a single report impacted not only the attitude towards the company but also the affective state of the investor, our research highlighted the impact the reports had on so–called rational investors.

Second, we believe that our study contributes to the research field of behavioral finance as well as to research focusing on the intersection between corporate responsibility (CR) and finance. The results demonstrate that a single exposure of an ESG report might impact the level of investment in the home market. That is, the ESG reports unintentionally might “nudge’ investors in unrelated investments decisions such as impacting the level of investments in the home market, or in local companies. A conclusion that can be drawn from this is that investor state of mind can easily be manipulated and it can possibly have long-lasting consequences.

Third, the study serves to broaden the literature on home bias, one of the unresolved puzzles in the international finance literature (Chan, Covrig, and Ng, 2005). Traditionally, studies focused on investigating how home bias was impacted by using external triggers, unrelated to the company. In this study, the triggering stimuli were controversial information about the company, also being the evaluated subject. We extend the literature on Home Bias by demonstrating that triggering cues may not always increase Home bias.

Fourth, the results further shed light on the extended or unintended effects of marketing. It also manifests the impact marketing have on society. Previously, discussions focused on the negative impact on individuals, communities, and societies (Stoeckl and Ledicke, 2015), human relationships (Malefyt, 2015), body perception (Malefyt et al., 2016), social values (Ewen, 1976; Pollay, 1986) such as diminishing the value of play, and pleasure in favor of material gain (Penaloza and Barnhart, 2011). The term "brain surgery' has been used as a metaphor for the negative impact of marketing on society (Pollay, 1986). This paper may be seen as an example of the unintended or extended effects marketing of controversial products may have on society (Erdogan, 2008).

Implications

The most obvious implication for investors is that this study confirms what many other studies already state; humans are not rational creatures, not even when it comes to making financial decisions. The understanding on how sensitive the human mind is to stimuli needs to be considered when communicating with customers, investors, and financial advisors. ESG reports may be perceived as objective information but one can also consider possible intentional attempts to control and impact investors' investments decisions. Taking it one step further to a political level, a stakeholder that wants to increase the level of domestic investments could potentially expose domestic investors to controversial information about foreign companies. This is said in the era of fake news, which has dramatically changed the level of trust and the role of news platforms (Retuers, 2017).

Limitations and further research

A limitation of this study was the use of students as sample and the use of intentional behavior measures rather than actual behavior. The contextual variables tend to differ between professional investors and consumers (Christy and Haley, 2008). Future research could set up a field study with professional investors and capture real investment behavior and provide a more complete picture of the possible impact of controversial information in ESG reporting. As another limitation, we only used single exposure to the reports. One could imagine that the impact on reading several reports with controversial information could have a stronger or weaker impact than found in the study at hand. As for further research, it would be interesting to explore the impact of exposure to several reports with controversial information on respondents/real investors.

Another limitation in our experiments was that the company name was blinded and respondents were only exposed to a fraction of what ESG reports usually contain. Consequently, it was possible that the controversial information was given more attention than if respondents would have been given a full report Controversial information about the company was used as stimuli in the experiments. Further research could investigate whether positive information impacts the affective state and whether it had any effect on the allocation of investments.

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Article 4: Multi-Level Loyalty Program Rewards and Their Effects on Top-Tier Customers and Second-Tier Customers

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Abstract

The purpose of the paper is to examine how members at different levels in a multi-level loyalty program react when they are allowed the opportunity to compare the rewards they receive with the rewards received by other members. The authors believe this is crucial, as previous research often ignores the social setting in which exchanges concerning loyalty rewards take place. The authors believe such interactions in social settings are likely to induce justice perceptions, which in turn will affect customer satisfaction and repatronizing intentions. The research question was addressed through a between-subjects experiment in an airline setting. The results show that belonging to the top-tier level of a multi-level loyalty program seems to boost perceived justice. Participants assigned to this level in the experiment perceived the program as more just than did participants assigned to the lower level. Importantly though, members assigned the second-tier who compared themselves to the top-tier did not perceive to program as more unjust than did second-tier members comparing themselves to other second-tier members. The levels of customer satisfaction and repatronizing intentions followed the same pattern. In social settings, multi-level loyalty programs thus seem to be able to increase justice perceptions, customer satisfaction and repatronizing intentions of top-tier members, while at the same time avoiding the potential drawback of alienating second-tier members. The study bridges the gap between research on perceived justice, loyalty programs and the effects of social settings on consumer interactions. In doing so, it brings valuable insights to both researchers and practitioners.

Keywords: Perceived justice, loyalty programs, multi-level loyalty programs, social comparison

Introduction

The use of loyalty programs by companies has become a common marketplace phenomenon (Henderson et al, 2011; Uncles at al., 2003), and some empirical studies have demonstrated their positive impact on customer loyalty (Leenheer et al., 2007; Liu, 2007). We believe, however, that the existing literature on the effects of loyalty programs has overlooked two aspects.

First, given that we humans are hardwired to make inter-individual comparisons in resource allocation situations (Drèze and Nunes, 2009; Moschis, 1976), we assume that loyalty programs invite such comparisons. Such comparisons, we argue, are particularly likely to occur when rewards are distributed to customers in social settings in which several customers are present in the same place at the same time – and this "co-presence" situation occurs frequently in service settings (Söderlund et al 2014). Specific examples are passengers receiving service in an aircraft, restaurant guests served in a setting in which tables for different guests are in close proximity, and single-queue settings in which several customers waiting for their turn are able to observe what happens to those customers who are first in the line and being subject to service. Unlike many previous studies of loyalty programs, in which the customer is portrayed as socially isolated, we are thus explicitly concerned with the reward comparison possibility stemming from the social presence of other customers.

Second, given that inter-customer comparison does take place, we assume that it would induce justice perceptions (Adams, 1963). So far, however, this assumption has received little empirical attention in existing loyalty program research. Yet some authors have expressed concerns regarding the justice aspect of loyalty programs. For example, Shugan (2005) takes a justice point of view when he argues that loyalty programs providing more frequent customers with preferential treatment exercise de facto discrimination against less frequent customers. Similar injustice arguments are found in Brady (2000), Drèze and Nunes (2009), and Henderson et al (2011).

Given "co-presence" and its assumed capability to evoke inter-customer comparisons and to affect subsequent justice perceptions, we are interested in one specific type of loyalty programs – the multi-level loyalty program. Typically, it is designed so that membership at different levels is contingent on the customer's input (often in terms of the amount of money spent). Moreover, given the customer's input, the main output (i.e., rewards) of this program type is that it provides (a) the same rewards to members at the same level, and (b) different rewards to members at different levels. In other words, multi-level loyalty programs appear to base rewards on inputs in a way that mirrors the view of justice in terms of traditional equity theory (Adams, 1963). Given that perceived justice has been shown to be positively associated with customer satisfaction in settings outside a loyalty program context (Gelbrich and Roschk, 2011; Maxham and Netemeyer, 2002; Smith et al., 1999), and the general positive association between customer satisfaction and loyalty (Curtis et al., 2011), it therefore seems as if the justice aspect of the typical multi-level loyalty program would have the potential to boost both satisfaction and loyalty for members at different levels of a loyalty program.

However, from a psychological point of view, the member's position in the multi-level loyalty program hierarchy is likely to influence his/her view of the extent to which the program is perceived to be just. One main reason is that different levels differ in terms of the status they provide members with (Tanford, 2013), and previous research has shown that both privileged and underprivileged individuals tend to distort their views of the hierarchical system to which they belong (Jost et al., 2001; Sidanius and Pratto, 1999). If this happens in a multi-level loyalty program in which allocation of rewards is based on equity principles, it should not be taken for granted that the program produces the same level of perceived justice for members at all levels. And if such a program indeed generates different levels of perceived justice for members at different levels, the program may also produce different levels of satisfaction and loyalty for different types of members. To date, however, research dealing with these issues is in short supply.

The purpose of the present study, then, is to examine how members at different levels in a multi-level loyalty program react when they are allowed the opportunity to compare the rewards they receive with the rewards received by other members. More specifically, we examine reactions of top-tier members (thus relatively privileged customers) and second-tier members (relatively underprivileged customers), and we do so in terms of comparisons triggered by both (a) same-rewards-to-members-at-the-same-level allocation and (b) different-rewards-to-members-at-different-levels allocation. Perceived justice, customer satisfaction, and repatronizing intentions are the specific reaction variables.

Theoretical framework and hypotheses

In the following sections, we develop arguments and hypotheses regarding what happens with the reactions of top-tier members and second-tier members in a multi-level loyalty program in which members are allowed the opportunity to compare the rewards they receive with what other members receive. We cover receiving rewards in comparison situations in which allocation follows (a) the same-rewards-to-members-at-the-same-level principle and (b) the different-rewards-to-members-at-different-levels principle so that lateral, downward, and upward comparisons can be made between members. In our framework, the two allocation principles serve to set in motion a cognitive process in which perceived justice, customer satisfaction and repatronizing intentions are outcome variables.

Loyalty programs and principles for allocation of rewards

Since the late 1980s, many firms and researchers alike have claimed that customer loyalty is positively associated with profitability. Consequently, many firms strive to improve customer loyalty. One of the most popular ways to achieve that goal is to create loyalty programs. In later years, such programs have proliferated and a large proportion of contemporary consumers in Western countries are now members in loyalty programs (Berman, 2006; Zhang and Breugelmans, 2012). The underlying idea is that rewards to members will make them more loyal, an idea that has received some empirical support (Leenheer et al., 2007; Liu, 2007). Several types of loyalty programs exist and, as already indicated, we focus here on multi-layered programs. In the literature, this program type has been referred to as a Type II program (Berman, 2006) and as a tiered reward structure program (Tanford, 2013).

Allocation of rewards, comparisons, and perceived justice

One main assumption in this study is that human beings are prone to make comparisons with others when the possibility to do so exists (cf. Drèze and Nunes, 2009; Moschis, 1976). Consider, for example, a transaction in a service setting in which a focal customer (P) receives treatment from a service associate who is also providing service to other customers. In this situation, there are thus several other customers (several Os) that can serve as comparison persons for P. We assume that P is particularly likely to make comparisons with a specific other person (O) that appears to be similar to P (Adams, 1963; van den Bos et al., 1998; Jost and Kay, 2010; Mussweiler, 2003), rather than making comparisons with some aggregation of customers. In this situation, and in a loyalty program context, it is common for the service associate to make an attempt to explicitly identify members in the firm's loyalty program, typically with questions such as "Are you a member in our program"? If the loyalty program has multiple levels he or she might also ask questions about what tier of the program the customer belongs to. Given such questions, and given a social setting in which several customers are present, it can become quite obvious for the focal customer P both what levels other members belong to and what rewards members at different levels receive.

Another main assumption we make in this study is that one universal consequence of inter-individual comparisons in a resource allocation situation is justice perceptions (Adams, 1963). The importance of justice perceptions is evident in research of contemporary social interactions. Some studies have demonstrated that justice perceptions are particularly likely to be evoked (and to impact other variables) in social settings characterized by long-term relations between individuals (cf. Aggarwal and Larrick, 2012). However, justice perceptions are also easily evoked in situations where strangers make comparisons of resource allocation outcomes – such as in encounters with service personnel taking place in close proximity to other customers (Söderlund et al 2014).

Equity theory, perceived justice, and multi-level loyalty programs

As for specific types of outcomes of inter-person comparisons and their implications for perceived justice, equity theory has a particularly dominant position. Equity theory states that a resource allocation involving a focal person P and another person O would result in that a P compares his/her ratio of rewards to inputs to that of O. If P perceives O's reward/input ratio to be equal his or her own, then P will perceive that justice is at hand. This is labelled equity-reward in equity theory (Adams, 1963; Ajzen, 1982; Alwin, 1987; Konow, 2003; Pritchard, 1969).

Translated to a setting with members in a multi-level loyalty program, we expect that members are aware of the increased input required to be at higher levels of the program. And given that the typical multi-level loyalty program allocates rewards so that (a) members at the same level receive the same rewards and (b) members at different levels receive different rewards (i.e., high-level members receive better rewards than members at lower levels), reward allocation in the typical multi-level loyalty program appears to be consonant with the equity-reward in equity theory. In other words, and all else equal, we would expect that the typical program is perceived as just by members at different levels.

Level of membership and perceived justice

As a complicating factor, however, several studies have demonstrated a tendency among high status groups to justify current systems because such systems reinforce the relatively privileged positions of these groups in society (Jost et al., 2001; Sidanius and Pratto, 1999). For an equity-based multi-layer loyalty program context, and given that top-tier members have a relatively higher status than second-tier members (Drèze and Nunes, 2008; Henderson et al, 2011; Tanford, 2013), we therefore expect that top-tier members would perceive allocation of rewards as more just than second-tier members.

In addition, and by definition, top-tier members have provided a higher level of inputs than second-tier members. We assume that these inputs represents an indicator for the member of his/her level of effort made in the past in relation to an offer. Many authors have observed that effort in the past is positively associated with present and future commitment (e.g., Cialdini, 1987), and therefore we expect that top-tier members are more likely than second-tier members to feel committed to the loyalty program. Empirical support for this assumption is provided by Tanford (2013). We also expect, however, that effort and commitment are positively associated with a need to invent motives regarding why the behavior subject to effort is carried out (Cialdini, 1987). Both top-tier and second-tier members, we assume, would need such motives, yet top-tier members need more of them. Moreover, given that fairness motives influence many individuals' behavior (Fehr and Schmidt, 1999), we assume that thoughts about the just nature of a program is likely to be a part of the motive portfolio for both member types, but we expect that the top-tier member, due to his/her greater need for motives, is likely to perceive a program as more just than the second-tier member.

We expect that the combination of these two factors (justification of the system and justification of one's own effort in relation to the system) serve to distort perceived justice in relation to what can be expected from equity theory. More specifically, we expect higher levels of perceived justice for top-tier members than for second-tier members in comparison situations involving the two main allocation aspects of an equitable multi-level loyalty program. We therefore hypothesize the following:

> H1: In a comparison situation involving rewards allocated according to the same-rewards-to-members-at-the-same-level principle, top-tier members perceive that this is more just than second-tier members

> H2: In a comparison situation involving rewards allocated according to the different-rewards-to-members-at-different-levels principle, top-tier members perceive that this is more just than second-tier members

However, and turning to the relative levels of perceived justice produced by the two allocation principles, we expect similarities rather than differences between top-tier members and second-tier members. As we see it, the relative level of justice perceptions produced by the two principles is subject to opposing forces, yet we assume that these forces affect the two member categories similarly. On the one hand, and for members in both categories, it can be expected that the rewards received by other customers are more visible than other customer's inputs. Therefore, for both categories, an allocation of the same-reward-to-members-at-the-same level is likely to be perceived as more just than an allocation of the different-rewards-to-members-at-different-levels.

On the other hand, however, and again for both categories, justification tendencies may attenuate the relatively unjust nature of the different-rewards-to-members-at-different-levels allocation principle expected from a visibility of rewards point of view. For top-tier members, the already mentioned tendency to justify their privileged position can be assumed to serve this attenuation function. For second-tier members (who we thus view as relatively underprivileged in relation to top-tier members in a multi-level loyalty program), existing research has demonstrated that members of underprivileged groups have a tendency to resolve and rationalize their apparent lower status in order to avoid cognitive inconsistencies (Jost et al., 2003). O'Brien and Major (2009) claim that in these processes the belief that outcomes are somehow relative to inputs is often utilized by lower status groups. Therefore, one would expect a justification pattern also for second-tier customers – resulting in a relatively less unjust view of the different-rewards-to-members-at-different-levels allocation. In other words, theory does not allow us to specify which of the two principles that would produce the highest level of perceived justice. For hypothesis testing purposes, however, we give priority to the visibility of rewards argument. The subsequent empirical data will have to be used to settle this issue. Yet the main point is that we do expect that top-tier and second-tier members will react similarly to the allocation principles. Hence the following is hypothesized:

> H3: Both top-tier customers and second-tier customers perceive that the same-rewards-to-members-at-the-same-level is producing a higher level of justice than different-rewards-to-members-at-different-levels

Customer satisfaction effects

We view customer satisfaction as a global, post-purchase or post-consumption evaluative variable of substantial importance, because it has been shown to impact many types of customer behavior with both cost and revenue implications for firms. As noted by Henderson et al (2011), most extant literature ignores the impact of loyalty programs on customer satisfaction. Several studies, however, have identified a positive association between perceived justice and customer satisfaction in empirical contexts outside a loyalty program (Gelbrich and Roschk, 2011; Maxham and Netemeyer, 2002; Smith et al., 1999). We do not expect these effects of perceived justice to be any different within loyalty programs, and we therefore assume that the levels of customer satisfaction will follow the same pattern as predicted for perceived justice:

> H4: In a comparison situation involving rewards allocated according to the same-rewards-to-members-at-the-same-level principle, customer satisfaction is higher for top-tier members than for second-tier members

> H5: In a comparison situation involving rewards allocated according to the different-rewards-to-members-at-different-levels principle, customer satisfaction is higher for top-tier members than for second-tier members

> H6: For both top-tier customers and second-tier customers, the same-rewards-to-members-at-the-same-level produces a higher level of satisfaction than different-rewards-to-members-at-different-levels

Loyalty effects

A large number of studies, and as indicated by the meta-analysis by Curtis et al. (2011), show that customer satisfaction is positively linked to customer loyalty, particularly in terms of repurchase and repatronizing intentions (i.e., variables representing the most common loyalty indicators in existing research). Loyalty can indeed express itself in many different ways, yet here we focus on repatronizing intentions. One main reason is that they are assumed to predict the type of behavior that most loyalty programs would want to influence (and reward). Moreover, the results in Tanford (2103) suggest that repatronizing intentions among members at different levels in a loyalty program go hand in hand with behavioral loyalty indicators. Given a positive association between customer satisfaction and repatronizing intentions, we expect the same pattern for repatronizing intentions as for customer satisfaction for the situation in which top-tier member and second-tier members of a multi-level loyalty program are offered comparison opportunities when rewards are allocated:

> H7: In a comparison situation involving rewards allocated according to the same-rewards-to-members-at-the-same-level principle, repatronizing intentions are higher for top-tier members than for second-tier members

> H8: In a comparison situation involving rewards allocated according to the different-rewards-to-members-at-different-levels principle, repatronizing intentions are higher for top-tier members than for second-tier members

> H9: For both top-tier customers and second-tier customers, the same-rewards-to-members-at-the-same-level produces a higher level of repatronizing intentions than different-rewards-to-members-at-different-levels

Research method

Overview of the method

We used a between-subjects experimental design with four treatment groups and an airline setting to test our hypotheses. In relation to many previous studies inspired by equity theory, and in which outputs were manipulated and inputs kept constant (Andrews, 1967; Austin and Walster, 1974; Leventhal et al., 1969), we manipulated both inputs and outputs. In our case, inputs were represented by the tier to which customers' belonged in a loyalty program, while outputs – explicitly linked to the tier level – were represented by the invitation/lack of invitation to the customer from a service associate to sit in an airline lounge. A comparison opportunity was offered for a focal customer P in relation to another customer O by setting up a service encounter situation in which both P and O were present and in which P could overhear what was offered to O. Perceived justice, customer satisfaction, and loyalty were measured after exposure to treatment.

Stimulus development

We used a text-based role-play scenario for our manipulations; we asked each participant to assume the role of a customer who interacted with a service associate. Such scenarios have often been used in justice research (Konow, 2003; Mattila et al., 2013) and in service research in general (e.g., Dallimore et al., 2007; Karande et al., 2007; Söderlund and Rosengren, 2008).

We decided that the service associate-customer encounter should take place at an airport to which a focal customer P had come to check in for his/her flight. The service product is thus airline travel, a selection we based on the prevalence of multi-level loyalty programs in the airline industry. The participant was asked to assume the role of P, and the scenario described that P had to wait for a while during the check-in process, because another customer O was ahead in the line. P, thus standing behind O in the line, overhears the exchange between O and the service associate. O, as it turns out, is going to the same destination as P.

After O is done checking in O steps aside and P starts the check-in process. We thus held the core service product (i.e., in this case, one particular flight) constant while we manipulated (a) the inputs (membership at different levels of the airline loyalty program) and (b) the outputs (the possibility to sit in the airline lounge for top tier members of the program). Four versions of the main scenario were created:

Scenario 1: Different-rewards-to-members-at-different-levels (I)
O was a top-tier (gold) member of the firm's loyalty program, while P was a second tier (silver) member, which resulted in O being offered to sit in the lounge while P was not.

Scenario 2: Same-rewards-to-members-at-the-same-level (I)
Both P and O were silver members, which resulted in neither of them being offered to sit in the lounge.

Scenario 3: Same-rewards-to-members-at-the-same-level (II)
Both O and P were gold members, which resulted in both of them being offered to sit in the lounge.

Scenario 4: Different-rewards-to-members-at-different-levels (II):
O was a silver member while P was a gold member, which resulted in P being offered to sit in the lounge, while O was not.

Data collection and participants

Each scenario version was followed by a questionnaire to measure the variables in the hypotheses. The scenarios were randomly allocated to the participants (N = 511; 233 men; M_{age} = 42), which we recruited from the panels of a professional market research company in a European country. There were no significant differences in age (F = 0.43, p =.73) or gender (X^2 = 0.70, p = .87) between the four treatment groups, thus suggesting that the randomized allocation was successful.

Measures

We measured *perceived justice* in terms of systemic justice; that is to say, we measured the overall perception of justice in the service encounter with items adapted from Beugré and Baron (2001) and Carr (2007). Söderlund et al (2014) used similar items to examine perceived justice in a service encounter context. The measure comprised six items referring to the behavior of the service associate, and they were scored from 1 (do not agree at all) to 10 (agree completely): "The decisions the service associate made were fair", "Fairness seems to be an important object for the service associate", "The service associate delivers good outcomes for all customers regardless of who they are", "The service associate is consistent in the dealings with all customers", "The service associate treats all customers in a balanced way", and "The service associate tries to meet all customers' needs fairly" (Cronbach's alpha = .96). To measure *customer satisfaction*, we asked the following question: "What is your overall impression of the airline after this visit?" It was followed by three satisfaction items used in several national satisfaction barometers (Fornell, 1992; Johnson et al., 2001): "How satisfied or dissatisfied are you with the airline?" (1 = very dissatisfied, 10 = very satisfied), "To what extent does the airline meet your expectations?" (1 = not at all, 10 = totally), and "Imagine an airline that is perfect in every respect. How near or far from this ideal do you find this airline?" (1 = very far from, 10 = cannot get any closer). Alpha for this scale was .95. For *repatronizing intentions* we used the question "How likely is it that you would fly with this airline again?" followed by three adjective pairs (unlikely-likely, improbable-probable, impossible-possible) scored on a 10-point scale (alpha = .95). Given acceptable levels of reliability for each of these three variables, we used the unweighted average of the responses to the individual items as the variables for the analysis.

Analysis and results

The means for the three dependent variables in the four treatment groups are presented in Table 1. We used three separate one-way ANOVAs to test the hypotheses.

Table: Response variable means

	Scenario 1 Different rewards to members at different levels P: Silver member, no lounge O: Gold member, lounge	**Scenario 2** Same rewards to members at the same level P: Silver member, no lounge O: silver member, no lounge	**Scenario 3** Same rewards to members at the same levels P: Gold member, lounge O: Gold member, lounge	**Scenario 4** Different rewards to members at different levels P: Gold member, lounge O: Silver member, no lounge
Perceived Justice (H1-H3)	6.08	6.23	7.08	7.14
Customer Satisfaction (H4-H6)	6.40	6.77	7.49	7.60
Repatronizing Intentions (H7-H9)	6.86	6.74	7.86	7.61

P: the focal customer, O: other customer who is present in the same service encounter

With regard to *perceived justice*, the omnibus ANOVA showed that all perceived justice means were not equal between the treatment groups (F = 8.58, p < .01). Post hoc tests (we used Scheffé's test) for the comparison of same-rewards-to-members-at-the-same-level showed that perceived justice was significantly higher (p < .01) for top-tier members (M = 7.08) than for second-tier members (M = 6.23), which provides support for H1. Moreover, for the comparison of the different-rewards-to-members-at-different-levels, perceived justice was significantly higher (p < .01) for top-tier members (M = 7.14) than for second-tier members (M = 6.08). H2 was thus supported. Thus, despite the fact that both the same-rewards-to-members-at-the-same-level allocation and the different-rewards-to-members-at-different-levels allocation were supposed to reflect equitable allocation, both allocations were perceived to be more just by the top-tier members. Moreover, and with regard to the level of justice produced by the two allocation principles in relation to each other, and for top-tier members, the justice means for same-rewards-to-members-at-the-same-level (M = 7.08) and for different-rewards-to-members-at-different-levels (M = 7.14) were not significantly different (p = .99). The same pattern was at hand for the second-tier members; the difference in justice means for same-rewards-to-members-at-the-same-level (M = 6.23) and for different-rewards-to-members-at-different-levels (M = 6.08) was not significant (p = .96). H3 was thus rejected with respect to the relative levels of justice produced by the two principles, yet our assumption of similarities in justice reactions between the two membership groups received support.

For *customer satisfaction*, the omnibus ANOVA showed that all satisfaction means were not equal (F = 10.80, p < .01). Post-hoc tests showed, as hypothesized in H4, that same-rewards-to-members-at-the-same-level produced a significantly (p <.01) higher level of satisfaction for the top-tier members (M = 7.49) than for the second-tier members (M = 6.77). This provides support for H4. Moreover, for different-rewards-to-members-at-different-levels, the level of satisfaction was significantly (p <.01) higher for top-tier members (M = 7.60) than for second-tier members (M = 6.40), which provides support for H5. Hence both allocation principles produced significantly higher customer satisfaction levels for top-tier members as opposed to second-tier members. Moreover, for top-tier members, same-rewards-to-members-at-the-same-level (M = 7.49) and different-rewards-to-members-at-different-levels (M = 7.60) did not produce significantly different satisfaction levels (p = .98). For second-tier members, same-rewards-to-members-at-the-same-level (M = 6.77) and different-rewards-to-members-at-different-levels (M = 6.40) did not produce significantly different satisfaction levels (p = .56), thus meaning that H6 has to be rejected with regards to the relative level of satisfaction induced by the two allocation principles. Yet our assumption regarding similarities between member category reactions was supported.

The same pattern was obtained for *repatronizing intentions*. According to the omnibus ANOVA, all repatronizing intentions means were not equal between the groups (F = 7.00, p < .01). Post-hoc tests showed, as hypothesized in H7 and H8, that repatronizing intentions were significantly higher for top-tier members as opposed to second-tier members both for the same-rewards-to-members-at-the-same-level allocation (M = 7.86 vs. M = 6.74, p < .01) and for the different-rewards-to-members-at-different-levels allocation (M = 7.61 vs. M = 6.86, p < .01). H7 and H8 were thus supported. In addition, for top-tier members, same-rewards-to-members-at-the-same-level (M = 7.86) and different-rewards-to-members-at-different-levels (M = 7.61) did not produce significantly different repatronizing intentions levels (p = .86). For second-tier members, the differences between repatronizing intention means for same-rewards-to-members-at-the-same-level (M = 6.74) and different-rewards-to-members-at-different-levels (M = 6.86) were not significant (p = .98). Therefore, H9 has to be rejected with regards to the relative levels of repatronize intentions produced by the two allocation principles, yet again our assumption of similar reactions between the member groups was supported.

Additional analysis

In our theoretical framework, we viewed customers' reactions to reward allocation from a multi-level loyalty program as links in a causal chain; that is to say, perceived justice affects customer satisfaction, which in turn affects repatronizing intentions. The similarities in the pattern of the relative mean levels for these reaction variables across the treatment groups (cf. Table 1) gives some support for such links. In order to assess this further we employed mediation analysis with Hayes' bootstrapping macro Process for SPSS (Hayes 2013). First, we assessed the potential of perceived justice among different member types to mediate the reward allocation-satisfaction association. For testing purposes, we created a new dichotomous independent variable by merging all second tier members and all top tier members respectively (0 = second tier member, 1 = top tier-member). Our mediation test produced a significant indirect effect of .69

(95 % CI: .43-.97) supporting the notion of perceived justice as a mediating variable. Second, we examined if customer satisfaction mediated the association between perceived justice and repatronizing intentions. This analysis indicated a significant indirect effect of .53 (95 % CI: .43-.63), thus suggesting a mediating effect of customer satisfaction.

Discussion

Summary of main findings

Our results show that top-tier members who received a reward from an equity-based multi-level loyalty program perceived this as more just than second-tier members who did not receive the same reward. Given the reward only for the top-tier members, and thus not for the second-tier members, the top-tier members also reacted with higher levels of satisfaction and repatronizing intent than did the second-tier members. Moreover, neither top-tier members nor second-tier members reacted with different levels of perceived justice, customer satisfaction, and repatronizing intentions when rewards were allocated according to (a) the-same-rewards-to members-at-the-same-level principle as opposed to (b) the different-rewards-to-members-at-different-levels principle. The latter outcome suggests that second-tier members are not subject to negative effects when explicitly exposed to the fact that they are denied rewards reserved for top-tier members.

Contributions and implications for research

We believe that our study offers contributions for loyalty program research and for service-related research beyond loyalty programs. First, and to the best of our knowledge, our study is the first to examine the effects of loyalty programs in a context in which the customer is explicitly allowed the opportunity to compare what s/he receives with what other customers receive in terms of lateral, downward and upward comparisons. This setting was selected because of the many service encounters involving several customers who interact with the same service employee in the same place

(Söderlund et al 2014) and because of the tendency of individuals to engage in social comparisons in resource allocation situations (Drèze and Nunes, 2009; Moschis, 1976). Given that our results indicate that various customer reactions were indeed affected by an inter-customer comparison opportunity, our research highlights the critical role of social comparisons in service encounters.

In particular, we would like to emphasize the heightened possibility of justice perceptions being evoked in such situations. The typical study on perceived justice comprise of a focal customer alone with a service employee. In such cases, the customer is assumed to form justice perceptions either by comparing the outcomes of his/her transaction with some general justice norm or with outcomes in the customer's own prior history. Our study, however, was based on the assumption that justice perceptions are particularly likely to be elicited in comparisons with another person who is similar (in our case: another customer who happened to be present), and our results indicate that this was indeed the case. Given the relationship between perceived justice and critical variables such as customer satisfaction and repatronizing intentions, we therefore suggest that a fuller understanding of the service encounter requires more research to allow for a social setting involving other customers as well. Studies along those lines are beginning to emerge (e.g., Jiang et al., 2013; Mattilda et al, 2013; Söderlund and Gabrielson, 2011; Söderlund et al 2014), and they all point to the importance of other customers in shaping attitudes and intentions. We believe that the present study contributes to this research stream.

We also believe that our examination of the reactions of members at different levels program contributes to research on the effects of loyalty programs. Our point of departure was that a multi-level loyalty program in which rewards are allocated so that the program provides (a) the same rewards to members at the same level and (b) different rewards to members at different levels could be conceived of as producing just output from an equity theory point of view. Yet our results show that top-tier members perceived the program as relatively more just than second-tier members – despite the fact that the program was equity-based. Equity theory may explain this in terms of so-called over-rewards; that is, injustice that is subject to personal advantages (Adams, 1963; Ajzen, 1982; Austin and Walster, 1974; O'Malley and Becker, 1984). In other words, for top-tier members, the relatively better reward they received may have overshadowed the fact that their input was also higher. However, our research demonstrates that the effects of reward allocation in a multi-level loyalty program are complex and that researchers should consider a host of theories when trying to explain them. For example, our findings are in line with the conclusions of Jost et al. (2001) who state that members of high status groups tend to justify current systems to a larger extent than lower status groups. Thus, perceived status seems to affect justice perceptions in addition to input/reward ratios, implying that perceived status among members need to be examined more closely in studies of the effects of loyalty programs.

Moreover, and moving beyond research on loyalty programs, most existing research on perceived justice in a service context deals with service failure situations (Söderlund et al, 2014). Service failures indeed represent an important research issue, yet the majority of all service encounters does not result in failures. Our study shows that justice perceptions can be elicited even when failures do not occur. And our results indicate that such perceptions are associated with both satisfaction and loyalty. Thus, incorporating perceived justice may contribute to satisfaction and loyalty theories in non-failure settings also.

Finally, our finding that (1) top-tier membership and the reward that comes with it boosts justice perceptions, satisfaction and loyalty and, at the same time, that (2) such rewards does not result in relatively more negative reactions for second-tier members who are exposed to this type of allocation (at least not in relation to when they were not exposed to it), allows a small potential piece to be added to the large puzzle that is loss aversion theory (Tversky & Kahneman 1986, Tversky & Kahneman 1992). While the overall conclusion that the losses-loom-larger-than-gains bias for outcomes has been repeatedly proven and is not in question here, our findings seem to indicate that that this bias can be mitigated when taking input also into consideration.

Managerial implications

Given that an important objective of a multi-level loyalty program is to produce more loyalty for high-level members than for lower-level members, our results support an equity-based design. At the same time, however, second-tier members typically outnumber top-tier members and represent an important source of revenues. A fruitful loyalty program should therefore be capable of producing more loyalty among top-tier members without substantially reducing loyalty among second-tier members. And our results suggest that the potentially negative loyalty effects of exposing second-tier members for allocation of top-tier member rewards seems to be relatively low.

To obtain such results for members at different levels, however, seems to call for making the rewards of customer loyalty programs contingent on consumer input whenever possible. The widespread insight among many organizations that some customers are more valuable than others (and thus should be rewarded in order to stay loyal) can be most efficiently put into action in this way. Thus, by focusing on input as a base for loyalty rewards these valuable customers can be given preferential treatment without alienating the broader customer base. This is an important managerial insight in the light of authors who have discussed the potential for loyalty programs to be unjust (e.g. Shugan, 2005) and indeed creating adverse reactions with customers not given preferential treatment all the while failing to woo those subject to rewards (Söderlund and Colliander, 2015). In other words, and when Laczniak and Murphy (2006) claim that far from every customer in the contemporary marketplace is a ”king”, we believe that as long as customers are presented with their own input as a rationale for not being treated like kings they do not seem to mind that much. This is particularly important given that the many firms’ broad customer base generate a large percentage of the revenues and offending such customers could prove disastrous for the bottom line.

Moreover, given that loyalty rewards are allocated within the frame of service encounters by an employee (such as in the present case, in which a service associate was making decisions in real time regarding access to a lounge), and given the general notion that the employee with whom the customer interacts typically *is* the firm from the customer’s point of view in a service setting, our results stress that managers should make serious attempts to educate employees about the (a) the strong tendency for customers to engage in customer-to-customer comparisons and (b) the likelihood that such comparisons would result in justice perceptions (which have an impact on satisfaction). Such education efforts should include the importance of accurately identifying to which category a member belongs and to communicate reasons and policies to one particular member regarding why s/he is receiving the same or different rewards than other members.

Limitations and suggestions for further research

In the present study, we examined effects of a loyalty program in a context in which we manipulated both input and output for different types of members. The manipulation of output (i.e., rewards) was explicit, yet the manipulation of input was less explicit. That is to say, perceptions of different inputs were assumed to be formed based on an implicit understanding among the participants that the amount of flying miles determine membership at different levels. Yet we did not explicitly control for the extent to which to such an understanding was at hand among the participants, and this represents a limitation in our approach. Further research along the lines in the present study should therefore deal with inputs in a more explicit way.

As another limitation, we used only two tiers – top-tier members and second-tier members – in our study, thereby excluding the possibility for comparisons with members at lower levels and also with non-members. Similarly, only one other person was present as a comparison opportunity for the focal customer. Yet service encounters often involve several customers that may be used for comparisons. Thus a richer view of the effects of loyalty programs may be obtained if both several membership levels and several customers are allowed for the focal customer's comparisons with other customers.

Moreover, the selection of the reward type reserved for top-tier members in this study (access to an airport lounge) represents another limitation. This particular reward type can be conceived of a social benefit, yet economic benefits are also offered in loyalty programs (Tanford, 2013). Further research would thus provide a more complete picture of the impact of loyalty programs if rewards are allowed to be of several different types.

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Article 5: Earning the Attention? Advertiser Effort and Consumer Perceptions of Equitable Exchange

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Abstract

This paper tests the popular notion that 'advertising needs to earn consumers' attention.' Introducing the concept of equitable exchange, we find that consumers assess whether the advertiser has devoted enough effort to deserve their attention, and rate the advertising and the brand accordingly. Two studies show that higher advertiser effort (in the form of creativity or expense) increases consumer-perceived equitable exchange, which, in turn, generates more favorable ad attitudes, brand attitudes and purchase intentions. Furthermore, we find that the positive impact of advertiser effort increases with the consumer's own effort to take part in the advertising.

Keywords: Equitable exchange, advertising effectiveness, advertiser effort, consumer effort

Introduction

'Consumers know their attention is valuable to advertisers, and brands must acknowledge that with campaigns that give them something in return,' noted Stephen Jenkins of Millennial Media, on a recent survey of 4,000 consumers. Of these, 79 percent agreed that they consider advertising an exchange, and they expect advertisers to reward them for their attention (Millennial Media 2015). The notion that advertisers must earn consumers' attention is not new, but, to our knowledge, it has never been explicitly put to the test.

Equitable exchange, or the individual's assessment that s/he has gained at least as much back from an exchange as s/he has given (Martins and Monroe 1994), has been found to affect consumer response in several other marketing contexts, such as price fairness and willingness to pay (Martins and Monroe 1994), sales encounters (Oliver and Swan 1989), participation in professional associations (Gruen, Summers, and Acito 2000), satisfaction and loyalty in retail (Davis-Sramek, et al. 2009) and service settings (Barnes, Beauchamp, and Webster 2010).

In applying the notion of equitable exchange to advertising, the present paper tests conventional wisdom within the advertising industry that advertising needs to earn, and reward, consumers' attention. Although claims such as 'today's advertising audiences expect something in return' and 'advertisers need to give to receive (attention)' are becoming more and more common, the notion that consumers may evaluate advertising based on their perceptions of equitable exchange, and how much effort the advertiser devotes to deserve their attention, has never previously been tested. Taking this perspective adds to the understanding of advertising effectiveness, where attention has usually been considered the first step in a conversion model or hierarchy-of-effects (for a review, see Barry 2002), where the level of attention is assessed and valued only by the advertiser. The notion of equitable exchange introduces the possibility that the consumer may assign her own value to her attention, and that this value may have a direct impact on the subsequent steps or effects, such as ad and brand attitudes, and purchase intentions.

Equitable Exchange: How Advertiser Effort Earns Consumers' Attention

With global competition, exploding advertising clutter, and new media and technologies, consumers have become aware that they can both avoid and seek out advertising as they prefer; hence, their attention has high value to advertisers (Rosengren and Dahlén 2013; Dahlén, Rosengren, and Smit 2014). As consumers become increasingly aware of the value of their attention, one could expect that they would also become increasingly aware of what they gain in return. Indeed, this is exactly what Millennial Media found in their recent survey of 4,000 consumers, where almost four out five participants agreed they view advertising as an exchange.

This perception aligns with equity theory, which suggests that individuals rate an exchange based on the relationship between what they give versus what they receive. In order for the ratings to be favorable, consumers must perceive the exchange as equitable, which means that they find that they receive as least as much as they give (e.g., Gruen, Summers, and Acito 2000; Martins and Monroe 1994). While previous evidence exists for, for example, sales force (Oliver and Swan 1989) and service effort (Barnes, Beauchamp, and Webster 2010), we believe that the concept of equitable exchange can be applied to advertiser efforts as well.

While advertiser effort has not previously been studied in the context of equitable exchange, it has been subject to research in its own right. A number of studies have shown that consumers are both able and prone to assess the effort that the advertiser has put into its advertising. In particular, researchers have found that consumers pay attention to how expensive the advertising seems to be (e.g., Ambler and Hollier 2004; Kirmani and Rao 2000; Nelson 1970) and how creative it is (e.g., Dahlén, Rosengren, and Törn 2008; Rosengren and Dahlén 2015; Modig, Dahlén, and Colliander 2015). Consistently, the studies show that (higher) perceived expense is interpreted as a sign of the advertiser's (higher) financial effort, while (higher) perceived creativity is interpreted as a sign of the advertiser's (higher) cognitive effort.

Synthesizing the advertiser effort literature with the equity theory literature, which has found that consumers judge whether they have received fair exchange from a marketer (e.g., Barnes, Beauchamp, and Webster 2010;

Martins and Monroe 1994), we expect that consumers will assess the advertiser's effort and consequently perceive that the exchange for their attention (either incidental or voluntary) to the advertising is equitable (fair) or not. More specifically, higher advertiser effort should increase consumers' perceptions that they have gained at least as much back in return from the advertiser for their attention to the ad. Therefore, we first hypothesize that (H1):

H1: Advertiser effort increases consumer-perceived equitable exchange.

We would also like to note that our findings apply to advertising that consumers deliberately attend to, whether incidentally or voluntarily. That is, the notion of equitable exchange relates to consumers' awareness that they are indeed paying attention to advertising and have a choice to do so. However, consumers may attend to advertising without deliberation, particularly in broadcast media, and engage in so-called "low attention processing' (Heath 2009; Heath, Brandt, and Nairn 2006) where they would not be likely to seek equitable exchange or even be aware of the advertiser's effort as opposed to their own. Such low-attention processing does not yield a hierarchy-of-effects where ad and brand ratings are necessarily involved at all, and produces emotional rather than cognitive effects (Heath, 2009; Heath, Brandt, and Nairn, 2006).

Second, we expect that, by way of higher consumer-perceived equitable exchange, advertiser effort will increase advertising effectiveness in the form of ad and brand ratings. Previous studies on advertiser effort have invariably found that it increases consumer ratings of the brand, as effort signals that the advertiser is confident in its product, from which consumers infer that the product is of higher quality and consequently rate the brand higher (e.g., Ambler and Hollier 2002; Dahlén, Rosengren, and Törn 2008; Kirmani 1990). However, drawing on equity theory, we expect that advertiser effort will increase ad and brand ratings, even when such effort does not signal higher product quality, as it raises consumer-perceived equitable exchange. That is, consumers react favorably when they perceive that the advertiser has made greater effort to deserve the attention they have given to the advertising, and consequently rate the ad and the brand higher.

Conversely, when consumers perceive that the advertiser has not made enough effort to earn the attention they have given, they react unfavorably and rate the ad and the brand lower.

> H2: By way of consumer-perceived equitable exchange, advertiser e fort increases ad attitudes.

> H3: By way of consumer-perceived equitable exchange, advertiser effort increases brand attitudes and purchase intentions.

Finally, as equity theory suggests that consumers rate the other party's (in this case, the advertiser) effort in relation to their own effort (e.g., Gruen, Summers, and Acito 2000; Martins and Monroe 1994), we expect that the positive impact of advertiser effort increases with consumer effort (such as, for example, when they attend to a longer versus shorter commercial or when they actively seek out advertising online versus are incidentally exposed to it). Thus, we hypothesize (H4):

> H4: The positive impact of advertiser effort is greater (smaller) when consumer effort is high (low).

Method

We conducted two experiments simultaneously with one-hundred and eighty participants (53% female, mean age 40 years) from a nation-wide online panel with a cross-sectional representation of the population. Participants were first exposed to either a high-effort or a low-effort ad and then immediately recorded their responses to the advertising. Each participant was exposed to one ad in a between-subjects design. To control for the competing explanation of higher perceived product quality (which has been found to mediate the effects on brand ratings in the advertiser effort literature), each version of the ads in the study had an identical text in the bottom right corner which explicitly described the quality of the advertised product: 'Rated 4 out of 5 by Consumer Report. Scored 8.2/10 in the Consumer Quality Index.'

As this is the first study to date on perceived equitable exchange in advertising, we used two different measures for perceived equitable exchange, adapted from Oliver and Swan (1989). Experiment 1a used a three-item measure which gauged the fairness of the exchange (Oliver and Swan 1989), 'the ad deserved my attention,' 'the ad was worth my time,' and 'I received equitable exchange from the ad,' on a ten-point Likert scale (1 = disagree completely, 10 = agree completely), averaged to form an index (α = .98). Experiment 1b used a measure that gauged the relative preference, or advantage, of the exchange (Oliver and Swan 1989) by pitting consumer perceptions of the brand's effort against their own effort: 'The brand should have devoted (1= less, 10 = more) effort to the ad,' 'I should have devoted (1= less, 10 = more) to the ad. 'We subtracted participants' perceptions of their own effort from their perceptions of the brand's efforts. By using two different measures, we increase the robustness of the tests.

In both experiments, advertising effectiveness in the form of attitude toward *the ad*, *brand attitude*, and *purchase intention* were measured with single-item measures taken from Bergkvist and Rossiter (2009). In their study, Bergkvist and Rossiter (2009) found these single-item measures to be equally predictively valid as multiple-item measures of ad attitude, brand attitude and purchase intention. We also measured *perceived product quality* to rule out its mediating (confounding) effect, using three items (high quality, better than average, higher quality than similar products) taken from Dahlén, Rosengren, and Törn (2008), a = .93.

Experiment 1a

This experiment manipulated advertiser effort to be higher versus lower, by way of advertising creativity, following Dahlén, Rosengren and Törn (2008). Thus, participants in the higher advertiser effort condition were exposed to more creative ads, and participants in the lower advertiser effort condition were exposed to less creative ads. To avoid potentially confounding effects, we used the same three pairs of ads (more versus less creative) used by Dahlén, Rosengren and Törn (2008): a coffee brand, a condom brand, and a grocery retailer. The ads were found to differ significantly in perceived creativity (3.94 vs. 3.37, $p < .01$, "how creative do you find the ad?') and advertiser effort (3.14 vs. 2.78, $p < .01$, "how much effort do you believe the advertiser put into the ad?'), and to not differ in terms of visual cues or verbal main message (in effect, only the verbal exact phrasing of the message was varied, which explains the rather minor, but significant, differences in perceived creativity). For greater detail on the ads, please refer to Dahlén, Rosengren and Törn (2008).

Results

First, we established that perceived quality did not differ between the higher versus lower advertiser effort conditions. Then, we used mean comparisons to test the hypotheses. Patterns were similar across all three pairs; hence, we collapsed them for a more robust test. The results are displayed in Table 1.

Pairwise *t*-tests showed that perceived equitable exchange was rated as significantly ($p < .01$) higher in the high advertiser effort condition (M = 4.59) than in the low (M = 3.33) in support of H1. Similar patterns were found for ad attitude ($M_{\text{higher effort}} = 4.17$ vs. $M_{\text{lower effort}} = 3.68$, $p < .01$), brand attitude ($M_{\text{higher effort}} = 3.25$ vs. $M_{\text{lower effort}} = 2.92$, $p < .05$) and purchase intention ($M_{\text{higher effort}} = 3.35$ vs. $M_{\text{lower effort}} = 2.80$, $p < .01$), lending support to both H2 and H3.

Table 1. Experiment 1a: Hypothesis Tests

	Higher advertiser effort	Lower advertiser effort	
Perceived quality	4.47	4.7	n.s
Perceived equitable exchange	4.59	3.33	$t = 2.83$, $p < .01$
Ad attitude	4.17	3.68	$t = 2.33$, $p < .01$
Brand attitude	3.25	2.92	$t = 1.90$, $p < .05$
Purchase intention	3.35	2.80	$t = 2.38$, $p < .01$

Next, we tested whether perceived equitable exchange mediates the positive impact on ad and brand attitudes and purchase intentions, by way of inserting the raw regression coefficients of the direct and indirect effects into Sobel's test of mediation (Sobel 1982). Perceived equitable exchange was found to mediate the impact on ad attitude ($z = 2.41$, $p < .01$) brand attitude ($z = 1.62$, $p < .05$) and purchase intention ($z = 1.26$, $p < .10$).

Experiment 1b

This experiment manipulated higher versus lower advertiser effort by way of advertiser expense. Again, we used two pairs of ads (for energy drinks and vitamins; in contrast to the previous study, brand names were blurred this time) from a previous study by Rosengren and Dahlén (2013). The ads were designed to differ in the perceived expense by way of the ad's higher versus lower quality (detail, color, sharpness, etc.), but not in the elements or the message; for greater detail, please refer to Rosengren and Dahlén (2013). A pretest found that the ads differed in perceived expense (5.03 vs. 3.12, $p < .01$) and perceived effort (4.78 vs. 3.19, $p < .01$) as expected.

In addition, we manipulated consumer effort to be higher versus lower by way of instructing half of the participants (higher consumer effort) to click on a link to watch the ad in a separate window, and then to close that window before going back to the website and proceeding with the questionnaire. The other half (lower consumer effort) was automatically exposed to the ad on the website with no extra effort required. We thus employed a 2 (higher vs. lower advertiser effort) X 2 (higher vs. lower consumer effort) between-subjects design.

Results

We used mean comparisons to test our hypotheses with the results displayed in Table 2. Hypotheses H1-H3 find directional support for the total sample. That is, higher advertising effort generates higher perceived equitable exchange and higher ad attitudes, brand attitudes and purchase intentions. However, the differences are greater in the higher consumer effort condition. While the differences are significant in the higher consumer effort condition, they fail to reach significance in the lower consumer effort condition; the use of blurred brands could make consumers somewhat less inclined to attribute advertiser effort to the brand, compared to Experiment 1a where the brand name was revealed. This finding is in line with hypothesis H4, wherein consumer effort moderates the impact of the advertiser's effort so that the positive effects are greater when the consumers' effort is higher. Both the main effect of advertiser effort ($F = 2.97$, $p < .05$) and the advertiser effort X consumer effort interaction effect ($F = 2.65$, $p < .05$) were significant in a two-way MANOVA.

Table 2. Mean Comparisons, Experiment 1b

	Higher consumer effort		Lower consumer effort	
	Higher advertiser effort	Lower advertiser effort	Higher advertiser effort	Lower advertiser effort
Perceived own vs. brand effort (note: lower values indicate more equitable exchange)	2.47	3.11**	2.44	3.10
Ad attitude	3.90	3.41*	3.67	3.63
Brand attitude	2.45	2.71	2.58	2.83
Purchase intention	2.76	2.09**	2.79	2.28

* $p < .05$ ** $p < .01$

Using the direct gauge of participants' perceived own versus the brand's effort, we tested the mediating effect of equitable exchange similar to experiment 1a. This alternative measure yielded similar significant effects on ad attitude ($z = 1.47$, $p < .05$), brand attitude ($z = 1.48$, $p < .05$) and purchase intention ($z = 1.48$, $p < .05$), showing that consumers rated the ad and the brand by way of their perceived own versus the brand's effort.

Discussion

Experiments 1a and 1b used different manipulations of advertiser effort and a number of different ads and products, revealing that consumers are indeed able to assess how much of an effort the advertisers have made in exchange for the attention they have given to the advertising. We used two different gauges of equitable exchange: one of the perceived fairness (experiment 1a) and one of the relative advantage between the parties (experiment 1b). Both were found to increase with advertiser effort and, more importantly, mediated the impact on consumer ratings of the ad and the brand, so that ratings increased with the perceived equitable exchange. Furthermore, in line with the notion of equitable exchange, experiment 1b found that the effect of advertiser effort was higher when consumers had made greater effort to attend to the advertising, suggesting that they required more in return from the advertiser.

The present investigation serves as a first extension of equity theory to advertising, and suggests that advertising should indeed earn consumers' attention. Consumers are able to both recognize the advertiser's effort and to relate it to their own efforts, and subsequently base their responses on this relationship.

Our findings also add to the literature on advertiser effort by demonstrating that advertiser effort in itself, rather than serving as a proxy of product quality, affects the evaluation of the brand and purchase intention. Furthermore, this investigation adds to advertiser effort theory by investigating not only advertiser effort, but also consumer effort. Specifically, it finds that the positive impact of advertiser effort increases with consumer effort, so that, when the consumer effort increases (e.g., when watching a longer commercial or when actively seeking out advertising), s/he expects more effort from the advertiser as well.

Our findings apply to the case when consumers have already, incidentally or voluntarily, given their attention to advertising. However, we did not focus on attention per se, and the opportunity for consumers to either decide beforehand to give their attention, or to decide during exposure (e.g., to a pre-roll YouTube ad) whether to continue or stop attending. This would be highly interesting for future study. The notion of deciding beforehand whether to give attention to advertising (either by seeking it out, for example on YouTube or clicking through on an online ad) relates to the recent work by Rosengren and Dahlén (2015) on advertising equity, wherein consumers may indeed assess the expected benefit of taking part of a brand's advertising. Interestingly, their findings show that the expected benefit is derived from consumers' experiences of the brand's previous advertising (its advertising equity) – which, though not tested, could possibly translate into a forward-looking perception of equitable exchange.

There is also the possibility that consumers would assess the advertiser's effort differently depending on their relationship to the brand. We used real brands in Experiment 1a and blurred brands in Experiment 1b and found that the hypothesized effects were robust across conditions, but there was a tendency toward consumer being more mindful about the advertiser's effort when the brands were revealed. One could speculate that consumers who are loyal to a brand would demand greater effort from its advertising in exchange for their accumulated own efforts as loyal consumers, which would be in line with equity theory (Oliver and Swan, 1989). On the other hand, the brand loyalty literature suggests that loyal consumers tend to be more forgiving when the brand fails. Nevertheless, repeated failures to provide equitable advertising exchange would most likely be detrimental to brand loyalty (and undoubtedly advertising equity), and established, high equity, brands would be particularly advised to earn their consumers' attention.

We would also like to note that our findings apply to advertising that consumers deliberately attend to, whether incidentally or voluntarily. That is, the notion of equitable exchange relates to consumers' awareness that they are indeed paying attention to advertising and have a choice to do so. However, consumers may attend to advertising without deliberation, particularly in broadcast media, and engage in so-called "low attention processing' (Heath 2009; Heath, Brandt, and Nairn 2006) where they would not be likely to seek equitable exchange or even be aware of the advertiser's effort as opposed to their own. Such low-attention processing does not yield a hierarchy-of-effects where ad and brand ratings are necessarily involved at all, and produces emotional rather than cognitive effects (Heath, 2009; Heath, Brandt, and Nairn, 2006)

Managerial Implications

The present investigation finds support for the popular notion that advertising must earn attention. Advertisers need to account for the continuously increasing clutter and growing advertising-fatigue and reward consumers when they share their attention. Today's advertising-savvy consumers are able to tell whether the advertiser has made a real effort to reach them, and respond accordingly. There are several different ways to make an effort, and our experiments provide two examples: creativity and expense. Consumers see creative and expensive advertisements as proof that an advertiser has gone the extra mile may reward the ads with higher ratings. Conversely, less creative and expensive ads receive lower ratings, as consumers do not perceive that the advertiser has given them enough in return for their attention.

Advertisers also need to be mindful about the fact that consumer behavior is shifting from passively receiving ads to actively seeking out advertising. As both consumers and advertising are continuously moving online, consumers are increasingly empowered with technology that allows them to block unsolicited advertising (e.g., with adblock software) and to voluntarily seek out advertising, for example, on YouTube (Rosengren and Dahlén 2015). This means that advertising will no longer be solely a matter of advertiser effort, but a matter of consumer effort as well. As our experiment showed, consumers have become even more mindful about the advertising earning their attention, when they have made an conscious effort themselves to attend to the advertising (which could include both searching for an ad on YouTube, clicking through on an online ad, or actively ignoring the skip option on a pre-roll video ad). Giving something in return, thus, becomes particularly important in digital media. Consumer effort can be gauged, for example, in terms of whether the consumer clicked her way to the advertising. However, the same logic can be applied to traditional media as well, where, for example, a TV commercial, pre-roll YouTube ad, or a print ad may demand greater consumer effort and thus raise the level of equitable exchange. Similarly, more intrusive advertising, for example particularly interruptive or placed in a new context (like guerrilla advertising), has been found to be perceived as more effortful to attend to by consumers and make them particularly mindful of the value it offers them (Dahlén and Edenius 2007; Dahlén, Granlund, and Grenros, 2009).

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