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# Assessment of the Attractiveness of Foreign Markets – A Case Study. Comparison of Armenia and Poland

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## ABSTRACT

From the international marketing point of view, it is important to assess the attractiveness of the target country that can be interesting to foreign investors. It is worth analyzing all the possible opportunities and threats that may arise in each geographic market. It is also needed to assess the country's strengths and weaknesses and understand how these characteristic features can affect the company's growth perspectives. Each country has a specific political environment, socio-demographic features, economic situation, technological conditions, cultural identity, unique natural environment and legal rules. At the same time, there are regional and global geopolitical tendencies, common political structures, common economic conventions and elements of global culture. The specificity of the above-mentioned factors shapes a unique business environment that affects marketing strategies of entities that are planning to internationalize.

This article will present a proposal of several criteria for assessing the attractiveness of foreign markets. These criteria will be selected because of their reliability and acceptability by various global institutions. This method can be used to estimate attractiveness of every country, but only two of them have been chosen for this article. Based on these indicators, the attractiveness of the Armenian market will be compared to Poland's attractiveness. The example of Poland in some areas because of its increasing attractiveness may be useful for Armenia and its government

**JEL classification:** M31, F21, G11, F62

**Keywords:** evaluation of foreign markets, assessment criteria, Armenia, geopolitical and economic problems, avoiding barriers.

## INTRODUCTION

Tense relations of the EU and the USA with Russia and Iran have negatively affected activities of business entities based in those countries. Mutual sanctions have significantly reduced cooperation and created new barriers of entry for foreign investors. As a result, companies from the US and the EU as well as Russia and Iran are looking for ways to circumvent these restrictions and barriers of entry. One of the most optimal solutions can be the use of Armenia and its potential. Being a member of the Eurasian Economic Union and one of good neighbors of Iran, Armenia continues to build strong relations with the USA and the EU countries. Therefore, Armenia can become a platform for dialogue between businesses from these countries. It can help them to build new business relationships and avoid restrictions imposed by mutual sanctions. Due

to the mentioned geopolitical and economic situation, the Armenian market was selected for the analysis of attractiveness to investors.

To conclude, this article will result in determining indicators that will help investors evaluate the attractiveness of foreign markets. By comparing Armenian market with another market (in this article, with Poland), it will become more obvious where the county's government should make noticeable changes. Taking into account Poland's case can be very helpful, as Poland is a good example of a county which has developed in a short period of time.

## 1. CRITERIA FOR ASSESSING THE ATTRACTIVENESS OF FOREIGN MARKETS

Several market selection models appear in the literature and their aim is to try to formalize the decision-making process by the investor. The choice of a foreign market is a sequence of activities that gradually eliminate less attractive countries from the point of view of a particular investor (Koch, 2001). The assessment of attractiveness and the process of selecting the target country can be divided into three stages: **preliminary research, identification and selection** (Górecka & Szałucka, 2013). At the first stage, investors use indicators to assess the macro environment in order to eliminate countries that do not meet the necessary requirements. At the identification stage, the attractiveness of the sector of economy which the investor intends to enter is assessed. He collects information specific to that industry in order to select countries with high market potential. During the selection phase, the investor focuses on enterprise-specific information, trying to answer the question of whether the factors which are specific to his investment idea can guarantee the achievement of a competitive advantage in a particular country. The final selection should clarify whether the domestic market meets the investor's goals.

The initial country selection process (Górecka & Szałucka, 2013) can only be effective if it allows the identification of markets with great potential from the investor's point of view by comparing and assessing the country's characteristics. The comparison criteria must be selected in advance and should maximally reflect the market situation of the country that they concern. Unfortunately, there is not one common approach as regards which criteria should be used and how to measure them. Various authors propose their ways of measuring the attractiveness of countries that are based on different criteria. These criteria vary depending on what goals a given entity or investor has, what industry it plans to enter, what products it wants to produce and what entry strategy it wants to use. Criteria most commonly used by different authors are the size of markets and the level of economic development of target countries. In practice, more detailed criteria for assessing the attractiveness of a country are applied and the number of these criteria is much broader. In order to guarantee **low costs, flexibility and simplicity** of the country pre-selection, most models focus on analyzing the macro factors of target countries. The next step is the selection of indicators for measuring selected criteria. These indicators should explain the specifics of the chosen criteria as much as possible and must be considered as **reliable**. This choice helps to avoid **subjectivism** in the process of evaluating markets. Another problem that arises during the process of choosing a foreign market is the issue of assigning weights to the criteria for assessment. There is no unanimity in assigning weights to criteria, reflecting the relative importance of each of them. Some approaches argue that all weights used for the selected criteria should be equal, while others argue inversely that some criteria are more important than others (Russow & Okoroafo, 1996).

In this paper, several criteria were selected based on the recommendations of well-known authors and on the basis of PESTEL and SWOT analyses. These criteria are the most appropriate in a given situation and can best explain the specificity of each country. The indicators assessing each of the selected criteria are selected for their **reliability and acceptability** by various global institutions. The method assigning different weights to each of the criteria has been used. This

results from the fact that this work is aimed at examining the attractiveness of countries by showing the different importance of selected assessment criteria to the investor. For example, the ability of the public to use foreign languages influences investment decisions of a foreign entity, but its validity is much smaller than the importance of economic growth or political stability in a given target country. This results from the fact that some of the criteria have a direct impact on the organization's success when other criteria are supportive. The assessment is to explain the sensibility of entering a specific domestic market for both direct and indirect investors (Investopedia, n.d.). If, in the case of direct investors, the situation in the target industry is very important, in the case of indirect investors, the general economic situation of a given country is more important, and the industry situation has a secondary role. Then, after presenting all the criteria for the assessment of foreign markets, the indicators serving this analysis and the weights that show the relative importance of each of these criteria to a foreign investor, the reasons for choosing each criterion, indicator and weight will be explained one after another.

The next stage of the analysis is the identification process. After explaining the attractiveness of the country, the investor should focus on specific industries of the country that interest him. During the identifying phase, the investor should evaluate the attractiveness of the target industry. You can construct a table similar to Table 1. In this new table, depending on the specificity of the industry, you can delete or add new assessment criteria and you have to assign a different weight to each criterion because each criterion, depending on the industry, will have different impact on the investor's success – sometimes larger, sometimes smaller.

If the investor positively assesses the attractiveness of the industry, then at the end he should focus on marketing and production tools that are worth applying in order to achieve the planned market position.

In this part, it is also worth paying attention to the fact that geographic proximity, cultural closeness and mental closeness play an important role for the investor (Karasiewicz & Lemanowicz, n.d.). These factors can significantly reduce the costs and barriers to entering a new market. As a result, the risk of failure will be much smaller than in the case of investing in a country with specific features which are unknown to the investor.

From the point of view of the country, improvement and reform of each of the criteria which were marked in Table 1 may increase the chances of obtaining additional funds from abroad. This action will probably increase the competitiveness of a given country and multiply attractiveness to investors. The policy of sustainable development of each of the assessment criteria will probably become the foundation for building a strong country that can become a powerful global force in the future. **That is why government representatives should carefully analyze these criteria and develop a strategic plan to improve the factors that negatively affect the attractiveness of the entire country.**

## 2. SELECTION OF CRITERIA, INDICATORS AND WEIGHTS TO ASSESS THE ATTRACTIVENESS OF FOREIGN MARKETS

The factors selected to assess the attractiveness of a country can be divided into 5 groups: political and legal, economic, socio-cultural, technological and environmental factors, and others. These are the most important areas of the enterprise macro environment. By examining these factors, a foreign investor will be able to assess all the opportunities or threats that may arise in his macro environment when entering a new geographic market. For each of these factors, several criteria have been selected that can describe their specificity to the maximum. The evaluation of individual criteria will be carried out with the help of reliable and universally accepted indicators which were formulated on the basis of statistical data analysis, reports from previous research and

studies carried out by various world institutions. All of these indicators are in open public access, so any entrepreneur can use them to conduct their own market research.

The following criteria describe political and legal factors: political stability, the level of corruption and business friendly regulations. Political stability in the target country is measured by using the index of political stability (The Global Economy, 2017), which assesses the effectiveness of governments, the level of violence and overall stability in the country. Corruption level is measured by the corruption perceptions index (Transparency International, 2017). This indicator shows the possibility of fair competition in the market. Business friendly regulations (The World Bank, *Ease of doing business index*, 2018) are described by the index of ease of establishing a business. This index describes the regulations for business and the level of protection of property rights.

Economic factors are illustrated with the help of five criteria: unemployment rate, economic growth, inflation level, the level of citizens' well-being, tax rate. These criteria can be easily presented using common economic indicators that give basic information about the economic situation in the analyzed country. These indicators are: the unemployment rate in a given country (percentage share of people who do not work in society) (Trading Economics, *Unemployment rate*, 2018), GDP growth (the rate of growth of the country's economy) (The World Bank, *GDP growth (annual %)*, 2018), inflation rate (change in the value of money over time) (Trading Economics, *Inflation rate*, 2018), GDP per capita (the level of the citizens' well-being) (The World Bank, *GDP per capita (current US\$)*, 2018) and income tax (CIT amount) (KPMG, 2018). Using the data obtained from these measures, one can easily describe the economic situation in the target country and assess the attractiveness of the economy of a given country.

Socio-cultural factors are also presented using five criteria and five indicators that describe these criteria. Social inequality in the target country is presented using the GINI index (The World Bank, *GINI index*, 2018). This ratio shows the differences in income of the citizens of the analyzed country. Demographic changes are shown using the percentage of population growth rate (The World Bank, *Population growth (annual %)*, 2018). Therefore, with the help of this data, one can easily say how much the country's population has changed in the analyzed period. The level of social development is described by Human Development Index (HDI) (United Nations Development Programme, 2018). The Human Development Index (HDI) was created by the United Nations as an indicator assessing the level of social and economic aspiration in various countries. This index makes it possible to follow changes in levels of development over time and compare development levels of different countries and nations. Masculinity/femininity is best described by the Gender Inequality Index (GII) (United Nations Development Programme, 2018), which shows the level of women's involvement in social, political and economic life. The level of religiosity of the country is shown by the indicator of the importance of religion (Gallup, 2009). This index tells us what percentage of a country's society treats religions as a very important part of their lives.

The following criteria for assessing the attractiveness of a country to foreign investors are presented for the technological and environmental factors: technologies, infrastructure, war/peace. Internet access is used to measure the level of technological advancement (Internet live stats, 2016). This indicator tells you which part of the country's population is connected to the global network. The infrastructure is explained using the Logistics Performance Index (LPI) (The World Bank, *Logistics performance index*, 2018). LPI shows the ease of transferring goods and services to the buyer. The war has a big impact on almost every aspect of the country's functioning. The war/peace criterion could really be placed under each of the five proposed factors, but it is considered as one of technological and environmental factors due to the fact that technological advancement is a decisive factor as regards armed conflicts and war has a huge impact on the natural environment of the country. Global Peace Indicator (GPI) shows the probability of war in almost every country in the world (Country Economy, 2018).

Other factors that may have an impact on the attractiveness of a foreign market include the following criteria: language barriers, size of the potential market, foreign direct investment. The English proficiency indicator can be used to assess language barriers (EF, 2018). The size of the potential market can be represented by the population of countries with which an entity operating in a given area can act without restrictions and barriers (Worldometers, 2018). The criterion of foreign direct investment may be assessed using the percentage share of FDI in the GDP of the target country (The Global Economy, 2017). This indicator contains information on the dependence of the state economy on foreign capital.

The next stage in the construction of the table assessing the country's attractiveness for foreign investment should be the introduction of a uniform scale for all criteria. This will facilitate the process of assessing and comparing countries. In this work, all indicators will be recalculated to a scale from 0 to 10. Considering that the indicators are presented in different units of measure, the process and techniques for converting them to a ten-point range will be shown during a practical comparative analysis of the two countries.

The last step in constructing the table is the process of using the scales for each of the criteria that will maximally explain their significance from the point of view of the foreign investor. Conditionally, these criteria for the assessment of foreign markets can be divided into two groups. The first group are the criteria that have great importance for the investor. Therefore, the lack of a satisfactory level of even one of these criteria may stop the entrepreneur from investing. That is why the weight of these indicators will be greater. But it is also worth noting that the weightings of the criteria of this first group are not very different. These weights were designed after analyzing various techniques that can be found in the literature on the subject (Birnlleitner, 2014). This group includes: business-friendly regulations, tax amount, economic growth, corruption level, infrastructure, political stability, potential market size, war/peace, technologies, inflation, level of social development, social inequality, citizens' well-being. The second group includes the criteria that obviously have an impact on the investment decisions of the economic entity, but their strength is lesser compared to the first group. A satisfactory level of these indicators can be an additional advantage for the investor. The second group includes the following criteria: unemployment rate, demographics, foreign direct investment, language barriers, religion, masculinity/femininity.

**Table 1**

A list of criteria, indicators and weights for assessing the attractiveness of foreign markets

Factors	№	Criteria	Indicators	Weight
Political and legal factors	1.1	Political stability	Index of political stability	0.059
	1.2	The level of corruption	Corruption perceptions index	0.06
	1.3	Business friendly regulations	Ease of doing business index	0.063
Economic factors	2.1	The level of unemployment	Unemployment rate	0.049
	2.2	Economic growth	GDP growth rate	0.061
	2.3	Inflation	Inflation rate	0.055
	2.4	The level of citizens' well-being	GDP per capita	0.052
	2.5	Tax rate	Corporate tax rate	0.062



Factors	№	Criteria	Indicators	Weight
Socio-cultural factors	3.1	Social inequality	GINI index	0.052
	3.2	Demographics	Population growth index	0.047
	3.3	The level of social development	Human Development Index (HDI)	0.052
	3.4	Masculinity/femininity	Gender Inequality Index (GII)	0.035
	3.5	Religion	Indicator of the importance of religion	0.039
Technological and environmental factors	4.1	Technologies	Internet access	0.055
	4.2	Infrastructure	Logistics Performance Indicator (LPI)	0.059
	4.3	War/peace	Global Peace Index (GPI)	0.055
Other factors	5.1	Language barriers	Knowledge of English language by country	0.044
	5.2	The size of the potential market	Population	0.056
	5.3	Foreign Direct Investment	Percentage of FDI in GDP	0.045

Source: own study.

Table No. 1 presents selected criteria that, after having been assessed by the investor, will make it possible for the investor to answer the question whether the analyzed country meets all his basic requirements and whether it is still attractive for him. In this subsection, the concept of assessing the attractiveness of foreign markets is proposed. In the following chapter, an example of two countries will be shown.

### 3. COMPARING THE ATTRACTIVENESS OF ARMENIA AND POLAND

At first glance, one can say that comparing Armenia with Poland will lead to unequivocal conclusions that Poland is more attractive to foreign investors in terms of almost all evaluation criteria. It may seem that it will be difficult to make any comparison of these two countries because they exist in different economic, geopolitical and social realities. But this work, by assessing the attractiveness of Armenia and Poland, aims to explain what factors are of key importance to the attractiveness of Poland and what reforms may be beneficial and useful for Armenia.

#### 3.1. Comparing the Geopolitical Situation of Armenia and Poland

Clearly, the geopolitical situation and the position of the state in the international arena have a direct impact on the attractiveness of the country to investors from different parts of the world. So, it is worth trying to look at the position of Armenia and Poland in international relations. You also need to compare which world centers of power have the greatest influence on these two countries.

Poland in the early nineties came out of Russia's interest zone because the USSR collapsed. The lack of Russian influence allowed the United States and the European Union to intensify contacts with Poland in various economic, social and political areas. This positively affected Poland due to the fact that the US and the EU invested in the country through various funds, grants and programs. These measures were intended to help the country rebuild the economy, normalize social life, and gradually increase the dependence of political decisions on the position of the US and the EU. This fact should not be treated as a negative or positive phenomenon. This is

a situation characteristic of every episode of human history – strong economic and social ties will lead to the strengthening of political relations. In the next stage, when Poland joined the European Union, these relations became even deeper. Poland has become one of the largest beneficiaries of EU funds, the abolition of customs barriers has allowed Polish entrepreneurs unlimited access to the EU market. As a result, Poland and the EU have unified approaches concerning most global problems. The accession of Poland to NATO is also very important because most of the members of this organization are in the EU, and the USA is the most powerful force of this treaty. In this way, Poles associate the defense issues of their country with the same countries with which they develop the economy together. This can be treated as a partial loss of sovereignty, but it is worth taking into account that the other EU and NATO countries have a similar situation and in fact Poland is gaining from this type of cooperation.

Common approaches of Poland and the above-mentioned countries to economic, social and defense policy issues are a strong impulse for investors from these countries saying that Poland has a similar vision of development to that of their countries. On the other hand, numerous international agreements will provide a similar level of security for the funds invested.

All this led to an increase in investments from both EU countries and some key NATO countries. The investment possibilities of these countries are enormous because the majority of them are developed countries. The decisions taken concerning the choice of strategic partners of Poland and the reforms and changes related to the requirements of these alliances have increased the country's attractiveness in the eyes of foreign investors and led to economic growth.

Armenia is heavily influenced by Russian politics. Russia has its strategic goals in this region, so letting go of Armenia from its sphere of influence can have tragic consequences for the Federation. And this is the most important reason why Russia is taking all steps to make Armenia participate in all integration processes with Russia. Armenia became a member of EAEU (Eurasian Economic Union) and CSTO (Collective Security Treaty Organization). It is very important that the EAEU and CSTO countries are developing countries. This means that the investment possibilities of entrepreneurs from these countries, funds allocated for the development of the member states of the union and the purchasing power of the societies of these countries are very limited. In addition, the common EAUG market is almost 2 times smaller than in the EU. At first sight, this choice of Armenians may not seem optimal. But such a decision resulted from a specific geographical and political situation in the region (tense relations with Turkey, the war with Azerbaijan, sanctions against Iran). Taking into account the aforementioned situation, economic difficulties, large expenditures on armaments and general tenseness in this region and in the Middle East, it can certainly be said that Armenia is currently in worse starting conditions than Poland in the nineties.

The most important problem of Armenia is how to make the most of the current geopolitical situation while remaining a member of the EAEU and CSTO. The example of Poland may be very interesting to draw good conclusions that may have a key role in the process of making Armenia more attractive to foreign investors. After comparing the attractiveness of Armenia and Poland, proposals will be presented, with Poland as the example, that can guarantee stable economic growth of the country.

### **3.2. Comparing the Attractiveness of Poland and Armenia**

In this sub-section, the values of previously selected indicators for each chosen country will be presented. Some of these indicators will have a negative impact and some will have a positive impact on the final assessment of the country's attractiveness. Then, these indicators will be converted to a range from one to ten in order to easily compare the two countries.

**Table 2**  
Indicators characterizing Armenia and Poland

Factors	№	Criteria	Indicators	Armenia	Poland	Weight
Political and legal factors	1.1	Political stability	Index of political stability	−0.6	<b>0.51</b>	0.059
	1.2	The level of corruption	Corruption perceptions index	35	<b>60</b>	0.06
	1.3	Business friendly regulations	Ease of doing business index	72.51	<b>77.3</b>	0.063
Economic factors	2.1	The level of unemployment	Unemployment rate	18%	<b>6.60%</b>	5%
	2.2	Economic growth	GDP growth rate	0.60%	<b>2.90%</b>	6.10%
	2.3	Inflation	Inflation rate	−1.30%	<b>0.90%</b>	5.50%
	2.4	The level of citizens' well-being	GDP per capita	3.92	<b>15.04</b>	0.052
	2.5	Tax rate	Corporate tax rate	19%	<b>20%</b>	6%
Socio-cultural factors	3.1	Social inequality	GINI index	32.5	<b>31.8</b>	0.052
	3.2	Demographics	Population growth index	<b>0.30%</b>	<b>−0.01%</b>	<b>4.70%</b>
	3.3	The level of social development	Human Development Index (HDI)	0.743	<b>0.855</b>	0.052
	3.4	Masculinity/femininity	Gender Inequality Index (GII)	0.293	<b>0.137</b>	0.035
	3.5	Religion	Indicator of the importance of religion	73%	<b>75%</b>	4%
Technological and environmental factors	4.1	Technologies	Internet access	49.90%	<b>72.40%</b>	5.50%
	4.2	Infrastructure	Logistics Performance Indicator (LPI)	2.21	<b>3.43</b>	0.059
	4.3	War/peace	Global Peace Index (GPI)	2.22	<b>1.676</b>	0.055
Other factors	5.1	Language barriers	Knowledge of English language by country	40%	<b>62%</b>	4%
	5.2	The size of the potential market	Population	262	<b>512</b>	0.056
	5.3	Foreign Direct Investment	Percentage of FDI in GDP	3.20%	<b>3.56%</b>	4.50%

Source: own study.

In terms of a ten-point system, the indicators which are presented in percentages will be divided by 10. The indicators which are measured in the range from 0 to 100 will also be divided by 10. Indicators that are measured in other ranges will be proportionally converted into a ten-point system; in the case of GDP per capita, the maximum value of 10 was allocated to the country with the highest GDP per capita (Luxembourg – USD 100,738) and the compared countries got points proportional to Luxembourg. In the case of potential market size, 10 points were given to a theoretical country that could have unlimited access to the entire population of the world. Negative indicators will appear when the indicator has a negative impact on the country's attractiveness.

**Table 3**  
Comparing Armenia with Poland

Indicators	Points		Weight	Points X Weight	
	Armenia	Poland		Armenia	Poland
Index of political stability	3.8	6.02	0.059	0.2242	0.35518
Corruption perceptions index	3.5	6	0.06	0.21	0.36
Ease of doing business index	7.251	7.73	0.063	0.456813	0.48699
Unemployment rate	-1.8	-0.66	0.049	-0.0882	-0.03234
GDP growth rate	0.06	0.29	0.061	0.00366	0.01769
Inflation rate	-0.19	-0.09	0.055	-0.01045	-0.00495
GDP per capita	0.39	1.49	0.052	0.02028	0.07748
Corporate tax rate	-1.9	-2	0.062	-0.1178	-0.124
GINI index	-3.25	-3.18	0.052	-0.169	-0.16536
Population growth index	0.03	-0.001	0.047	0.00141	-4.7E-05
Human Development Index (HDI)	7.43	8.55	0.052	0.38636	0.4446
Gender Inequality Index (GII)	-2.93	-1.37	0.035	-0.10255	-0.04795
Indicator of the importance of religion	7.3	7.5	0.039	0.2847	0.2925
Internet access	4.99	7.24	0.055	0.27445	0.3982
Logistics Performance Indicator (LPI)	4.42	6.86	0.059	0.26078	0.40474
Global Peace Index (GPI)	-5.55	-4.19	0.055	-0.30525	-0.23045
Knowledge of English language by country	4	6.2	0.044	0.176	0.2728
Population	0.345	0.674	0.056	0.01932	0.037744
Percentage of FDI in GDP	0.32	0.356	0.045	0.0144	0.01602
SUM				1.54	2.56

Source: own study.

Table No 3 presents the sum of all indicators taking into account the weight of each criterion. The final rating of Armenia equals 1.54 points multiplied by weight and Poland's stands at 2.56. Consequently, if countries are assessed with the above-mentioned criteria, Poland is more attractive to foreign investors than Armenia. So, if an investor has to choose where his investments are more likely to succeed, in Armenia or Poland, he has to choose Poland without hesitation. As already emphasized, this conclusion was obvious because Poland can be included among developed countries and Armenia is a developing country. But this work aims not only to compare these two countries but also, taking into account the geopolitical, cultural and national specificity of each of these countries, to show what actions may allow Armenia to achieve similar success to Poland.

#### 4. POSSIBILITIES TO APPLY POLISH EXPERIENCE IN ARMENIA

Poland's accession to the European Union had not only economic but also political reasons. The EU countries wanted to have access to Poland's strengths such as cheap and qualified workforce, natural resources, a large internal market, good strategic geographical location and enormous economic potential. From the point of view of Poland, by adopting the decision to

join the EU, the country tried to use the opportunities that could arise, use its unique strengths to achieve a competitive advantage, reduce the negative impact of threats and mitigate its weaknesses. Summing up, it is a mutually beneficial decision for both EU countries and Poland. The difference between Armenia and Poland is the choice of strategic partners and the use of their investment potential. The economic union to which Armenia belongs is now definitely weaker and poorer than the EU, but as already underlined, accession to EAUG resulted from a specific regional situation. This, of course, partially limits the country's development opportunities, but Armenia can succeed if it makes the right decisions and pursue diversified policy.

But Poland can be a good example for Armenia because the country is open and ready for dialogue not only with EU countries but also, for example, with the US, which is not a member of this Union but wants to have maximum and unlimited access to this huge market. The proof of this is that in 2016 the largest direct foreign investor in Poland was the United States (EY, 2017). Poland is also developing good mutually beneficial relations with China. This is evidenced by the trade turnover between the two countries. China is currently Poland's second largest trading partner after Germany (Central Statistical Office (Poland), 2017). This shows that, despite belonging to a specific economic union, the country continues to develop relations with other centers of power in the world. So, the most important task of the Armenian government should be to increase the country's attractiveness to investors outside the Eurasian Economic Union. This will help to make investments necessary for the economic development of the country, which investors from the EAEU countries are unable to offer due to economic problems and sanctions. The most difficult question appears: how can this be done?

For Armenia, political and legal factors – political stability and the level of corruption – will be relatively easy to improve. One of the basic reasons for Poland's success and attractiveness to foreign investors is the rapid stabilization of the political situation in the country and the overcoming of corruption immediately after the collapse of the communist system. This is evidenced by the fact that already in 1998 Poland was in quite high positions in two rankings (The Global Economy, 2017; Transparency International, 2017). Therefore, Armenia should solve these problems as quickly as possible. This can be accomplished by, for example, **curbing crime and legitimizing the state, improving the quality of public services, guaranteeing equal legal treatment for all, better protection of human rights, preventing the irremovability of ruling elites and fighting monopolies**. In terms of the index of ease of doing business, both countries have quite good positions, but of course they should systematically examine this area and, if necessary, apply necessary solutions.

The theory of the Phillips curve (McConnell, Brue, & Flynn, 2011) states that along with economic growth, inflation is growing, which in turn should lead to an increase in the number of jobs and a reduction in unemployment. It follows that the economic factors presented in Table 3 (unemployment rate, economic growth, inflation, the level of citizens' well-being) are directly related to each other. The example of Poland shows that since the beginning of decommunization, the country's GDP has grown (Trading Economics, 2018) and the unemployment rate in the country was not high (Central Statistical Office (Poland), 2017), but at the same time inflation in Poland was low, in particular in 1998–2017 (Inflation.eu, 2018). The Balcerowicz Plan (Czarny, 2005), subsequent economic decisions and finally the entry to the European Union had a clear impact on the direction and pace of growth of the country's economy. Economic growth, low unemployment and inflation in Poland have key importance for investors and that is why the country is becoming more and more attractive to them. On the other hand, Poland has tried to maximize the strengths of its economy (**skills of local employees, the potential for productivity growth and low employment costs**) and develop certain sectors of its own economy (**production, finance and business services, transport and communication**). That is why these sectors are still attractive to foreign investments. Currently, taking into account the above-mentioned strong

sides of the state, the vast majority of foreign entities enter these three sectors because they are sure that this will provide them with profits not only in the short term but also in the long term.

Armenia should strive to record rapid economic growth as soon as possible. This will lead to a reduction in unemployment, which is currently a very serious problem for the country. But at the same time, the country needs to control the level of inflation. Growing consumer spending, investment levels, government spending and exports will lead to an increase in total demand and GDP of the country. In this case, there is the problem of inflation increase, so the Armenian government also has to try to increase the total supply to limit the price growth. The total supply may increase, for example, due to the development of new technologies, introduction of new management techniques, improvement of workers' skills and qualifications, more flexible job opportunities, public sector investment – for example by improving infrastructure, increasing education spending, etc. With an appropriate fiscal and monetary policy, Armenia will be able to compete for foreign investors' money with the leaders of this market. Of course, not all solutions used in Poland to develop the economy will be useful for Armenia because countries exist in different realities, but the example of Poland shows that a smart macro- and microeconomic policy is directly related to the process of making the country more attractive to foreign investors. But unambiguously Armenia, like Poland once, should clearly inform the world about its strengths and then show those industries where these strengths can be as useful as possible.

The level of taxes in two countries is not very different. The taxation method, government subsidies for priority sectors, tax incentives for some entities and industries and the amount of taxes play a very important role in the process of country selection by foreign investors. The government tax and subsidy strategy may have both a positive and a negative impact on attractiveness. So, the country should constantly monitor the expectations of investors who may be interested in the country in the future and, on the basis of these data, develop a taxation strategy that takes into account the expectations of these investors. In this case, the chances are higher that, thanks to such incentives, the investor will be convinced and eventually enter the market. In Poland, even at the level of regions, incentives for investors are available, such as the exemption from CIT in so-called Special Economic Zones (SEZ), government subsidies (support from the national budget), cash subsidies or loans from EU funds, etc (Moore Stephens Europe, 2017). These and other tax incentives applied by Poland should be analyzed by Armenia and adapted to the realities of the Armenian economy.

In the case of socio-cultural factors, the indicators which describe social inequality, the level of social development and gender inequality may also be improved in the short term. The GINI index in both countries is not high. This means that there is an equal distribution of income in society in both Armenia and Poland. According to the Human Development Index (HDI), the level of socio-economic development of Armenia is lower than that of Poland. HDI is a summary measure of progress in three basic dimensions of human development – long and healthy life, access to knowledge and standards of living. In the years 1990–2015, the value of HDI in Poland increased from 0.712 to 0.855, by 20.1%. In the years 1990–2015, the average life expectancy in Poland increased by 6.7 years, the average number of years of education increased by 2.2 years, and the expected years of education increased by 4.1 years. The Polish GNI per capita increased by approximately 150.9% (United Nations Development Program, 2016). It follows that state investments in the sphere of education, positive health reforms and solutions to problems that concern a greater part of society will lead to a greater level of satisfaction of the citizens of Armenia. So, Armenia should take all actions to increase this index because a well-educated, happy and healthy society is better focused on work and has fewer troubles characteristic of poor people. On the other hand, there appears the opportunity to introduce the concept of common good of the nation and the country can increase its chances of building a strong economy and attract more foreign investment.

The involvement of women in Armenia's economic life is also at a lower level than in Poland. A good proof of the fact that Poland is in the forefront of the world is that 40% of managerial positions in Poland are occupied by women (Grant Thornton, 2017). If Armenia carries out appropriate actions to increase the level of education, skills and involvement of women in the economy, the number of qualified workers can significantly increase. An increase in the number of trained specialists will be unequivocally noticed by foreign investors. This will be an additional advantage of Armenia as a prospective target country for investors. On the other hand, the feminist trend shows that similar actions can have a positive impact on the image of the country.

Currently, both Armenia and Poland have a problem related to demographics. An aging population can lead to the redistribution of income. Demographic problems can change the structure of consumption and pension systems (Rączaszek, 2012). And this in turn may have an impact on the decisions of foreign investors. So, both countries face the need to find good solutions. Since 2016, the 500+ (Government of Poland, n.d.) program has been implemented in Poland, but it is still difficult to assess the results. In Armenia, similar programs also exist, but they are not very successful.

In both analyzed countries, religion has a very important role. Christianity is very deeply rooted in both Armenia and Poland. Religion can play an important role in the development and maintenance of a fair economy because a healthy economy requires that people look at others with esteem and do not treat them as objects of exploitation. Religion calls on people to respect everyone, regardless of their class and cultural background. This in turn means respect for work and property. Competition ensures that wages and prices reflect the fair representation of the work contained in the product (Davies, 2004). At the same time, a large percentage of those who claim that religion has a huge role in their lives testify to a common system of values and similar worldviews. These views may be shared by other nations that have the same faith. For foreign investors, religiosity of the country testifies to the possibility of fair competition and clear rules of communication with the target group (what is allowed and what is not allowed in this country).

The country's economic growth has a significant impact on these socio-economic indicators. On the other hand, improving these indicators may have a positive impact on the economy and on the process of making the country more attractive to foreign investors.

Technology has a profound impact on the global economy. This led to the transformation of the market, improvement of living standards and facilitation of international trade processes. Technological progress significantly improved the business process and lowered its costs. Advances in the computer industry, along with advances in telecommunications, increased employment opportunities and strengthened economic growth. All physical barriers to distance communication have been effectively minimized with the help of the Internet. It is worth noting that technological development also positively influences the innovation of countries and entities operating in them. Therefore, the level of technology development in the target country is of key importance to investors. In Poland, the IT industry is one of the most important sectors of the national economy, with huge prospects for future development. Some aspects, such as state budget compensation, available qualified specialists or rapid market development, affect the industry. On the other hand, the presence of international giants on the Polish market is also beneficial for the state. Generally, in developed countries such as Poland, technological advancement is at a higher level than in developing countries (ITSG Global, 2017). Given the high importance of technological progress for the economy and social life of countries, Armenia should try to further develop technology in order to make its market more attractive to investors from around the world.

Infrastructure is a basic condition for economic development. It does not directly produce goods and services but facilitates delivery to the buyer. The level of economic development in each country depends on the development of infrastructure. Infrastructure can be defined as those basic devices and services that facilitate various types of economic activity and thus can help the

economic development of the country. Education, health, transport and communication, banking and insurance, energy, science and technology, etc., are examples of infrastructure. EU funds, government investments and a favorable geographical location of Poland allowed Poland to develop the infrastructure in the country, which led to economic growth. The EU membership has increased the importance of infrastructure because after the production of goods and services it is necessary to deliver them safely and quickly to the buyer. In Armenia, the infrastructure problem is very serious. Due to the closed borders with Azerbaijan and Turkey, the mountainous landscape of the country makes it difficult to physically transport products from the country. Of course, activities are carried out to maximize the use of all existing opportunities and attempts have been made to focus on a more technologically advanced infrastructural solution. Due to the complicated geopolitical situation of this region, Armenia's importance as a transit country is growing, so the rapid development of the country's infrastructure is important not only for Armenia but also for Iran and Russia, for example. As in the case of Poland, Armenia may also take advantage of its geographical location to engage Russian and Iranian investors in infrastructure projects or to require money from the EAEU common budget for these purposes.

The war has a negative impact on the economies of countries and their attractiveness to foreign investors because it becomes difficult to guarantee security or return on the funds invested. On the other hand, war is an additional cost for the state budget and results in the loss of qualified employees. Under this criterion, it is difficult to compare Armenia with Poland because one of these countries is even now at war, which is in a cold phase but can start with a new force at any moment. What may be beneficial for Armenia is the analysis of Polish-German relations. Germany's involvement in the Polish economy, building new jobs for Poles and investments in various programs have reduced the negative attitude of Poles to Germany, which was present after the Second World War. But such a solution is very unlikely at the present moment because there are no real contacts between businessmen from Armenia and Azerbaijan. Currently, the Armenian government is conducting all necessary activities that can show foreign investors that this war does not affect the business environment, the government controls the situation and there are no threats to their capital.

Knowledge of foreign languages and the ability to communicate is very important for investors. Foreign investors should be able to build their business without encountering language barriers. This problem can be solved with the help of educational or training programs. Both in Armenia and in Poland, the youth are able to speak at least two languages. Problems arise with older generations. In terms of knowledge of English, which is now widely used for business, a larger percentage of Poles are able to communicate with investors. In Armenia, this percentage is smaller, but this situation is changing, thanks to reforms in the sphere of education. This is an important phenomenon that may persuade investors from all over the world to enter the Armenian market.

The size of the potential market is crucial for foreign investors when making decisions on entering a new country. Therefore, the investor should offer his products and services in a way that satisfies not only the internal needs of the target country but also the entire potential market. The whole market of the European Union is a potential market for Poland because a product or service created in Poland can be sent to the countries of this union without encountering trade barriers. The EU market not only is large in terms of population but also has huge purchasing possibilities, which is very good information for entities planning to start operations in Poland. The potential market of Armenia includes the market of the Eurasian Economic Union. This market is more than 2 times smaller than the EU market and the purchasing power of society is significantly reduced. In any case, Armenia's unrestricted access to the EAEU market in combination with the strengths of the country may be attractive to foreign investors, in particular those who, due to sanctions, cannot trade with Russia directly. So, the development of this union and the harmonization of existing regulations will positively affect the attractiveness of Armenia.



Foreign direct investment is one of the forms of entry into foreign markets. Poland's membership of the EU had a positive impact on the inflow of foreign investment. Enterprises from around the world, in particular from EU countries, started to invest in Poland. New jobs, know-how and greater experience of employees are only a small part of the profits made by Poland. At present, Armenia is in the situation in which Poland was in 2004 after accession to the EU. Armenia should show, both to entities from EAUG countries and the rest of the world, that all the country's strengths and opportunities that may arise will have a positive impact on the investor, and the weaknesses and threats are controlled as much as possible. In this case, the attractiveness of the country and the inflow of investments will increase.

## CONCLUSION

On the basis of the previous comparative analysis of Armenia and Poland, taking into account the reasons for rapid economic development of Poland, several conclusions can be drawn that will have strategic importance for the intensification of Armenia's development, which will lead to increased interest of foreign investors in this country. So, Armenia should remain a member of the EAEU and CSTO to **gain the maximum from the opportunities that appear on the international scene**. In this way, the country will be able to diversify its partners and reduce its economic and political dependence on one country or organization. For this purpose, Armenia may try, for example, to maximize duty-free access to the CIS and Georgia, by benefitting from zero or reduced tariffs for 3,500 products under the GSP agreement with the US (KPMG in Armenia, 2016), from a similar GSP agreement with Canada, Switzerland, Norway and Japan, and from GSP + contract with EU, which means zero or reduced import tariffs for 6400 products. On the other hand, both foreign investors and Armenia can benefit from the Free Economic Zone in Armenia, where there is no income tax, VAT tax, property tax or customs duties for companies operating in this area. The economic constraints and sanctions imposed on Russia and Iran by the US, the EU and several other countries have reduced the opportunities for cooperation between entities from these countries. Armenia is one of the EAEU member countries and has very good relations with Iran and can offer foreign entities access to these markets. So, those who plan to invest in Armenia have a chance to supply products or services to various parts of the world almost without restrictions. The government should inform foreign investors about all privileges in Armenia through all possible communication channels.

Then, it is necessary to **stabilize the political and legal environment** in Armenia. As exemplified by Poland, possible ways to improve the situation have already been shown. Political stability and the rule of law in Armenia will be a positive impulse not only for foreign entities but also for the Armenian diaspora, which has enormous financial possibilities. These funds have not been invested in Armenia so far due to a lack of confidence in the country's ability to guarantee the security of these funds.

In order to guarantee economic development, the Armenian government **should constantly examine and control basic economic indicators** such as inflation, unemployment, GDP growth, etc. Introduction of clever macro- and microeconomic policies will also be beneficial for the country. In order to make it attractive to foreign investors, Armenia needs to **gain profits from its strengths** (access to a huge international market, investment incentives and tax incentives for foreign entities, free economic zone, presence of international institutions and organizations, qualified, creative and well-educated employees, cheap workforce, considerable research and development opportunities in the fields of engineering, computer science, physics and mathematics, well-educated and talented workforce with technical skills and fluency in English, government support for strategic sectors, growing financial system) and **develop the sectors of the economy that have the greatest potential** for achieving success and attracting new

investments (IT, agriculture, tourism, energy sector, mining and minerals, food industry, etc.). Tax policy for these sectors, which may have a strategic importance for the further development of the state, should also be reformed. All this will have a positive impact on the attractiveness of the country to foreign entities.

State investments in the health sphere, raising the level of education, solving demographic problems, increasing the expected length and quality of citizens' life as well as solving social problems will allow Armenia to build a **satisfied, healthy and educated society**. As a result, the inhabitants of this country will work better, and the quality of their work will be much higher. This will stop migration of qualified labor force, which will lead to economic growth, and investors from different parts of the world will be more interested in entering the Armenian market.

Armenia should continue to develop the new technologies sector. At present, the country offers various types of incentives for foreign IT companies (KPMG in Armenia, 2016). Armenia is a poor country in terms of natural resources, but it is not necessary to have this kind of resources to develop this sector. In the IT sector, the skills of employees and their education are the most important. Huge research and development opportunities in the fields of engineering, computer science, physics and mathematics, educated and talented workforce with technical skills, good university programs with specializations in computer science and related sciences, competitive labor costs and low operating costs, government support for the sector, sustainable and the continuous development of the IT sector and the presence of large global companies may attract foreign investors and persuade them to start operations in Armenia. The country's most important goal in this sector should be constantly **improving** the IT services provided and **informing** all interested foreign entities about the above-mentioned strengths.

Armenia's biggest weaknesses include the infrastructure problem. This is related to closed borders with Azerbaijan and Turkey. The **development of infrastructure** has key importance for the country, so now Armenia should use all possibilities to expand all possible ways of communication with the world. This will definitely cost a lot, but it is necessary for building a strong country.

The continuing war with Azerbaijan, historical problems with Turkey and general instability in the region have a negative impact on the attractiveness of Armenia. It seems that these problems cannot be resolved in the short term due to complicated relations between the countries but finding a mutually beneficial solution will have a positive impact not only on the attractiveness of Armenia but also on other countries of the region.

The educational reform, which has already been discussed, not only will increase the level of specialists but also make the majority of the population learn foreign languages. This will facilitate the communication process with potential foreign investors and improve cooperation with these entities.

Armenia, by carrying out various reforms and changes, should persuade foreign investors that, by investing in Armenia, they will have unlimited access to a very large market. If you consider the EAEU market, Georgia, Iran, USA, the EU and several other countries with no or reduced trade barriers, you can assess the potential market of Armenia as very large. All reforms are aimed at destroying all barriers and obstacles that may arise when a foreign investor wants to satisfy the needs of third-country markets by offering products and services produced in Armenia.

Summing up, the above-mentioned conclusions can be very beneficial for Armenia and its government because all the most important activities that can increase the country's attractiveness to foreign investors and lead to economic development are shown.

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# Gender as a Factor in the Physician and Patient Interaction: From the Service Quality Perspective

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## ABSTRACT

Research has not yet adequately explored the potential interplay between the physician's gender and the patient's perception of the service quality. Although various studies have covered the measurement of service quality in the hospital industry, the gender perspective has not been touched on significantly. This study is a review article that aims to explore how gender matters to the physician-patient interaction in the service setting. It discusses the patient's responses to physicians of different genders and the behavior of physicians of different genders. Consequently, it was found that gender is one of the factors that influence the physician-patient interaction and patients' perception of the doctor's competence. The gender of the physician as well as the patient could influence the communication level in medical encounters. Gender-based stereotypes in the service encounter could also affect the patient-physician interaction and the evaluations that patients give to physicians. Moreover, it was discussed that traditions, religion, culture, stereotypes and past experience serve as a foundation for customers to form a preference for the physician's sex. The relationship between the physician and the patient is shaped by many factors lying on both the patient's and the doctor's side. These factors include the difference in communication style between males and females, the patient-physician gender dyad, the difference in personality traits between males and females. All these factors fall under the service dimension that is essential in measuring the quality of service.

**JEL classification:** M30, M31, I11

**Keywords:** gender, physician, patient, interaction, service quality, gender stereotype, communication.

## INTRODUCTION

With a glimpse of thought, one might think that either masculine or feminine is the character that could best describe a physician. Which gender pops up in your mind first when you think of a doctor? This kind of question has been asked in the research to test how people instantly associate gender with the profession, which is commonly understood as “unconscious stereotypes” or “implicit bias”. For example, Cao and Banaji (2016) revealed that the image of a female

as a doctor was consciously fitted in the minds of people but unconsciously people still held a stereotype that associated a male with being a doctor and a female with being a nurse. When people are given male and female names and asked which one is a doctor and which one is a nurse, their conscious brain answers that both genders can be equally either a doctor or a nurse, but unconsciously they run a stereotype linking the male name with doctors and the female name with nurses. The authors gave another example of implicit biases by linking the scenario to the old riddle about a father and a son who are in a terrible car accident. The father dies, and the son is rushed to the hospital, where the surgeon takes one look and says, “I can’t operate on this patient! He’s my son”. People answered to this statement saying that the surgeon could be the biological father of the boy and the father who died in the accident could be the foster dad who adopted the boy. However, the correct answer is that the surgeon is the mother of the boy. The big question is why people are conditioned into thinking that surgeons are men but not women.

Female physicians have been underestimated in their skills and are seen as less qualified in the profession when compared to male physicians. Different explanations could be given why this thought has been evolving over centuries. First, it could be because of the occupational segregation. Some professions are dominated by either males or females. For example, globally, nurses are dominantly women and doctors are dominantly men (WHO, 2006). Between 2001 and 2004, women represented 32% of the physicians worldwide (WHO, 2013). A study in the USA showed that, although the number of women entering medical schools had increased over time, women physicians were less likely than men physicians to hold a leading position (Catalyst Research, 2013). It is a glaring fact that worldwide high-status jobs, in general, are dominated by males. As in other jobs, female physicians are faced with similar challenges in the medical field. Globally, nurses are dominantly women and senior positions like doctors are mainly dominated by men (WHO, 2006). For centuries in the medical discipline, doctors were perceived to be males but not females. “Masculinity” persisted as a brand for the medical profession until recently (Couch & Sigler, 2001). Females in a male-dominated job may face stereotypes and their competence may be questioned. Likewise, males in a female-dominated job may feel intimidated and be prejudiced. Second, stereotypes could also stem from the distribution of male and female social roles. In societies marked by deep gender inequalities, women hold a lower position and are regarded as subordinates. Thus, women physicians in such societies experience stereotypes within the workplace and the society at large.

The quality of health services may have different dimensions such as geographic distribution of health facilities, accessibility, affordability, acceptability (Hausmann et al., 2003), tangibility, assurance, reliability, responsiveness, and empathy. However, the focus of this article is the communication part of the physician-patient interaction. Even with all the dimensions being met, communication could be a barrier in the physician-patient interaction, which would in turn affect the quality of service. The aim of this study is to indicate the impact of gender on the patient-physician interaction and consequently on the perception of service quality. In this paper, the research questions “How does gender affect the interaction between the physician and the patient?” and “Does the gender of the physician and patient matter to service quality?” will be addressed in two parts. In the first part, I will map the context of gender in the interaction between the physician and the patient (communication). In the second part, I will discuss how communication/interaction behavior differs between the genders for both patients and physicians, the gender dyad and satisfaction, gender stereotypes and lastly the patient’s preference for the physician’s gender. This paper is a review of literature focused on empirical studies conducted in the fields of general practice and internal medicine. It provides an exhaustive summary of existing evidence relevant to the research questions. Google Scholar, ResearchGate and Science Direct were mainly used to fetch articles. Key words like physician-patient interaction, gender stereotype, communication and service quality were used to narrow down the search. The titles and abstracts used in this review were checked against pre-determined criteria for eligibility and

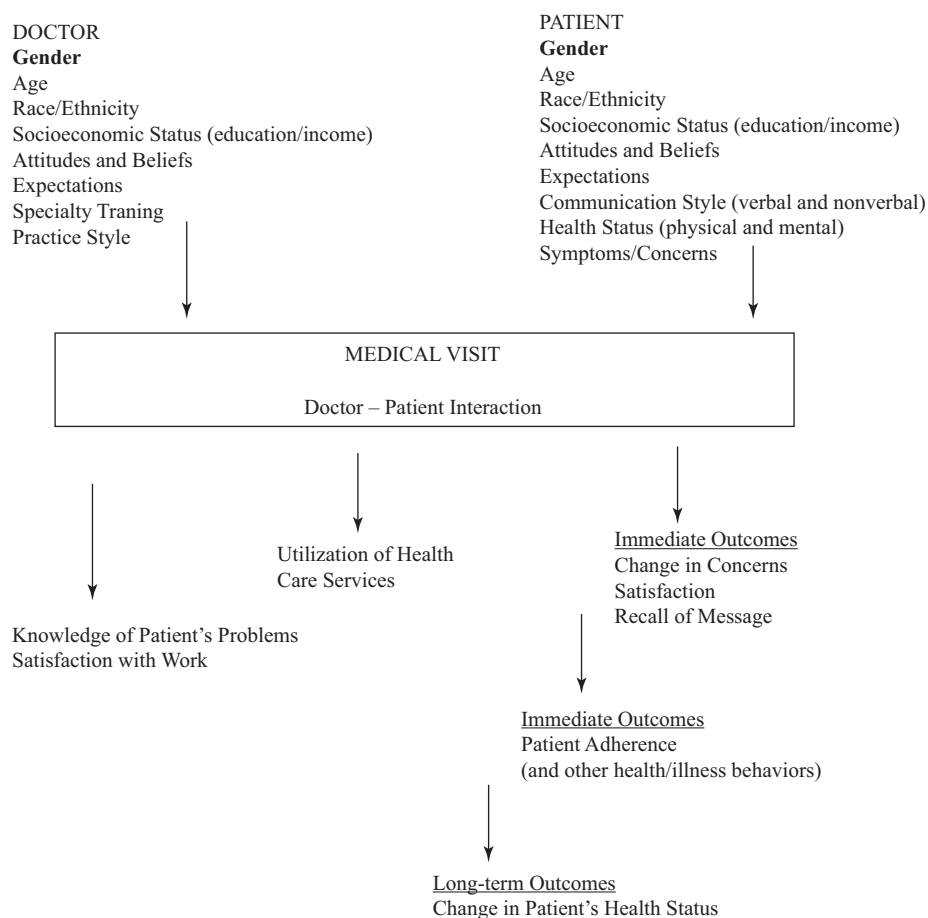
relevance to form an inclusion set that relates back to the research problem. Different medicine and psychology journals and databases were covered such as PubMed and PsycInfo. The articles reviewed are studies of the period 1974–2015.

## THEORETICAL BACKGROUND

### Doctor-Patient Interaction

The medical service outcome is at the best level when medical examination is accompanied by focused interpersonal relations such as showing more support and responding to the emotions of patients. When patients learn that their pain and feeling are being shared by the physician as a partner, they become more relieved and put trust in the physician. A good rapport can help bring about the desired and speedy recovery of a particular patient. The relationship between the doctor and the patient plays a significant role in healthcare delivery. As depicted in Figure 1, a medical visit has a major role in the process of care and has several inputs and outcomes. Both the physician and the patient bring in their own communication styles, attitudes, beliefs, expectations, and sociodemographic characteristics to the medical service encounter. The outcomes of a medical consultation include: utilization of healthcare resources, professional satisfaction, the physician's knowledge of the patient's problems and the patient's immediate (change in concern, satisfaction with the visit, and recall of information given), intermediate (adherence to recommendations), and long-term (change in health status) outcomes (Roter et al., 2009).

**Figure 1.**  
Doctor–patient interaction inputs and outcomes



Source: (Roter et al., 2009) <https://doi.org/10.1016/j.pec.2009.07.022>

### 1.1. Patient's Attitudes Towards the Physician's Sex

Gender is one of the factors that influence the patient's perception of a doctor's competence. Couch and Sigler (2001) investigated how patients categorize specialties based on gender of the physician. In their study, respondents were given three categories: feminine, masculine and neutral. They were told to classify a list of medical specialties under each category. Based on the result, respondents were likely to perceive that occupations such as cardiologist, orthodontist, and surgeons were "masculine". Nurses and psychologists were perceived as "feminine" whereas dermatologists and psychiatrist were perceived as "neutral" specialties. Biased perceptions of medical professions such as classifying physicians based on their gender rather than their competence and associating gender with the specialties are the stereotypes mostly seen in the medical field. In the history of the medical profession, women have been regarded as less competent and less experienced than their male counterparts all because of the stereotypes that people hold towards women. For example, the studies of Decker (1986) and Engleman (1974) showed how female physicians were questioned for their skills and competence. Albrecht et al. (1977) also claimed that patients believed that males were better suited to be doctors than females. This belief was reflected by both adults and children. 5 to 10 years old children rated a female doctor as being less competent than a male doctor (Cann & Garnett, 1984). Recent studies show that this biased perception and stereotypes have somehow diminished over time but have not totally vanished. For example, while male physicians are perceived to be more competent than female doctors, female physicians are rated with greater empathy and care for patients (Nicolai & Demmel, 2007; Smith & Dundes, 2007).

## 2. DISCUSSION

### 2.1. Communication in the Medical Service Encounter

Communication is one of the service quality dimensions on which customers base their evaluation and measurement. This dimension is very important to establish a good relationship with customers, impacting the overall service outcome in a positive way. Especially in the hospital industry, a good patient-physician relationship is one of the qualities used to measure the service quality. Patients expect their physician to initiate communication, build a relationship with them and maintain it in a comfortable and professional way. Everything being said, the gender of the physician could influence the communication level in medical encounters. I believe that gender is significantly related to communication and gender-based stereotypes in the service encounter could affect the patient-physician communication.

For example, first, basing on the physician's gender and the associated stereotype, patients may generate assumptions about the qualification and competence of the physician prior to the service encounter. It is common in public health centers that patients do not know the gender of the doctor until the first service experience. If the patient was expecting the doctor to be a man with the belief that man is the most competent for the service, the patient may be disappointed if the doctor happens to be a woman. The same applies to a patient who was expecting a woman physician and ends up with a man physician. Such incongruence may result in the discomfort of the patient in communicating with the physician. Patients may also show less attention to the comments and advice of the physician if they hold a stereotype that the doctor is incapable. Second, the gender of the physician affects the interaction in such a way that for treatments which need some sort of open discussion between partners and where patients need to expose their body including their private part, it is highly unlikely that patients prefer to visit the opposite-sex physician. For instance, women patients would like their gynecologist to be a woman. If the



doctor is male, the patient may be uncomfortable in discussing with the doctor. This could limit communication between the partners, which results in dissatisfaction of the patient.

## 2.2. The Difference in Behavior Between Male and Female Physicians

Since physician-patient communication can have a significant effect on the outcomes (e.g. satisfaction and health improvement) (Stewart, 1995), it is worth studying the possibility that the physician's gender may influence communication in the medical encounter. Male and female physicians show a considerable difference in behavior. Although the quality of medical information provided is similar between the two genders, a difference exists in how physicians interact with their patients. The difference is believed to be due to the behavioral practice of males and females. For example, female physicians show interest in socializing and building a relationship with their patients during consultations. They are more likely to share emotions and information, involve patients in a discussion, encourage them to express themselves, talk more, engage in participatory decision-making, building a partnership with patients (Roter et al., 2001), ask closed questions, show warmer behavior, display positive nonverbal communication, for example, nodding, smiling and a friendly tone of voice (Roter et. al., 2002), and they interrupt patients less than male physicians do (Rhoades, 2001). While male physicians are goal-oriented and tend to spend more time on discussing medical treatment issues as pros and cons of the treatment (Bertakis et al., 2003; Nicolai & Demmel, 2007), studies of Franks and Bertakis (2003) and Roter and Hall (2004) indicated that women doctors spend much more time with their patients and communicate better than male doctors who seem to focus only on information concerning the illness and symptoms of patients.

Concerning the mechanics of physicians in diagnosing the patient, studies have shown that more of the preventive screening is done by female physicians than male physicians (Henderson & Weisman, 2001; Rondeau et al., 2006). Women doctors are more likely to spend time on counseling patients. It has been reported that male physicians put more emphasis on biomedical aspects of illness and referrals for cardiac catheterization procedures than female physicians (Rathore et al., 2001). In sum, women physician exhibit patient-centered behavior that is more caring and sharing as they are in social relations or non-clinical populations (Roter & Hall, 2004; Roter et al., 2002).

## 2.3. Patient-Physician Gender Dyad in a Medical Encounter

Gender has an influence on both ends of the physician and the patient. Physician-patient communication can also be associated with the patient's gender. Male and female patients exhibit different behavior during a medical examination. For instance, a female patient tends to interact more actively, ask more questions, express emotions freely, engage in partnership easily, show more interest. Male patients, on the other hand, feel reserved, less engage in discussion and talk more about facts only (Hall & Roter, 1995; Stewart, 1983) Another interesting finding explains that male patients have shorter and less participatory visits when examined by a male doctor. Female patients showed a relatively longer visit when accommodated by female doctors (Kaplan, 1995). While consulting, physicians tend to display more emotional and egalitarian behaviors towards female patients than toward male patients. Moreover, physicians also show more dominant behaviors toward female patients than toward male patients (Hall & Roter, 1995, 1998; Rhoades et al., 2001).

Because of the patient-centered communication shown by women physicians, patients consulted by a women physician have a closer relationship, show a more positive interaction such that they agree more, talk more, give more psychological information and medical information

than when consulting a man physician. They also show positive nonverbal communication such as smiling and gazing. When compared to a male physician, patients of female physicians act in a dominant way, feel more empowered, interrupt conversations and ask more questions. All in all, women physicians' patients are more likely to be participative than male physicians' patients (Dindia & Allen, 1992; Hall & Roter, 1998).

**Female physician-female patient dyad:** As patients' behavior differs by sex, so does their satisfaction level with the sex of the physician. Female patients were more satisfied with a female physician than a male physician (Derose et al., 2001) and expressed more willingness to visit female physicians than male physicians (Shah & Ogden, 2006). The dyad is characterized by longer consultation hours (Franks & Bertakis, 2003), more intensive psychological discussions, eye contact (Van den Brink, 2002), equal amount of speaking time of the physician and the patient (Hall et al., 1994), more patient-centeredness (Law & Britten, 1995), and more coordination of behaviors between the parties (Koss & Rosenthal, 1997).

Women patients tend to perceive female physicians' behavior toward patients as having both technical and interpersonal qualities while male physicians were perceived by patients as either low on both dimensions or as only instrumental (Shapiro et al., 1983).

**Female physician-male patient dyad:** The interaction between a female physician and a male patient is characterized by uneasiness felt by both partners, higher incongruence and discordant behaviors. This can be explained by the stereotype associated with sex and position. A woman physician in a higher position and a male patient in a subordinate position challenge the sex-based stereotype (Carrard & Mast, 2015).

**Male physician-male patient dyad:** This dyad is characterized by the shortest visit time, the willingness to openly disclose symptoms to a physician, power differences between the two parties where the male physician shows high verbal dominance over the male patient (Carrard & Mast, 2015; Roter & Hall, 1991), the shortest visit time and the highest level of the physician's verbal dominance.

**Male physician-female patient dyad:** This dyad accommodates the least amount of the physician's patient-centeredness (Law & Britten, 1995).

#### 2.4. Patient-Physician Relationship and Satisfaction

Since medical services are characterized by a high level of uncertainty and risk, patients assess the service quality on the basis of therapeutic value and doctor-patient relationship rather than professional knowledge (Berry & Bendapudi, 2007). A well-constructed patient-physician relationship helps to resolve the patient's dilemmas and uncertainties in medical services.

The relationship between the physician and the patient is shaped by many factors lying on both the patient's and the doctor's side. The relationship is the result of interactions between both parties at the doctor's office (Bishop, 2009; Leventhal, 2008; Spake, 2009). These factors include the assessment of the physician's competence, psychological comfort level of the patient, empathy, the understanding capacity of the doctor, attention, kindness displayed by the doctor (Gruber & Frugone, 2011; Winsted, 2000), privacy, confidentiality, as well as integrity. All these factors fall under the service dimension that is essential in measuring the quality of service. Research shows that age, gender or nationality of the physician may influence the relationship between the patient and the physician and, in effect, the results of treatment (Shaha & Ogdenb, 2006).

Patient-centeredness has shown a positive outcome for patients as well as for physicians. Patients trust patient-centered physicians more, are more satisfied (Aruguete & Roberts, 2000; Bensing et al., 2001) and comply better with the physician's comments and recommendations on the treatment. Consequently, qualities of female doctors such as the ability to behave in a patient-centered style, providing emotional support, positive talk, and partnership building have shown

to be related to a positive outcome which could also lead to customer satisfaction (Ambady, N., LaPlante, D., et al., 2002; Ambady, N., Koo, J., et al., 2002; Aruguete & Roberts, 2000; Bensing et al., 2001; Bertakis et al., 2000). If the patient-centeredness is indeed a major factor in determining patients' satisfaction, this would make female physicians' patients more satisfied than patients of male physicians. Unfortunately, that is not always the case. It does not guarantee that female physicians have more satisfied patients or a higher evaluation compared to male physicians due to stereotypes. Although it was reported that female physicians are more focused on patients' emotional concerns and patients treated by female physicians are more likely to show progress in their health (Franks & Bertakis, 2003), there is only a very small significant difference in patient satisfaction between female physicians and male physicians with the difference favoring female physicians (Hall et al., 2011). Here we can observe a paradox which can be explained by the stereotype (Carrard & Mast, 2015). Now that we have seen evidence that women physicians' behavior and orientation are more regarded as interpersonal and patient-centered, which leads to a higher satisfaction of patients, it is clear that "stereotypes" take the role for underestimation and devaluation of women physicians.

## 2.5. Gender Stereotypes and Patient Preference for the Physician's Gender

A stereotype is what a person belonging to a specific group is typically like or how he/she behaves (Burgess & Borgida, 1999; Heilman, 2001). For example, women are expected to be soft, sociable, caring, indecisive, emotional, weak, gentle, and nurturing whereas men are expected to be strong, bold, agentic, aggressive, and rational. If women behave in any masculine way, the gender prescriptive stereotypes overlap with the descriptive ones. Thus, women are expected to portray the behaviors that stereotypically match their sex but if they do not or probably show stereotypically male characteristics, they will get a negative feedback.

The lack-of-fit model (Heilman, 1983, 1995) is the state when the expectations about the characteristics of a job are congruent with the attributes stereotypically associated with the person in the job, and then the evaluation will be positive. However, when there is a lack of congruence between the characteristics associated with the job and those associated with the person, the evaluation of the person will be negative. The lack-of-fit model can be applied in the healthcare profession. Women are stereotypically seen as low in status but if a female physician who is expected to be low in status, caring and sociable behaves in a typically male way as powerful and agentic, she will be negatively evaluated. Thus, a female physician showing less patient-centered communication will receive a more negative evaluation and when she behaves in a typically female way, she is positively evaluated (Carrard & Mast, 2015).

This argument is also supported by another finding. Patients reported more satisfaction with a female physician when her behavior matched what is stereotypically expected from her gender, i.e. softer and gazing. However, patient satisfaction ratings for male physicians seemed less dependent on their gender-congruent behavior (Schmid et al., 2008).

Evidence shows that (e.g. Hall et al., 2014) when women exhibit patient-centered behavior, they do not get credit for that because that is what they are expected to be. However, when they do not practice such behavior, they obtain an unfavorable evaluation. In contrast, men do get credit when exhibiting patient-centered behavior because it makes them seen as extraordinary or going the extra mile to accommodate their patients and this gets noticed by patients in a favorable way. This can be explained by the lack-of-fit model where the level of expected patient-centered behavior and the level of actually shown patient-centered behavior seem to be the driving factor for how patients evaluate their physicians.

Patriarchal societies marked by deep gender inequities also affect female physicians' interactions with their patients that consequently influence the output. Women physicians in such societies experience discrimination within the workplace and the society at large, which could be

reflected in their interaction with their patients (Govender & Penn-Kekana, 2008). For example, a qualitative study of the experience of female community-level workers in Pakistan reported the frustrations and discrimination that female workers face and their impact on their interaction with patients:

“When I leave home to come to the Basic Health Unit I need to travel by local transport, and there are men who offer a lift or pass comments. I feel so bad and insulted that when I reach the Basic Health Unit I misbehave with my patients” (Mumtaz et al., 2003, p. 264). Women physicians challenged with verbal assault in their workplace and community would not perform the service at their best, which could consequently negatively affect their service evaluation.

Patients, regardless of sex, often vary their responses depending on the physician's gender. Traditions, religion, culture and past experience serve as a foundation for customers to form preference for the physician's sex. These factors should not be forgotten when researching patient satisfaction with service quality as they significantly influence the patient's choice of physician. Patients preference for the physician's gender could be structured by norms such that the patient or his/her family may feel that it is unacceptable to see a healthcare worker of another sex (Govender & Penn-Kekana, 2008). Gender concordance between the provider and the patient is important in highly patriarchal societies, where socio-cultural and/or religious norms and practices demarcate gender roles and restrict social and physical contact between men and women (Govender & Penn-Kekana, 2008). For example, in some regions where Islam is strictly practiced, it is unlikely for a woman to go to a male doctor if she has to choose between a man and a woman. The cultural restriction on women not to interact with men makes it difficult for women patients to be diagnosed by a male physician. Clearly, the gender of the physician affects the patient's degree of comfort during medical examination, especially where a female patient has to go naked in front of a male physician. A qualitative study carried out in Cuba, Thailand, Saudi Arabia and Argentina examined the experiences of women seeking antenatal care and found that due to cultural reasons female doctors were more preferred by Saudi and Thai women (Arabia et al., 2003).

Another concern to be addressed in the patient's preference for the physician's gender is 'abuse'. The abuse of patients by healthcare providers is a critical issue that frames the relationship between the physician and the patient. A female patient who was abused in the past by her male physician would be less likely to visit a male physician again. The nature of the patient-provider interaction involves an intimate relationship, power, and control where the physician holds knowledge and access to the treatment that the patient seeks to regain health. With the cover of such power and superiority, the physician may take advantage of the patients. Especially women are vulnerable to sexual, verbal and physical abuse.

## CONCLUSION

This paper has presented evidence that gender plays a role in the physician and patient interaction. It concludes that gender, either alone or in combination with other factors of service dimensions, influences interactions between the physician and patients. Female and male physicians exhibit somewhat different communication behavior in medical practice. Likewise, patients of different genders have different communication behavior and expectations of male and female physicians. Women physician are shown to have more patient-centered behavior than their male counterparts, which leads to a positive medical outcome and the patient's satisfaction. However, gender stereotypes hold women physician away from getting positive evaluation and feedback in their job. Occupational segregation and distribution of women and men in the social roles have resulted in implicit bias towards women physicians. The myth “doctors are men” has been persisting for centuries creating a demarcation in the profession. Women are more regarded as nurses than doctors and their skills are marginalized. However, as the women participation

in the medical profession has increased and more patients are treated by a growing number of women physicians more than ever before, the patients' stereotypes and biases toward female physicians may eventually deteriorate. Negative evaluation of women physicians is mostly not because they lack the ability and competence but it has more to do with a lack-of-fit model and gender role incongruence. The image that women have in the society influences the level of their acceptance as physicians. Much of the gender discrimination in medical jobs is almost implicit or unconscious, reflecting the norms of the society in which both the health worker and the patient are based. By being made mindful of these biases and of how these inclinations result in workers giving distinctive treatment to various patients for no clinical reason, physicians may become more reflective about their practice. Physicians additionally should be made mindful of the sexual orientation elements that exist and affect how and when people need healthcare and how they discuss their problems and symptoms with physicians. Physicians should be mindful about the limitations that women face during a medical examination, mindful of how the process of the healthcare will affect women and mindful of the social stigma that is connected to the ailment of women, and this will empower them to provide better care (Thorson & Johansson, 2004). Physicians likewise should be taught about issues around sexual maltreatment of patients and in addition the privileges of patients. Correspondingly, as much as it is important to get physicians to be more gender-sensitive, it is also critical to recognize the sex setting and gender context in which women physicians live and work. Respect from their male coworkers and a harassment-free working zone could empower women physicians. Once esteemed, valued and respected, they will more likely provide a better quality of care service. It is also important to empower patients through a scope of techniques including educating them about their rights and raising awareness on how to stand against sexual and verbal abuses on the part of physicians.

Apart from stereotypes and expectations of patients, the physician-patient dyad could influence patient satisfaction. Same-sex physician-patient interactions are indicated to be characterized by more effective communication and stronger rapport than opposite-sex dyads. The physician-patient interaction is one of the dimensions of medical service quality that comprises qualities more associated with communication. Patients evaluate the service quality on different grounds including their communicative interaction with their physician. Thus, gender plays a role in communication that would also affect the patient's perceived service quality. Sex cognizance and sensitization should be consolidated into the basic training of physicians that helps to better understand the sex dyads at medical encounters. A research gap exists as regards the impact of gender on the physician and patient interaction and the outcome of the service. The service quality literature has not adequately studied the area. This paper contributes to the scarce literature on the topic. However, this study analyzes only the communication dimension of a service. Hence, it cannot be generalized to all aspect of medical service quality. Further research is needed to investigate the other service dimensions of service quality (tangibility, responsiveness, empathy and reliability and assurance) and to explore the long-term and sustained impact of interventions. With all these dimensions being studied, a better understanding can be gained on how gender of a physician and patient affects service quality. Empirical research is needed to understand the reciprocal effect of the physician's gender-based behaviors in order to clarify if the behavioral differences in the communication styles of male and female physicians would result in a different behavior of patients that is directed back to the physician behavior. Finally, this study suggests gender diversity of the health workforce in medical care for a better quality of service and the patient's satisfaction. A gender integrating healthcare service enables the collective use of women's and men's potentials, knowledge, experience, and problem-solving skills, which has a positive effect on service quality.

The personality differences between men and women complement each other and yield a better output. Moreover, gender diversity helps avoid prejudice against women physicians and

the perception that they are less competent than men. Policies designed to reduce discrimination against women physicians have to take the diversity aspects into consideration.

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# Antecedents of Word-of-Mouth Communication and Purchase Intention on Facebook

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## ABSTRACT

More and more business customers use social media to express their opinions about products, services and brands. This study aims to make a step further in understanding consumer engagement in electronic word of mouth (eWOM) on Facebook and its impact on recommending and purchasing products. To test our conceptual framework, structural equation modeling techniques have been applied to data collected through a self-administrated survey addressed to 640 Facebook users from Romania. Our model shows that Facebook’s perceived usefulness influences customer brand engagement, which in turn has an important effect on the intention to purchase the brand and recommend it to others (word of mouth). Therefore, people who use Facebook as a source of information about products and services are top eWOM providers. A brand that seeks to build authority on Facebook should look for eWOM providers, convert them into fans and “feed” them with attention-grabbing information that is worth spreading. This way, most of the fans will provide free word-of-mouth advertising, becoming true brand ambassadors. Our study has established that Facebook’s perceived usefulness not only engages online users with brands, but also makes this medium a perfect eWOM tool: it builds trust in friends’ recommendations, and eventually, makes the users sincere supporters of the brands they like.

**JEL classification:** M31, M37

**Keywords:** electronic word of mouth, brand engagement, referral intention, recommendations, purchase intention, social media.

## 1. INTRODUCTION

Word of mouth (abbreviated WOM) as a social phenomenon has existed for a very long time. Consumers have always valued direct opinions (Bughin, Doogan, & Vetvik, 2010) and talked about their experiences related to products, services and brands. WOM has always influenced consumer behavior but its meaning and importance have increased with the internet. Online communities are very effective communication channels, where positive or negative

opinions regarding products and services in the market spread very rapidly and influence the purchasing decisions of thousands, or maybe even millions of consumers, in some cases. If in the traditional word-of-mouth process a person talks to only one other person, or at most 3–4 persons simultaneously, on the Internet, he or she can convey information to thousands of friends or fans in a few seconds.

A social network is a set of people or groups of people with some pattern of contacts or interactions between them (Newman, 2003). Only the Facebook social network has over 7,200,000 users in Romania, representing about 35% of the country's total population and about 75% of the number of internet surfers. All those users engage daily in an impressive communication activity, consisting of tens of millions of posts, likes and shares. A big part of these messages contains information, opinions and recommendations for various products and brands in the Romanian market.

Social media have a dramatic influence on every stage of the consumer decision-making process including information acquisition, brand awareness, purchase behavior, and post-purchase communication and evaluation, as well as general opinions and attitude formation (Mangold & Faulds, 2009). Some say social media marketing is electronic word-of-mouth marketing, since using these platforms can reveal not only the positive aspects, but also unsatisfactory services, public blunders and corporate rule breaking, which brings them trust (Champoux, Durgee, & McGlynn, 2012). Consumer-created information is likely to be more credible than seller-created information because credibility of information is often positively related to the trustworthiness of the information source (Wilson & Sherrell, 1993). Thus WOM is perceived as more trustworthy and more relevant, and can significantly reduce consumer resistance because it originates from the experiences of other consumers (Bickart & Schindler, 2001).

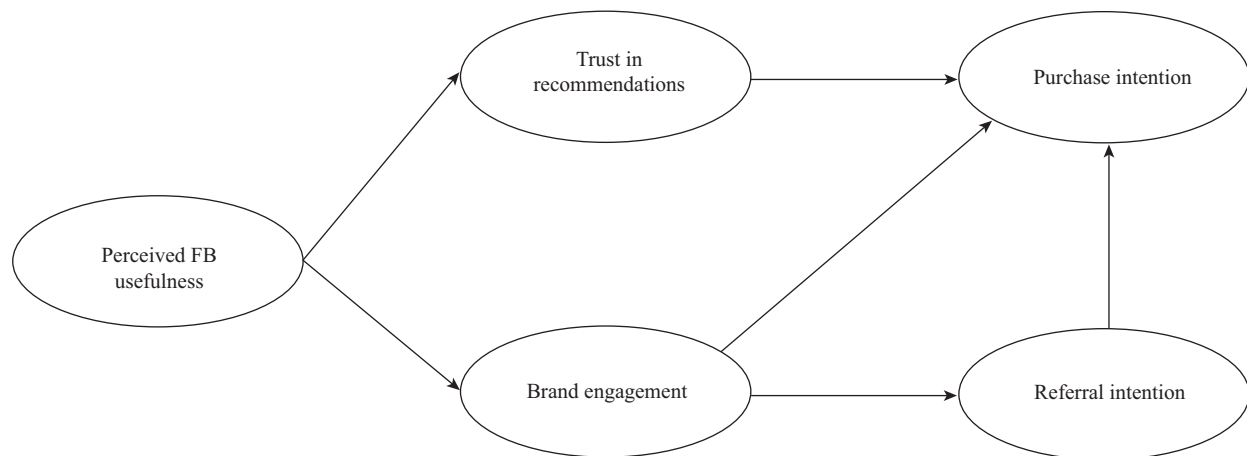
Electronic word of mouth in social network sites (SNSs) can be examined through three aspects – opinion seeking, opinion giving and opinion passing (Chu & Kim, 2011) – and it is an important marketing strategy that affects internet user behaviors (Park & Kim, 2008), due to its characteristics such as speed of diffusion, persistence and accessibility and greater observability (Cheung & Lee, 2012).

## 2. LITERATURE REVIEW

Facebook is a network for sharing interests, events and ideas, and for connecting people, but this paper seeks to investigate whether it is also a useful source of electronic word of mouth, thus influencing online users in making purchase decisions. Previous research showed two consumer segments that find seeking product recommendation on Facebook pleasant and enjoyable (Chiosa & Anastasiei, 2015).

The aim of this study is to examine the influence of Facebook's perceived usefulness on both eWOM propensity and purchase intention. We hypothesize that this influence acts through the medium of two other variables: the level of trust in the recommendations received from Facebook friends and online brand engagement. Our conceptual model is presented in Figure 1.

**Figure 1.**  
Causal model



## 2.1. Perceived Usefulness

Online environments are information-based service environments that are fundamentally linked with technology and technological innovation (Morgan-Thomas & Veloutsou, 2013) and the decision-making process of consumers is influenced by the information they receive (Fan, Miao, Fang, & Lin, 2013).

The technology acceptance model (TAM) has identified the role of the perceived usefulness and perceived ease-of-use constructs in the information technology adoption process (Karahanna & Straub, 1999), suggesting that individuals will use computer technology if they believe it will result in positive outcomes (Igarria & Iivari, 1995). In the application of information systems, the TAM has been successfully used by many researchers to predict behavioral intent to use information technology. Perceived usefulness is defined as “the degree to which a person believes that using a particular system would enhance his or her job performance” (Davis, 1989).

New communications technologies, like Facebook, have an impact on social life. According to Chu and Kim (2011), online consumers’ search for brand information, creation of content and willingness to share content with others are extremely useful in increasing brand engagement and relevance. At the same time, the user’s perception of the usefulness of the interactions with an online brand has implications for their attitude and behavior (Flavian, Guinalú, & Gurrea, 2006). Cho and Sagynov (2015) found that perceived usefulness also has a significant effect on customers’ behavioral intention to shop online. Based on these facts, we have formulated the following research hypotheses:

H1. Higher perceived usefulness of FB will result in higher trust in FB friends’ recommendations.

H2. Higher perceived usefulness of FB will result in higher brand engagement on FB.

## 2.2. Perceived Trust in Recommendations

Trust is considered a vital factor affecting online consumer activities, such as the acceptance of others’ advice (McKnight, Choudhury, & Kacmar, 2002) and word of mouth is often perceived as originating from a less biased, more trustworthy source (Turri, Smith, & Kemp, 2013). Trust on Facebook can be understood as interpersonal trust between the trustor and his/her Facebook friends (Lu, Zhao, & Wang, 2010). Okazaki, Rubio and Campo’s (2013) study findings suggest that consumer trust in user-generated brand recommendations – which is the reliability, usefulness,

and effect of brand recommendations made by friends on Facebook and willingness to rely on them (Soh, Reid, & King, 2009) – can be better understood in relation to an individual's intention to trust his or her Facebook friends who distribute such recommendations.

Consumers care about the correctness and usefulness of eWOM, and good content quality increases their willingness to trust eWOM (Awad & Ragowsky, 2008). It was also shown that establishing trust in the online environment positively impacts consumers' attitudes and purchasing intentions (Hassanein & Head, 2007) and trust moderates the impact of eWOM on purchase intention (See-To & Ho, 2014). This led us to the following hypothesis:

H3. Perceived trust in recommendations on FB positively influences purchase intention.

### 2.3. Brand Engagement

Most brands struggle to engage with their fans on Facebook, pursuing the goal based on the engagement metrics, such as “talking about it”. Brand engagement is important because it is a strong predictor of brand loyalty (Keller, 2001) and interactive marketing communication can encourage learning, teaching, expression of commitment, and observation of brand loyalty amongst consumers (Keller, 2009). Some researchers have argued that the “like” button indicates the popularity of a message by displaying the number of people who liked the message and encourages user engagement (De Vries, Gensler, & Leeflang, 2012), so liking a brand message is a form of brand engagement in the social media context (Schultz & Peltier, 2013). Hutter, Hautz, Dennhardt and Füller (2013) showed that engagement with a Facebook fanpage has positive effects on consumers' brand awareness, WOM activities and purchase intention.

According to Malciute and Chrysochou (2013), the concept of engagement comprises three distinct dimensions: behavioral engagement (actions), emotional engagement (feelings) and cognitive engagement (thoughts). The authors tested the concept of customer engagement in an empirical setting, providing evidence that there is a relationship between customer brand engagement on social media, behavioral brand loyalty and word of mouth. An increased level of behavioral engagement will lead to the development of behavioral brand loyalty (which influences the propensity of a customer to repurchase the brand), while the level of emotional engagement will influence a customer's intention to recommend the brand (spreading word of mouth). These previous findings suggested the following hypotheses:

H4. Brand engagement on FB positively influences eWOM referral intentions.

H5. Brand engagement on FB positively influences purchase intention.

### 2.4. (eWOM) Referral Intentions

Social media empowers consumers to easily share and receive information about products from other online consumers (Liang, Ho, Li, & Turban, 2011). The content characteristics, like review valence and argumentation style, make online consumer reviews a useful source of information before buying (Willemsen, Neijens, Bronner, & De Ridder, 2011). The study of Pöyry, Parvinen and Malmivaara (2013) distinguishes between consumers' hedonic and utilitarian motivations for using company-hosted Facebook pages and relates them to two types of community usage behavior: browsing and participation. Akar and Topcu (2011) argued that social media users rely on the “share” button to convey the word of mouth, and the results obtained by Hamouda and Tabbane (2013) indicated that the attitude towards the product is a full mediating variable between purchase intention and eWOM evaluation.

## 2.5. Purchase Intention

Purchase intention is often used as an effectiveness measure to anticipate a response behavior (Morwitz, Steckel, & Gupta, 2007). People more often rely on information that comes from social media interactions (like that shared on Facebook) when making purchase decisions. Positive WOM and eWOM play an important role in increasing customers' purchase intentions (Jeong & Jang, 2011). These aspects lead us to the following hypothesis:

H6. eWOM referral intentions have a positive effect on purchase intention.

## 3. DATA AND METHODS

### 3.1. Data Collection

A self-administrated questionnaire was addressed to a sample of Facebook account holders from Romania (N = 640). The sampling method used was convenience sampling. The sample comprised 69% of female and 31% of male subjects, of ages ranged from 19 to 46 (M = 21.43, SD = 2.34).

### 3.2. Measures

The measurement scales were adopted from the sources mentioned in Table 1. All the individual items used a seven-point Likert scale, rating from 1 (strongly disagree) to 7 (strongly agree).

**Table 1**  
Measurement scales

Items	Scales	Authors
<i>Perceived usefulness</i>	Seeking product recommendations on Facebook is useful to me. Seeking product recommendations on Facebook makes me more efficient. Seeking product recommendations on Facebook makes my life easier.	Davis Alghamdi, Aldridge, & Long
<i>Perceived trust in recommendations</i>	I think that product recommendations from my online friends on Facebook are credible. I trust product recommendations from my online friends on Facebook. I believe that product recommendations from my online friends on Facebook are trustworthy.	Hsiao, Chuan-Chuan Lin, Wang, Lu & Yu Alghamdi, Aldridge & Long
<i>Brand engagement</i>	I like to talk about brands that are advertised on Facebook. I am always interested in learning more about brands that are present online. I would be interested in receiving communications from a brand via Facebook. I accept communications from brands providing they seek my permission. I am proud to let others know which brands I affiliate with via Facebook. I like to browse through Facebook pages related to brands. Compared to other people, I closely follow news about brands.	Keller

Items	Scales	Authors
<i>Referral intentions</i>	<p>How likely is it that you would share a Facebook advertisement with others if it offers a discount or coupon for a particular product?</p> <p>How likely is it that you would share a Facebook post with others if you see one about a product that you think would be useful to someone you know?</p> <p>How likely is it that you would share a Facebook post with others if you see one that focuses on how easy a product is to use?</p> <p>How likely is it that you would share a Facebook post with others if you see one that focuses on a specific problem or issue that may be experienced by someone you know?</p> <p>How likely is it that you would share a Facebook post with others if you see one that focuses on the benefits of a product or service?</p> <p>How likely is it that you would share a Facebook post with others if you see one that focuses on how to better deal with a specific problem or issue?</p> <p>How likely is it that you would share a Facebook post with others if you see one that mentions how other people are getting good results from a product?</p>	Smith, Coyle, Lightfoot & Scott
<i>Purchase intention</i>	<p>I am likely to buy products that I see advertised on Facebook.</p> <p>I am likely to buy products that I see other consumers talking about on Facebook.</p> <p>I am likely to buy products that I see on Facebook if the price is appealing.</p> <p>I am likely to buy products that I see on Facebook if the delivery period is satisfactory.</p> <p>I am likely to buy a product that I see on Facebook if it is a brand I know and trust.</p> <p>I am likely to buy a product that I see on Facebook if it is a new and exciting product.</p> <p>I am likely to buy a product that I see on Facebook if it is an upgrade to a product I already have.</p>	Campbell, Ferraro & Sands

## 4. RESULTS

Data analysis followed the two-step approach of SEM (Anderson & Gerbing, 1988). The first step involves testing the constructs for reliability and validity (measurement model) and the second step involves testing the relationships between these constructs (structural model).

### 4.1. Measurement Model

Our goal at the first stage was to investigate the relationships between each construct and its individual items to determine the items that would be retained for the measurement model. We started by performing an exploratory factor analysis using IBM SPSS (version 21) with a view to detecting the items that presented important cross-loadings and removing them from the analysis. The exploratory factor analysis procedure used the maximum likelihood extraction method and the Varimax rotation method. The Kaiser-Meyer-Olkin indicator for the EFA model was 0.932, while Bartlett's test of sphericity was statistically significant ( $p < 0.01$ ). Therefore, this model had a very good sample adequacy. No individual items presented significant cross-loadings; in consequence, all the items were kept for the measurement model.

The measurement model was created using the confirmatory factor analysis in IBM AMOS, version 21. Five constructs and twenty-seven items were entered in this model. To evaluate its goodness-of-fit we used the following cutoff values: for the root mean square error of approximation (RMSEA) – 0.08, for the comparative fit index (CFI) – 0.900, for the Tuckey-Lewis index (TLI) – 0.900, for the standardized root mean square residual (SRMR) – 0.08, for the  $\chi^2/df$  ratio – between 1 and 5. Furthermore, we computed three indicators to determine the construct reliability and validity: Cronbach's alpha, the composite reliability and the average variance extracted (AVE). The main characteristics of the measurement model are presented in Table 2.

**Table 2**  
Measurement model key indicators

Constructs and items	Standardized loading	CR (t-value)	SE	$\alpha$	Composite reliability	AVE
<b>Perceived usefulness</b>	–	–	–	0.861	0.730	0.567
Looking for recommendations on Facebook is useful to me	0.785	–	–	–	–	–
Looking for recommendations on Facebook makes me efficient	0.912	23.734	0.045	–	–	–
Looking for recommendations on Facebook makes my life easier	0.784	21.133	0.045	–	–	–
<b>Trust in recommendations</b>	–	–	–	0.884	0.798	0.635
The recommendations from my online friends are trustworthy	0.889	–	–	–	–	–
I confide in the recommendations from my online friends	0.892	28.004	0.036	–	–	–
The recommendations I get from my Facebook friends are reliable	0.770	23.344	0.039	–	–	–
<b>Brand engagement</b>	–	–	–	0.913	0.789	0.469
I am always interested in finding out more about online brands	0.789	–	–	–	–	–
I like to talk about the brands that are advertised on Facebook	0.795	21.858	0.045	–	–	–
I would be interested in getting information from brands through Facebook	0.742	23.781	0.041	–	–	–
I accept promotional messages from brands if they ask for my permission first	0.636	16.664	0.055	–	–	–
I am proud to let others know the brands that I like on Facebook	0.739	19.960	0.048	–	–	–
I like to look for information about brands on Facebook	0.863	24.294	0.047	–	–	–
Compared to other people, I closely follow the news about brands	0.923	22.858	0.047	–	–	–
<b>Referral intention</b>	–	–	–	0.937	0.809	0.433
I share on Facebook a post that presents the benefits of a product or service	0.905	–	–	–	–	–

Constructs and items	Standardized loading	CR (t-value)	SE	$\alpha$	Composite reliability	AVE
I share on Facebook a post about a product that could be useful to others	0.817	28.649	0.033	–	–	–
I share on Facebook a post that shows how easy it is to use a product	0.860	32.074	0.030	–	–	–
I share on Facebook a post that presents a problem experienced by someone I know	0.798	27.440	0.033	–	–	–
I share on Facebook an ad that contains a discount or a voucher for a product	0.710	22.025	0.037	–	–	–
I share on Facebook a post that presents a way to solve a problem	0.873	32.875	0.030	–	–	–
I share on Facebook an ad that reveals how other people benefitted from a product	0.818	28.804	0.037	–	–	–
Purchase intention	–	–	–	0.913	0.797	0.445
I will buy products I see on Facebook if they have a good price	0.828	–	–	–	–	–
I will buy products that others talk about on Facebook	0.719	19.582	0.041	–	–	–
I will buy products whose advertising I see on Facebook	0.707	19.139	0.040	–	–	–
I will buy products I see on Facebook if the delivery time is convenient	0.805	28.401	0.035	–	–	–
I will buy a product I see on Facebook if it is a brand I know and trust	0.739	19.618	0.048	–	–	–
I will buy products I see on Facebook if they are new and interesting	0.863	22.361	0.043	–	–	–
I will buy products I see on Facebook if they are better versions of the products I already have	0.759	20.756	0.048	–	–	–

All the factor loadings are statistically significant ( $CR > 1.96$ ) and their standardized values are greater than 0.50, which means that all our constructs are very well explained by their individual items. Moreover, all the goodness-of-fit indicators for the measurement model meet the cutoff values:  $\chi^2(307) = 919.289$ ,  $p < 0.01$ ,  $\chi^2/df = 2.994$ ,  $RMSEA = 0.056$ ,  $CFI = 0.953$ ,  $TLI = 0.946$ ,  $SRMR = 0.045$ .

We can also notice that our factors have good internal consistency (the reliability indicators are higher than 0.70). The average variance extracted is smaller than 0.5 for three factors, which poses a problem of convergent validity. According to Ping (2009), an AVE slightly below 0.5 could be acceptable in some cases if this does not generate major discriminant validity problems and if the model parameters remain significant even at higher significance requirements. As seen in Table 2, the t-values for all path coefficients are much greater than 1.96, so the coefficients are significant at very low p values ( $p < 0.001$ ). In other words, the coefficients are stable despite low AVEs. As for the discriminant validity, we assessed it by comparing the AVEs with the squared inter-factor correlations, as indicated by Fornell and Larcker (1981). As one can notice in Table 3,



even a small average variance extracted is higher than most squared correlations. This denotes good discriminant validity.

**Table 3**

Average variance extracted and squared correlations between latent variables

	Perceived usefulness	Trust in recommendations	Brand engagement	Referral intentions	Purchase intentions
Perceived usefulness	0.567				
Trust in recommendations	0.22	<b>0.635</b>			
Brand engagement	0.40	0.23	<b>0.469</b>		
Referral intentions	0.12	0.12	0.30	<b>0.433</b>	
Purchase intentions	0.24	0.21	0.49	0.40	<b>0.445</b>

In consequence, we decided to preserve the factors with low AVE values, accepting that as a limitation of our study.

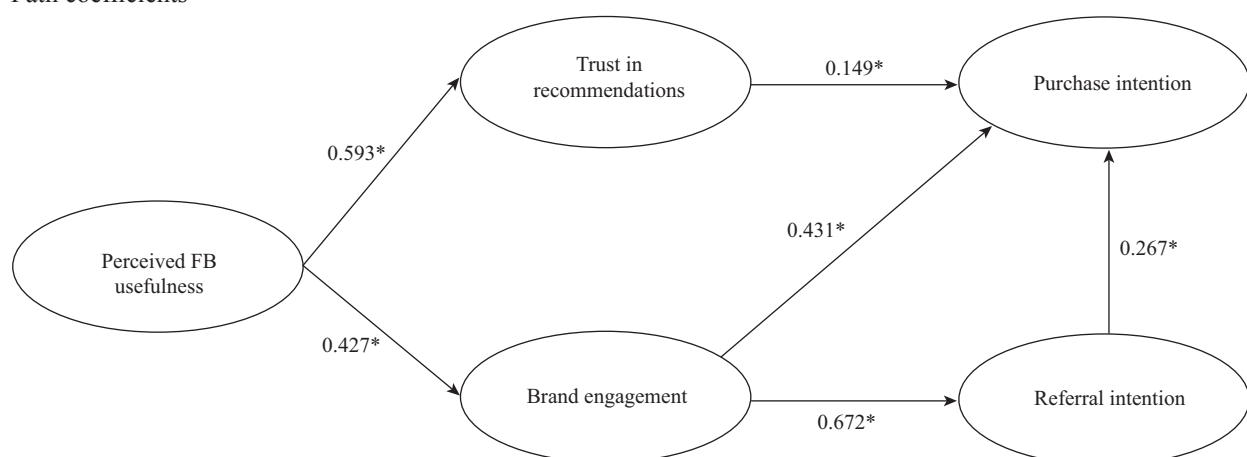
## 4.2. Structural Model

After testing the structural model (Figure 2), we concluded that the model fit was very good:  $\chi^2(311) = 962.917$ ,  $p < 0.01$ ,  $\chi^2/df = 3.096$ , CFI = 0.950, TLI = 0.943, RMSEA = 0.057, SRMR = 0.065.

By inspection of Table 4 below, we conclude that all our hypotheses are supported ( $p < 0.01$ ). One mediation effect can be spotted in our model: referral intention is a mediator between brand engagement and purchase intention. However, the mediation effect is not statistically significant, as assessed by the Sobel test ( $SE=0.016$ ,  $z=1.217$ ,  $p=0.223$ ). These results will be discussed in detail in the next section.

**Figure 2**

Path coefficients



**Table 4**

Path coefficients of the structural model

Hypothesis		Path		Loading	p
H1	Perceived FB usefulness	→	Trust in recommendations	0.593	<0.01
H2	Perceived FB usefulness	→	Brand engagement	0.427	<0.01
H3	Trust in recommendations	→	Purchase intention	0.149	<0.01
H4	Brand engagement	→	Referral intention	0.672	<0.01
H5	Brand engagement	→	Purchase intention	0.431	<0.01
H6	Referral intention	→	Purchase intention	0.267	<0.01

## 5. DISCUSSION

Previous studies concerning the word of mouth in SNSs have primarily focused on the impact of brand engagement on word of mouth (Malciute & Chrysochou, 2013) or on the influence of brand engagement on purchase loyalty (Turri, Smith, & Kemp, 2013). However, they do not thoroughly investigate the antecedents of brand engagement and the influence of word of mouth on purchase intention. Our research fills these gaps. First of all, we have proved that both brand engagement and trust in recommendations are substantially influenced by the perceived usefulness of Facebook as a source of product recommendations. As expected, people who see Facebook as an environment where you can look for advice before buying a product or service will tend to trust their friends' recommendations and endorsements. The same people also have higher levels of brand engagement in this social network: they like (and subscribe to) brand pages to get news about their preferred brands, accept promotional messages from brands and share information about brands with other users.

Furthermore, brand engagement has a substantial impact on referral intention – in other words, on the propensity to spread word of mouth on Facebook ( $B = .672$ ). So people who follow their preferred brands online will tend to refer these brands to others by sharing information about them, by answering other people's questions and by getting involved in debates about the brands they like, sometimes defending them if necessary. So Facebook users with high brand engagement are probably the most effective influencers in the social network environment, and they could become authentic “advocates” or “ambassadors” of online brands.

Some interesting conclusions arise from investigating the effects on purchase intention. This intention is more or less influenced by three variables: trust in recommendations, brand engagement and referral intention. The influence of trust in recommendations is weak ( $B = .149$ ). From that we can draw the conclusion that Facebook users do not decide to buy just because of their friends' advice and suggestions. There are certainly other factors that will influence their buying decision – like price, convenience, packaging, brand trust, novelty, etc. In consequence, the chances that Facebook users would buy products from brands they do not know or like, just because their friends recommend those products, are pretty low.

Brand engagement has the strongest influence on purchase intention ( $B = .431$ ). Therefore, people will be inclined to purchase the brands they actively watch on Facebook. This is not surprising: Facebook members who are interested in receiving information about brands would eventually buy and use the products of those brands, especially if they get an advantage (a discounted price, for example) or if they stumble upon an improved version of a product they already own.

Finally, a positive relationship between referral intentions and purchase intentions has been revealed. Nevertheless, this relationship is rather feeble ( $B = .267$ ). So people inclined to distribute

information about brands on Facebook will not necessarily buy and use those brands themselves. Since the mediation effect of referral intention between brand engagement and purchase intention proved to be non-significant, we can conclude that the real influence on purchase intention is that of brand engagement. So people will buy products of a certain brand mainly because they really like that brand (that is why they follow its updates on Facebook, after all). Some of those people may also spread word of mouth about that brand and recommend it to their friends. However, just spreading word of mouth is not a guarantee of becoming an actual customer of the brand.

## 6. LIMITATIONS AND FURTHER RESEARCH

Our study has several limitations. First, the sampling method was a convenience sample, which often suffers from biases and may be less representative of the population being studied. Second, only Romanian Facebook users were investigated. Further studies may involve Facebook account holders from other countries as well.

The most important limitation is that some latent factors have low average extracted values (smaller than 0.5). Ping (2009) states that AVEs can be improved by dropping the individual items with large error variables. However, since our measurement model is stable enough (the path coefficients are highly significant) and discriminant validity is adequate, we decided to keep all the items in the model. At the same time, we admit that more measurement work may be needed for the latent variables with low AVEs; this could be done in future studies.

Further research could examine the effect of some moderating variables on eWOM intention and purchase intention. These moderators could be the type of product (e.g. physical product or service, utilitarian or hedonic), the type of referral message (e.g. rational or emotional), product involvement (high or low) and so on.

## 7. CONCLUSIONS AND MANAGERIAL IMPLICATIONS

In this study, brand engagement was found to be the key variable that affects both referral intention (i.e. word-of-mouth propensity) and buying propensity. Facebook users who follow the news about their favorite brands and are willing to accept communications from them will likely spread information about these brands to their peers (Facebook friends and fans). In its turn, brand engagement is strongly affected by the perceived usefulness of Facebook for getting product recommendations.

From our research point of view, Facebook members can be divided into two categories: those who do use Facebook as a primary source of information about products and services and those who do not. Our results show that members of the first category are foremost eWOM providers. A brand that seeks to build authority on Facebook should look for these people, convert them into fans and “feed” them with attention-grabbing information that is worth spreading. This way, most of the fans will provide free word-of-mouth advertising, becoming veritable brand influencers. The brand will obtain invaluable free exposure on these people’s Facebook pages. Furthermore, an important segment of the fans will become actual customers, which is in fact the most important indicator of effective Facebook branding strategy.

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# A Multi-Dimensional Framework for the Development of Authentic Consumer Products

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## ABSTRACT

A common assumption in product value literature is that authenticity is what contemporary consumers value the most. However, as this paper illustrates, the meaning of authenticity is unclear, and the term appears foreign to product development practitioners. The purpose of this paper is to explore in what ways product development professionals talk about product value in general and how this relates to authenticity. The analysis of the interviews reveals that product developers must embrace authenticity as a holistic framework if the phenomenon is to be constructive for companies within the product development industry. In line with the concept of authenticity as a multi-dimensional framework, this paper suggests that authenticity does not solely result from certain intrinsic tangible or intangible product characteristics, and that commercially strong products and brands do not automatically become “authentic”.

The contribution of this paper to the product development field is a framework for a multi-dimensional construct of authenticity, and an account of what representatives within selected companies talk about when asked about how they create consumer value, and how they contribute

to valuable consumer experiences. The findings are analysed and discussed in the context of literature on product development, brand management and marketing management.

**JEL classification:** D47, M11, M31

**Keywords:** brand value, product value, product authenticity, brand authenticity, authentic design, consumer value.

## 1. INTRODUCTION

Delivering high consumer value to the contemporary consumer market has been described as equivalent to delivering authentic experiences (Brown et al., 2003, p. 21; Boyle, 2004; Gilmore & Pine, 2007; Potter, 2010). These highly valued experiences emanate from authentic brands and their authentic goods (Beverland, 2005a; Beverland, 2005b). Companies are told how important it is to be authentic, and relevant aspects of authenticity are brought forth (Authentic 100, 2017; Lewis & Bridger, 2001; Martinec, 2004). However, what companies must do to generate authentic experiences remains partly unclear. Authentic experiences are a holistic phenomenon comprising everything that a consumer might encounter with a company and their products (Steiner & Hermon, 2009, p. 2071).

It is fairly well established what consumers seek in products (Beverland, 2006a; Beverland, 2006b; Hanna, 2011; Ulwick, 2005). Available research has not, however, described how authenticity relates to product value within the product development domain. The concept of authenticity has not been examined in relation to input from product development practitioners. Advice, given to companies which pursue the goal of being experienced as authentic, that does not consider authenticity in a holistic way may lead to unbalanced priorities within the product development process. This paper has the ambition to address this condition.

### 1.1. The Aims of this Paper

In order to get a more complete understanding of authenticity as a major value within the product development domain, the first aim of this paper is to investigate what issues engineers, designers and marketing managers within product development discuss when asked how they perceive valuable consumer products and experiences. As such, this paper focuses on giving a company perspective on consumer value.

The second aim is to suggest a framework behind the development of valuable consumer products and experiences that are related to authenticity as it is understood by the industry and product development literature. The results are intended to assist the product development industry in the future.

This paper is organised as follows: Firstly, the literature review section will define the state of the research field and explain why it is important to further investigate authenticity within product development. After this, the research method and the manner of coding the collected data will be accounted for. Finally, the results will be presented and analysed in order to explore and discuss theory and a new framework in relation to existing research.

## 2. LITERATURE REVIEW

### 2.1. Authenticity

According to Potter (2010), finding the authentic in life has become the foremost quest of our time equalling the search for the Holy Grail. What counts as authentic, and why, is suggested to be one of the most pressing questions facing both producers and consumers (Potter, 2010).

Martinec (2004) argues that authenticity is a key component of contemporary life. It has also been purposed that the most recent market is intimately entwined with debates about product authenticity and that there has been an “explosive growth in ideological importance” of what is regarded as most authentic or inauthentic in society at large (Hartman, 2002; Filitz et al., 2013, p. 1). According to Lewis and Bridger (2001), there has been a switch of consumer value from scarcity to abundance, and from abundance to authenticity. According to Gilmore and Pine (2007), our contemporary economy has moved in even finer steps from scarcity to abundance, from abundance to cost, from cost to quality and finally from quality to authenticity.

In an extensive American survey from 2007, respondents were asked to pick from a list of words that best defined the word authentic. 61% chose “genuine”, and 19% opted for “real” (Zogby, 2008).

Gilmore and Pine (2007, p. 49) suggest five major forms of authenticity with a focus on consumer value:

1. The first is *natural authenticity*, and it refers to customers’ perception of things that exist in their natural state as authentic. The pure, the raw, the unaltered or unpolished, the organic and the untamed. We see natural elements such as earth, water, air, wind and fire promoted on numerous products, all in order to appeal to natural authenticity.
2. Secondly, *original authenticity* is about products that possess originality in their form, function or brand. This form of authenticity lies close to the lexical definition. Historically, to claim that a product is “authentic” has been to say that it is what it claims to be. An “authentic” diamond is a diamond found in the crust of the earth, and an “authentic” Louis Vuitton bag is an “original” bag made by Louis Vuitton and no one else. This form of authenticity was in later years referred to also as indexical authenticity (Grayson, 2004) A recreation or copy can, however, also be authentic. Grayson (2004) suggests the term “iconic authenticity” for physical manifestations that resemble something that is authentic.
3. Thirdly, Gilmore and Pine describe *exceptional authenticity*. It concerns services and a broader context of offerings that may be experienced as unauthentic or authentic depending on how exceptionally well these services are carried out.
4. Fourthly, *referential authenticity* is experienced if a product or service refers to some other desirable context, drawing inspiration from human history, or taps into shared memories and longings.
5. Finally, *influential authenticity*. It influences higher entities, calling to higher goals and aspirations of, for example, a cleaner planet, or a better way to live. A coffee offering may feel more authentic if the paper mug has a panda or Fairtrade logo on it just because this connects to a higher cause of our inner aspirations (Gilmore & Pine, 2007).

Other researchers have found additional factors such as the personal goals of consumers to underpin the meaning of authenticity. According to Beverland and Farrelly (2009), these “self-relevant assessments of authenticity” are control, connection and virtue. The first is related to products that fulfil consumers’ desire to feel in control and to master their environment. The second is related to consumers’ desire to be connected to important others, to community, culture and society at large. This goal connects to Gilmore and Pine’s (2007) “referential authenticity” as described above. The last of Beverland and Farrelly’s (2009) consumer goals is virtue. It is



concerned with morals, purity of motive and appears to be similar to Gilmore and Pine's (2007) "influential authenticity".

## 2.2. Authenticity in Consumer Products and Product Development

As described in the previous section, researchers define authenticity quite differently. This, in itself, is confusing, but the state of affairs gets even more problematic when attempts are made to describe how "the authentic" is embodied in the context of consumer products. Over 30 different forms of product qualities related to "authentic products" have been documented (Kristav, 2016). Nevertheless, attempts have been made to solve the problem by redefining authenticity by using different terminology. An example of such an attempt, from the field of marketing, is to introduce the word "aura" (Björkman, 2002; Alexander, 2009). Instead of a product being authentic, they suggest that a product has an aura. This aura has been assigned a market value.

Advice given to companies about establishing and maintaining authenticity has often been confusing and superficial. Brand development consultancies give advice such as: "Projecting an aura of authenticity impresses consumers, attracts clients, and helps to keep employees engaged" (Workdesign, 2014). Attempts have been made to assess to what degree consumers experience products as authentic by using analogue scales (Kristav et al., 2012). It remains unclear, however, if the consumers' definition of authenticity is equivalent to the definition researchers use. According to Napoli (Napoli et al., 2014, p. 1090), there are no exact scales to measure the meaning of authenticity, and there are no empirical studies presenting pragmatic insights of how companies have maintained images of authenticity over time (Beverland, 2005a, p. 461). What is perceived as authentic is also, in part, ideologically driven and arbitrarily assessed (Boyle, 2004). In short; the term "authenticity" remains problematic (Beverland, 2005b, p. 1006), and it has been regarded with suspicion and as being utopic (Potter, 2010).

## 2.3. Authenticity in Branding

If one looks at the fields of product development and the discipline of brand management, brands are perceived through products, services and how these offerings are marketed. Product association with branding has been shown to play an increasingly important role in the commercial success of premium mass-market products (Ranscombe, 2012). However, scientific publications about authenticity that are relevant and helpful to the field of product development are scarce. One has to turn to marketing and brand management literature to find research in this area.

The suggestions about what authenticity is, in the context of products and brands, are numerous, complicated and span over many fields (Grayson, 2002). Beverland has gone as far as stating that there is no generally acceptable definition for the term authenticity that is applicable to brands and branded products (Beverland, 2005b, p. 1006). There are, however, agencies and communication businesses on the global market that list which brands are the most authentic (Authentic 100, 2017; Marketing charts, 2017; Cohn & Wolfe, 2014). Whether these listings are doing anything more than just listing the most profitable brands on the market might be debateable. What Cohn & Wolfe (2014) claim to do is offering companies valuable and detailed mapping about what authenticity in business is today. Further, they claim to canvas what corporate behaviours are valued in authentic brands, and what issues will most likely damage brand authenticity. Through their data, they claim to provide a full understanding of the mind-set of the global consumer. Their slogan is "*Being authentic is now the ultimate crisis preparedness for brands*". This and similar catchphrases like "*Authenticity: What consumers really want*", promote authenticity as important for brand managers and product developers.

It is not feasible to give an unabridged account of all the strategic advice given to companies in order for them to be experienced as authentic. The essence of the strategies will, however, be

given below. The examples are here so the reader can relate them to the interview results and the discussion section.

Beverland (2005a) states that companies must show integrity, moral legitimacy and downplay commercial motives to be experienced as authentic. Beverland (2005b) adds that companies also need to be experienced as unique, original and sincere in everything they do. Beverland (2009) advises companies to stick to their roots, to communicate devotion and love for what they do, to be one with the community, to engage staff into brand values, to be genuine and know whom they are, to know their consumers and their market well, to be open, honest and to lead by example. Alexander (2009), Kissmetrics (2016) and Brand Alpha (2017) further point out the importance of showing consistency. In addition, Boyle (2004) suggests the following: Make it personal, maximise human contact, split up the organisation, be yourself, beware of traditions, provide customers with choices, create real places, encourage social innovation, tell stories, commit to culture and tradition. Along similar lines, Lewis (2001) agrees about the importance of having a story to tell and nurture a cult about the company. He also stresses the importance of being trustworthy and giving the consumers the possibility of self-actualisation (Lewis, 2001). Kissmetrics (2016) suggests companies be charitable, be clear/avoid mixed messages, be real and true to themselves, know their limits, mean what they say and back it up, be responsive, respect privacy, be accountable, be resilient and patient, highlight their reputation, show their history and nurture and have a dialogue with their consumers. Finally, Brand Alpha (2017) connects to earlier advice by stating that brands should aspire to higher purposes that “feel authentic”.

#### 2.4. Product Value and Perceived Consumer Value

Product value depends on how consumers value products on the market. Consumer value derives from the utilitarian tangible functions of products and from the intangible experiences that they arouse (Steiner & Harmon, 2009, p. 2071). Different practices and fields of research present numerous alternatives to product value and perceived value (Sánchez-Fernández & Iniesta-Bonillo, 2007; Holbrook, 1999). Which one to choose is driven by circumstantial objectives. This paper agrees with suggestions that see consumer value as a complex multi-dimensional concept embracing all the perceptions a consumer may experience that influence product value (Sánchez-Fernández & Iniesta-Bonillo, 2007).

Researchers have sought to define intangible value, but it is still a hot topic of debate today because of its somewhat abstract properties (Driskill, 2015a). Although the exact definition is disputed, it is widely agreed upon that an intangible value has no standard metric and is strictly qualitative. Thus, the concept of product function is diverse and partly non-physical. Examples of such product functions are those that fulfil social recognition or aesthetic goals (Crilly, 2010). Baruch Lev sums up the complexity by saying: “An intangible asset, like any other asset (a machine or a rental property), is a source of future benefits, but in contrast with tangible assets, intangibles lack a physical embodiment” (Kempf-Leonard, 2005, pp. 299–300).

When consumers choose between products, they may predict perceived value, but during use they actually experience received consumer value (Woodruff, 1997, p. 141). Raaij points out that it is on the basis of usage, rather than on the basis of production or purchase, that our personal identity is created (Raaij, 1993, p. 558). It is through our consumption activities and other preferences that we identify ourselves rather than through our professions (Raaij, 1993, p. 558). It is through this (re)presentation of self-image(s) of ourselves that we begin to conceive “the self” as a valuable and marketable entity to be promoted, positioned and customised as a product (Firat et al., 1995, p. 40).

The advent of relationship marketing is a response to these societal changes (Sheth & Parvatiyar, 2002; Iglesias et al., 2011). Relationship marketing has come to include consumer relationships and the relationship networks established by companies that influence the life

of consumers as producers of consumer experiences (Moller & Halinen, 2000). Examples of such relationship marketing strategies that claim to create authenticity include the experiences that form when a company starts supporting a local community (Smith, 2017; Gilmore & Pine, 2007, pp. 72–77; Beverland, 2009) or creates company-associated places for people to meet (Boyle, 2004). The provision and maximisation of human contact and dialogue in situations when consumers interact with companies and their products has also become a maxim for brand-associated authenticity (Boyle, 2004; Kissmetrics, 2016).

### 3. METHOD

#### 3.1. The Interviews

Three medium-sized companies (*market leaders in their segments*) with strong reputations for developing branded products with a high consumer value, typically associated with authenticity, in their respective markets, have been studied. They were chosen as they are strong representatives of these particular characteristics. Their main facilities are situated in the centre of Scandinavia. Their market is, however, global. The companies were Thule, Ifö and Bang & Olufsen (see Figure 1).

Thule manufactures sports and cargo products that make it easier for consumers to live an active life. The company offers roof boxes for cars, carriers for cycling transport, luggage and hiking backpacks, tents for motorhomes and caravans, strollers and child seats. Ifö is a producer of bathroom fixtures. It offers most products for furnishing bathrooms such as toilets, washbasins and shower cabins. Bang & Olufsen produces electronic technology for home environments. It offers a broad range of audio and screen technology.

An engineer, a designer and a marketing manager in each company were interviewed, each responsible for their respective departments. The total number of interviewees was, thus, nine. They were between 35–64 years old; eight of them were men, and they had been working in their positions for between 5–32 years. The companies volunteered all the interviewees. The three engineers were all in-house employees, two of the designers and two of the marketing managers were members of in-house staff. Consequently, two of the interviewees worked for independent design and marketing management agencies outside the companies. These interviewees were in charge of collaboration regarding the projects discussed. The collaboration with these agencies had been ongoing for over 5 years.

**Figure 1**

The three companies under study in this research

	R&D	Production	Markets	Export	Employees	Turnover
B&O	Stuer, Copenhagen in Denmark	The Czech Republic	Global	90%	1690	350 million Euros
Thule	Anderstorp, Malmö in Sweden and in the USA	Europe, the USA and South America	Global	90%	2200	500 million Euros
Ifö	Bromölla in Sweden	Sweden	Europe	60%	700	200 million Euros

Source: Figure data from 2016.

A specific in-depth interview method was chosen in an attempt to hamper the common tendency to use new empirical data to only confirm already formed theoretical preconceptions. The measure applied to mitigate this tendency was to use a grounded theory method to carry out the interviews (Charmaz, 2014). Grounded theory enables the researcher to “ground” hypothesis in empirical data.

Within grounded theory, interviews are often conducted with a specific type of semi-structured interviewing technique named intensive interviewing (Charmaz, 2014, pp. 55–82). The positive characteristics of intensive interviewing is a combination of flexibility and control. Its objective is to let the interview cover certain areas of interest in a gently-guided, one-sided conversation that explores the *interviewee's* own perspective and personal experience within the research topic. Open-ended questions are meant to elicit a loose structure, and questions work merely as a guiding foundation for the interviews. The interviewees were asked to cover the main question area about product value, and the questions were constructed along the lines of “Tell me something about product value ...” or “How would you describe your products...” (see appendix for the interview guide).

The interviewees were spread across different professions for two reasons. Firstly, to ensure a propagation of the interviewees within the companies; secondly, to be able to detect if representatives of various professions talked about product value differently even though they partially work together. Research shows that social collaborative work between departments is extensive and that engineers, in particular, spend a lot of time on collaborative work (Robinson, 2012). Secondly, because collaboration between different departments in a company affects the design process (Lee, 2016). Design processes are, in turn, normative (Kroes, 2002); thus, they influence product characteristics and the values that are given priority within a company.

All interviews with Swedish subjects were carried out in their native language. Interviews with subjects from Denmark were carried out in Danish or English. The interviews were audio-recorded, transcribed and translated into English (*The authors/transcribers were fluent in all these languages*). This methodological procedure is well established within similar research study contexts (Person, 2016).

Before the interviews started, each of the three companies was asked to choose one of their recent products to talk about. Conducting interviews in this fashion allows the interviewees to tell stories in a more independent way than if fed with continuous questions from an interviewer (Rooney, 2016; Lloyd, 2000). The companies all chose products that had not yet been launched at the time the interviews were carried out. Thule selected its latest bike carrier platform VeloSpace 917/918. Ifö selected its new rim free toilet series Spira. Bang & Olufsen selected its new product solution that enables old passive Bang & Olufsen loudspeakers to become active and controlled directly via a mobile phone.

### 3.2. Analysis and Coding of the Interviews

In this paper, a qualitative approach inspired by grounded theory was chosen to explore research questions. It was selected because qualitative research is well known for addressing the questions “how” and “why” informants experience a phenomenon under study (Yin, 2002). The interviews were analysed using the qualitative content analysis method (Graneheim & Lundman, 2004, pp. 105–112). It resembles the Charmaz method of creating categories in order to find underlying meaning (Charmaz, 2014). This form of “bottom-up” theoretical coding is used within grounded theory to facilitate finding patterns in collected data, as its structured coding paradigm facilitates the development of conceptual categories that, in turn, result in theories about the content (Holton, 2010).

The qualitative content analysis method was chosen as it is well suited to investigate explorative research questions. The qualitative content analysis presents a well-arranged overview

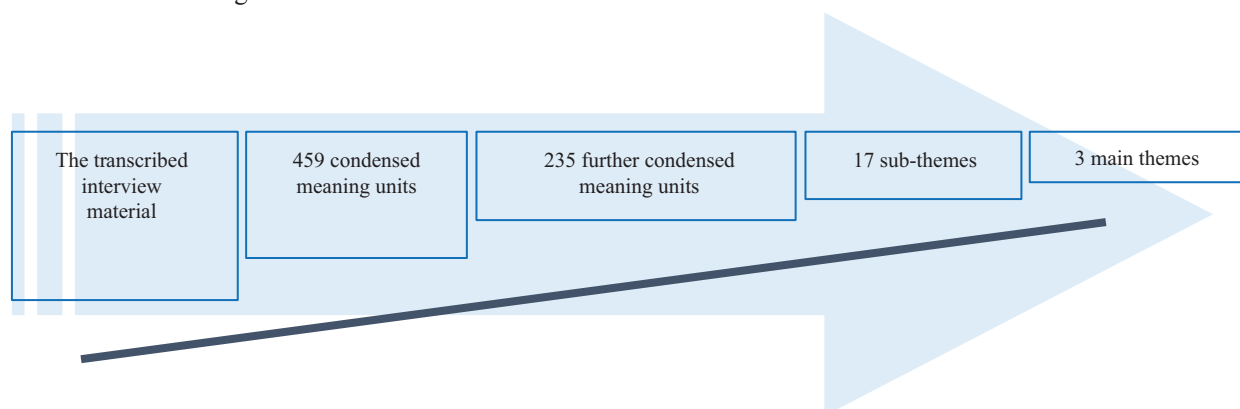
of interview results at the same time as it facilitates and elicits the discovery of underlying content structure and meaning. In this way, the reduction of the data complies with Miles and Huberman's (1994) iterative principles of data analysis based on coding emerging from the empirical findings (*in-vivo coding*) that places emphasis on the spoken words of the interviewees in combination with the formation of themes identified through the review of relevant literature (*a priori-categories*). See Figure 2.

Emergent theory has, in this way, ensued from the process of constant comparison and theoretical sampling. The purpose of this comparison has been to assure that the data supports new emerging categories and themes that have been created (Glaser, 2003, p. 24). Strauss and Corbin (1998) have suggested a hierarchical structure of coding levels. This involves clustering groups of codes that share similar meaning into more abstract categories. With this comes a reduction of the coded data that enables the formulation of theory with a smaller number of higher level categories (Glaser, 1994). In accordance with this procedure, the sentences collected in the interviews have been transformed into condensed meaning units. An example of such a condensed meaning unit is "Looks integrated/fit in its context with adjacent products". An example of one of the three sentences from the interviews that constituted this condensed meaning unit is: "Well, it is a product family that has to be attractive in all its parts, but that has to hold together from a form perspective".

Each condensed meaning unit was assigned a frequency-number indicating how many times it had been mentioned during the interviews and whether it had been mentioned by engineers, designers or by marketing interviewees. The condensed meaning units with similar content were merged and reduced into further condensed meaning units. Each condensed meaning has only been used in one further condensed meaning unit; the one with the best fit. The further condensed meaning units were then grouped together in interpreted sub-themes according to content similarities. An example of such an interpreted sub-theme is "Intangible product experience". All further condensed meaning units that described intangible product experiences were assigned to the same interpreted sub-theme. These sub-themes were, in turn, grouped into main themes. For example, all sub-themes that mainly concerned product characteristics were assigned to the same main theme (see Figure 2). This procedure for coding interviews according to theme resembles bookmarking and is, according to Flick (2007, p. 144), one of the most common ways to categorise interview content.

### Figure 2

The established procedure for reducing interview data into meaning units and themes in order to find underlying structure and meaning



Source: own research 2018.

### 3.3. Validity and Reliability

The qualitative method is a well-established approach to studying actors within product development management. The generalisability of the data generated through qualitative interviews carried out at the three companies is limited from a quantitative point of view. The qualitative data obtained through studies does, however, constitute valid examples of situated reality (Flyvbjerg, 2006, p. 229). Hence, it is a sound assumption to propose transferability of the results to a far greater number of companies with similar context characteristics to those investigated.

Counting interview content has been described as a common practice that helps researchers to see what interview content is about (Miles and Huberman, 1994, pp. 245–246). It is, however, arguable that the importance of the content in an interview is not fully correlated with the number times an interviewee mentions that particular content. Nevertheless, the fact that different interviewees have associated a certain content independently and repeatedly indicates the strength and relevance of that particular content (Krippendorff, 2013).

The validity of the condensed meaning units in this study has been tested. A cross-check of the coding scheme has been made by another coding person with focus on how the condensed meaning units were reduced into further condensed meaning units. The control was made in accordance with an intercoder reliability test, as presented by Lombard et al. (2002, p. 601), and a correlation of 90.4% was found. Sub-themes have been extracted from the further condensed meaning units. This does not, however, exclude the possibility of alternative formations of sub-themes to be made by other researchers. The three main themes are the furthest away from the original interviews; they are, hence, the categories that had the highest susceptibility to subjective interpretation and theoretical preconceptions. They were, thus, created in an iterative process interpreting the sub-themes in the light of theory.

Regardless of the categorisations made, and their rating and ranking, the condensed meaning units and the further condensed meaning units give an adequate account of the content that came up during the interviews.

This research addresses the subject of consumer value and consumer perception of value; yet, no consumers have been interviewed in this research. Their views on the subject are, however, presented by consumer value literature and by the interviewees who have been involved in extensive investigations into consumer value and consumer experiences pursued by the companies included in the study.

The full qualitative content analysis Excel chart is available from the author.

## 4. RESULTS

### 4.1. A Content and Frequency Analysis of the Interviews and the Created Categories

A high number of condensed meaning units under a sub-theme indicates that a theme was extensively discussed during the interviews, thus has a high significance for that particular sub-theme. The extracted sub-themes and main themes are presented in Table 1.

The main themes have been created in an attempt to extract a common meaning from the sub-themes. The procedure for achieving this reduction is delicate. In part, because each step of the reduction takes the data one step further away from the original interview data, and partly as the reduction on this level is especially susceptible to the interpretations and the intellectual framework of the authors. The first pattern observed when the sub-themes were analysed was that some of them concerned exclusively products, others concerned solely brands, whilst others

concerned consistency between the two. Further attempts were made to find a common and purposeful meaning behind this pattern.

If one examines the product-related sub-themes in Table 1 and asks why they are important for product value, one gets the following questions: Why is the intangible product experience important for the value of the product? Why is the product form language important for the value of the product? Why are the product design elements important for the value of the product, etc.? A fair answer is that they all make the product distinguishable from other products. In this way, the three main themes were extracted through reduction. Inversely, it appears plausible that the three main themes: distinguishable products with a recognisable brand, coupled with product and brand consistency have a potential to evoke valuable consumer experiences.

**Table 1**

The three main themes, the 17 sub-themes they were derived from, the number of condensed meaning units that constituted each sub-theme, as well as the number of times they were mentioned by the interviewees

Main theme (Interpreted)	Sub-theme (Interpreted)	Number of condensed meaning units	Times mentioned
<b>Being distinguishable as product</b>	Intangible product experience	22	26
	Product form language	26	36
	Product design elements	8	13
	Innovative features/novelty in product	14	24
	Tangible product performance	61	171
<b>Being recognisable as brand</b>	Brand experience	36	58
	Brand and product form	19	23
	General brand values	30	46
	Consumer considerations	63	88
	Brand strategies	57	79
	Brand stories/conceptions	23	31
	Product development strategies	36	48
<b>Being consistent as product and brand</b>	Consistency of experiences	7	10
	Consistency in products	8	13
	Consistency in product form	11	12
	Consistency in tangible product quality	13	13
	Consistency in brand values, visions and strategies	23	28

Source: own research 2018.

Table 1 shows that the sub-theme “consumer considerations” had the highest number of condensed meaning units, and that “tangible product performance” had the second highest number of such units. In the column for the number of times each sub-theme was mentioned, the same pair are still in the lead, but they have changed places, tangible product performance was mentioned about twice as often as consumer considerations. If the numbers of mentions in the main three themes are added up, we get the following:

1. First comes “Being recognisable as brand”, with 264 condensed meaning units and 373 mentions.
2. Second highest is “Being distinguishable as product”, with 131 condensed meaning units and 270 mentions.

3. “Being consistent as product and brand” is third with 62 condensed meaning units and 76 mentions.

The further condensed meaning units have also been rated depending on the total sum of times they were mentioned. The 42 most frequent of the 235 further condensed meaning units can be seen in Table 2.

**Table 2**

An account of what came up during the interviews, displayed in the form of the most frequent further condensed meaning units

Sub-theme (interpreted)	Further condensed meaning units	E*	D*	M*	Total
Intangible product experience	It is about the product experience	1	3	7	11
Product form language	Product must be aesthetics	0	8	2	10
Product design elements	New design of parts	4	2	1	7
Innovative features/novelty in product	Develop new technical features	4	0	1	5
Tangible product performance	Product has unique functionality	0	3	2	5
	Better product performance/functionality	12	7	6	25
	High tangible product quality	3	6	4	13
	Product robustness/reliability	15	3	0	18
	Greater product versatility	12	1	4	17
	Adapting to new specifications	2	1	2	5
	Live up to technical standards	5	0	5	10
	Meet practical needs of consumers	4	2	3	9
	Easy to install and serve	2	1	2	5
	Easier to handle/use, operate, simple, intuitive	7	4	2	13
Ease of use is important	2	3	0	5	
Brand experience	See new product in relation to brand portfolio	6	1	3	10
	We create quality associations to maintain the brand	1	1	5	7
	Steer brand associations in intended direction	0	1	4	5
	Our consumers experience safety	1	4	3	8
	Provide positive shopping experience	2	3	5	10
	We supply valuable advice to our consumers	2	1	4	7
Brand and product form	Adapt design to brand value	4	5	3	12
General brand values	We maintain high quality specifications	5	1	0	6
	Employees personally devoted/passionate users of product category	2	4	2	8
	We are creative/sensitive to trends, have visions	5	0	1	6
	We stand for active lifestyle	4	0	4	8
	We build on insight/solve real needs	1	3	1	5



Sub-theme (interpreted)	Further condensed meaning units	E*	D*	M*	Total
Consumer considerations	Listen to voice of the consumers/ expectations	5	5	7	17
	Adapt to consumer perspective	4	1	1	6
	Products signal consumer identity	0	4	1	5
	Consumers show solidarity, trust and love to our brand and our products	3	8	5	16
	Consumers associate us with high quality	0	2	5	7
Brand strategies	Initiative to find emotional links, build associations to the brand	1	2	7	10
	Marketing through earned media /good reviews from others	0	1	5	6
Brand stories/conceptions	We are a strong brand with high brand value	3	2	1	6
	We have positive, strong/bright future	2	3	5	10
	Our high quality and heritage is our strongest assets	0	1	4	5
Product development strategies	Drive development according to plan, in intended direction	3	0	2	5
	Getting consumer activity orientation closer to emotions than solving technical task	0	5	1	6
Consistency in product form	Aline brand identity/values with all designed products in portfolio	2	4	0	6
Consistency in tangible product quality	We develop products that are and have to be perfect when they reach the market	3	0	2	5
Consistency in brand values, visions, strategies	Brand meaning has arisen through work with product portfolio consistency	0	1	7	8

\* **E** – number of times the further condensed meaning unit was mentioned by engineers; **D** – number of times the further condensed meaning unit was mentioned by designers; **M** – number of times the further condensed meaning unit was mentioned by marketing managers

Source: own research 2018.

The further condensed meaning units in Table 2 are followed by numbers which indicate the number of times the further condensed meaning unit was mentioned by engineers, designers and marketing managers, respectively. The sub-theme of tangible product performance has the highest sum of further condensed meaning units and the highest total sum of mentions in the interviews. It comprises the further condensed meaning unit “Better product performance/functionality” with the highest frequency. It was mentioned 25 times, and 12 of those mentions came from engineers alone. Also, the second and third most frequent further condensed meanings belong to the sub-theme of tangible product performance. “Product robustness/reliability” got 18 mentions, including 15 from engineers. “Adding new product functionality” came in third place with 17 mentions, including 12 from engineers.

Two of the five further condensed meaning units mentioned 15 times or more relate directly to consumer concerns. They were “Listen to voice of the consumers/expectations” and “Consumers show solidarity, trust and love to our brand and our products”.

An additional pattern was found in the coded material when ways of creating consumer value were considered. Four major related areas of work practice have been found to which all the condensed meaning units appear to correspond. Some of the condensed meaning units may, however, be relevant to more than one of these areas. These work practice areas were firstly discovered when the further condensed meaning units were analysed in light of the literature

(*a priori*-categories) that proposes strategies to be followed by companies that want to be experienced as authentic (see under heading 2.3.). This is how the meaning behind the pattern is verified.

1. The first area concerns the conceptions that appear to reside within the investigated companies. Together they appear to form a specific **company climate or culture**. Common beliefs, values and guidelines are parts of this area. The presented literature advises companies that want to be experienced as authentic to show integrity, moral legitimacy, to be true to themselves, to be responsible and to engage staff into brand values, and the sub-theme “General brand values” is strongly represented in the interview material (see Table 1). The two strongest further condensed meaning units under this sub-theme were “*Employees personally devoted/passionate users of product category*” and “*We stand for active lifestyle*” (see Table 2).
2. The second area that emerged concerns **product characteristics**. These product characteristics consist of product tangibles and product intangibles. Product design, product functionality and innovation are examples of such product characteristics that belong to this area. The presented literature advises companies that want to be experienced as authentic to develop innovative long lasting and reliable products, made of genuine materials with a high or even superior quality, and the sub-theme “Tangible product performance” is strongly represented in the interview material as it was mentioned more often than any other sub-theme (see Table 1). The strongest further condensed meaning unit under this sub-theme was “*Better product performance/functionality*” (see Table 2).
3. The third area concerns the **relationship to the consumer**. Strategies that are formed to obtain knowledge about consumers in order to connect to them and the strategies to enhance the relation to these consumers belong to this area. Also, the strategies to strengthen the relation between the consumers as a group and to enhance the relation between the consumer and the products belong here. The presented literature advises companies that want to be experienced as authentic to develop long lasting dialogues with their consumers. To make it personal, to maximise human contact with them, to be accountable and respect the privacy of their consumers and to encourage social innovation, to be one with the community, to create real places for their consumers to create relations to the company and to each other as a group. The sub-theme “Consumer considerations” is represented by the largest number of condensed meaning units from the interview material (see Table 1). The strongest further condensed meaning unit under this sub-theme was “*Listen to voice of the consumers/expectations*” (see Table 2).
4. The fourth area concerns two fields: **brand and market management**. Even though closely interconnected, they are often divided in industrial practice. Strategies to strengthen and maintain the brand and means of promoting its products belong to this area. The presented literature advises companies that want to be experienced as authentic to develop brand and marketing strategies. Strategies given are to be consistent and clear; they need to avoid mixed messages, stick to their roots, highlight their history, nurture a cult, split up their organisation, communicate their reputation and uniqueness, stress that they are original and have a competitive edge. The sub-theme “Brand strategies” is one of the strongest as represented in the interview material (see Table 1). The strongest further condensed meaning unit under this sub-theme was “*Initiative to find emotional links, build associations to the brand*” (see Table 2).

These areas will be used as the four building blocks that will constitute the multi-dimensional framework of authenticity proposed in this paper.

## 5. DISCUSSION AND REFLECTION

### 5.1. Discussion about the Categories and their Score

Looking at the differences between the most frequent further condensed meaning units in Table 2, it is striking to see that the engineers focus so much more than industrial designers on giving products high tangible performance in the form of “Better product performance/functionality”, “Product robustness/reliability” and “Greater product versatility”.

The further condensed meaning unit “Adapt design to brand value” appears to have a quite even spread amongst all three questioned professions. This contradicts the traditional conception that adapting product design to align with brand value is a concern mainly amongst marketing managers and possibly industrial designers. This is particularly interesting because its high score also indicates that consistency between the product, its design, and a brand is considered important.

An interesting observation is that none of the interviewees ever mentioned authenticity when describing their work practice. They used other operational concepts to describe how they created consumer value. The most prominent ones are listed in Table 2.

Another interesting observation one can make from Table 2 is that engineers are the most concerned about giving products high quality in the form of tangible performance, whilst it is the designers and marketing managers who mention that the consumer conception of those qualities, with association to the brand, is the most important. It is also the marketing managers that talk the most about content associated to intangible product qualities in relation to product value.

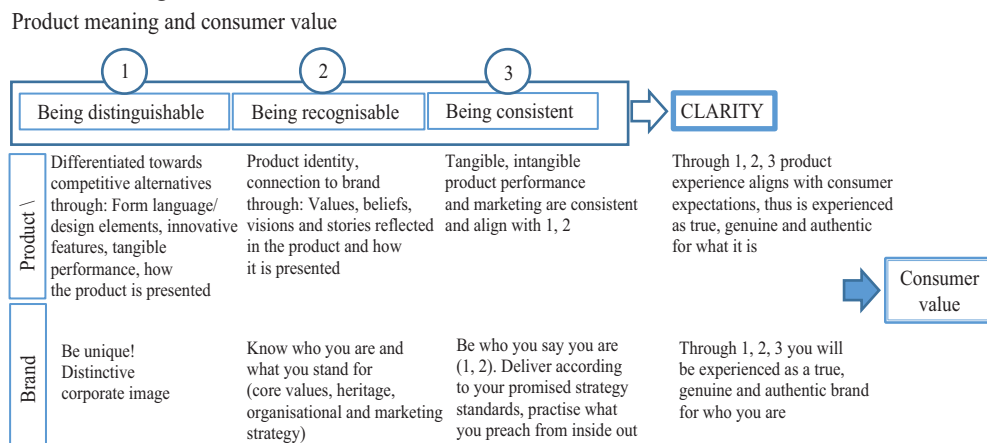
### 5.2. Starting to Build a New Framework of Product Value

If one looks at the main themes created in the qualitative content analysis (distinguishable, recognisable and consistent) formed from the 17 sub-themes in Table 1, the main themes align with the strategies given to companies from brand developers, consultant agencies and literature to develop and maintain strong authentic brands. Consistency between product characteristics, brand value and brand promises from the manufacturer ought to align in order to gain the favour of consumers. Consistency and resilience have been put forward by literature as important drivers behind authenticity (Kissmetrics, 2016; Brand Alpha, 2004).

Figure 3 illustrates these conditions of the main themes from the coded content analysis regarding the strategies for brands available to companies to develop and maintain strong authentic brands. The figure also includes interview data that shows what this implies on the product level.

**Figure 3**

How products being distinguishable, recognisable and consistent fits with advice given to companies on how to build and strengthen brands.



Source: own research 2018.

It is suggested that certain tangible and intangible qualities may well reside in products that are developed to be experienced as authentic and highly valuable. It is, however, also suggested that it is fundamentally the structure of these inert qualities in relation to the brand and its promises that constitutes the foundation for consumer value (Figure 3). This aligns with Ranscombe (2012) who concludes that a strong and meaningful brand is a decisive factor behind products that are highly valued on the mass-market.

### 5.3. Prelude to the Framework of Authenticity

The findings in this paper support the idea that product value is built so long as the consumer expectation is fulfilled or is slightly exceeded (Hanna, 2011; Iqbal, 2011). From this, it follows that a product may be experienced as highly valuable, even though it might be of inferior tangible quality, provided that there is consistency in how the product is presented, how the producer of this product presents itself, and the consumer expectations of that particular offer. This reflection is supported when the results are compared to the literature that exemplifies advice given to companies that want to be experienced as authentic (Beverland, 2005a; Beverland, 2009; Boyle, 2004; Kissmetrics, 2016; Lewis, 2001). These conditions are further elucidated in Figure 3.

Thus, the unauthentic exists exclusively in companies' active, routine-like or unconscious deception of consumers. Claiming that a product or a brand is something that it is not is to be inconsistent and, thereby, unauthentic. This paper supports the idea that consistency is an essential part behind being authentic (see the bottom rows in Table 2.). If a company says that it delivers value, it must confirm this in a trustworthy manner in all that it does, or consumer trust and, eventually, positive meaning and value are lost. Reflections of this kind have also been made by other authors (e.g. Boyle, 2004; Gilmore & Pine, 2007; Potter, 2010). Pine (2004) exemplifies this principle when he says: *"If you say you are authentic, you better be authentic"*.

It has been argued that a product or a brand can never truly be experienced as authentic unless it is associated with positive meanings and values (Potter, 2010, p. 6). These conditions are in accordance with Figure 3. Highly valued products must be developed with distinguishability, recognisability and consistency in relation to the brand to which they belong. Otherwise, clarity and trust are lost. Hence, it will no longer be experienced as trustworthy, genuine and real. Lack of clarity has been described as an enemy of strong authentic brands (Kissmetrics, 2016).

### 5.4. The Multi-Dimensional Framework of Authenticity

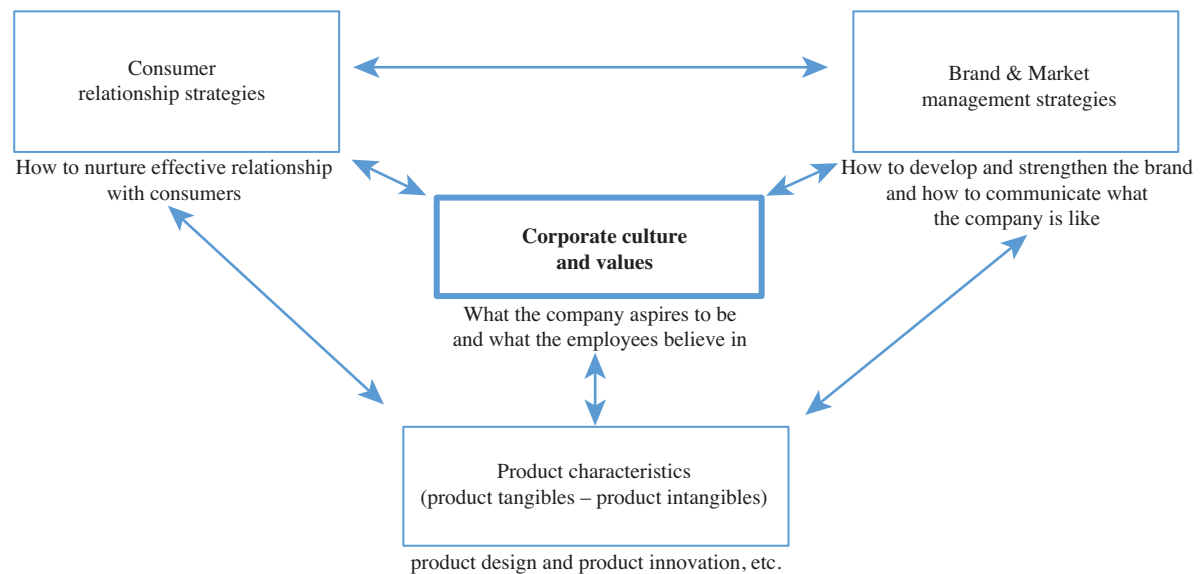
This paper attempts to present authenticity within product development as a multi-dimensional framework (Figure 4). This initial proposed framework is developed to be used as guidance in the consumer product development industry. It may, however, also have relevance for the business to business industry and, if correctly adopted, also for the service sector. The framework aligns with found literature on product authenticity and brand authenticity, and it is supported by what has come up from the company interviews (Tables 1 & 2); it aligns with Figure 3 and corresponds to the four main areas as presented above in 4.1.

Product value and authenticity are complex and ambiguous concepts comprising a great variety of aspects that have to be negotiated. The building blocks are mutably dependent on each other and must be recognisable, and distinguishable in relation to other offerings and brands. The building blocks must be consistent over time and in relation to each other. In reality the building blocks may also, to some extent, be blended with each other. The branding practices of a company that intends to generate authentic consumer experiences are, for example, mixed with the corporate values of that particular company.

**Figure 4**

The multi-dimensional Framework/Construct of Authenticity behind highly valued consumer products and brands within product development

**The Construct of Authenticity** behind highly valued consumer products and brands within product development and industrial design



Source: own research 2018.

To implement the generic framework in industry is, admittedly, a delicate act that demands clear sight, knowledge, and a unified strategy. This paper suggests that it is an insufficient practice for companies to isolate authenticity by regarding authenticity as a one-dimensional construct. All the concerned departments must be included, and all the building blocks in the framework must be thoroughly mapped and correctly understood. When this is done, each company will end up with its own unique mapping, built upon a framework that is implementable. Companies must, thus, map and evaluate all their efforts to create consumer value. If we, for example, look at the building block “consumer relations”, a company must map all their consumer relation efforts and marshal them into a consistent strategy.

## 6. CONCLUDING REMARKS

This paper makes a contribution to the ongoing debate on authenticity by bringing together the fields of product development, brand management and marketing to enrich the knowledge of consumer value.

The paper also attempts to better understand the meaning of authenticity in the context of product development through the interviews with practitioners within product development companies. Thus, it reveals what engineers, designers and marketing managers within product development talk about when asked how they create consumer value, how they contribute to this value and how this is related to authenticity.

This paper also makes a contribution to the field by proposing a new multi-dimensional framework for authenticity that explains how product development practices relate to authenticity. This framework may help product development companies to implement new practices that help to promote the inclusion of authentic experiences to their future offerings.

To be implementable, the framework of authenticity still needs to be further validated. The first step of this further research is to analyse, in detail, how a greater number of companies that develop products with a high consumer value correspond to the framework. The second step will

be to test how such a framework can be implemented to assist product development companies in practice. The framework might, in the future, benefit from being more detailed than it is in its initial present state.

The important relation between pricing, perceived quality and value for consumers is, for example, well known and well documented (Zeithaml, 1988) but not that clearly linked to this framework. This is also stressed in condensed meaning units coming from four marketing managers in this study. Three of them are: “*Not to develop too niche or expensive products*”, “*Competitive value in relation to price and quality*” and “*Must justify the price segment we aspire to with a competitive edge*”. Yet, pricing is not explicit in the framework. And no literature has been found that explicitly discusses the relation between authenticity and pricing. Nevertheless, it is certainly there. Thorough mapping while implementing the building block of brand and marketing management strategies will, however, find that pricing is embraced in this building block. As such, the framework suggests that these pricing strategies must be consistent over time and align with the rest of the building blocks of the framework.

As mentioned in the section about validity and reliability, it can be debated to what degree the importance of interview content is correlated with the frequency with which different interviewees mention that particular content. Nevertheless, the numbers are indicators of what the interviewees have been talking about. But, perhaps, the most interesting results lie beyond the numbers. They lie in what the interview sentences really mean. On a basic level, the interviews simply mean what the interviewees say. But what has been extracted is an underlying structural meaning. This meaning is described in two different ways in this paper. Firstly, as the higher levels from the qualitative content analysis, most prominently in the form of the three main themes. And secondly, as the four major areas of work practice as described at the end of the results chapter. Together with the literature, they underpin a new framework for authenticity as a multi-dimensional construct.

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## APPENDIX

The intensive interviewing themes to cover were:

1. Tell me about what drives you in developing this product!
2. How would you describe the value you add to the product?
3. What do you think renders this product special in the mind of the consumers?
4. How would you describe their appreciation?
5. Tell me something about your product development process in relation to this product!
6. Has everything become as intended?
7. What about the other departments? How do they contribute?
8. What is a successful product for you?
9. What renders a product successful?
10. Tell me something more about these products!
11. Tell me about the consumers!
12. What do they value?
13. How do you know this?
14. What do you think about the creation of consumer value?
15. Are the consumers pride owners?
16. What does the product mean to them?
17. What measures do you have in order to maintain or increase customer value for the future?
18. How do you experience the consumer image of you and what you do?
19. Is there something that you might not have thought about before that occurred to you during this interview?
20. Is there something else you think I should know to understand better?