Editorial
Bejoy John Thomas

Impact of Energy Subsidy Removal on Climate Change: A CGE Modelling Approach for India
Amrita Ganguly and Koushik Das

Initial Negativity - A Moderator in Customer Satisfaction During the Service Recovery Process in the Life Insurance Context
Ajay Jose, Sonia Mathew and Saraswathiamma K P

A Study on the Role of Materialism and Interpersonal Influence in Triggering Conspicuous Consumption among Emigrants from Kerala
Daly Paulose and Roshna Varghese

Effect of Celebrity Attractiveness on Behavioral Change Intention: A Study on Celebrity Endorsed Social Advertisement
Tijo Thomas and Johnney Johnson

Book Review

Joshin John
CONTENTS

Editorial
Bejoy John Thomas 1

Impact of Energy Subsidy Removal on Climate Change: A CGE Modelling Approach for India
Amrita Ganguly and Koushik Das 3

Initial Negativity - A Moderator in Customer Satisfaction during the Service Recovery Process in the Life Insurance Context
Ajay Jose, Sonia Mathew and Saraswathiamma K P 15

A study on the Role of Materialism and Interpersonal Influence in Triggering Conspicuous Consumption among Emigrants from Kerala
Daly Paulose and Roshna Varghese 37

Effect of Celebrity Attractiveness on Behavioral Change Intention: A Study on Celebrity Endorsed Social Advertisement
Tijo Thomas and Johney Johnson 63

Book Review

Elon Musk: How the Billionaire CEO of SpaceX and Tesla is Shaping Our Future
Editorial

It is my pleasure to bring you the first issue of the journal for the year 2016, with its collection of research articles and review. The first research article by Amrita Ganguly and Koushik Das highlights that there is no available literature on estimation of Pollution Terms of Trade (PTOT) on the Social Accounting Matrix (SAM) of 2007-08 which focuses on the impact on PTOT of India due to international crude oil price variation and reduction of energy subsidy. All the studies for India are based on the SAM of 2003-04 or earlier. Amrita Ganguly and Koushik Das try to comprehend general equilibrium impacts of the variation in international crude oil prices and removal of domestic energy subsidies on the pollution content of Indian trade. Ajay Jose, Sonia Mathew and Saraswathiamma K. P. seek to provide an exploratory investigation into service recovery efforts in the insurance setting in the wake of a perceived failure of ULIPs (Unit Linked Insurance Plan). The study attempts to help life insurance marketers better understand customer satisfaction in the wake of a perceived product failure by suggesting ways of effective service recovery. Little research has accounted for the predictive impact of socio-psychological constructs on conspicuous consumption, not just globally but also in the Indian context and this paper by Daly Paulose and Roshna Varghese attempts to fill the void. This study tries to identify the interplay of social and psychological constructs like Interpersonal influence and Materialism in predicting conspicuous consumption among emigrant community from Kerala. An assessment of the reduced consumption of electricity, as a consequence of viewing advertisement is essential to the overall understanding of the persuasion process. The study by Tijo Thomas and Johney Johnson measures how respondent’s perception of the celebrity endorser attractiveness affects the respondent’s reaction towards the endorsed product.

This issue also contains a review by Joshin John of the book entitled, Elon Musk: How the Billionaire CEO of SpaceX and Tesla is Shaping Our Future, by Ashlee Vance published in 2015.

I would be happy to receive your comments, suggestions and feedback about this issue.

Bejoy John Thomas
Editor
Rajagiri Management Journal
E-mail: editor-rmj@rajagiri.edu
Impact of Energy Subsidy Removal on Climate Change: A CGE Modelling Approach for India

Amrita Ganguly\textsuperscript{1} and Koushik Das\textsuperscript{2}

Abstract

There is a negative relationship between prices of energy products and pollution content of export as well as the Pollution Terms of Trade (PTOT) in India. However the pollution content of domestic consumption has a marginally stronger positive effect than the negative effect on export. This indicates that, for instance when prices of energy products rise in India either due to removal of fuel subsidy or rise in international crude prices, some of the manufacturers who were previously exporting pollution intensive goods lose their competitiveness in the international market due to increase in fuel prices and start selling their product to the domestic market. Thus clearly a rise/fall in prices of energy goods does not significantly contribute to climate change in India.

Keywords: CGE, Climate Change, SAM, Energy Subsidy, Pollution Terms of Trade.

1. Introduction

One of the most important environmental changes, which have come into foray in the current times, is the build-up of atmospheric pollutants like Carbon Dioxide, Sulphur Dioxide and Oxides of Nitrogen. Undoubtedly, most of the
added pollutants in the atmosphere is coming from anthropogenic activities like the burning of fossil fuels coupled with simultaneous cutting of forests etc. The main outcome of this build up is the dramatic rise in the temperature of the surrounding atmosphere. To combat climate change and subsequently build-up of CO₂ and other greenhouse gases (GHGs) and pollutants in the atmosphere, international efforts and collaboration are on the rise. Developing nations like India would be looking forward to an ambitious but equitable outcome which would curb global GHG emissions as well as be in agreement with the current growth prospects of the country. A great concern in this regard is that with liberalization in trade regimes and increase in export incentives, there could be greater exploitation of natural resources leading to increase in pollution. Pollution Terms of Trade (PTOT) is the term used to denote the pollution embodied in import from Rest of the World. A greater than unity value of PTOT indicates the presence of dirty industry migration as the domestic economy exporting higher pollution than it imports from Rest of the World.

Presently, the per capita emission of India is 1.4 tCO₂/person (as of 2010) which is less than one third of world average of 4.5 tCO₂/person. This per capital emission figure is projected to increase to 2.67 tCO₂/person in 2020, which is almost 90% increase over 2010 number. Total GHG emissions of India stood at 1,570 million tCO₂ which is projected to increase to 3,537 tCO₂ in 2020 (assuming 8% GDP growth). This emission inventory is the result of a highly coal dominated energy mix of India. Of the primary energy mix, coal is the dominant energy source at almost 50% followed by crude oil (petroleum products such as diesel and petrol) at 25%, natural gas at 15% and renewable energy at 8%. For the purpose of this research, coal, crude oil, LPG, petrol and diesel have been considered for further analysis.

In India, in recent years the government has taken several steps to reduce subsidies on fossil fuels like LPG, petrol and diesel, which has resulted in increase of price of these fuels in India. The Government of India took advantage of the fall in global crude oil prices to reduce subsidies on fossil fuels significantly. The effect of this subsidy reduction along with fall in global crude oil prices on trade and pollution content of trade needs to be evaluated and understood. The

---

chief purpose of the present paper is to comprehend general equilibrium impacts of the variation in international crude oil prices and removal of domestic energy subsidies on the pollution content of Indian trade.

In this paper we use the Computable General Equilibrium (CGE) framework to conduct three such experiments: how PTOT is impacted with:

(i) The changes in taxes and subsidies on LPG, petrol and diesel on the Indian economy had crude oil prices remained constant at 2007-8 level. Between 2007 and 2015, LPG subsidies decreased from 72% to 25% while petrol and diesel subsidies reduced from 3% and 18% to no subsidy respectively. Hence the impact of year-on-year average subsidy levels (varying within the range of subsidy mentioned before) has been simulated.

(ii) The fall in international prices of crude had taxes and subsidies on LPG, petrol and diesel remained constant at the 2007-08 level. Crude oil prices fluctuated between USD 52/bbl and USD 109.45/bbl between 2007 and 2015 with the 2007 crude price being USD 69/bbl. Hence the impact of year-on-year fluctuation of crude oil price has been analysed.

(iii) Both the change in crude oil prices and subsidy reduction of fossil fuel.

The paper also analyses the effect of all the above scenarios on the pollution content of domestic consumption.

Since environmental concerns have increasingly become important for India and globally, there is some literature available on pollution haven analysis. The concept of pollution terms of trade’ index was introduced by Werner Antweiler (1996) - it measured the environmental gains or losses that a country sustains from engaging in international trade and distinguished between the trade composition effect and the environmental technology effect. PTOT of India with EU and with rest of the world for CO2 varied between 0.71-0.73 and 0.49 - 0.53 respectively in the 1990s (Mukhopadhyay and Chakraborty, 2005). Dietzenbacher

---

6 The year 2007-08 has been denoted as year 1 and subsequent years (till 2015) as year 2, 3 and so on. This is because the Social Accounting Matrix which has been used is of 2007-08 and we have tried to see how the pollution content changes with various factors such as subsidy reduction and international crude oil price fluctuations.
and Mukhopadhyay (2007) obtained PTOT value for India in 1991-92 to be 0.75 and that for 1996-97 as 0.72 i.e. PTOT value is less than unity in 1990’s and thus they concluded that Pollution Haven Hypothesis should be rejected for India. Dietzenbacher and Mukhopadhyay (2007) computed PTOT for 1990’s and simulated corresponding value for the year 2006-7 as 0.97 i.e. very close to the border line of unity. The latest computed value of PTOT for India is 0.902 for 2003-04 (Das and Chakraborti, 2013). All the available literature for India is based on the SAM of 2003-04 or earlier. There is no available literature on estimation of PTOT on the SAM of 2007-08 which focuses on the impact on PTOT of India due to international crude oil price variation and reduction of energy subsidy. This has been the main motivation of this research.

The rest of the paper is arranged as follows: Section 2 highlights how emission factors of different fossil fuels are computed. Section 3 provides the methodology of construction of SAM. Section 4 provides the structure of benchmark CGE model. Section 5 describes how modelling “Pollution Haven” is done in CGE. Section 6 highlights the results of the research experiments. Finally Section 7 concludes the paper.

2. Derivation of Emission Factors

Greenhouse gases are generated due to the consumption of fossil fuels as inputs in production of output of the industries. Following Mukhopadhyay and Foessell (2005), we can calculate emission as follows:

\[
F_{GHG} = C^* L1^* Z
\]

Here \( F_{GHG} \) is a scalar representing total quantity of emission (of CO\(_2\)) from fossil fuel combustion.

C is a vector of dimension (1xm), representing emission coefficients for a particular type of GHG from m\(^5\) different types of primary fuels. L1 represents a matrix (m. n) of energy consumption coefficients for different sectors. Z is a vector of dimension (n .1) representing output of n different sectors.

Different Emission coefficients correspond to various fossil fuels and are computed following IPCC (Inter Governmental Panel on Climate Change) guideline. IPCC provides the emission factor (in tCO\(_2\)/TJ) and calorific value (in TJ/Gg). The product of these two parameters is multiplied with price of the particular fuel to arrive at the emission coefficient.
3. Construction of the Social Accounting Matrix

We base our calculations on the Social accounting Matrix (SAM) for India for the year 2007-08 following Pradhan, Saluja and Sharma (2013). This SAM consists of 78 sectors and nine categories of households which are based on occupation and location (i.e. rural and urban). The gross value added has been divided into three factors of production, i.e. labour, capital, and land. Further, labour has been divided into three types, i.e. unskilled, semi-skilled, and skilled.

To construct our Energy SAM, relevant sectors from the above SAM were aggregated into primary (agriculture sector consists of all agricultural products, minerals, primary products such as iron ores, crude petroleum and agro process activities), secondary (Manufacturing sector comprised mainly of all manufacturing activities such as cotton and textile, plastic, rubber and leather products, cement, different chemical products, etc. without crude oil, LPG, petrol and diesel) and tertiary (Service sectors such as education, health care services, public administration, bank and insurance, postal services etc.) sectors. Coal and crude oil have been taken as separate sectors. LPG, petrol and diesel have been proportionately taken out from the sector – petroleum products. Thus, the SAM that we work with has three energy sectors (LPG, petrol and diesel) where subsidies have varied over the years, two energy sectors (crude oil and coal) where there is no subsidy and two non-energy sectors (agriculture; manufacturing and services) where there is no subsidy as well. Four types of agents in the economy have been considered, namely, (a) household, (b) firm, (c) government and (d) Rest of World (ROW). The three types of labour (unskilled, semi-skilled and skilled) were aggregated into one sector – labour. Households have been aggregated into two types – urban and rural household. Table 1 shows the ESAM of India developed for this study.

In our ESAM we have a total of seven sectors. The conventional sectors are 1) Primary sector 2) Secondary sector and Tertiary service sector and the energy sectors i.e. 3) Crude oil 4) LPG 5) Petrol 6) Diesel and 7) Coal sectors.

7 In Indian context I/O table is published by the Central Statistical Office in every five years gap. Pradhan, Saluja and Sharma (2013) constructed SAM for India using the I/O matrix for the year 2007-08. The main data sources used in the construction of this SAM are CSO's I-O table 2007-08, NSSO's 66th round survey on consumer expenditure, and NCAER's Income-Expenditure Survey 2004-05.
We have constructed SAM of India for the year 2007-08 based on the SAM constructed by Pradhan, Saluja and Sharma (2013). This research work tries to analyse the impact of policy level changes in the LPG, petrol and diesel sectors and the impact of international crude oil prices. Hence these energy sectors are disaggregated from the three main sectors (primary, secondary and tertiary) and the impact on energy sector is analysed. These three main sectors are also included with the energy sectors, since it is a general equilibrium framework, and it has the inter-linkages among the sectors. Hence changes in the separate energy sectors will affect the other sectors as well, through the linkage effects and to obtain this general equilibrium implications of changes in energy sector- the different energy sectors have been disaggregated as separate sectors.

4. Structure of the Benchmark CGE Model Under Perfect Competition

The ESAM was used for the calibration of the CGE model and considering an open economy and perfect competition. Subsidy rates are supplied exogenously. Our benchmark CGE model is based on perfect competition and constant returns to scale assumption both in commodity market and factor market.\(^8\)\(^9\)

The base year of this study has been taken as 2007-08.

5. Modelling “Pollution Haven” in CGE

To make an exact link between trade and environment we modelled “Pollution Haven” by computing Pollution Terms of Trade (PTOT) proposed by Antweiler, W(1996). PTOT is computed taking the ratio of pollution content of export and pollution content of import. Pollution content of export and import can be given by:

\[^8\] For a reference CGE model, please refer to Das & Chakraborti (2013).
\[^9\] We have assumed over here that zero profit condition actually holds in the minimum point of average cost curve. This also indicates there is constant returns to scale in the long run and there is no excess capacity present in the market. In the energy sector, there are many buyers and in this era of liberalization and globalization, quite handsome number of firms actually produce almost homogenous products. Hence perfect competition assumption maybe a very close approximation to the reality when there is no presence of increasing returns to scale, and zero profit condition holds at the minimum point of the long run average cost curve.
Impact of Energy Subsidy Removal on Climate Change: A CGE Modelling Approach for India

\[ F_{GHG\ (EXPORT)} = C^* L^* (I - A_d)^{-1} * E \]
\[ F_{GHG\ (IMPORT)} = C^* L^* (I - A_d)^{-1} * M \]

Here E and M are \((nx1)\) vectors representing export and import of the domestic economy in different sectors. Here Ad is the matrix domestic input/output coefficient. Hence \((I-Ad)^{-1}\) is the Leontief domestic inverse matrix. Here we assume identical technology as of domestic production for the import from ROW (Rest of the World). Here \(C^* L^* (I - A_d)^{-1}\) represents both direct and indirect requirements of pollution intensities within Export and Import. Pollution Terms of Trade for India with rest of the World can be given by:

\[ \text{PTOT} = \frac{F_{GHG\ (EXPORT)}}{F_{GHG\ (IMPORT)}} = \frac{C^* L^* (I - A_d)^{-1} * E}{C^* L^* (I - A_d)^{-1} * M} \]

A country gains environmentally from trade in relative terms whenever pollution content of its imported good is higher than that of its exported good. Whenever PTOT value is greater than unity, it indicates country’s export contains higher pollution than it is receiving through import. PTOT is an indicator to reflect pollution haven effect.

6. Analysis of Policy Simulation Experiments

Experiment 1: Impact of Reduction of Energy Subsidies Only

With reduction in energy subsidies, it is seen that pollution embodied in both exports and imports decreases. However the decrease in pollution content of exports is higher than the decrease in pollution content of imports. On an average, pollution contents of exports decrease by 0.23% over the study period while pollution content of imports decrease by 0.20% for the same period. With reduction in energy subsidies, price of fossil fuels increase and hence many exporters stop exporting energy intensive goods. This reduces the pollution content of exports.

The PTOT decreases i.e. pollution content of export decreases implying there is a reduction in export of pollution intensive manufacturing/industries – reducing pollution embodied in exports. Between year 1 and 9, PTOT decreases by 0.16%. In the year 1, when subsidy is the highest, it is seen that PTOT increases by 0.15% over the benchmark PTOT of 0.839. As the subsidy rates are reduced, the
PTOT also decreases. Moreover it is seen that pollution content of domestic consumption increases with reduction in energy subsidies. This is logical since with reduction of subsidies, the prices of fossil fuels increase in domestic markets increase and hence more energy intensive industries who were previously exporting have lost their competitiveness due to increase in fuel prices and have started supplying to the domestic market. Pollution content of domestic consumption increases by 0.4% between year 1 and year 9.

**Experiment 2: Impact of Variation of Crude Oil Prices Only**

With increase in crude price, the pollution content of import decreases and vice versa. This is mainly because crude oil import decreases due to price increase. Pollution content of export also decreases with increase in crude oil prices, however the decrease in case of imports is higher. Between year 1 and year 9, when crude oil prices decrease by 25%, pollution content of export increases by 0.33% while that of import increases by 0.6%. Hence there is a net decrease in the ratio of pollution content of export and import.

With variation in crude oil price, it is seen that the PTOT in increases in the years that crude oil price increases and vice versa over the benchmark PTOT of 0.839. In the years 2, 4, 5 and 6, when the crude oil price rises, PTOT also increases implying that with increase in crude oil price, import of crude oil decreases. Between year 1 and year 9, PTOT reduced by 0.21% for a 25% reduction in crude oil price in year 9 over year 1. The pollution content of domestic consumption increases with increase in crude oil price and decreases with decrease in crude oil price. This is because with increase in crude oil price (assuming no energy subsidies), prices of fossil fuels also increase in domestic market. Players who were so far exporting energy intensive goods lose their competitive edge and are forced to supply goods in the domestic market, thus increasing pollution content of domestic consumption. Pollution content of domestic consumption reduces by 0.9% between year 1 and year 9 due to 25% reduction in crude oil price in year 9 over year 1.

**Experiment 3: Impact of Variation of International Crude Oil Prices and Reduction of Energy Subsidies**

When the net impact of variation of crude oil prices and reduction of energy subsidies is simulated on pollution content of exports and imports, it is seen
that the effect of international crude oil prices dictates the net effect. In the years that crude oil prices decrease, it is seen that pollution content of both exports and imports increases and vice versa. Between year 1 and year 9, pollution content of export and pollution content of import increases by 0.32% and 0.26% respectively. The increase in this case is however less that in the case where only the effect of international crude oil price variation was observed. This is because the effect of subsidy removal reduces the magnitude of the effect (impact of subsidy removal and impact of crude oil price decrease have opposite impacts).

It is seen that international crude oil price variation has a more dominating impact on PTOT than reduction of energy subsidies. In the years that crude oil price increases, PTOT increases inspite of the fact that energy subsidy decreases. The import of crude oil decreases due to increase in crude oil price which leads to increase in PTOT. However, PTOT is always less than unity indicating that Indian exports have always been less pollution intensive than Indian imports. PTOT decreases by 0.1% between year 1 and year 9 for the net effect of crude oil variation and energy subsidy reduction as compared to a reduction of 0.16% for only subsidy reduction and decrease of 0.21% for only crude oil variation. Crude oil price variation also has a more dominating effect on pollution content of domestic consumption as compared to energy subsidy reduction. Pollution content of domestic consumption decreases in the years that crude oil price decreases (although the value is less than in Experiment 2 due to the increasing effect of subsidy). Pollution content of domestic consumption decreases by 0.02% between year 1 and year 9 as compared to 0.4% increase for subsidy reduction only and 0.9% reduction for crude oil price variation only.

7. Conclusion

With reduction in energy subsidies, India does not become a pollution haven and pollution intensiveness of exports decrease. However, pollution content of domestic consumption increases with reduction in subsidies, implying that prices of fossil fuels increase in domestic markets with reduction in subsidies and more energy intensive industries who were previously exporting have lost their competitiveness due to increase in fuel prices and have started supplying to the domestic market. Hence fossil fuel subsidy reduction is beneficial as India gains environmentally from trade in relative terms as pollution content of its imported good is higher than that of its exported good. However with increase in crude oil price, India's pollution intensiveness of imports decrease, thereby increasing
the PTOT. Hence, an increase in international crude oil price is not desirable in India from the environmental front also. The pollution content of domestic consumption increases with increase in crude oil price and vice versa. This is because when international crude oil price increases, fossil fuel prices in local markets also increase (assuming there is no subsidy effect), thus making many exporters lose their competitive edge in foreign markets. These exporters then supply their goods in domestic markets and increase the pollution content of domestic consumption. Effect of crude oil price variation is more dominant on PTOT when the net effect of crude oil price variation and subsidy reduction is being considered. Comprehensively, Indian economy has not been “Pollution Haven” in 2007-08 and Indian imports have been 16% more pollution intensive than Indian exports. These results also corroborate with previous works of Mukhopadhyay and Chakraborty (2005), Dietzenbacher and Mukhopadhyay (2007) and Das and Chakraborti (2013) who concluded that Pollution Haven Hypothesis should be rejected for India in earlier years.

References


Inter-governmental panel on climate change, Various Documents and Reports, Website: www.ipcc.ch.


<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary sector</td>
<td>2388</td>
<td>3443</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4388</td>
<td>2077</td>
<td>1</td>
<td>1</td>
<td>100</td>
<td>1</td>
<td>-6</td>
<td>280</td>
<td>12680</td>
<td></td>
</tr>
<tr>
<td>Secondary + tertiary Sector</td>
<td>1821</td>
<td>33126</td>
<td>60</td>
<td>71</td>
<td>806</td>
<td>97</td>
<td>83</td>
<td>1</td>
<td>8797</td>
<td>11358</td>
<td>1</td>
<td>1</td>
<td>4859</td>
<td>1</td>
<td>18071</td>
<td>8767</td>
<td>87922</td>
<td></td>
</tr>
<tr>
<td>LPG</td>
<td>1</td>
<td>41</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>5</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>9</td>
<td>79</td>
<td></td>
</tr>
<tr>
<td>Petrol</td>
<td>1</td>
<td>120</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>12</td>
<td>17</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>9</td>
<td>21</td>
<td>193</td>
<td></td>
</tr>
<tr>
<td>Diesel</td>
<td>1</td>
<td>1283</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>269</td>
<td>380</td>
<td>1</td>
<td>1</td>
<td>51</td>
<td>1</td>
<td>205</td>
<td>461</td>
<td>2787</td>
<td></td>
</tr>
<tr>
<td>Coal</td>
<td>1</td>
<td>678</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2.4253</td>
<td>1.796</td>
<td>719</td>
<td></td>
</tr>
<tr>
<td>Crude oil</td>
<td>1</td>
<td>2951</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>-0.4</td>
<td>43</td>
<td>3011</td>
<td></td>
</tr>
<tr>
<td>Labour</td>
<td>4720</td>
<td>17624</td>
<td>1</td>
<td>1</td>
<td>17</td>
<td>114</td>
<td>98</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>-25</td>
<td>22559</td>
<td></td>
</tr>
<tr>
<td>Capital+ Land</td>
<td>3749</td>
<td>18631</td>
<td>8</td>
<td>17</td>
<td>374</td>
<td>249</td>
<td>213</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>-180</td>
<td>23069</td>
<td></td>
</tr>
<tr>
<td>Rural Household</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>9989</td>
<td>8033</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2189</td>
<td>1</td>
<td>378</td>
<td></td>
</tr>
<tr>
<td>Urban Household</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>12560</td>
<td>5125</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1502</td>
<td>1</td>
<td>1297</td>
<td></td>
</tr>
<tr>
<td>Pvt. Corp.</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>2928</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1921</td>
<td>1</td>
<td>4864</td>
<td></td>
</tr>
<tr>
<td>Pub. Enter.</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1142</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1158</td>
<td></td>
</tr>
<tr>
<td>Govt.</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>987</td>
<td>820</td>
<td>892</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4050</td>
<td>1</td>
<td>1</td>
<td>8772</td>
<td></td>
</tr>
<tr>
<td>Ind. Taxes</td>
<td>-326</td>
<td>2150</td>
<td>2</td>
<td>5</td>
<td>112</td>
<td>8</td>
<td>11</td>
<td>1</td>
<td>1</td>
<td>247</td>
<td>263</td>
<td>1</td>
<td>1</td>
<td>114</td>
<td>735</td>
<td>728</td>
<td>4055</td>
<td></td>
</tr>
<tr>
<td>Capital a/c</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>4846</td>
<td>6045</td>
<td>5396</td>
<td>2928</td>
<td>1</td>
<td>1</td>
<td>1142</td>
<td>1</td>
<td>-1982</td>
<td>644</td>
<td>19029</td>
</tr>
<tr>
<td>ROW</td>
<td>198</td>
<td>9158</td>
<td>6</td>
<td>13</td>
<td>293</td>
<td>208</td>
<td>23253</td>
<td>2550</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>12436</td>
<td></td>
</tr>
<tr>
<td>Column Total</td>
<td>12680</td>
<td>89211</td>
<td>89</td>
<td>119</td>
<td>1613</td>
<td>711</td>
<td>2978</td>
<td>22564</td>
<td>23072</td>
<td>20594</td>
<td>20491</td>
<td>4864</td>
<td>1158</td>
<td>8765</td>
<td>4066</td>
<td>19029</td>
<td>12429</td>
<td></td>
</tr>
</tbody>
</table>

Source: Prepared by the authors.
Initial Negativity - A Moderator in Customer Satisfaction during the Service Recovery Process in the Life Insurance Context

Ajay Jose¹, Sonia Mathew ² and Saraswathiamma K P³

Abstract

The research aims to understand how service recovery satisfaction could lead to customer satisfaction by exploring the antecedents of service recovery satisfaction and considering the moderating role played by initial negativity experienced due to service failure. A conceptual model assuming the linkages between interactional fairness, operational fairness & problem solving orientation on customer satisfaction mediated through recovery satisfaction and moderated by initial negativity feel of customers was developed and tested on customers of life insurance products in Kerala. Responses from 250 randomly selected life insurance customers, who had experienced a service failure belonging to the public sector and private life insurance companies were collected using a structured questionnaire, which captured their perceptions on certain relevant indicators capable of measuring the latent variables. A variance based Structural Equation Modelling (SEM) approach was adopted to explore the significant linkages in the proposed model. The critical role of the antecedents of service recovery satisfaction and its mediating effect in creating customer satisfaction would provide strategic insights to practicing managers to retain customers, in the event of a service failure. The study could empirically establish that, initial negativity feel due to service failures had a moderating effect.
on customer satisfaction, which implies that the impact of service failure, can significantly modify the service recovery process. The study gathers significance when evaluated in the light of perceived product failure of Unit linked insurance products.

**Keywords:** Customer satisfaction, Service recovery satisfaction, Initial negativity, SEM.

### 1. Introduction

Indian insurance industry is among the most promising emerging insurance markets in the world. The initiative for transformation of the industry was laid in 2000, by the opening of the insurance market to private-sector and foreign players. Currently, the insurance industry in India is the 4th largest in the Asia-Pacific region, holding the position of being the 12th largest life insurance market in the world. With life expectancy reaching 74 years, the insurable population in the country is anticipated to touch 750 million in 2020. The projected share of life insurance is expected to touch 35 per cent of total savings by the end of the decade, as against 26 per cent in 2009-10. The insurance industry in India is comprised of 53 insurance companies, 24 of which are in life insurance business and 29 in non-life insurance. The market size of the industry in FY-2014 stood at, Life Insurance US$ 52463 Million and General Insurance US$ 13535 Million (Life Insurance and Annuity Industry Outlook-Taking the longer term view, 2015). With about 360 million policies India’s life insurance sector is the biggest in the world with expectations to grow at a compounded annual growth rate of 12-15 per cent over the next five years. The insurance market in the country is to expected to quadruple over the next decade to reach US$ 160 billion (Ibef.org, 2015).

The profile of Indian consumers has been ever evolving, with more and more customers actively involved in managing their financial assets, and emerging expectations of integrated financial solutions that offer stability of returns combined with comprehensive protection. Life insurance is fast emerging as an attractive and stable investment alternative that offers total protection for life, health as well as wealth. Increase in the size of the working population would lead to exponential growth of household savings and purchasing power, which would likely increase the demand for insurance products. In India the proportion of working-age population is expected to increase from approximately 58 per
cent in 2001 to more than 64 per cent by 2021, with a large number of young persons in the age group of 20-35. Increased disposable incomes as a result of this can be tapped by the financial services sector in general and the insurance sector in particular. The Indian economy has seen a soft positive growth expanding to 7.4% in the year ended March 2015 marginally higher than 6.9% recorded in the previous year. The economy is gaining strength through higher spends on infrastructure and continued reforms in financial and monetary policy. New initiatives by the government may pay the way to a GDP growth rate between 7 to 8.5 per cent over the next decade and the insurance industry stands to substantially benefit from this growth (Indiainbusiness.nic.in, 2015). There has been predictions by the IMF and the Moody’s Investors Service that India will witness a GDP growth rate of 7.5 per cent in 2016, due to lower food prices, improved investor confidence, and better policy reforms.

2. Problem Statement

Life insurance has always been a savings cum protection tool for the common man, being the second largest contributor to household savings, amounting to almost 3.17 % of the GDP [(Report of the Working Group on Savings during the Twelfth Five-Year Plan (2012-13 to 2016-17)].

The opening up of the life insurance industry and entry of private players in 2001, saw a steady increase in insurance penetration growing from 2.15% in 2001 and peaking to 4.6% in 2009 (IRDA Annual Reports). This incredible growth was achieved partly due to the sale of ULIPs (Unit Linked Insurance Plan), which became the poster boy of the Insurance industry with shorter tenure, easy liquidity, flexibility, transparency and promise of dream returns. The ULIPs fast became the favourite of Insurance advisors and a major share was sold by advisors to customers, who both where not educated about the risk return profile of the product. As share markets surged further to all-time highs, the ULIPs championed the cause of mis-selling and were sold promising untenable returns. However when the share markets corrected the ULIPs grossly underperformed and did not deliver returns as expected by the customer, significantly eroding customer satisfaction levels. Some ULIP funds even fell below the investment value & offered negative returns, eating into investors’ capital. Loss of investments, led to relationship loss which consequently resulted in the loss of an established relationship between the provider and the user (Shuchi Singhal, Anupam Krishna & Davis Lazarus 2013). When the product did not provide the falsely promised returns, a lot of customers stopped paying, and lost money.
This was reflected in the spike in the lapsation in insurance policies after the introduction of ULIPs in India, leading to a loss of more than a trillion rupees for investors over the 2005-2012 period on account of mis-selling (Halan, Sane, & Thomas 2014).

The impact of erosion in customer trust extended to other life insurance products also. The product failure led to decline in customer satisfaction, which refers to accumulative and comprehensive evaluation of customers in their long-term contact with an enterprise (Homburg, Koschate and Hoyer, 2005). Loss of trust was evident from the fact that the Insurance industry has recorded a growth rate of only 5.4% in FY 2015 compared to the GDP growth of 7.4%. Insurance Penetration in India has come down in 2014 to 3.3% compared to 3.9% in the previous year, this being below the world average of 6.2 percent in 2014 (“Ernst & Young, Voice of the customer – Time for insurers to rethink their relationships”, 2015). Studies have shown that the inability to effectively identify the causes of customer loss and to take appropriate measures is the main reason for failure in customer win-back (Smith, Bolton & Wagner, 1999). To win back the lost confidence a proper service recovery mechanism has to be set in place.

However proactive changes in the regulatory framework make the future looks bright, forcing the industry to have a relook in the way it conducts its business and engages with its customers. A growing young middle class, untapped insurable population, nuclear families and increasing awareness of the need for protection and retirement planning will support the growth of Indian life insurance.

This study seeks to provide an exploratory investigation into service recovery efforts in the insurance setting in the wake of a perceived product failure. The current study attempts to help life insurance marketers better understand customer satisfaction in the wake of a perceived product failure by (1) by suggesting ways of effective service recovery (2) exploring the impact of perceived initial negativity feel as a result of the failure on customer satisfaction.

### 3. Literature Review

A service failure is defined as service performance that falls below a customer’s expectations (Hoffman & Bateson, 1997). A product or service failure occurs when a service provider fails to meet the expectations of customers; the resultant disconfirmation can lead to a series of negative outcomes such as defection.
and negative word-of-mouth. It is the result of a service or product failing to meet customer expectations because of fault in any of the links in the service delivery chain (Mueller, Palmer, Mack, & McMullan, 2003). The consequences of service failure include: losing customers, negative customer appraisals, and customers registering complaints with consumer rights organisations. The presence of these failures can significantly impact customer satisfaction and customer loyalty, which in turn will impact future sales.

**Compliant Behaviour**

The focus of this research has been to explain the redress seeking behaviour generally prevalent amongst customers who experiences a perceived service failure. Previous research has found that dissatisfied customers seek redressal, involve in negative word-of-mouth behavior, or exit, based on the perceived probability of a successful redressal (Gilly & Gelb, 1982; Folkes, Koletsky & Graham 1987; Singh, 1990). Complaint handling refers to the strategies firms use to resolve and learn from service failure in order to reestablish the organization’s reliability (Hart, Heskett & Sasser, 1989). When failures occur, customers often search for explanations for the causes of failures (Folkes, 1984) and make causal attributions to assure why a failure occurred (Weiner, 2000). A complaint is a negative response toward a quality of service (Resnik & Harmon, 1983); they occur for many reasons: seeking redress, emotional release, and assurance of non-recurrence of problems. If not handled appropriately, customer loyalty will be diminished (Oliver, 1987) and company reputation and brand value will be endangered (Morgan & Hunt, 1994).

**Service Recovery**

Service recovery is the opportunity offered by complaining customers to rectify the misdemeanours of a firm. It refers to the actions a service provider initiates in response to a service failure, and is considered a major component of the overall service quality (Gronroos, 1988). The term service recovery in literature usually refers to organisations response to a service breakdown (e.g., De Matos, Henrique & Rossi, 2007; Smith et al. 1999), studies have involved after-sales services for product repair or product failures also (e.g., Brady, Cronin, Fox & Roehm, 2008). In this study we use the term service recovery to denote the act of providing a recovery in the case of perceived product failure of ULIPs in the life insurance industry.
Service recovery is considered successful to the extent when a complainant continues to patronise, repurchase and engages in positive word-of-mouth communication about the service (Davidow, 2000). Customer satisfaction with service recovery refers to a positive set of emotions perceived by customers in the process and as a result of recovering from the failed service (Kim, T. T., Kim, W. G., & Kim, H. B., 2009). Proper complaint management can result in customer satisfaction and improved financial performance through operational improvement (Johnston & Mehra, 2002). This leads to the recovery paradox (McCollough & Bharadwaj, 1992), which refers to the situation in which a customer’s purchases and loyalty increase as a result of satisfactory service recovery. Effective complaint handling and service recovery policies, in order to ensure customer retention has been the focus of both researchers and service organizations.

Theories of Service Recovery and Compliant Management

Justice Theory has been the basis of the dominant theoretical framework for complaint management and service recovery in the past (Liao, 2007). The studies focus on the customers’ evaluation of the complaint experience through perceived distributive, procedural, interactional, and informational justice (Colquitt, 2001). It studies complaint handling effectiveness, service recovery tactics and post-complaint behavior in service recovery. Customers’ level of satisfaction and their loyalty depend on the perceived justice in the complaint handling process and outcome. Four types of justice are generally assessed in a service recovery context: procedural (the process used to resolve the problem), distributive (the outcome of the recovery process), interactional (the manner and the interaction between the operator and complainant in dealing with the problem), and informational (the candid communication with the complainant). These four factors are proven to be distinct dimensions (Colquitt, 2001).

Fairness Theory (Folger & Cropanzano, 2001) has been found to provide useful insights in extending and explaining customer responses to complaint handling and service recovery. Social identity theory (Tajfel, 1981) and Similarity-attraction theory (Strauss, Murray & Connerly, 2001) suggest that what consumers visually see and face in a service encounter will impact their perceptions and subsequent satisfaction/dissatisfaction. Based on Expectation Disconfirmation Theory (Oliver, 1977) a complainant will compare the actual experience with his or her personal expectations, understandings, or the commitment offered by the service provider to gauge the injury.
Frontline Customer Service Employee

The front-line customer service employees (FSE) critically influence consumers’ perceptions of the service encounter and from the customer’s point of view, they form the crux of the service (Bitner 1990; Parasuraman, Zeithaml & Berry, 1988). FSE core recovery behavior positively influences the recovery speed and recovery quality (Van der Heijden, Schepers, Nijssen & Ordanini, 2013). Customers expect to receive an explanation resultant of a service failure eager to understand what went wrong, why it went wrong, and what is being done about it (McColl-Kennedy & Sparks, 2003). The usually adopted methods are (1) Excuses, it involves mitigating the circumstances in order to exonerate the organization of responsibility for the adverse outcome (2) justifications, involves acceptance of responsibility, but which attempt to absolve the service firm by legitimizing its actions on the grounds of shared needs and/or higher goals (3) referential, i.e., it seeks to minimize the perceived unfavorableness of the failure by soliciting downward comparisons (4) apologies, it involves an admission of failure and an expression of remorse (Bies 1987).

A meta-analysis of 36 studies (Shaw et al. 2003) summed that providing excuses are more effective than justifications. It also established that justifications can result in higher levels of satisfaction than did apologies (Conlon and Ross, 1997).

Some authors (e.g., Colquitt, 2001; Greenberg, 1993) divide interactional justice into two types: interpersonal, which relates to the extent to which the parties are polite, courteous, and respectful of each other; and informational, which relates to the extent to which appropriate and relevant information is communicated between the parties.

Frontline service employees (FSEs) are central to the delivery of recovery services. FSEs may restore justice perceptions and customer satisfaction after a failure (Gremler & Gwinner 2008; Ma & Dube, 2011). Their problem-solving actions minimize hiccups in the customer’s operations and help their firm to live up to predefined performance standards (Uлага & Reinartz 2011). FSE’s recovery service role requires core recovery behavior: solving customer problems in a courteous, responsive, and prompt manner (Bettencourt & Brown 2003).

Studies have found that only in a few cases was there a need for financial compensation it was more likely that the complainant wanted better
communications and a more pleasant response to his problem (Fornell & Wernerfelt, 1987).

*Initial Negativity*

It is argued that one particularly important moderator of the effects of explanations is the severity of the negative event of service failure (Folger & Cropanzano, 1998). Satisfaction with an explanation decreased as problem severity increased (Conlon & Murray, 1996). Extremely costly failures create a situation under which explanations no longer provide any beneficial impacts. The effects of employee behavior on customer evaluations are contingent on the magnitude of the failure (Liao, 2007).

However consumer’s perceptions at a time when they have just undergone considerable stress and inconvenience are likely to differ from those of consumers who calmly reflect on past events. It is only but reasonable that the severity of the impact of the failure would be more likely result in an affective mannerism, rather than engaging in a calculation of the expected return on effort expended in complaining (Brown & Beltramini, 1989). Thus, salience of the product failure is likely to be an important determinant of consumer response to dissatisfaction.

Service failure provides an opportunity for customers to update their level of accrued satisfaction, and because of this, the negative experience produced by the failure might have an influence of future assessments of satisfaction by the customers (Smith and Bolton, 1998). Previous research indicates that complaining and switching behavior increase with the severity of the problem (Richins, 1985). It has been proposed that magnitude of service failure may impact distinct post complaint customer behaviors differently. Emotions like anger and anxiety are a resultant of larger failures, which also expropriate cognitive capacity (Sengupta & Johar, 2001). Customers’ ability of loss evaluation has an impact on the perceived magnitude of service failure (Michel, 2001). Identifying and understanding the magnitude of service failure is the critical to the service recovery process (Krishna, Dangayach, & Jain, 2011). Evaluating this magnitude may enable the firm in meeting the criteria of good service quality (Gronroos, 1988).

4. Theoretical Framework

From the literature review, it seems plausible that the front-line customer service employee’s, core recovery behavior greatly influences the service recovery process.
Perception of consumer satisfaction following a service failure may be partially shaped by their perceptions of fairness during the recovery process. It has been identified that personal interactions play a dominant role to consumer satisfaction and consumer commitment (Czepiel, 1990; Reichheld, 1993).

A three dimensional structure was considered as appropriate and accordingly interactional fairness, operational fairness and problem solving orientation of the front line service staff as perceived by the customer were chosen as capable of explaining the service recovery.

Accordingly following hypotheses were proposed

H1- Interactional fairness of the front-line customer service employees significantly leads to recovery satisfaction

H2- Operational fairness of the front-line customer service employees significantly leads to recovery satisfaction

H3- Problem solving orientation of the front-line customer service employees significantly leads to recovery satisfaction

A proper recovery can reinstate satisfaction levels and promote future purchases (Goodwin & Ross, 1992). Researchers have also linked service recovery to consumer satisfaction (Gilly, 1987; Kelley & Davis, 1994; Singh & Wilkes, 1996).

The study conceptualized recovery satisfaction as a reflective multidimensional and hierarchical construct formed from three first order (latent) dimensions. The first order latent dimensions were measured using reflective (manifested) indicators. An 18-item instrument was developed for measuring the latent dimensions, the outcome of service recovery was assumed to creating or nullifying customer satisfaction. Hence following hypotheses were proposed

H4- There is significant link between recovery satisfaction and customer satisfaction

The impact of the feel of initial negativity due to the failure to moderate customer satisfaction in spite of the presence of recovery satisfaction was examined in this study. Hence following hypotheses were proposed

H5- Initial negativity significantly moderates customer satisfaction

The following model as illustrated in fig -1 was conceptualized as capable of
testing the theory proposed in this study. The initial negativity feel created as a result of the perceived service failure was assumed to moderate customer satisfaction. The paths between each latent constructs are assumed as hypotheses to be tested in this study. Analysis was conducted, both including and removing the construct of initial negativity to critically evaluate the moderating role played in the nomological framework.

Exhibit. 1: Theoretical Model

5. Research Methodology

A preliminary study was conducted by way of interviews with focus groups, to identify specifically the relevant indicators to be considered for measuring the variables in the study. The design adopted for the study is quantitative research that involves variables which measure perception and attitude of individuals. All life insurance customers in the state of Kerala, who had reported a grievance with performance of ULIPs form the population of the study. Though the population is finite, it is not manageable and approachable hence a sample survey method is ideal to draw conclusions about the population.

Since the study requires a statistical estimation probability based sampling is more appropriate. Simple random sampling method was adopted to collect primary data using the structured questionnaire.

Based on the insights of the focus group and literature review, a structured questionnaire was developed. Data from 213 respondents were collected using
Exhibit. 2

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Construct</th>
<th>Nature</th>
<th>Definition with indicators summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Interactional fairness</td>
<td>Reflective</td>
<td>The frontline insurance service employee’s quality of honesty, politeness, empathy, genuineness, offer of apology &amp; offer of explanation exhibited during interaction with customers during the service recovery process.</td>
</tr>
<tr>
<td>2</td>
<td>Operational fairness</td>
<td>Reflective</td>
<td>The frontline insurance service employee’s offer of fund change advice, switching options, response speed, flexibility, efficiency and promise of follow action during the service recovery process.</td>
</tr>
<tr>
<td>3</td>
<td>Problem solving orientation</td>
<td>Reflective</td>
<td>The frontline insurance service employee’s behavior of solving customer problems by assuming responsibility, offering referrals, trust assuming arguments, communication, education &amp; third party assurances, during the service recovery process.</td>
</tr>
<tr>
<td>4</td>
<td>Recovery satisfaction</td>
<td>Reflective</td>
<td>The positive feel of emotion perceived by insurance customers in the process and result of recovering from the perceived failed service measured in terms of satisfaction with compliant handling measured in terms of whether organization initiated service recovery or customer initiated.</td>
</tr>
<tr>
<td>5</td>
<td>Initial negativity</td>
<td>Reflective</td>
<td>The perceived negativity feel exhibited by insurance customers as a result of the negative experience produced by the service failure measured with regard to type of failure &amp; magnitude of failure.</td>
</tr>
<tr>
<td>6</td>
<td>Customer satisfaction</td>
<td>Reflective</td>
<td>The satisfaction as perceived by Insurance customers from their respective service expressed in the form of trust, WOM customer loyalty.</td>
</tr>
</tbody>
</table>

The questionnaire from policy holders of life insurance companies in the state of Kerala, who had reported a grievance with performance of ULIPs. The samples were selected on a random basis after visiting different branches of various life insurance companies in the major cities of Kerala without any prejudice on considering or rejecting a particular respondent. The randomness was achieved as selection from all the customers reporting a grievance present in the life insurance company’s branch at the time of visit was purely by chance and not by prior decision. A total of 250 persons were met in person and 213 usable responses were obtained. The questions were designed as closed ended, where the respondents were expected to make their response on a 5 point Likert scales ranging from strongly disagree to strongly agree.
6. Data Analysis

The data collected was screened for missing values and normality. The assumption of randomness, independence and normality to consider the data good for statistical estimation, was verified by performing runs, Durbin-Watson statistic, univariate and multivariate normality tests. A reliability analysis was done, the high values of reliability coefficient emphasized on the appropriateness of the reflective indicators.

Exhibit. 3

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Dimension</th>
<th>No: of Items</th>
<th>Cronbach's alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Interactional fairness</td>
<td>6</td>
<td>0.810</td>
</tr>
<tr>
<td>2</td>
<td>Operational fairness</td>
<td>6</td>
<td>0.817</td>
</tr>
<tr>
<td>3</td>
<td>Problem solving orientation</td>
<td>6</td>
<td>0.801</td>
</tr>
<tr>
<td>4</td>
<td>Recovery satisfaction</td>
<td>6</td>
<td>0.798</td>
</tr>
<tr>
<td>5</td>
<td>Customer satisfaction</td>
<td>6</td>
<td>0.857</td>
</tr>
<tr>
<td>6</td>
<td>Initial negativity</td>
<td>5</td>
<td>0.732 &amp; 0.910</td>
</tr>
</tbody>
</table>

To analyse causal relationships between the constructs, the structural equation modelling approach was adopted. The model was analysed using Partial Least Square (PLS) based software, Warp PLS 5.0. PLS does not require any priori distributional assumptions and relatively small sample size is acceptable (Chin, Marcolin & Newsted, 2003). The analysis offers validity considerations of the scales used to measure variables of interest in the study. The preprocessing of the data included in Warp PLS 5.0 confirmed the quality of data for further analysis with regard to missing values, zero variance and so on. The validity of the model was evaluated with the various fit indices. As recommended that the ‘p’ values for both the average path coefficient (APC) and the average R-squared (ARS) was lower as 0.05 and also the average variance factor (AVIF) was lower than 5. Since these 3 criteria were met the model had an acceptable predictive and explanatory quality as the data was well represented by the model. Two separate estimations were done, the first one with the presence of the moderating variable initial negativity and the second without considering the moderating variable of initial negativity. The estimated models with all the path coefficients and corresponding p values are illustrated in Exhibit-4 and Exhibit-5.
Exhibit. 4: Estimated Model with Initial Negativity

Estimated Model with Initial Negativity

- IntrFair (R[i]i)
  - β = 0.24 (P < 0.01)
- OperFair (R[i]i)
  - β = 0.35 (P < 0.01)
  - β = 0.28 (P < 0.01)
- InInega (R[i]i)
  - β = -0.12 (P = 0.03)
- RevSat (R[i]i)
  - β = 0.55 (P < 0.01)
  - R² = 0.61
- CustSat (R[i]i)
  - R² = 0.29

Model fit and quality indices
- Average path coefficient (APC) = 0.308, P = 0.001
- Average R-squared (ARS) = 0.450, P = 0.001
- Average adjusted R-squared (AARS) = 0.448, P = 0.001
- Average block VIF (AVIF) = 1.795, acceptable if ≤ 5, ideally ≤ 3.3
- Average full collinearity VIF (AFVIF) = 2.163, acceptable if ≤ 5, ideally ≤ 3.3

IntrFair-Interactional fairness, OperFair- Operational Fairness, ProbSolv- Problem Solving, RevSat- Recovery Satisfaction, CustSat-Customer Satisfaction

InInega- Initial Negativity

Exhibit. 5: Estimated Model without Initial Negativity

Estimated Model without Initial Negativity

- IntrFair (R[i]i)
  - β = 0.24 (P < 0.01)
- OperFair (R[i]i)
  - β = 0.35 (P < 0.01)
  - β = 0.28 (P < 0.01)
- RevSat (R[i]i)
  - β = 0.58 (P < 0.01)
  - R² = 0.61
- CustSat (R[i]i)
  - R² = 0.33

Model fit and quality indices
- Average path coefficient (APC) = 0.363, P = 0.001
- Average R-squared (ARS) = 0.472, P = 0.001
- Average path coefficient (APC) = 0.363, P = 0.001
- Average R-squared (ARS) = 0.472, P = 0.001
- Average adjusted R-squared (AARS) = 0.471, P = 0.001
- Average block VIF (AVIF) = 2.285, acceptable if ≤ 5, ideally ≤ 3.3
- Average full collinearity VIF (AFVIF) = 2.897, acceptable if ≤ 5, ideally ≤ 3.3

Rajagiri Management Journal
### Exhibit. 6: Results of Hypothesis Testing

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Hypothesis</th>
<th>‘β’ Value</th>
<th>‘p’ Value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Interactional fairness of the front-line customer service employees significantly leads to recovery satisfaction</td>
<td>0.24</td>
<td>&lt;0.01</td>
<td>Accepted at 0.01 level</td>
</tr>
<tr>
<td>2</td>
<td>Operational fairness of the front-line customer service employees significantly leads to recovery satisfaction</td>
<td>0.35</td>
<td>&lt;0.01</td>
<td>Accepted at 0.01 level</td>
</tr>
<tr>
<td>3</td>
<td>Problem solving orientation of the front-line customer service employees significantly leads to recovery satisfaction</td>
<td>0.28</td>
<td>&lt;0.01</td>
<td>Accepted at 0.01 level</td>
</tr>
<tr>
<td>4</td>
<td>There is significant link between recovery satisfaction and customer satisfaction</td>
<td>0.58</td>
<td>&lt;0.01</td>
<td>Accepted at 0.01 level</td>
</tr>
<tr>
<td>5</td>
<td>Initial negativity significantly moderates customer satisfaction</td>
<td>-0.12</td>
<td>0.003</td>
<td>Accepted at 0.01 level</td>
</tr>
</tbody>
</table>

### Exhibit. 7: Two Dimensional Plot of Initial Negativity

![Two Dimensional Plot of Initial Negativity](image_url)
7. Discussions and Conclusions

The study could empirically conclude about the critical variables that resulted in service recovery satisfaction in the life insurance context. All the hypotheses tested were found significant and the causality assumptions were found statistically valid. The results of the model estimates revealed the relative importance of each of the dimensions that contribute to service recovery in the life insurance context. The study indicated that among the various service recovery satisfaction dimensions, Operational fairness ($\beta$ value=0.35) as the best predictor, followed by Problem solving orientation ($\beta$ value=0.28) & Interactional fairness of the frontline customer service employee ($\beta$ value=0.24). Thus the study established the fact that all the dimensions considered for the study had a significant impact on service recovery satisfaction.

The indicator which has the greatest impact on Operational fairness was identified as the response speed of the insurance customer service employee in being proactive to customer needs ($\beta$=0.901). Thus insurance service providers need to have sufficient data extracted at the front end, so as to ensure customized service to customer queries and complaints. The improved performance on the most important dimension may be helpful in providing recovery satisfaction which would in-turn lead to customer satisfaction.

The problem solving orientation was measured using indicators such as assuming responsibility, offering referrals, trust assuming arguments, communication, and education and third party assurances. The best sought indicator of problem solving orientation was trust assuming arguments ($\beta$=0.892) and the best sought indicator for interactional fairness was offer of apology ($\beta$= 0.884).

The graphs (Exhibit 7 & 8) help in evaluating the effect of the independent value at different values of the moderator. It illustrates the relationship among latent variables and the moderating variable. The path coefficient of the moderating effect of initial negativity on relation between service recovery satisfaction and customer satisfaction has a value of -0.12 at $p=0.03$. Since it is a negative path coefficient, the relationship between service recovery satisfaction and customer satisfaction will go down in value as influence of initial negativity increases. The causal power of service recovery satisfaction in predicting customer satisfaction will go down in value as the result of high initial negativity feel due to perceived service failure. The graphs illustrate the relationship among
these three latent variables. In this case, a higher level of customer satisfaction from service recovery satisfaction are noticed when influence of modifiers are perceived from high to low. In general, it can be interpreted that moderating effect on relationship between service recovery satisfaction and customer satisfaction remain constantly higher when modifiers are perceived at a lower level. Service recovery satisfaction could help in development of customer satisfaction at a higher rate due to decrease in modifying factors. Reciprocally, in a situation when there is no feeling of initial negativity customer satisfaction would tend to increase.

8. Managerial Implications

The study statistically established that, feel of initial negativity due to service failure is a significant factor that moderates customer satisfaction in life insurance context. The negative feel of customers directly linked to perceived service failure of ULIPS has made the job of customer satisfaction a herculean task for life insurance service providers. The mis-selling of ULIPs had aggravated the magnitude of the failure and as evident from the study, it becomes all the more difficult for the customer service team to generate customer satisfaction from service recovery. Effective service recovery can produce many benefits for service providers, including increased customer satisfaction thereby negating the effects of service failure.

Service recovery which is a critical factor for retaining customers was measured using the dimensions of interactional fairness, operational fairness and problem solving orientation of the front line service staff. The study could establish that operational fairness forms the most important factor in enhancing satisfaction, and that being proactive to customer needs by increasing response speed should be given prime importance. Organisations should educate and train all employees to fulfil customer needs and address their grievance. Emphasis should be laid on providing trust assuming arguments, so as to enable the customer keep faith in the service provider and prevent lapsation. An apology is viewed as a valuable reward that redistributes esteem in an exchange relationship (Walster, E., Berscheid, E., & Walster, G. W., 1973) and should be extensively used to pacify aggrieved customers. The frontline customer service team should be drawn from employees who are efficient, honest, polite, exhibit empathy & are flexible in their approach. They should be trained to offer fund change advice,
switching options, referrals and be willing to follow-up on customer complaints. Sufficient back up of data should enable the service personnel to provide education, provide referrals, & third party assurances.

It should be realized that a company’s ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the market place. The researchers posit that insurance companies need to be proactive and enhance customer satisfaction experience, so as not to be caught unawares to lose customers to generic competition.

9. Limitations and Future Directions

This study and their results have several limitations and also indicate directions for further research. The study can be strengthened by increasing the sample size and including participants from other geographical areas. With an increased sample size, a more detailed empirical analysis among the independent variables and the variables that have multiple categories can be performed. The study did not take into account length of association of the customer with the insurance service provider, which would have been a good measure of negativity feel and customer satisfaction. The intensity and volume of loss due to the perceived service failure which would have created an impact on the moderator was not accounted for. Future studies could also check on service recovery effectiveness considering the impact of varied magnitudes of service failure. Also, the present study did not examine personal factors, brand involvement, brand associations and brand personality. Overall, we still need to develop a more detailed understanding of the relationship between initial negativity and other relationship marketing related variables. The researchers did not examine personal factors as personality traits of customers and their reactions to failures and recovery. Future research could study the linkages between the critical variables in different settings across industries to generalize the theory established.

References


*Rajagiri Management Journal*


Chin, W. W., Marcolin, B. L., & Newsted, P. R. (2003). A partial least squares latent variable modeling approach for measuring interaction effects: Results from a Monte Carlo simulation study and an electronic-mail emotion/adoPTION study. *Information systems research, 14*(2), 189-217.


*Rajagiri Management Journal*


A Study on the Role of Materialism and Interpersonal Influence in Triggering Conspicuous Consumption among Emigrants from Kerala

Daly Paulose¹ and Roshna Varghese²

Abstract

Several studies have established that various personality traits like materialism and social traits such as susceptibility to social influence explain conspicuous consumption. This paper examines the influence of materialism and susceptibility to interpersonal influence on conspicuous consumption tendencies of a sample of 640 expatriate Keralites. The study validates that two of the three dimensions of materialism significantly relate to conspicuous consumption which means materialism is mostly related positively to buying products that confer status. Susceptibility to interpersonal influence is also seen to be instrumental in triggering conspicuous consumption among emigrant Keralites. Variation in conspicuous consumption with regard to gender, age, education, occupation and income levels are also examined. The study offers interesting insights to marketers in developing consumer-centric approaches towards product-development, pricing and promotion and also assists in psychographic segmentation of status seekers. It proposes ways and means of developing and maintaining meaningful engagement with customers by exhorting marketers to assume greater social responsibility and focus on societal outcomes stemming from promoting a lifestyle centered around materialism and conspicuous display of wealth.

Keywords: Conspicuous consumption, Emigrant, Interpersonal influence, Kerala, Materialism.

¹ Research Scholar, Bharathiar University, Coimbatore, Email: daly.basil@gmail.com
² Assistant Professor, Rajagiri Centre for Business Studies, Cochin, Email: roshnavarghese@gmail.com
1. Introduction

The Kerala model of development has always represented a paradox to economists, political scientists and sociologists. The co-existence of poor economic growth with highest Human Development Index, retarded industrial growth with high standards of living, low per capita income with high consumption is unseen anywhere in India (Zachariah et al., 2003). Kerala experienced large scale migration to the Gulf countries from the year 1973. Ever since, the Kerala economy is largely dependent on remittances for its survival. Migration and migrant remittances must have contributed more to poverty alleviation than other factors like agrarian reforms, trade union activities and social welfare legislation. Remittances account for 36.3 percent of the state’s net domestic product, 1.2 times the revenue receipt of the Kerala Government and 1.5 times the Government’s annual expenditure (KMS, 2014). The growing size of the diaspora and subsequent increase in disposable income by way of remittances significantly explains shifts in buying behavior of Keralites (Vadakepat, 2015). The fact that Kerala leads the country in a key indicator of living standards called MPCE (monthly per capita expenditure) despite having low GDP and per capita income and low productivity figures, is demonstrative of this relationship. It maybe noted that the top five remittance recipient countries in the world in terms of value of remittances continue to be India, China, Philippines, Mexico and Nigeria with India receiving US$70.3 billion in 2014. Kerala is recipient to 33% of all India remittances (World Bank, 2014). Total remittances to Kerala for the period 2013-14 stand at a staggering Rs. 72680 crores, of which household remittances alone total up to Rs. 24374 crores (KMS, 2014). Around 50 lakh individuals in Kerala are dependent on remittance income for their sustenance and livelihood (Pravasi Malayali Census, 2013).

Diaspora migration and constant contact with the outside world have created a trickle-down effect on the mindset of the Kerala society. Consumption has become the yardstick to measure socio-economic status in Kerala (Zachariah and Rajan, 2015). The housing and shopping trends that Kerala society pursues are indicative of the consumerist culture existing in the state (Nair, 1986; Sooryamoorthy, 1977; Zachariah et al., 2003). The impact of emigration on conspicuous consumption maybe both direct and indirect. The changing life habits and spending spree associated with the increase in income from working abroad is an important trigger. This is manifested through direct spending by the emigrant on visits to the state and indirectly through the emulative...
consumption behavior adopted by family members in Kerala who are recipients of remittance income. Consumerism exhibited by these emigrants and their relatives are guided by the exposure to global trends and the availability to easy money respectively. The indirect impact is related to the emulative behaviour among non-migrant families in the state. Such behaviour is often facilitated by the demonstration effect triggered by widespread consumption in emigrant families. This exceptional emulation tendency is an indirect offspring of emigration too.

Emulation has been considered a way of achieving status in the society. Those in the lower strata of society seek to emulate the lifestyles of the upwardly mobile (Mansvelt, 2005). Belk (1988) asserted that consumers feel jealous or envious when others acquire a greater number of possessions. Podoshen and Andrzejewski (2012) posit that an individual who resides in a society that values material objects (and where material objects signify social status) will be disposed towards obtaining a wider array of possessions to further anchor (or attempt to enter) a specific stratum in society, with debt being an afterthought or not even a consideration. In Kerala, this tendency for emulation has become a norm. In a study among households in Malappuram district which leads the state in terms of annual remittances, it was found that housing and land use are the major source of emulation (Abdulla, 2014). The emigrant households, with their fortune, went on outdoing others and the non-migrant groups tended to emulate them quickly. Multiplicity of huge houses and mansions found throughout the state may be reflections of this behavioral pattern. Apart from houses, a common object of emulation and of ostentation was found to be vehicles. 97% of the households surveyed had at least one vehicle, 50 percent had two personal vehicles and 33% had more than two. With regard to more aspirational products such as cars, 62% households had one car and 13% had two. This is in sharp contrast to the national average of 13 cars per 1000 population (Ghate and Sundar, 2014).

For the emigrant community, the trans-nationalisation of work and residence paves the way for conspicuous consumption. The migrants’ sense of dual residence – one in Kerala and one abroad- makes it difficult for them to distinguish between luxury and necessity. Overtime, consumerism becomes a normal part of life for them and through demonstration effect, for resident Keralites too. Thus there is a strong positive relation between international migration and rise of consumerist culture in Kerala. It is against this backdrop that such a study on the emigrant community from Kerala assumes relevance.
Operational Definition of Emigrant

In keeping with the study’s objective of assessing the conspicuous consumption tendencies of emigrants in connection with the state of Kerala, an effort has been made to include only expatriates with close social, emotional and financial ties to the state. This means that only emigrants who financially support their families in Kerala by way of remittances, emigrants who frequent Kerala at least once in two years and those who confess to being the key decision maker in the family’s household purchase decisions in Kerala have been included in the sample.

2. Research Question and Research Objectives

Little research has accounted for the predictive impact of socio-psychological constructs on conspicuous consumption, not just globally but also in the Indian context and this paper attempts to fill the void. Previous research by Richins and Rudmin (1994) and O’Çass and McEwen (2004) vouch that personality traits such as materialism and social factors such as susceptibility to interpersonal influence need to be factored in when studying conspicuous consumption. The research question that this study tries to answer is ‘How do social and psychological constructs like Interpersonal influence and Materialism interplay in predicting conspicuous consumption among emigrant community from Kerala?’

In line with this purpose, broadly three research objectives are examined:

1. To examine which dimensions of materialism influence conspicuous consumption among emigrants from Kerala.
2. To examine which dimensions of susceptibility to interpersonal influence impact conspicuous consumption tendency among emigrants from Kerala.
3. To examine conspicuous consumption tendencies of emigrant Keralites in the context of various demographic influences.

3. Conceptual Framework

This paper looks to examine constructs like materialism and susceptibility to interpersonal influence and its relatedness to conspicuous consumption from Daly Paulose and Roshna Varghese

Rajagiri Management Journal
the perspective of emigrants from Kerala. The following sections discuss the existent research in each domain.

3.1. Conspicuous Consumption

The examination of conspicuous consumption in the modern world gained momentum during the Industrial Revolution, further powered by Veblen’s *Theory of the Leisure Class*. Thorstein Veblen (1899) proposed that once basic needs are met, excess income or wealth would be devoted to the pursuit of status-promoting goods and services used to distinguish the upper class from the lower classes. Veblen introduced this concept to describe the lifestyle of upwardly mobile classes who purchase goods and services not out of necessity but as indicators of wealth and status. The key objective of conspicuous consumption is to impress others by the ostentatious display of wealth in order to demonstrate superior status of the individual to others (Riquelme et al., 2011). It is a behavioral tendency of displaying one’s wealth, social status or taste to important reference groups by consumption of publicly visible products (Chen *et al.*, 2008). Consumers in a consumption-based society mostly believe that possession of certain conspicuous goods is required for upward social mobility. Here the primary need satisfied is prestige (Belk, 1988), and product satisfaction is often derived from audience reaction as opposed to actual product use (Wong, 1997). Researchers such as Chaudhuri *et al.* (2011) have acknowledged the correlation between status-seeking behaviour of consumers and their intention to conspicuously consume. Ger and Belk (1996) found that because of the demonstration effect, underdeveloped nations try to imitate the extravagant and symbolic consumption of developed ones. Batra *et al.* (2000) reported that because consumers in developing countries are relatively less affluent, they become victimized by inferiority and insecurity. To overcome this, they embrace Western materialism by purchasing Western brands exposed to through media, family members residing abroad, and their own international travel. This study posits that there is an established link between exposure to global trends and tendency for conspicuous consumption.

3.2. Materialism

Materialism is a prominent individual difference variable viewed both as a personality characteristic (Belk, 1985) and as a unique set of values (Kasser, 2002; Richins, 2004). All researchers agree that materialism upholds a focus on individualistic goals over collective well-being. Belk (1985) defines
materialism as “the importance a consumer attaches to worldly possessions”. Materialists believe that success is judged based on the things people own. Materialism is assumed to have three dimensions, namely possession-defined success (how much does one use possessions as an indicator of success), acquisition centrality (how much does one place acquisition of possessions at the centre of ones’ personal well-being) and the pursuit of happiness (the belief that possessions are necessary for happiness), as per Richins and Dawson (1992).

Possession-defined Success: Materialists tend to judge their own and others’ success by the extent of possessions accumulated. Materialists believe they are successful to the extent they can possess goods that project these desired images in society. Handa and Khare (2013) report a significant relationship between fashion clothing involvement and materialism among Indian consumers. Fashion clothing conveys individuals’ status in society and is therefore significantly related to materialism. Acquisition Centrality: Materialists place acquisition of possessions at the center of their lives and view these as essential to their existence (Richins and Dawson,1992). Pursuit of Happiness: Richins and Rudmin (1994) posit that acquisition and consumption give happiness to individuals having high materialistic tendencies.

Increase in materialism can have negative consequences in societies where people end up borrowing and acquiring debt to impress others (Kellett & Totterdell, 2008). Several studies have found that materialism is inversely related to quality of life, wellbeing and personal satisfaction (Roberts and Clement, 2007). The negative consequences include unmanageable consumer debt, depleted savings, consumer bankruptcy, depression, psychological disorders, substance abuse and unhappiness (Roberts et al., 2005; Roberts & Clement, 2007).

3.3. Materialism and Conspicuous Consumption

Conspicuous consumption maybe related to materialism because it focuses on the acquisition of specific material goods that confer status. Existing literature suggests that materialistic individuals tend to value goods that are consumed publicly and possess aspirational value (Richins and Floyd, 1994; Kim, 1998). With respect to consumption, materialism influences the type and quantity of goods purchased. Mason (1981) found a positive correlation between materialism and degree of conspicuous consumption. Richins (1994) found that materialists are likely to value publicly displayed items, which signal success and social status. Eastman, Goldsmith and Flynn (1999) showed that their measure of status consumption had a statistically significant correlation with
Richins and Dawson’s (1992) measure of materialism. According to Fitzmaurice and Comegys (2006), materialism is positively related to conspicuous consumption motivation and consumer spending. Fournier and Richins (1991) argued that materialistic urges are related to the desire for status and prestige. Goldsmith and Clark (2012) found that materialism is positively related to buying products that guarantee status and improve self-image. That is, consumption is used as a tool to enhance public image. As materialistic people value possessions, Belk (1985) found that they tend to buy more luxury products. People in countries that allow high levels of transformational advertising (involving symbols of social status and wealth), are according to Larsen et al. (1999) likely to be more materialistic. Eastern Asian consumers’ attraction to products like Chanel, Gucci and Louis Vuitton indicate that they may be more materialistic than their Western counterparts (Wong & Ahuvia, 1995). Coming to Kerala, emigration has played a very positive role in bringing about a broader distribution of income and wealth in the society as also facilitating social mobility and fostering an emulation tendency among the Keralite community (Pushpangadan, 2003). This tendency to emulate ‘significant others’ is an antecedent to conspicuous consumption (Marcoux et al., 1997).

Based on these observations, the following set of hypotheses regarding the relationship between materialism and conspicuous consumption tendencies among emigrant Keralites is examined:

H1a: Materialism defined as Possession-defined success has a positive influence on emigrant Keralites Conspicuous consumption tendencies.

H1b: Materialism defined as Acquisition centrality has a positive influence on emigrant Keralites conspicuous consumption tendencies.

H1c: Materialism defined as Pursuit of happiness has a positive influence on emigrant Keralites conspicuous consumption tendencies.

3.4. Susceptibility to Interpersonal Influence

Bearden et al. (1989) define susceptibility to interpersonal influence as: ‘the sensitivity to others’ opinions’. The construct is defined as the need to identify with or enhance one’s image in the opinion of significant others through the acquisition and use of products, the willingness to conform to the expectations of others in making buying decisions, and the tendency to learn about products and brands by observing others or seeking information from them. The concept of susceptibility to interpersonal influence implies the force exerted on an
individual’s choices by proximal relationships. Collectivistic cultures seen in Asian countries emphasize conformity to group norms as a way of gaining social acceptance (Zhou and Hui, 2003). It is an integral part of societies high on collectivism, where the values of interdependence and conformity leave consumers concerned about the opinions of reference group members (Mourali et al., 2005). Moutinho (1987) defines reference group as persons who act as points of reference and are influential in shaping individual’s attitudes, choices and beliefs. Some examples of reference groups include family, peers, work colleagues, friends, religious and ethnic groups, social and leisure groups, teachers, and public figures (Childers and Rao, 1992).

Susceptibility to interpersonal influence has two dimensions: susceptibility to informational influence and susceptibility to normative influence. The former refers to the tendency to view information obtained from others as indicative of reality (take cues about expected norms from others) while the latter refers to the tendency to conform to the expectations of group members (Clark and Goldsmith, 2006) either to obtain rewards, avoid punishment or simply enhance social standing. While characteristics of reference groups such as appearance and social status are the major determinants of normative influence, the major determinants of informational influence include message content, source credibility and trustworthiness (Grimm et al., 1999).

3.5. Susceptibility to Interpersonal Influence and Conspicuous Consumption

Consumer behavior is shaped not only by an individual’s personality, but also by the social norms and beliefs engraved in his culture. Duesenberry (1949) contended that an individual is less concerned about absolute level of consumption than he is by relative levels of consumption. Consumption for symbolic meanings may arise from interpersonal contexts. Prior research has attempted to explain conspicuous consumption from the perspective of materialism, indicating that consumers’ desire for material possessions is driven by their desire for a comfortable life to the extent individual incomes allowed (Prendergast & Wong, 2003). However, materialism can hardly explain why several Asian consumers like the Chinese have such robust demand for luxury products, cutting across income level and social class (Wong & Ahuvia, 1998). Hayakawa (2000) found empirically that people with equal or higher status have an effect on one’s consumptive behavior. A study by Zheng (1992) points out that the pressure to belong to and fit into the elite group drives conspicuous
consumption behavior among Asians. This means if the in-group views expensive and ostentatious possessions as socially appropriate, then its members must subscribe to such public display in order to fit in with the group. Conceptually this means that certain status products and brands are used for image portrayal to provide entry into certain groups. Conspicuousness is essential if consumers want to gain recognition, approval or acceptance from their reference groups. The conspicuousness of a product allows reference group members to view the product and provide their approval or disapproval. Consuming conspicuously cannot be achieved without the presence of ‘others’, in the sense that signaling wealth, public demonstration and communicating affluence to others imply that ‘others’ must observe (O’Çass and McEwen, 2004).

Childers and Rao (1992) found that consumers are more influenced by peers in cultures where extended family structures exist. Cultural values influence the pursuit of symbolic meanings in consumption such that individuals from collectivistic cultures are more conscious about visible consumption than are those from individualistic cultures. Indians are found to possess conformist values. This means that Indian consumers want to signal their class and affluence without being unique but by conforming to their social class for luxury purchases. Such behaviour of Indians which involves the ostentatious display of wealth and simultaneously not wanting to be unique may be explained in terms of the two dominant Indian cultural dimensions of high power distance and collectivism. While status consumption among individualistic communities (like the British) is independent of occasions, it is highly dependent in the case of Indian consumers. This difference highlights the cultural disparity between individualistic and collectivist cultures (Shukla, 2010). The British consumers, who belong to individualistic culture, focus on their actual self-concept (how the consumer views himself/herself). However, in comparison, the Indian consumers from a collectivist culture, focus on others self-concept (how a consumer thinks others see him/her). Susceptibility to Interpersonal influence and ostentatious behavior is high among those belonging to collectivist cultures (Chen, 2002). An Indian is defined not just by his or her own character and accomplishments, but also by his circle of acquaintances and friends- how many important people he knows and the status and respect accorded to him by his social group. Mines (1994), in a study of a South India community, shows that men often describe themselves to a stranger not simply by providing information about who they are and what they do, but by listing all their prominent acquaintances in the process. Consumers vary in the extent to which they rely on interpersonal sources of information. Clark, Zboja, and Goldsmith (2007)
found that the more consumers seek status through consumption, the more likely they are to conform to group norms, to heed the opinions of others, and to compare themselves with other consumers.

Based on the literature review, the following set of hypotheses regarding the relationship between susceptibility to interpersonal influence and conspicuous consumption tendencies among emigrant Keralites is examined:

$H_{2a}$: Susceptibility to Normative reference group influence is positively related to emigrants Conspicuous consumption tendencies.

$H_{2b}$: Susceptibility to Informational reference group influence is positively related to emigrants conspicuous consumption tendencies.

### 3.6. Conspicuous Consumption and Demographic Variables

In a study of Kuwaiti residents by Riquelme et al. (2011), materialism is the variable with the highest impact in predicting conspicuous consumption followed by susceptibility to social influence. Literature has suggested that men are more materialistic than women as posited by Eastman et al. (1997), Churchill and Moschis (1979). This is further validated by Browne and Kaldenberg (1997) who posit that men may be more likely to feel that owning material goods increases their happiness. Robert and Clement (2007) found that male respondents were more likely than female respondents to equate acquisition of material possessions with happiness. O’Cass and McEwen (2004) found that young men place more importance than women on the conspicuousness of product use. These findings were also supported by Tse et al. (1989) who found that men are more materialistic and have a stronger orientation towards external validation as shown through visually portraying accomplishment and prestige by means of material goods. However, a study by Penman and McNeill (2008) did not record any explicit differences between the responses of males and females with regard to conspicuous consumption, with both groups exhibiting similar motivations for such consumption and seemingly both enduring identical pressures to consume. Based on this literature, the following hypothesis regarding the relationship between conspicuous consumption with respect to gender is proposed:

$H_{3a}$: There is a significant difference in conspicuous consumption tendency based on gender.

Previous research related to conspicuous consumption and age reveals that...
there is little difference in conspicuous consumption tendencies based on age, with middle-aged consumers spending more on housing, cars and other large conspicuous purchases whereas younger consumers will look to spend conspicuous dollars on clothes and mobile phones. Conspicuous consumption was evident in all age groups in one form or the other (Spero and Stone, 2004). Therefore the following hypothesis is proposed:

H_{3b}: There is no difference in conspicuous consumption levels across age groups.

Research suggests that globalization and increase in income levels have an impact on materialism and consumption values. Societies tend to grow materialistic as they progress and become economically well off. (Chan & Joseph, 2000; Goldsmith & Clark, 2012). Research on Indian consumers’ preference for luxury products indicate that affluent consumers are increasingly influenced by materialistic values (Handa & Khare, 2013). As levels of affluence rise, so does consumer willingness to spend money on products that satisfy symbolic and sensory needs (Roth 1995). Since, conspicuous consumption is a form of symbolic consumption, it is likely to be more predominant at higher income levels. Based on these studies, the following set of hypotheses regarding the relationship between conspicuous consumption tendency based on income levels of emigrant Keralites is examined:

H_{3c}: There is a significant difference in conspicuous consumption tendencies across income groups.

Dogan and Torlak (2014) found that the respondents' status consumption tendencies differed with respect to gender, age, religion, education, marital status and monthly income.

H_{3d}: There is a significant difference in conspicuous consumption tendencies based on emigrants’ religion.

H_{3e}: There is a significant difference in conspicuous consumption tendencies based on occupation of emigrant.

H_{3f}: There is a significant difference in conspicuous consumption tendencies based on marital status of emigrant.

4. Methodology

4.1. Measurement Instrument

This study utilized survey data which was collected using a pre-tested survey...
instrument with existing scales found in the literature. Three scales adapted from different studies were used in the research process. All responses were taken on a 5-point Likert scale, with 5 indicating strongly agree and 1 indicating strongly disagree. A 15 item Scale developed by Richins (2004) was used to measure materialism construct. It included items to measure acquisition centrality, the role of possessions in the pursuit of happiness, and the role of possessions in defining success. This particular scale was chosen because it has been used in literature with a high degree of reliability, convergent validity and discriminant validity (Ahuvia and Wong, 2002). A 13 item two-factor SUSCEP scale developed by Bearden et al. (1989) was used to measure Susceptibility to Interpersonal Influence. It included items to measure susceptibility to normative influence and informational influence. The scale used to measure conspicuous consumption was adopted from Chung and Fischer (2001). The Chung and Fischer scale was recently utilized with high reliability and validity measures among U.S consumers in a study by Podoshen et al. (2011).

4.2. Sample and Data Collection

The objective of the study is to examine factors influencing conspicuous consumption among emigrants from Kerala. Certain assumptions have been made in choosing the sample in order to facilitate this objective. According to a study on Indian Americans by Gupta (2009), factors such as household income of expatriate, family size, number of dependents in India, family ties in India, plans to relocate to India and transaction costs of remittances are found to impact remittance behavior. Remittances are seen to be heavily dependent on the number of dependents for the emigrant in the home country (Markova and Reilly, 2006). So it can be said that emigrants with dependents in the home country indirectly facilitate conspicuous consumption by way of foreign remittance. In this study, it has been assumed that emigrants who have dependent families in Kerala are more likely to visit the state regularly compared to emigrants with fewer family ties in the state. Only emigrants who visit Kerala regularly are likely to make discretionary purchases here and thereby directly facilitate conspicuous consumption. This logic is used to justify the choice of emigrants with dependent families in Kerala as the sample.

In lieu of this logic, the ‘emigrant’ is defined as an individual from Kerala who has been residing abroad for a minimum period of one year and continues to financially support his/her family members in Kerala. The respondent in the

Daly Paulose and Roshna Varghese

Rajagiri Management Journal
survey is an earning member/provider for the emigrant household who has been residing abroad for at least a year (at the time of the study) and remains the key influencer in the family’s household purchase decisions in Kerala.

A self-administered questionnaire was used to collect data from 640 emigrant Keralites. Due to constraints in accessing the sample, respondents were chosen by way of purposive sampling from six districts in Kerala namely Kannur, Trichur, Ernakulam, Kottayam, Kollam and Thiruvananthapuram. As per Kerala Migration Survey 2014, these are among the top districts in the state with reference to size of remittances. Purposive sampling is where the researcher decides on the purpose that the respondents must serve and then pursues respondents who fulfill the purpose (Bernard, 1994). Although purposive sampling may introduce some bias to the study and limit the external validity, due to the personal nature of the questions in this survey and the screening criteria for respondents, a random sample would be unlikely to generate a sufficient number of willing respondents from across Kerala to enable a valid conclusion to be drawn.

5. Results

5.1. Test of Reliability

The reliability of the scale items was determined by means of Cronbach’s Alpha coefficient. (See Table 1). Scale reliability was found to be within acceptable levels for all scales suggesting that all the dimensions are internally consistent.

Table 1: Table Showing Reliability Measures for Scale Items

<table>
<thead>
<tr>
<th>Construct Tested for Reliability</th>
<th>No. of Items</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Susceptibility to Normative Influence Score</td>
<td>9</td>
<td>0.949</td>
</tr>
<tr>
<td>Susceptibility to Normative Influence Score</td>
<td>4</td>
<td>0.966</td>
</tr>
<tr>
<td>Materialism defined as Success</td>
<td>5</td>
<td>0.943</td>
</tr>
<tr>
<td>Materialism defined as Acquisition Centrality</td>
<td>5</td>
<td>0.924</td>
</tr>
<tr>
<td>Materialism defined as Pursuit of Happiness</td>
<td>5</td>
<td>0.911</td>
</tr>
<tr>
<td>Conspicuous Consumption Score</td>
<td>5</td>
<td>0.935</td>
</tr>
</tbody>
</table>

Source: Survey data.
5.2. Detailing of Respondent Demographic Variables

Respondents between age groups of 22 and 60 who are employed have been chosen for the study. The mean age of all respondents is 35.85 with a standard deviation of 6.487 and skewness 0.647. In terms of gender breakdown, 59.5% are men and 40.5% are women. All demographic variables have been represented in Table 2.

Table 2: Demographic Description of Respondents

<table>
<thead>
<tr>
<th>Variable</th>
<th>Item</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>381</td>
<td>59.5</td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>259</td>
<td>40.5</td>
</tr>
<tr>
<td>Marital status</td>
<td>Married</td>
<td>586</td>
<td>91.6</td>
</tr>
<tr>
<td></td>
<td>Single</td>
<td>54</td>
<td>8.4</td>
</tr>
<tr>
<td>Monthly Household Income</td>
<td>&lt;INR 50000</td>
<td>76</td>
<td>11.9</td>
</tr>
<tr>
<td></td>
<td>INR 50,001-1,00,000</td>
<td>102</td>
<td>15.9</td>
</tr>
<tr>
<td></td>
<td>INR 1,00,001-3,00,000</td>
<td>233</td>
<td>36.4</td>
</tr>
<tr>
<td></td>
<td>INR 3,00,001-5,00,000</td>
<td>130</td>
<td>20.3</td>
</tr>
<tr>
<td></td>
<td>&gt;INR 5,00,000</td>
<td>99</td>
<td>15.5</td>
</tr>
<tr>
<td>Religion</td>
<td>Christian</td>
<td>234</td>
<td>36.6</td>
</tr>
<tr>
<td></td>
<td>Hindu</td>
<td>210</td>
<td>32.8</td>
</tr>
<tr>
<td></td>
<td>Muslim</td>
<td>196</td>
<td>30.6</td>
</tr>
<tr>
<td>Occupation</td>
<td>Salaried</td>
<td>547</td>
<td>85.5</td>
</tr>
<tr>
<td></td>
<td>Self employed</td>
<td>93</td>
<td>14.5</td>
</tr>
</tbody>
</table>

Age distribution: Mean: 35.85, SD:6.487, Range:38, Minimum:22, Maximum:60

Source: Survey data.

5.3. Test of Dependency of Conspicuous Consumption on Materialism and Susceptibility to Interpersonal Influence

Both materialism and susceptibility to interpersonal influence has a significant influence on consumers’ conspicuous consumption tendency. The Pearson correlation between the scores on the materialism scale and the SUSCEP scale with those on the Conspicuous consumption scale is found to be statistically significant at 5% significance level (see Table 3). Path analysis was performed using AMOS 19 to test whether the three sub-dimensions of materialism and the two sub-dimensions of the SUSCEP scale influence conspicuous consumption (see Figure 1 below). The path in the model between all three sub-dimensions
of materialism (namely success, acquisition and happiness) and the two sub-dimensions of SUSCEP scale (namely informational and normative influence) leading to conspicuous consumption are all positive. Conspicuous consumption is seen to be significantly influenced by two materialism variables and hypothesis \( H_{1a} \) and \( H_{1b} \) stand accepted. The path coefficient for the third sub-dimension of materialism (namely materialism as Pursuit of Happiness) is not found to be significant (p value = 0.488). Hence \( H_{1c} \) is rejected. Possession-defined Success was the most relevant dimension of materialism associated with conspicuous consumption among the emigrant community with Standardised Regression Weight of 0.201 followed by Acquisition Centrality with Regression Weight of 0.146 (See Table 4). This supports earlier postulates that the focus on continuously increasing the value of personal possessions is tied to achieving a perceived higher status in society (Podoshen and Andrzejewski, 2012). As for the sub-dimensions of the SUSCEP scale measuring interpersonal influence, both Normative influence and Informational influence are seen to significantly influence conspicuous consumption tendencies among emigrants with Standardised regression weights of 0.530 and 0.188 respectively. Hence \( H_{2a} \) and \( H_{2b} \) are accepted.

**Fig. 1: Path Analysis Showing Model for Conspicuous Consumption**
Table 3: Table Showing Correlation Between Conspicuous Consumption and Other Independent Variables

<table>
<thead>
<tr>
<th>Predictor Variable</th>
<th>Correlation Coefficient</th>
<th>Significance</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materialism as Possession defined Success</td>
<td>0.875</td>
<td>0.000*</td>
<td>H1a supported</td>
</tr>
<tr>
<td>Materialism as Acquisition Centrality</td>
<td>0.852</td>
<td>0.000*</td>
<td>H1b supported</td>
</tr>
<tr>
<td>Materialism as Pursuit of Happiness</td>
<td>0.872</td>
<td>0.000*</td>
<td>H1c supported</td>
</tr>
<tr>
<td>Susceptibility to Normative Influence</td>
<td>0.915</td>
<td>0.000*</td>
<td>H2a supported</td>
</tr>
<tr>
<td>Susceptibility to Informational Influence</td>
<td>0.822</td>
<td>0.000*</td>
<td>H2b supported</td>
</tr>
</tbody>
</table>

*Denotes significance at (P<0.05).

Table 4: Table Showing Regression Weights for Conspicuous Consumption Model

<table>
<thead>
<tr>
<th>Predictor variable</th>
<th>Regression Coefficient</th>
<th>Standardized Regression Weight</th>
<th>P value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>Possession-defined Success</td>
<td>0.20</td>
<td>0.201</td>
<td>0.011</td>
<td>Significant</td>
</tr>
<tr>
<td>Acquisition Centrality</td>
<td>0.14</td>
<td>0.146</td>
<td>0.006</td>
<td>Significant</td>
</tr>
<tr>
<td>Pursuit of Happiness</td>
<td>0.06</td>
<td>0.061</td>
<td>0.488</td>
<td>Not significant</td>
</tr>
<tr>
<td>Susceptibility to Normative Influence</td>
<td>0.32</td>
<td>0.530</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td>Susceptibility to Informational Influence</td>
<td>0.22</td>
<td>0.188</td>
<td>***</td>
<td>Significant</td>
</tr>
</tbody>
</table>

***Denotes significance at (P<0.001).

5.4. Test of Difference in Means Between Groups (ANOVA and t-test)

Preliminary tests in SPSS version 21 were performed to examine the influence of demographic variables such as gender, age, household income, religion, occupation. Conspicuous consumption is significantly different for gender groups with males being more prone to conspicuous consumption than females (See Table 5). Analysis of variance tests were run to compare conspicuous consumption scores for emigrants from different income groups. The difference in means was found to be significant for the variable ‘income’ (See Table 5). Looking at the means, it can be inferred that the respondents in the higher income groups...
brackets contributed most to this difference with conspicuous consumption seen to be higher for higher income groups. ANOVA was used to check for difference in means for different age groups, occupations and religions. Apart from religion, occupation and marital status, the analysis did not find any significant difference in conspicuous consumption levels against any of the other demographic variables (See Table 5). For the sample studied, Conspicuous consumption is more prevalent among Muslims followed by Christians. Similarly self-employed individuals are seen to be more prone to conspicuous consumption than their salaried counterparts. Surprisingly, conspicuous consumption tendencies are seen to be significantly higher among singles than married individuals.

**Table 5: Table Showing Difference in Conspicuous Consumption Levels Based on Various Demographic Indicators**

<table>
<thead>
<tr>
<th>Dependent variable</th>
<th>Independent variable</th>
<th>Categories</th>
<th>Mean</th>
<th>F-value</th>
<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td>Male</td>
<td>17.01</td>
<td>16.457</td>
<td>0.000*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Female</td>
<td>12.54</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income</td>
<td>&lt;50000</td>
<td>13.46</td>
<td>14.489</td>
<td>0.000*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>500000-1,00,000</td>
<td>12.48</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,00,001-3,00,000</td>
<td>15.82</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>3,00,001-5,00,000</td>
<td>16.65</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>&gt;5,00,000</td>
<td>15.98</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Conspicuous</td>
<td>Christian</td>
<td>15.72</td>
<td>82.200</td>
<td>0.000*</td>
<td></td>
</tr>
<tr>
<td>consumption</td>
<td>Hindu</td>
<td>12.12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Muslim</td>
<td>17.87</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Religion</td>
<td>Salaried</td>
<td>15.19</td>
<td>5.422</td>
<td>0.020*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Self-employed</td>
<td>15.20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marital status</td>
<td>Married</td>
<td>15.08</td>
<td>7.498</td>
<td>0.006*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Single</td>
<td>16.48</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td>0.371</td>
<td>0.774</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Denotes significance at (P<0.05).

### 6. Discussion and Implications

As the study used expatriates as respondents, its results also confirm earlier findings by Batra et al. (2000) that there is an established link between exposure
### Table 6: Summary of Results from Hypothesis Testing

<table>
<thead>
<tr>
<th>Dependent Variable</th>
<th>Independent Variable</th>
<th>Hypothesis</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Materialism (Success)</td>
<td>H1a Supported</td>
</tr>
<tr>
<td></td>
<td>Materialism (Centrality)</td>
<td>H1b Supported</td>
</tr>
<tr>
<td></td>
<td>Materialism (Happiness)</td>
<td>H1c not Supported</td>
</tr>
<tr>
<td></td>
<td>Susceptibility to Normative Influence</td>
<td>H2a Supported</td>
</tr>
<tr>
<td></td>
<td>Susceptibility to Informational Influence</td>
<td>H2b Supported</td>
</tr>
<tr>
<td></td>
<td>Gender</td>
<td>H3a Supported</td>
</tr>
<tr>
<td></td>
<td>Age</td>
<td>H3b Supported</td>
</tr>
<tr>
<td></td>
<td>Income</td>
<td>H3c Supported</td>
</tr>
<tr>
<td></td>
<td>Religion</td>
<td>H3d Supported</td>
</tr>
<tr>
<td></td>
<td>Occupation</td>
<td>H3e Supported</td>
</tr>
<tr>
<td></td>
<td>Marital Status</td>
<td>H3f Supported</td>
</tr>
</tbody>
</table>

**Source:** Survey data.

The results reaffirm earlier empirical findings of Tatze (2002) that postulate a positive relationship between materialism and conspicuous consumption. The influence is seen to be significant for the ‘success’ and ‘centrality’ dimensions. This maybe because people with strong materialistic values are typically most concerned with appearing successful to others and protecting their self-image (Kasser, 2002). Therefore these individuals tend to value items that are consumed publicly and possess public meaning (i.e. the ability to convey status or success) rather than personal or subjective meaning (Richins and Floyd, 1994; Kim, 1998). The influence of susceptibility to interpersonal influence on conspicuous consumption is significantly high and is in line with studies by Marcoux et al. (1997) highlighting the importance of reference group influence on the relationship between status consumption and conspicuous consumption, as both appear to be impacted by individual’s proneness to interpersonal influence. The result also supports James Duesenberry’s (1949) theory that an individual’s utility from consumption depends not only on the absolute level of spending, but also how that spending compares to that of others. This is called the “relative income” approach, and is popularly known as the process of “keeping up with the
Joneses”. In Duesenberry’s formulation, consumers are exposed (through “demonstration effects”) to the consumption patterns of those in their reference groups, and seek to replicate those patterns.

Overall, there is no consistent pattern in the relationship between demographic variables and conspicuous consumption tendency. The tendency to conspicuously consume, while being significantly influenced by income levels, is also found to be influenced by gender, with males showing greater proneness to ostentatious display of wealth in line with findings of O’Cass and McEwen (2004). Females’ greater interest in people and males’ interest in objects (Larsen et al., 1999) could be a reason. This may also be a fall-out of the societal pressures linking a man’s wealth to his position within a status system. The positive association with income is relevant because as resources increase, so does consumer willingness to spend money on products that satisfy symbolic and sensory needs (Roth, 1995). As things stand, conspicuous consumption is a form of symbolic consumption.

Understanding the set of institutional and structural variables that underlie consumption behavior is important for marketing managers, public policy makers and greater society. This study is of interest to retailers pursuing continuous patronage from materialists as well as for consumer interest groups and policy makers interested in the causes and consequences of materialism. Globalization has brought significant changes in peoples’ lifestyles. Foray into international brands and services has redefined the aspirations of Indians. In societies where money conveys prestige and position, such lifestyle may lead to irresponsible spending (Abdulla, 2014). Kerala is rightly known as a consumerist state. Emigration has fuelled increase in disposable income at household levels. This, along with global exposure through migration, has led to conspicuous consumption culture taking place in Kerala as other avenues for investment do not exist here (Zachariah and Rajan, 2015). Keralites have begun to use products to hide their insecurities and failures and are willing to incur financial risk to acquire high-priced brands. Marketers need to understand the social implications of encouraging consumers to purchase products on credit. Marketers may look toward the consumer mortgage and credit industries in the USA to see how the encouragement of overspending and a focus on conspicuous consumption helped spark a collapse of not only the lives of the consumers they serviced but also the firms themselves, and triggered the global crisis in 2008. By reinforcing these behaviors in the Indian context, marketing managers might end up indirectly harming sustainable consumption practices.

A counter perspective is that the high levels of consumption brought about by materialist cultures can increase not only businesses’ profits, but can generate
capital for research and development. Greater research and development can in turn lead to higher productivity, technological breakthroughs and higher living standards for all (Richins & Rudmin, 1994). As observed by Zachariah and Rajan (2015), emigration and emigrant remittances continue to sustain much of the Kerala economy. The fact that respondents’ conspicuous consumption differed with respect to gender, monthly income and religion has a significant implication for marketing professionals in the process of targeting this lucrative emigrant community and positioning themselves well. Marketers can use the psychographic dimensions tested in this research to identify and segment status seekers. It may also be wise for luxury brands to project a high-status image as positioning strategy when targeting Kerala’s expatriate consumers. By focusing on the prestige-value of brands, rather than simply on its utilitarian functions, it is possible to create a need within this community.

Goldsmith (2012) found that youngsters who were materialistic tended to shop more, have more knowledge about products and services and are most responsive to advertising and promotional efforts. The materialists could turn into early adopters, trendsetters, and opinion leaders among their peers. These findings can aid marketers and advertisers to appeal to materialistic shoppers.

This research adds to understanding how two types of reference group influences drive consumption patterns. Therefore, this study provides marketers with a framework which they can use when manipulating reference group influence in their promotional appeals. Knowing susceptibility to interpersonal influence is a strong predictor of conspicuous consumption could aid marketers in choosing spokespersons and reference groups in advertising and promotional campaigns directed at status-conscious consumers. The promotional message chosen could emphasize the product’s normative function (value expressive, utilitarian, or combination). A value-expressive message operates by helping consumers identify with their preferred group. For example, for status-seeking emigrant consumers with a strong need to fit-in, marketers could use conformity messages from a normative source, such as a popular celebrity.

7. Limitations and Future Directions

A significant limitation of this study is that these constructs have been studied in the context of Kerala only. Therefore it cannot be assumed that these results carry over to consumers of other natives. As Podoshen et al. (2011) have demonstrated, materialism and conspicuous consumption may be very different across nationalities and culture. Purposive sampling was used and it may not be representative of the expatriate population at large. The data for this study was...
obtained from emigrants only from chosen districts in Kerala. Value systems and consumer lifestyles may be different in other parts of the state and future researchers may wish to examine conspicuous consumption and its related constructs in other geographic contexts. Future research can factor in the influence of other geographic and demographic variables like country of expats current residence and family size. It would be beneficial to complete the conspicuous consumption model by testing other personality traits and social influences apart from materialism and interpersonal influence alone (For example: the influence of media exposure, self-monitoring trait, collectivism, concept of face in individuals etc) However, it is hoped that this study acts as a springboard for future examinations of socio-psychological antecedents of conspicuous consumption.

References


Rajagiri Management Journal
A Study on the Role of Materialism and Interpersonal Influence in Triggering Conspicuous Consumption among Emigrants from Kerala


*Rajagiri Management Journal* 59


Nair, G (1986). Asian Migration to the Arab World – Migration from Kerala (India), Centre for Development Studies, Thiruvananthapuram.


World Bank, *Migration and Development Brief No. 22*, 2013-2014, p.4


Effect of Celebrity Attractiveness on Behavioral Change Intention: A Study on Celebrity Endorsed Social Advertisement

Tijo Thomas¹ and Johney Johnson²

Abstract

Social Advertising is defined as a form of communication, which is aimed at attracting public attention to the most pressing problems of society. The use of endorsement for the social advertisement is a common phenomenon. The communication and advertising literature have shown that attractiveness of the source influences attitude and intentions of the message recipient. In this context, the study examines the impact of celebrity attractiveness on behavioural intentions. Research participants (N = 116) were selected based on a convenient sampling process, consisting of students from M. G. University, Kottayam. Each of the participants was shown a social advertisement involving a celebrity. They completed a questionnaire that measured the respondent’s perception about celebrity’s attractiveness and social advertisement persuasion. Path analysis was used to evaluate the hypothesis. The research found out that the attractiveness of celebrity will have an effect on attitude toward advertisement and message comprehension as well as in creating an intention to change behaviour. The research used attractiveness factor for evaluating the celebrity. Other factors like match-up hypothesis, celebrity credibility, are not considered here. The researcher also failed to incorporate the time interval between the respondent viewing the advertisement and filling the questionnaire. The findings of the study suggest that the celebrity attractiveness will affect the intention to change behaviour in a mediated manner.

¹ Research Scholar, School of Management and Business Studies, Mahatma Gandhi University, Kottayam, Email: tijothomaschal@gmail.com
² Assistant Professor, School of Management and Business Studies, Mahatma Gandhi University, Kottayam, Email: j.johney@gmail.com
This means the advertisers should consider the celebrity attractiveness before selecting the celebrity for advertising. In earlier studies the impact of celebrity attractiveness is studied using attractiveness relevant product as stimuli but this study uses a social message as stimulus. This is very important for social advertisers who use celebrity endorsement marketing strategy.

Keywords: Celebrity Endorsement, Social Advertisement, Attractiveness, Attitude towards Advertising.

1. Introduction

The importance of using credible source as a spokesperson in a marketing communication strategy has been a widely researched topic for decades. Nowadays most of the advertisements involve an endorsement from a public or a celebrity. Many studies have shown that a celebrity endorser’s credibility has a positive impact on consumer attitude toward advertising (Lafferty & Goldsmith, 1999, Sammanet al., 2009, Shead, et al., 2009). In India most of the advertisement use celebrities. In a study of television commercial (TVC) for the period of 1995-2007, it was found that around 558 TVC featured celebrity in some form (Jain, Roy, Daswani, & Sudha, 2010). The celebrity endorser is defined as any individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in an advertisement (McCracken, 1989). In a press release Mitchell Hughes, Director and CEO of Cork based, Peerless Acquisitions says that “Celebrities are extremely eye-catching, there’s an awareness factor that makes you stop and look at a particular advertisement because you recognise the spokesperson or celebrity. The ability of celebrities in attracting customer attention has made it the most favourite advertising strategy among the social marketers.

Social advertising as a part of social marketing serves to introduce behavioural patterns that are considered to be appropriate at this or that period of time. Kotler & Zaltman (1971) define social marketing as “the use of marketing principles and techniques to influence a target audience to voluntarily accept, reject, modify, or abandon abehaviour for the benefit of individuals, groups, or society as a whole”. Social Marketing and Advertising is commonly used in United Kingdom, USA, Australia, Canada and Scandinavian countries, where concepts as fundraising and collaboration between companies and NGO happen every day. In developed countries, this tool has been widely used to promote social changes especially in family planning, public health and HIV/ AIDS. In recent
times, the celebrity endorsement has become a general method of social advertising. In a content analysis of PSAs that aired nationally on U.S. television between 1987 and 1992 the researcher found that 66.4% included one or more celebrities (Dejong & Atkin, 1995). In a study conducted by Samman et al., (2009) it was noted that most of the respondents commented on the credibility of celebrity in endorsing the so-called social advertisement. The study also identifies that 30 percentage of respondents cited ‘self-promotion’ when asked what the celebrity was trying to accomplish. Many researchers also identify that, unlike a product endorsement, the celebrity’s interest towards social advertisement varies. The celebrities are more attracted to endorse social advertisement this may be due to media exposure and good public relations that these campaigns can generate (Dejong & Atkin, 1995).

According to Grant McCracken (1989), ‘the effectiveness of the endorser depends on the meanings he or she brings to the endorsement processes. According to him, celebrity draws powerful meanings from the roles they assume in their television, movie, military, athletic, and other careers. The study measures how respondent’s perception of the celebrity endorser attractiveness affects the respondent’s reaction towards the endorsed product.

2. Literature Review

The use of celebrity for promoting products dates back to the late 19th century. One of the early endorsements involving a celebrity was Queen Victoria in association with Cadbury’s Cocoa (Erdogan, 1999). In a study conducted by Agrawal & Kamakura, (1995), the effect of celebrity endorsement on economic benefit of the company was measured using the abnormal returns earned after the use of celebrity endorsement and found that the celebrity endorsement created some impact on the share value of the company when the endorsement deal is announced. The impact of celebrity on purchase intentions has been a highly researched topic. Many studies have evaluated the effect of celebrity on advertisement effectiveness and have developed many models for explaining how this strategy creates purchase intention. There are basically four different models to explain how celebrities can create purchase intention among the respondents. They are source credibility model (Ohanian, 1990, Kamins, Brand, Hoeke, & Moe, 1989), source attractiveness model (Kahle & Homer, 1985), match-up hypothesis model (Kamins M. A., 1990), and meaning transfer model (McCracken, 1989). Source credibility model explains how source credibility creates purchase intention. According to Ohanian, (1990) “Source credibility” is commonly used to imply a communicator’s positive characteristics that affect the receiver’s acceptance of a message. The attractiveness model explains how
the attractiveness of the source creates purchase intention (Erdogan B. Z., 1999). The match-up model explains the role of fit between the brand and the celebrity endorser in creating purchase intention. According to this theory, the fit between celebrity and brand will create purchase intention (DeSarbo & Harshman, 1985). According to Till & Busler, (2000) fit between the celebrity and product is created by physical attractiveness and expertise of the celebrity. The meaning transfer theory explains the process involved in celebrity endorsement. It explains how celebrity endorser creates purchase intention by explaining the process involved as a meaning transfer mechanism (McCracken, 1989). According to this model the endorsement process include three stages. In stage one celebrity draw powerful meanings from the roles they assume in their television, movie, military, athletic, and other careers. In the second stage, advertisement facilitates the transfer of meaning from celebrity to the product. In the third stage, consumer purchases the product because of the cultural meaning attached to it. This study focuses on celebrity attractiveness and its impact on purchase intention.

If people think that someone they admire wants them to do something, they may be motivated to do it, even if the admired person might never know about it (Mills & Aronson, 1965). According to Erdogan, (1999) attractiveness does not mean simply physical attractiveness but includes any number of virtuous characteristics that consumers might perceive in a celebrity endorser like intellectual skills, personality properties, lifestyles, or athletic skill. The effect of attractiveness on communication effectiveness is a widely discussed topic in communication and marketing literature. Mills & Aronson, (1965) in their study evaluating the effect of communicator’s attractiveness in communication effectiveness found that when the communicator is very attractive, an openly stated desire to influence the views of the audience will actually increase the effectiveness of his communication. It shows that an attractive celebrity can create an opinion change by openly stating his desire. According to Miller, (1970) in a first-impression situation, a person’s level of attractiveness may evoke in a perceiver a consistent set of expectancies by a process of trait inference. Snyder & Rothbart, (1971) explains attractiveness effect on advertisement effectiveness as “the pleasure or satisfaction associated with viewing an attractive communicator generalizes to one’s evaluation of his message; attractive faces are distracting, impede counter arguing, and thus facilitate attitude change; and attractive communicators are better liked than unattractive ones and liking leads to greater acceptability of the communicator’s message”. In the study by Chaiken, (1979) the effect of physical attractiveness on persuasion was evaluated in a field setting. The findings revealed that communicator attractiveness affected respondent’s agreement towards the message communicated. In an extensive review of literature in the field of physical attractiveness by Joseph, (1982)he
suggested that physical attractiveness is not particularly important or robust source of interpersonal influence. In a study by Debevec et al., (1986) it was found that attractive models enhance persuasive efficacy, but only in a mediated fashion.

In a study Bower, (2001) hypothesised that a normally attractive model will be more effective than highly attractive model but the researcher failed to empirically prove this hypothesis. In the study by Bower & Landreth (2001), the effectiveness of highly attractive model is compared with the normally attractive model on attractiveness relevant products. The findings suggest that highly attractive models are best associated with enhancing products, but there is no advantage in pairing problem-solving products with highly attractive models instead of normally attractive models. The study also suggests that the model-product match-up influences advertising effectiveness product evaluations through its effect on beliefs about model expertise and not due to any direct effect on product evaluations.

Message comprehension is the overall understanding of the message intended to be delivered by the advertisement, in our case ‘the need for energy conservation’. Toncarete al., (2007) suggests that celebrity spokespeople have “stopping power” and using celebrities to deliver a message will result in the audience viewing the message as more relevant, and paying closer attention than if celebrities were not used. Since the audience will be paying closer attention, they are more likely to have a reaction to the message. It seems reasonable to assume that the use of celebrity spokespeople in social advertisement would elicit similar effects. According to Fraser & Brown (2002), the fans develop self-defining relationships with celebrities and seek to adopt their perceived attributes, resulting in powerful forms of personal and social transformation. So we can understand that the celebrity will affect a person attitude or even change his behaviour. The impact of attitude towards advertising campaign on intention to change behaviour is a well discussed topic in marketing research. The studies conducted by Turk, et al., (2012), and Peattie & Peattie, 2009 found a good positive impact of social advertising in changing behaviour. The study by Peattie & Peattie (2009) evaluated the effect of social advertisement in reducing the conception. In the above mentioned study, the researcher used health-oriented social marketing campaign to demonstrate the potential of a social marketing approach to address ingrained forms of consumer behaviour and to successfully ‘de-market’ products. The study conducted by Turk, et al., 2012, the researcher finds the effect of social marketing in controlling the smokeless tobacco use among the mass using mass media communication. The study not only evaluated the effect of social advertisement but also the impact it generates when mass media is used to propagate it. The study was conducted among the people who
use tobacco products. The study found that the campaign had a positive effect on the population. According to Hassan et al., (2007) responsible thinking is a key component of the advertising persuasion model and that it will fully mediate the effects of comprehension and attitude on intention to quit smoking. As responsible thinking depicts a person's thinking about his own behaviour as a good or bad, this will impact the intention to change the bad behaviour to good one. The understanding of a message can be considered to have a prominent role in propagating an ideology, for example, Kate Smith's effectiveness in selling war time bond over the radio was partially due to the marathon nature of the event and the fact that everyone believed in the cause. From the above discussion, we can posit the following hypotheses

According to Hassan et al., (2007) comprehension is defined as a unidimensional construct used to assess the amount of correctly attributed meanings from the advertised message. He assessed comprehension through post exposure interviews where respondents were questioned on their identification of the intended meanings. This study also uses the same method for measuring message comprehension. Attitude towards the campaign is measured as a perceived utility of advertisement taking into account the cognitive response which assumes rational information processing by the receiver. Responsible thinking is defined as a person’s cognitive elaboration of issue-relevant arguments contained in a persuasive social marketing communication. In this context, responsible thinking recognises that individuals need to reflect on the demerits of their careless energy conception behaviour before they can conclude that self-correction behaviour such as reducing the use of decorative lights is necessary, in compliance with the social marketing communication. Finally, a central aim of any social marketing campaign is the attainment of audience behavioural compliance. Without a high level of motivation for behavioural change, consequential behavioural compliance is either unlikely to take place or will be short-lived. Therefore, an assessment of the intention to change behaviour, in our case to reduce consumption of electricity, as a consequence of viewing the advertisement is essential to the overall understanding of the persuasion process.

From review of literature, following hypotheses were set for the study

H_1. The celebrity attractiveness will have a positive effect on attitude towards the campaign (AtC).

H_2. The celebrity attractiveness will have a positive effect on message comprehension (MC).
H₃. The celebrity attractiveness will have a positive effect on intention to change behaviour.

H₄. The attitude towards the campaign will have a positive effect on intention to change behaviour.

H₅. The attitude towards the campaign will have a positive effect on responsible thinking.

H₆. Message comprehension will have a positive effect on intention to change behaviour.

H₇. Message comprehension will have a positive effect on responsible thinking.

H₈. Responsible thinking will have a positive effect on intention to change behaviour.

3. Methodology

Participants

A hundred students from MG University served as the participants for the study.

Procedure

The participants were shown a television advertisement showing a social cause...
(energy conservation) and celebrity endorser (Mohanlal). They were then asked to fill a questionnaire which had nine questions for measuring celebrity attractiveness and effectiveness of the social advertisement. The first section of the questionnaire measured demographic factor of respondents like age and gender. The second section had five six point semantic differential items taken from Ohanian, (1990) to measure celebrity endorsers’ attractiveness. The words attractive/ unattractive, classy/ not classy, beautiful/ugly, elegant/plain, and sexy/ not sexy anchored the items measuring attractiveness. The third section measured the effectiveness of social advertisement using 21 statements adopted from social advertising perception scale developed by Hassan et al., (2007). Message comprehension was assessed via seven statements like “There is a need for saving energy”, “To solve our state’s energy problem, every individual in our society will have to reduce the amount of energy they use” where asked. Consumer attitude toward the campaign was measured via seven items based on a four-point “yes”, “definitely” to “no”, “not at all” response scale. This included the statements like “The campaign delivers a worthwhile message”, “The campaign is an incentive to look for information and/or help”. Responsible thinking encompassed statement like “The ad/adovertisements made you think about energy problem”, “The ad/advertised made you think about the need for saving electricity” which was measured with five items based on a four-point “yes”, “definitely” to “no”, “not at all” response scale. This mediator construct captures the extent to which the campaign has led consumers to think responsibly about their smoking. Intention to quit smoking in response to the campaign was measured with two item based on a four-point “yes”, “definitely” to “no”, “not at all” response scale.

The components measuring the effectiveness of social advertisement i.e. message comprehension, attitude towards advertising; responsible thinking and intention to reduce energy conception are grouped and averaged to evaluate the effectiveness. The respondent’s attitude towards endorser and social advertisement is evaluated based on the average scores. The hypotheses were tested using path analysis method in SPSS AMOS.

4. Analysis and Discussion

All the respondents in the study identified the actor and were well aware of the message in the advertisement. The mean score for attractiveness was 3.56 which indicate that the celebrity was considered highly attractive among the audience. The message comprehension showed a mean score of 4.22 which indicated a good understanding of the message among the respondents. The social
advertisement aims at delivering the message to the mass in a fruitful manner. Message comprehensions measure the attitude of respondents towards the content of the social message. This shows that the campaign is successful in delivering the message. The attitude towards the advertising campaign showed a mean score of 3.22 on a 4 point scale indicating a higher attitude towards the advertising campaign. The attitude measured how the respondents view the advertisement as a stimulus for changing behaviour and looking for more information. Measured on a 4 point scale the responsible thinking showed a high positive score of 3.37. Responsible thinking measured the respondents thinking about the message after seeing the advertisement. This shows that the social cause is relevant and important for the populace. Every social advertisement’s success is measured in terms of intention to change one’s own behaviour. So the intention to change behaviour was measured on a four point scale and scored a mean of 3.05 which showed that the advertisement was a success in terms of delivering the message and creating behavioural intentions. The hypothesised paths which represent the relationship between these variables are tested using path analysis method.

### Table 1: Table Showing Mean Scores

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Celebrity attractiveness</td>
<td>3.5586</td>
<td>0.66595</td>
</tr>
<tr>
<td>Message comprehension</td>
<td>4.2258</td>
<td>0.39243</td>
</tr>
<tr>
<td>Attitude towards advertisement campaign</td>
<td>3.2167</td>
<td>0.42898</td>
</tr>
<tr>
<td>Responsible thinking</td>
<td>3.3724</td>
<td>0.42274</td>
</tr>
<tr>
<td>Intention to change behaviour</td>
<td>3.0517</td>
<td>0.70827</td>
</tr>
</tbody>
</table>

*Source: Survey.*

### 4.1 Model Testing

From the literature review a model, was developed and path analysis was used for testing the model. According to the model, the attractiveness was hypothesised as creating message comprehension, attitude towards advertising campaign and intention to change behaviours which are themselves correlated in a causal order identical to that shown by Louise M. Hassan (2007). The path analysis resulted in an Chi-Square of 2.763 ($P=.251$), GFI of .990, an AGFI of 0.929, a normed fit index of 0.981, a comparative fit index of 0.994. The model’s fit as indicated by these indices was deemed satisfactory; thus, it provides a good basis for testing the hypothesised paths.
### Table 2: Hypothesis Testing

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Hypothesized Path</th>
<th>Estimate</th>
<th>C.R.</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Attitude towards advertisement campaign ← Celebrity attractiveness</td>
<td>.299</td>
<td>5.629***</td>
<td>Supported</td>
</tr>
<tr>
<td>2</td>
<td>Message comprehension ← Celebrity attractiveness</td>
<td>.155</td>
<td>2.923 **</td>
<td>Supported</td>
</tr>
<tr>
<td>3</td>
<td>Intention to change behaviour ← Celebrity attractiveness</td>
<td>.189</td>
<td>2.149</td>
<td>Not Supported</td>
</tr>
<tr>
<td>4</td>
<td>Intention to change behaviour ← Attitude towards advertisement campaign</td>
<td>.668</td>
<td>4.525 ***</td>
<td>Supported</td>
</tr>
<tr>
<td>5</td>
<td>Responsible thinking ← Attitude towards advertisement campaign</td>
<td>.451</td>
<td>5.858 ***</td>
<td>Supported</td>
</tr>
<tr>
<td>6</td>
<td>Intention to change behaviour ← Message comprehension</td>
<td>-.470</td>
<td>-3.417 ***</td>
<td>Supported</td>
</tr>
<tr>
<td>7</td>
<td>Responsible thinking ← Message comprehension</td>
<td>.451</td>
<td>5.858 **</td>
<td>Supported</td>
</tr>
<tr>
<td>8</td>
<td>Intention to change behaviour ← Responsible thinking</td>
<td>.437</td>
<td>3.054 **</td>
<td>Supported</td>
</tr>
</tbody>
</table>

Note: ***p<0.001, **p<0.01.

*Source: Survey.*

Hypothesis one posited a positive relationship between celebrity endorser attractiveness and attitude toward the advertisement campaign. Specifically, it was assumed that the perception of celebrity endorser’s attractiveness will affect the respondent’s attitude towards advertisement. As shown in table two, the estimated value for this hypothesis was 0.299 with a critical ratio of 5.629 (P<0.001) indicating a change in attitude towards advertisement campaign when higher attractive endorser is used in the advertisement. This is in accordance with the earlier studies in the field of celebrity attractiveness (Bower & Landreth 2001).
Hypothesis two predicted a positive relationship between celebrity attractiveness and message comprehension. It means that when attractiveness of the celebrities more, then the understanding of the social message will be higher. The celebrity used in this study is a local celebrity well known for his acting. As suggested by Toncar, Reid, & Anderson, (2007) using local celebrity will encourage or facilitate the processing of themessage. As it can be seen from the table two the estimated value for the hypothesis is .155 with a critical ratio of 2.923 (p<0.01) indicating a positive change.

Hypothesis three suggested a positive relationship between celebrity attractiveness and intention to change behaviour. Specifically, it suggested that when an attractive celebrity is used in an advertisement the viewers will change their behaviour. The analysis does not support this hypothesis. The regression estimation for this hypothesis is 0.189 and the critical ratio is 2.149 indicating a minor change in the intention to change behaviour when attractiveness of endorser changes but was not statistically significant at p<0.01 level.

Hypothesis four predicted a positive relationship between attitude towards advertising and intention to change behaviour, which means that when attitude towards advertisement is high the chance of intention to change behaviour will also increase. This hypothesis was supported at P<0.001. This indicates that attitude towards advertising will affect the respondents intention to change the behaviour. By viewing the earlier finding regarding hypothesis one and two it can be said that the effect of celebrity endorser attractiveness is mediated by the attitude towards advertisement. Specifically, it suggests that when an attractive celebrity is used in the advertisement, the viewers will have a positive attitude towards advertisement which will, in turn, create an intention to change the behaviour as advised by the celebrity. As it can be seen from table two the estimated value of the hypothesised path is .668 with a critical ratio of 4.525. This is in accordance with the existing marketing theories that attitude toward advertising will affect the intention to change behaviour. Hypothesis five predicted the relation of attitude toward advertising and reasonable thinking. As it can be seen from table 2, the hypothesis was supported at a P<0.001 indicating a positive relation between these two variables. The estimated value for this hypothesis is .451 with a critical ratio of 5.858. As suggested by Hassan et al., (2007) the attitude towards advertising will affect reasonable thinking of the respondents. From both these hypotheses, we can find that attitude towards advertising will have more effect on intention to change behaviour (.668) than responsible thinking (.451). The hypothesised path H6 showing a relationship between message comprehension and intention to change behaviour was tested negative at p<0.001. As it can be seen in table two, the estimates were found to
be -.470 at a critical ratio of -3.417 indicating a negative relationship. This negative relation was also found in the study done by Louise M. Hassan on European Union’s anti-smoking advertisement in which the hypothesis was rejected. This indicates that when the respondents are able to understand the message more the intention to change the behaviour is less. This is against our hypothesis that when the message is more understood the chance of behavioural change is high.

Hypothesis seven predicting a relation between message comprehension and responsible thinking has found to be supported at P< 0.01 level. As shown in table two, the estimated value for the same was .451 indicating a positive relationship between the variables. Even though message comprehension shows a negative relationship towards the intention to change behaviour, it positively affects responsible thinking. Hypothesis eight which predicts a positive relationship between responsible thinking and intention to change behaviour was supported at p<0.01. The critical ratio for this hypothesis was 3.054 with an estimate of .437.

From the model testing, it can be found that the celebrity attractiveness has got an influence on behavioural intentions. Those who perceive celebrity to be more attractive will try to change their behaviour to suit the celebrity. From path analysis, we can also conclude that the influence of celebrity attractiveness on behavioural intention is mediated by the attitude towards the campaign. It means that the attractiveness of celebrity will create a positive attitude towards advertisement which will create a positive change in behaviour advocated.

5. Discussion

The present study evaluated the effect of celebrity attractiveness on purchase intention. The study proposes that when a celebrity is perceived as attractive then the person’s intention to change behaviour will be high. The hypothesis was tested using path analysis method. The test results indicated that celebrity attractiveness will create an intention to change behaviour in a mediated manner. This indicates that when the advertisers take a decision about the celebrity they should try to get a celebrity who is attractive among the target audience.

It is also noteworthy that the study found that the effect of celebrity endorser attractiveness is mediated by the attitude towards advertisement. This is in line with the earlier findings of Lafferty, Goldsmith, & Newell,(2002) which indicated a mediating role of celebrity credibility in creating purchase intention. This
finding is important for social advertisers who are interested in using celebrity endorsement marketing strategy. These findings suggest that when a social advertiser is using celebrity endorsement it is important for him to see the attractiveness of the celebrity among the target audience.

Another important finding of the study is that the message comprehension has a negative relationship with intention to change the behaviour. Specifically, it suggests that when the respondents have more positive attitude towards the message then the chances of changing the behaviour is less. This was also found in the study of Hassan, et al., (2007) but failed to statistically validate. This negative relationship can be attributed to the respondents prior opinion which is not studied in both the studies. That if the respondents feel that they know about the message and does not have to change their behaviour because they already have the intended behaviour then this message will not create much impact.

6. Implications of the Research

The findings of the study had a greater implication to marketers using celebrity endorsement strategy. The study suggests that the use of attractive celebrities can create a positive response towards advertising and message as well as can create a change in the behaviour among the respondents. It indicates that the advertisers should try to use more attractive celebrities in their advertisement to gain more behavioural change.

Another important implication of the study is that the celebrity endorser’s attractiveness does not directly affect the intention instead it affects the attitude towards advertisement which effects intention. This is in accordance with ELM theory which suggested a mediated effect of celebrity in advertising effectiveness(Petty et al., 1983).

7. Limitation of the Study

The study was carried out using direct interview method with respondents intercepted at M G University, Kottayam and shown an advertisement. The selection of location and respondents were made based on non-probability sampling technique which reduces the generality of the study. Future research can replicate the study in a more realistic environment. The basic aim of the study was to understand the effect of consumer perception about celebrity attractiveness on intention to change behaviour. So the study was carried out using one celebrity (Mohanlal) in a more realistic environment. The
manipulation like high versus low which were used in the earlier literature (like Bower & Landreth, 2001) is not done in this study. The future studies can evaluate these manipulations. The study only takes into account the attractiveness factor of celebrity and its effect on the respondents the other factor like thematch-up between celebrity and the cause and credibility are not considered here. In past study, the effect of time and involvement was considered important factor influencing a communication. This study does not consider this factor so future studies can be undertaken to incorporate these factors.

The behavioural change intended here is conservation of energy where consumer addiction is considered to be less; there are many other big problems like smoking, alcoholism and much more where the consumer addiction is higher. The generalisation of this finding to those advertisements should be done with cautious.

References


*Rajagiri Management Journal*


Book Review


“Elon Musk: How the Billionaire CEO of SpaceX and Tesla is Shaping Our Future”, is a page-turner; a gripping biography of the real-life Tony Stark, whom we know as Elon Musk, and how he is transforming the world we live in. The book delves into Elon’s childhood and upbringing, stints in Africa and Canada before he arrives at the United States to pursue his dreams. It gives an inside view of Elon’s world, a wired narrative of the ups and downs of his personal life intertwined with his workstyle at a string of Silicon Valley start-ups that he founded and helped flourish. The book is a must read for every budding tech entrepreneur and highly recommended for students of business and management studies with a penchant for entrepreneurship.

The book is divided into 11 chapters, the narrative is chronological and is dotted with 23 footnotes and 3 appendices for interested readers to dig into. Despite Elon Musk commanding an iconic rock-star status in Silicon Valley as the one destined to don the mantle of ‘one-of-a-kind’ tech-pioneers like Steve Jobs, the author Ashlee Vance has done an excellent job of penning an unbiased, unequivocal take on Elon Musk and his endeavours, without sounding sycophantic.

The books starts with ‘Elon’s World’ – Chapter #1 wherein Ashlee laid the background setting, on how he persuaded an initially reticent Elon to co-operate in order to bring this biography to fruition, taking sneak peeks into Elon’s workplace, family, friends and business associates; leaving a strong impression of Elon’s persona in the minds of the readers as a geeky well-intentioned dreamer, a card-carrying member of Silicon Valley’s techno-utopian club, an idealist and engineer absolutist with hyper-logical worldviews, having seemingly insane but eventually brilliant fixes to some of the problems dogging humanity. The chapter winds ups with a line from Elon’s ex-wife Justine, giving a hint on what the book has in store about Elon, “He does what he wants, and he is relentless about it. It's Elon’s world, and the rest of us live in it.”

“Africa” and “Canada” follows as Chapter # 2 & 3 respectively, illustrating Elon’s early years in South Africa and his escapade to North America, using his mother’s Canadian ancestry as a launch pad to getting closer and subsequently into the
United States. The chapters throw light on Elon’s family – father Errol Musk, mother Maye, brother Kimbal and sister Tosca; their state of being, nature and relationships. Elon is pictured as a curious, energetic tot and an avid reader but with his good share of pensive, nerdy moments; bullied by peers for his eccentric interests back home in South Africa, and finding good reason to get away to the United States to enrol at an Ivy League University, seize entrepreneurial opportunities and to materialize his dreams.

Elon’s first series of entrepreneurial tech-ventures is described in Chapters 4 & 5 - “Elon’s First Start-up” and “Paypal Mafia Boss”. Eyeing first-mover arbitrage opportunities to lower transaction costs for online banking, Elon set up Zip2 and X.com that would eventually become Paypal, netting a growing customer base migrating towards convenient electronic modes of commerce and banking. Hand-holding through the dot-com bubble, Elon’s start-ups cruised through tough times to a safety threshold, when a behind-the-back no-confidence coup on Elon while on vacation, saw him out of a company he started. Although, Elon subsequently netted a quarter billion dollars when Ebay acquired Paypal, he was left with some hard-learnt lessons on losing management control; something that he’d be cautious to guard for his next couple of ventures, for good reason.

“Mice in Space” and “All Electric” – Chapters 6 & 7 respectively, are the centre pieces of Musk’s endeavours, namely SpaceX and Tesla Motors. It is a story of immense struggle to give life to Musk’s ideas that are very close to his heart: (1) To make humans a space faring species by setting up a colony on Mars, and (2) To make clean-tech electrically driven vehicles a mainstream phenomenon. Both these ideas were out rightly rejected by experts and pundits as crazy, but as Musk’s friend and founder of Google Larry Page put it, “Good ideas are always crazy until they’re not.”

Ashlee Vance takes the reader on a rollercoaster ride into the cutting-edge manufacturing centres of SpaceX and Tesla, teething on innovation and best practices mostly invented in-house than borrowed from outside. Never before was a factory run like a Silicon Valley company at this scale of innovation, where blue collared workers and technicians rubbed shoulders which white collared designers and engineers in open floor office layouts, bringing in efficiency, reducing lead time and cutting through bureaucratic behemoths. NASA and other bigwigs including the Russian space agencies dismissed SpaceX as just another fumbling fantasy of a novice. Tesla received the same treatment from the Detroit automotive majors as well. Chapter # 9 – “Pain Suffering and Survival”, is a tale of Musk’s agony of getting caught in between the devil and
the deep blue sea. On one hand Musk passes through some of the lowest points in his personal life after a divorce with his second wife, British actress Talulah Riley, while on the other hand, SpaceX and Tesla Motors is in a state of mid-life existential crisis, slipping on delivery schedules, dogged with unforeseen technical glitches and serious funding issues to keep them going. Musk’s unflinching commitment, work ethic, and perseverance at this point is noteworthy and his company of super-smart engineers scrape through tough times to see light at the end of the tunnel, described in Chapter #9 & 10 – “Lift-off” and ‘The Revenge of the Electric Car”.

On 28th September 2008, SpaceX rocket Falcon 1 reached orbit in its 4th attempt, becoming the first privately funded liquid fuelled rocket to do so in history, opening the gate to SpaceX’s space odyssey. More rockets like Falcon 9, Falcon Heavy followed from SpaceX’s stable including Dragon V2 that could take human payloads to ISS. The author Ashlee Lance notes: “SpaceX has metamorphosed from the joke of the aeronautics industry into one of its most consistent operators”. It undercut American competitors like Boeing, Lockheed Martin and Orbit Sciences by a ridiculous margin and evolved to take the place of the de facto American private space company that could take on the Russians and Chinese in terms of cost and delivery time competitiveness. Later on SpaceX stunned the world by developing re-usable launch vehicles, recovering rockets post-mission by landing it back on its Launchpad or on an oil platform in the sea. The miraculous story of SpaceX continues as we speak and as the media put it: If Iron Man is Tony Stark, SpaceX is Elon Musk.

Tesla Motors after a bumpy ride of funding issues and initial tech-troubles, recouped. Notwithstanding some critical media backlash by Silicon Valley grapevine portal “Valleywag” and BBC resulting in bad PR about the electric car’s safety, Tesla survived to unveil the “Roadster” with its sleek design and innovative features like pop-out handles and touch-screen display, not to mention an adorable all electric vehicle. Endorsements from celebrity icons ranging from California Governor Arnold Schwarzenegger to an array of Silicon-Valley Tech honchos helped promote Tesla, which had lined up 3 models out of its stable – Models S, E and X, in that order of high-end, low-volume niche category cars to affordable electric vehicles in larger-volumes. Tesla brand reinforced its footing in the automotive market with tie ups with Mercedes Benz and Ford Motors; efficient battery packs and upcoming charging stations in the interstate highways. From being a side stream joke, Tesla was transforming into a mainstream affair in automotive circles.

The final chapter, “The Unified Field Theory of Elon Musk”, is connecting the
dots that would fulfill Elon’s dreams. From saving the earth from the destructive wrath of fossil fuels by means of an alternative mainstream clean-tech transport offered by Tesla Motors, to supplementing the energy requirements by using massive solar-based grids of Solar City, Elon comes up with interconnected answers to humanity’s challenges. He ultimately wishes humankind to become a space-faring civilization, and save our species from possible extinction by setting up a colony on Mars. Although some of the conjectures and ideas in the book are bordering on elements of a sci-fi thriller, Ashlee Vance grounds his arguments on facts and progress-on-ground when he drives home the point that Elon Musk is after all not just another dreamer but a doer as well. The author concludes by asking Elon how much he was willing to put on the line to achieve his dreams. Elon responded, “Everything that other people hold dear. I would like to die on Mars.”

The book is intense and spirited in narrative; a stellar biography of a remarkable entrepreneur with an irrepressible spirit. An insightful read into the life and ideas of Elon Musk, who I hope is right in his endeavours for our own sake, for he is undeniably shaping our collective future.

Joshin John
Assistant Professor
Rajagiri Centre for Business Studies
Kakkanad
Kochi – 682039
Kerala, India
E-mail: joshin@rajagiri.edu
Contributions to the Rajagiri Management Journal are invited from researchers, practitioners and academics. Theoretically based and empirically supported well written articles on management issues may be submitted as MS-Word file to editor-rmj@rajagiri.edu and assteditor-rmj@rajagiri.edu. Along with the manuscript, the authors should provide the undertaking that (i) the article contains the original work of the author(s); (ii) it is neither published earlier nor being considered for publication elsewhere; and (iii) there are no copyright violations with regard to the material used in the article.

The cover page of the manuscript should contain the article title, the name and affiliations of authors along with their postal address, phone and fax numbers and e-mail address. The second page should contain the title of the article, the abstract (100-150 words), and keywords (up to 5 words). Acknowledgements, if any, must be mentioned below the keywords.

The length of the article should be 3000-6000 words (inclusive of tables and figures) with about 1 inch left, right, and top and bottom margins each. It must have sections and subsections which are named and numbered as appropriate. The material should be formatted in Times New Roman, font size 12 and double spaced. All tables and figures are to be serially numbered (in Arabic numerals) and sequentially placed after references in the text. The source should be indicated at the bottom of tables and figures, wherever necessary. It has to be noted that all tables and figures are to be given in a separate word file with the file mentioning the paper to which they belong. Also, all tables and figures should be in black and white and not in colour.

Rajagiri Journal follows British spelling (e.g. organization, programme, colour and labour) except in case of direct quotations.

For citations, references and endnotes/footnotes, guidelines specified in the Publication Manual of the American Psychological Association (APA) must be followed.

**Subscription**

Rajagiri Management Journal is published twice a year. Annual subscription for each volume of two issues (print edition) is Rs.600. Please send Cheque or DD in favour of Principal, Rajagiri College of Social Sciences payable in Kochi to Librarian, Rajagiri Centre for Business Studies, Rajagiri Valley, P.O. Kakkanad, Kochi -682039, Kerala. E-mail: rcbslibrary@rajagiri.edu.