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Guest editorial

Challenges and trends in management for Ibero-America

Introduction

Ibero-America has been getting increasing attention from scholars in the last few years. Thus, management, finance and marketing research on firms and market functioning in countries from this region has been published in leading journals (e.g. De-la-Hoz and Pombo, 2016; Gomez-Mejia et al., 2007; Jimenez-Jimenez and Sanz-Valle, 2011). To keep learning about the “Challenges and Trends in Management for Ibero-America” is important for supporting new research on studies from Ibero-American countries. For building theory, contributions to this topic should not only respond to unsolved questions on the current literature, but also identify new challenges in terms of theoretical gaps, methods and new areas of research (Easterby-Smith et al., 2012; Eisenhardt and Graebner, 2007; Martinez et al., 2011). Hence, articles within this special issue have been selected looking to meet these criteria.

This special issue published eight articles presenting the work of nineteen scholars from eighteen universities of ten different countries. These articles relate to topics on general management, sport management, knowledge management, marketing and finance. The articles’ approaches include quantitative approach based on primary data (survey), a quantitative approach based on secondary information, a qualitative multimethod approach, a mixed method combining qualitative content analysis with quantitative data analysis, a mixed method but using regression and qualitative compared analysis and an experimental design.

Discussion and contributions of the articles in this special issue

The first article in this special issue relates to factors explaining people’s support and intention in relation to developing a major sport event (in this case Copa America). The second analyses consumers’ value creation through WhatsApp use and the third aims to respond to how brands, users and endorsers co-create the brand personality of the firm online, through user-generated content. The fourth work, related to political marketing, is on how political leaders’ communication practices in discourses influence voters’ emotional responses, while article five focused on identifying whether Latin American firms are adopting any strategies when designing foreign exchange risk measures. Article 6 is on the education industry and analyses university student loyalty to their institution. Of the last two articles, one is focused on understanding customers’ affective evaluation of retail in Chile and Mexico and the other analyses whether brand congruence and brand trust predict perceived value, satisfaction and future intentions in sport services.

Parra, Alonso-Dos-Santos and Duclos in “The relationship between factors that contribute to support and future intentions in relation to a major sporting event” compare and test the influence of enthusiasm, fair social distribution of costs and benefits and the quality of the information received from the media in support for holding sporting events and future intentions of residents of two host cities of the Copa America, held in Chile. Through the application of a survey to residents of two host cities of the Copa America with questions about different variables related to the social impact of sporting events, they found that enthusiasm, perception of fair social distribution and the quality of information positively influenced support for sporting events and future intentions. They also found that the quality of the information positively influenced enthusiasm and fair social distribution and significant changes were observed between the two host cities.
(Concepción and Valparaíso) in the relationships between the quality of the information and the variables future intentions and enthusiasm, and between this variable and those of support and future intentions of the residents. These findings are important for the management of the social impact of sporting events, suggesting the importance of considering that an optimal management of the quality of information, social justice and enthusiasm can contribute to forming a social representation of the event that determines the backing or behavior of the citizens.

The article called “Consumer value creation through WhatsApp use: a qualitative multimethod approach in a Latin American scenario” from Cruz et al. delves into the way in which consumers create value in their lives using WhatsApp. This innovative research addresses this research topic from a customer-dominant logic perspective. The study follows a qualitative multimethod approach, consisting of a series of focus groups followed by in-depth interviews. The interpretative thematic qualitative analysis used for data analysis identifies four types of value created by WhatsApp users: maintaining and strengthening relationships, improving role performance, emotional support and entertainment and fun. A second qualitative analysis based on grounded theory identifies the core category of the conceptual model as the category called behavior on WhatsApp, connecting all the previous categories. Interestingly, this research sheds light on how companies and organizations can facilitate WhatsApp users’ value creation and proposes the design of strategies that connect the behavior of consumers on social networks with the behavior in WhatsApp in order to generate electronic word-of-mouth strategies.

The work from Borges and Tiago entitled “A brand-new world: brand-endorser-users fit on social media” examines the importance for firms from the tourism sector of better understanding the digital co-branding with clients and celebrity, as well as identifying gaps in their brand personality strategy. Specifically, this study explores how firms, clients and endorsers create and communicate brand personality traits online. Based on a hotel group as a unit of analysis (since services by their nature demand more attention to the co-creation phenomenon) this work finding warns of the need to closely monitor the content created and spread online by users, since it may reshape the brand image. This study points to the possibility of using celebrities as tools to develop meaningful connections with consumers, knowing that celebrities’ personality traits can overcome brand personality traits. These findings are important for theory and practice, as consumers have migrated to online spaces and firms need to follow them. Digital environments are challenging to firms which are no longer in total control of their brand image projection. Along these lines, the authors indicate that social media networks enable individuals to acquire large audiences, becoming digital influencers, that alongside traditional endorsers can affect the brand image on a wider scale. Accordingly, in order to have some control over their brand image, firms’ must acknowledge the importance of users as content generators.

The article “Rhetorical Strategies and Emotions in Political Marketing Management” from Ortigueira-Sánchez and Cárdenas-Egúsquiza analyses people’s changing behavior in voting intention throughout the last Peruvian presidential campaign in 2016. The author specifically analyses the voter’s reaction to the candidates’ political discourses. They observed that the final televised debate of this campaign was responsible for immense changes in voting intention. Accordingly, they used facial expression analysis technology to examine the influence of Peruvian voters’ political tendencies on their emotional responses to the discourse of the presidential candidates during the last debate of the 2016 Peruvian presidential campaign. During this debate, the two candidates heavily relied on challenging messages (i.e. personal attacks and ironic and sarcastic comments). Results shows that voters react distinctively, behaviorally and emotionally, depending on whether the political candidate speaking is their preferred candidate. It indicates that voters’ political tendencies
influence several behaviors and emotions toward political leaders. More specifically, the results in this work reveal that political tendency influences positive emotions to challenging messages. But when a challenging message is expressed by a woman, political tendency influences negative emotions. Thus, the authors concluded that challenging messages such as personal attacks and ironic and sarcastic remarks are useful for male politicians but detrimental for female ones in Peru.

The following work from Giraldo-Prieto, De Fuentes Barberá and Sogorb-Mira aims to identify whether Latin American firms are adopting any strategies when designing foreign exchange risk measures. To that end, the study “Determinants of Foreign Exchange Risk Management in Latin American Firms” explores several determinants of management in the Latin American region, looking to provide further knowledge on foreign exchange risk management in emerging economies. The manuscript analyzes data from 342 non-financial listed firms from 2008 to 2016. The testing of the models is performed through models with measures of likelihood of hedge (Logit and Tobit) to offer further insights into the uses of derivatives. They find positive and significant results that indicate relationships between foreign exchange risk hedge with financial distress and liquidity. Also, others like ownership concentration and income tax payable seem to be negative and significant determinants of foreign exchange risk coverage. This manuscript suggests that additional efforts to promote foreign exchange risk hedging would be desirable as well as further research exploring corporate governance relationships and differences between large and small firms.

Gallegos and Vásquez-Parraga in “Explaining University Student Loyalty: Theory, Method, and Empirical Research in Chile” evaluate the sequential relationships between satisfaction, trust, commitment to explain loyalty in students of business and accounting in a Chilean university. This research focuses on assessing loyalty, as it is considered a measure of this successful and lasting relationship between students and the institution of higher education. This study innovates by applying a methodology to the assessment of loyalty previously applied in industries such as retail, food and transportation services. The results show that accounting students show less loyalty than their business partners but experience greater increases due to the effects of interaction. However, both groups show strong sequential paths and high coefficients as explanations in loyalty. The authors indicate that an explanation of this result could be related to the lower college entrance scores of accounting students with respect to their business partners. The authors also observe that the younger cohort seems to be more influenced by the school to achieve student loyalty and their level of commitment is also much stronger than that experienced by their older classmates. Students from private schools enjoy higher levels of satisfaction than their peers from public schools. Public school students enjoy a higher level of commitment than private school students. According to Gallegos and Vásquez-Parraga, these results can be explained due to the stratification of the Chilean school system. Students in public schools have higher levels of vulnerability than students in private schools and, therefore, require more time and dedication.

The article “Understanding Affective Evaluation in Retail. Consumers Perspective” from Marinao-Artigas, Valenzuela-Fernandez and Barajas-Portas examine the consumers’ emotional shopping experience in relation to the corporate reputation of department stores in Chile and Mexico. The main contribution of this research for theory and practice of marketing is the proposal of an explanatory model using structural equations, which is useful for decision making. This model suggests that the affective evaluation of the shopping experience is a key antecedent of the functional, hedonic and symbolic benefits perceived by the consumer. The authors also conclude that the emotional experience plays a key role as an antecedent for the corporate reputation of a company. This empirical study analyses the consumers’ perceptions, emotional connections and perceived benefits of
shopping in department stores through a variety of quantitative methods and discusses their various effects on major stores in the industry. The results, for both countries, allow them to conclude that while functional and symbolic benefits can greatly influence the reputation of department stores, hedonic benefits can have a negative effect. Therefore, this research supports decision making to implement strategies that would improve the emotional experience of their customers, increasing their level of satisfaction, re-purchase, reference value and, consequently, achieving a greater return on marketing and sales management strategies. Finally, Marinao-Artigas, Valenzuela-Fernandez and Barajas-Portas suggest that for future research, it would be interesting to use other variables inherent to the consumers’ purchasing behavior to evaluate their effects on the corporate reputation of the department store.

The last article from Alguacil et al., “Perceived value, satisfaction and future intentions in sport services: putting congruence and brand trust in the equation. Linear Models vs QCA”, focuses on the field of sports services. Their research seeks to provide valuable information on the relationship between brand and service. First, this research tests whether brand congruence and brand trust can significantly predict perceived value, satisfaction and future intentions. It also aims to check whether classic service models (which are based on the variables of perceived quality, perceived value and satisfaction) are able to predict the variables of interest to a greater extent when variables related to the brand are included in the analysis. This article also sets out to determine if there is any variable that must always be present in the combinations for the result to be produced, as well as to know the combinations that can explain the result variables to a greater extent. This research’s results show that congruence and brand trust significantly predict perceived value, satisfaction and future intentions, sometimes with more weight than classic service variables. It has also been proven that by including the variables related to the brand in combination with the classic service variables, the models are capable of predicting the variables of interest to a greater extent. Finally, results confirm that there is no variable that has to be always present for the result to appear, and that the combination of congruence and brand trust is a sufficient combination to explain the achievement of high levels of perceived value and future intentions, but not for satisfaction.

Concluding thoughts
Overall, we present a heterogeneous special issue on “Challenges and Trends in Management for Ibero-America”. Findings and contributions of eight articles on management, marketing and finance involving data from firms and customers of this region are included in this special issue. Thus, we contribute in disseminating knowledge from Ibero-American countries. It allows readers to compare findings, methods and contribution in order to keep learning about management, business and market as it functions in this region of the world. From this, we encourage scholars to keep researching Challenges and Trends in Management for Ibero-America in order to develop theory for support managers and policy makers. This region provides a great scenario for testing previous theory and developing new models and concepts.

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References
The relationship between factors that contribute to support and future intentions in relation to a major sporting event

Relación entre factores que contribuyen al apoyo y las intenciones futuras con respecto a un gran evento deportivo

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Abstract

**Purpose** – The purpose of this paper is to compare and contrast the influence of enthusiasm, fair social distribution of costs and benefits and the quality of the information received through the media in the support for holding sporting events and in future intentions of the Football Copa America held in Chile.

**Design/methodology/approach** – Through partial least squares structural equation modelling, two samples from two host cities (Concepción = 373; Viña del Mar = 267) are analysed.

**Findings** – Enthusiasm, the perception of the fair distribution and the quality of the information positively influence the support for sporting events and the future intentions. In the same way, the quality of the information positively influences enthusiasm and fair social distribution. Significant changes were observed between the two cities in the relationships between the quality of the information and the variables of future intentions and enthusiasm and between this variable and those of support and the future intentions of the residents.

**Research limitations/implications** – The convenience sampling limits the extrapolation of the results.

**Practical implications** – An adequate management of the quality of the information, social justice and enthusiasm can contribute to forming a social representation of the event that determines the backing or the behaviour of the citizens.

**Social implications** – Examination of the negative perceptions that cause bad feeling amongst the population receives a mega-event.

**Originality/value** – The contribution of theoretical evidence about possible data can determine the social backing and the behaviour of the residents in welcoming a major sporting event.

**Keywords** Residents’ perceptions, Support, Enthusiasm, Social justice, Social impact, Quality of information, Future intentions

**Paper type** Research paper
Resumen

Objetivo – Comparar y comprobar la influencia del entusiasmo, la distribución social justa de los beneficios y costes y la calidad de la información recibida a través de los medios de comunicación en el respaldo a la celebración de los eventos deportivos y en las intenciones futuras de los residentes de la Copa América de Fútbol (CAF) celebrada en Chile.

Diseño/Metodología/Enfoque – A través de PLS-SEM se analizan dos muestras de dos ciudades anfitrionas (Concepción = 373; Viña del Mar = 267).

Resultados – El entusiasmo, la percepción sobre la distribución social justa y la calidad de la información influyen positivamente en el apoyo a los eventos deportivos y en las intenciones futuras. Asimismo, la calidad de información influye positivamente en el entusiasmo y la distribución social justa. Se observaron cambios significativos entre las dos ciudades en las relaciones entre la calidad de información y las variables de intenciones futuras y entusiasmo y entre estas variables y las de apoyo y las intenciones futuras de los residentes.

Limitaciones de la investigación/implicaciones – El muestreo de conveniencia limita la extrapolación de los resultados.

Implicaciones prácticas – Una adecuada gestión de la calidad de la información, la justicia social y el entusiasmo puede contribuir a formar una representación social del evento que determine el respaldo o el comportamiento de los ciudadanos.

Implicaciones sociales – Examinar las percepciones negativas que causan malestar entre la población que recibe un mega-evento.

Originalidad/valor – Aporta evidencias teóricas sobre posibles datos que pueden determinar el respaldo social y el comportamiento de los residentes en la acogida de un gran evento deportivo.

Palabras clave – percepciones de los residentes, apoyo, entusiasmo, justicia social, impacto social, calidad de la información, intenciones futuras, evento deportivo

Tipo de papel Trabajo de investigación

1. Introduction

Sporting events are occurrences that tend to have repercussions in the lives of the residents of the cities that hold them. Many of the studies about the impact of these sporting events have been centred in the analysis of the economic impact (Kim et al., 2006; Kim and Walker, 2012). However, an increase in the studies that analyse the social impact of this type of event in the cities that hold them has occurred (Inoue and Havard, 2014).

According to Deery and Jago (2010), the objectives of the majority of the studies on the social impacts of these events in the local areas or regions in which they are held have been: first, the development of scales that allow the evaluation of social benefits and costs; second, the determining of the extent to which residents’ perceptions of the impacts affect the support for the events; and finally, the providing of recommendations to the organisations and authorities to improve the social impact of these events. In addition, in the last few years, longitudinal studies that attempt to know the evolution of the perceived impacts in different moments of time: before, during and after the holding of the events have become of special importance.

The studies that demonstrate the relationship between the perceived impacts and support for the holding of the events have been widely contrasted. However, the influence of other different variables to those of the categories of perceived impact has not been the object of an exhaustive analysis. Some studies, such as that of Inoue and Havard (2014), showed that a sporting event generates a greater level of social impact for local spectators if they feel a greater sense of comradery in the event and/or perceive a greater sense of social responsibility of the event. Other studies, such as Chien et al. (2012), analysed the effects of the publicity of the event, the perception of the impartiality of the representation of the event and the commitment of the residents to the event. Recently, studies like that of Oshimi and Harada (2018) have shown the influence of data such as the perception of the image of the city and the future intentions with respect to the event.

The objective of this work is to compare and contrast the influence of enthusiasm, fair social distribution of the benefits and costs associated with the event and the quality of the information received through the media in the support for the holding of sporting events.
and in the future intentions of the residents of two host cities of a major sporting event. The event used as the object of study is the Copa América de Fútbol (CAF) held in Chile and the two host cities are Viña del Mar and Concepción.

This research makes progress in understanding that variables can explain resident support for the holding of major sporting events. In this way, it shows the possible antecedents on the evaluation of the social impact of the events, highlighting diverse factors that influence the support and future intentions of residents in terms of the holding of a sporting event in their city. The obtaining of the support of local residents and understanding the antecedents that can explain this support is essential as the social backing can transform a major sporting event in an urban festival, while the lack of support and cohesion within the receiving community can have devastating effects in this host community through the increase in social and political tensions (Gursoy et al., 2017).

2. Literature review and hypothesis

2.1 Support and future intentions

Different studies have analysed the support for the holding of sporting events amongst residents in the host communities (e.g. Gursoy and Kendall, 2006; Gursoy et al., 2017; Pappas, 2014; Prayag et al., 2013). The majority of these studies coincide in highlighting the importance that the support of the residents for the event has, as they are the ones who must decide about the possibility of broadening the financing for this type of events, as well as maintaining direct contact with the visitors who travel to the host city for the event (González-Garcia et al., 2016). The lack of willingness from the residents to receive such an event can unleash bad feeling, protests or hostility towards the visitors (Gursoy and Kendall, 2006; Fredline, 2004).

The support for the holding of sporting events has been evaluated in the majority of the studies through the theory of social exchange, according to which the residents carry out an evaluation of the benefits and costs associated with the holding of the event with the aim of considering it as either positive or negative for the society (Gursoy et al., 2017; Prayag et al., 2013; Waitt, 2003). As indicated by Chien et al. (2012), this evaluation lays out a social dilemma as the residents must consider if the event can be positive or negative for the community where they reside in terms of personal or collective interests.

Some studies have demonstrated the direct or mediating relationship of specific variables on support for the holding of sporting events. For example, variables such as the participation of the community (Pappas, 2014), attitudes towards the event (Prayag et al., 2013) or the positive or negative emotions (Ouyang et al., 2017).

In terms of the future intentions, there exist some studies within the social impact of sporting events which have shown the positive relationship between the positive impacts and the intentions of local visitors about the sporting event (Parra et al., 2016). The study of Inoue and Havard (2014) also showed the relationship between the perception of the social impacts and the future intentions of the attendees at a charity event. Other more recent studies, such as the previously mentioned study of Oshimi and Harada (2018), have demonstrated the influence of other variables such as perceived image on the intentions of the residents.

The theory of social exchange argues that if the residents consider that the benefits outweigh the costs then the probabilities of increasing the support for holding the event will go up and, therefore the probabilities of showing positive intentions towards the event will go up too. Thus, the following hypothesis is suggested:

H1. The support for holding an event positively influences the future intentions of the residents in relation to the holding of the CAF in Chile.
2.2 Quality of information
A key factor to consider in the individual support of a resident for the collective interests of a group, and from this point on, in the development of an event in the community, is the communication related to the event to which the person is exposed (Chien et al., 2012). Some authors, like Preuss and Solberg (2006), have highlighted that residents form their opinions in relation to an event from the information coming from diverse groups such as the media, the authorities and the groups or collectives opposed to the holding of the event. Along the same lines, other researchers looking at the social impact of sporting events or of tourism have highlighted the fact that residents have a prior representation of the events which is formed from the media, social interactions and direct experiences (Fredline, 2005).

In spite of the role of the media in the elaboration of public interpretations of topics related to the events, there have been few theoretical attempts to understand the impact of the media in the responses of the residents (Ritchie et al., 2010). One of the few studies that have researched the effect of the media on sporting events was done by Falkheimer (2007) in relation to the pre-regattas of the America’s Cup in 2005. This study showed that the role of the media in the management of sporting events could depend on the context of the place. The interest and media coverage of this sporting event varied throughout the country. The coverage of the national media was quite neutral, but with scarce positive effects in terms of image, while the coverage from local and regional media tended to be negative and was centred in topics related to social well-being and the controversy to public money spent on the projects (Ritchie et al., 2010).

Robertson and Rogers (2009) examined the coverage of festivals in the media and the perceptions of the public of the effect of the festivals in the UK. These authors argued that the people surveyed in all types of events qualified the local media as extremely important, which indicates that the attitude of the residents towards a specific festival and their attendance at it would probably be affected by the local media (Ritchie et al., 2010).

For this reason, Robertson and Rogers (2009) indicated that the information in the media can be seen as an important agent that offers information to the public and models the attitude and behaviour of the residents. From there, it could have an influence on the enthusiasm generated amongst the local population for the holding of the event. In the same way, we consider that the perception of impartiality of information can favour a less biased interpretation of support and a more real valuing of the event. Along these lines, Ritchie et al. (2010) showed that when the residents considered the news of the event offered by the local media to be fair, the intention of supporting the development of the events increased significantly.

Finally, Chien et al. (2012) analysed the impact of the Olympic and Para-Olympic sailing events of 2012 on the residents of Weymouth and Portland (UK). In this work, they found that the advertising of the events was indirectly related to the support of the residents through commitment. They observed that the perceive fairness of event portrayal was identified as a moderator of the publicity effect of the event. Specifically, when the media reports about the event are considered to be biased or unfair, the advertising effects of the event, both positive and negative waned.

From these arguments, the following hypotheses are suggested:

\( H2a. \) The quality of the information received through the media positively influences the enthusiasm of the residents for holding the CAF.

\( H2b. \) The quality of the information received through the media positively influences the perception of the residents of a fair social distribution of the costs and benefits associated with holding CAF.

\( H2c. \) The quality of the information received through the media positively influences the support for holding the CAF.
The quality of the information received through the media positively influences the future intentions in relation to holding the CAF.

2.3 Enthusiasm

The studies that have analysed the degree of enthusiasm of residents in hosting an event have centred on indicators related to the emotions derived from the event, the pride of belonging to the community or the reinforcement of the feeling of belonging to the community. For example, the work of Waitt (2003) measured enthusiasm through seven indicators, of which three psychological indicators: emotion, pride and reinforcement of the feeling of belonging to the community as a consequence of the holding of the Olympic Games in Sydney in 2000, are highlighted.

Crompton (2004) suggested that the sense of pride of local residents would increase as a result of being the hosts of an important even, as they tend to consider that the event could help to revive the community. Along these lines, the development of additional or parallel activities to the sporting event, like for example commercially sponsored events, can also be sources of emotion beyond the sporting event itself (Kim and Walker, 2012; Waitt, 2003). Thus, as Crompton (2004) and Chalip (2006) emphasised, a festive atmosphere is typical to the majority of host cities, as the event organisers and commercial sectors plan the activities and parallel events with the aim of improving this atmosphere in the community.

Some studies have demonstrated that the impacts at a psychological or psychosocial level tend to predict the predisposition to support the holding of sporting events in a positive way (Lee and Krohn, 2013; Müller, 2012). In addition, works such as that of Ouyang et al. (2017), have shown the direct relationship between emotions and the support of sporting events.

Having reviewed the literature, we consider that the levels of enthusiasm can be related to the predisposition of residents to support the holding of an event and with the future intentions in terms of the same event. Thus, this work aims to show if the levels of enthusiasm contribute to explaining the support and future intentions in relation to the CAF:

H3a. The enthusiasm of residents to host the CAF positively influences support for holding the event.

H3b. The enthusiasm of residents to host the CAF positively influences future intentions in relation to the holding of the event.

2.4 Social justice

The major sporting events have repercussions in the life of residents. For this reason, it is necessary that the benefits and costs derived from holding them be distributed in an equitable way throughout the society. In accordance with the theory of social exchange, Waitt (2003) pointed out that when the residents perceive that the exchange of resources of an event is deficient an increase in local activism is likely, stimulated by the negative perceptions surrounding the event. This author argues that to be able to maintain positive future intentions or behaviours in relation to the holding of the event it is necessary to constantly revaluate the perceived consequences of the aforementioned exchange.

Fredline (2000) highlighted the importance of the relationship between the perceptions of the impacts of the events and the perceptions of social justice in terms of the distribution of these impacts, with the necessary effort from the organisers, administration and agents to achieve an equitable distribution of the costs and benefits. Ideally, the holding of a sporting event should not result in a social imbalance that is detrimental to some groups and beneficial to others, and in those cases where it is, some types of compensation could be necessary for those who suffer the negative impacts without a compensation in the benefits.
From the area of tourism, some studies have analysed the importance of the variable of social justice in the process of the formation of perceptions or attitudes of the residents of tourist destinations (Fredline and Faulkner, 2002). For example, Fredline (2000) demonstrated that the residents who perceived a fair social distribution of the costs and benefits generated by sporting events were more likely to be members of the population groups with a more positive perception of the event analysed. However, the importance of this variable in explaining support and future intentions in relation to the holding of events has not been directly contrasted. Thus, the following hypotheses are suggested:

\( H4a \). The perception of fair social distribution of the benefits and costs of the CAF positively influences the support for holding the event.

\( H4b \). The perception of fair social distribution of the costs and benefits of the CAF positively influences the future intentions in relation to the holding of the event (Figure 1).

3. Method

3.1 Procedure

A sampling procedure of a non-probabilistic convenience sampling procedure was utilised, due to the absence of a sampling frame, but consistent with other prior work in the area (e.g. Gursoy and Kendall, 2006; Oshimi and Harada, 2018; Prayag et al., 2013). One of the main weaknesses associated with sampling of convenience, as indicated by Kim et al. (2006), is bias in the selection. In order to avoid this bias in the field work, interviewers were told to survey distinct groups of the population with the aim of interviewing proportional groups of residents according to age and sex.

3.2 Participants

To carry out this study, the perceptions of the resident of two of the host cities of the CAF held in Chile in 2015 were consulted (Concepción and Viña del Mar). A total of 373 valid surveys were collected from residents of Concepción and 267 from Viña del Mar in the month prior to the holding of the event (May 2015). The mean age of the participants from Viña del Mar was 29.77 (SD = 11.00) with ages between 18 and 70 years old, while the mean age of the participants from Concepción was 32.35 (SD = 12.86) with ages between...
18 and 74 years old. In terms of sex, of the residents surveyed in Viña del Mar 57.8 per cent were men and 42.2 per cent women, while in Concepción 54.2 per cent were men and 45.8 per cent women.

3.3 Instrument
Starting from previous studies in this area of research diverse scales were adapted (see Appendix): the measurement of the quality of information received from the media (four items) was adapted from Ritchie et al. (2010); the scale of enthusiasm (four items) was adapted from Waitt (2003); the perception of fair social distribution of benefits and costs (three items) was adapted from Fredline (2000); the support for holding sporting events (three items) was adapted from Prayag et al. (2013); and the measurement of future intentions (three indicators) was adapted from Zeithaml et al. (1996). All the indicators were evaluated in a Likert-type scale of five points (1 = totally disagree; 5 = totally agree).

3.4 Statistical analysis
Partial least squares structural equation modelling (PLS-SEM) is a multivariable analysis employed assiduously in the social sciences (Hair et al., 2017; Henseler et al., 2016; Ringle et al., 2018) and widely discussed previously (Sarstedt et al., 2011). This method allows for the evaluation of the method of measurement, analysing its reliability (Cronbach’s $\alpha > 0.8$, rho_A, composite reliability > 0.8 and significant factorial loads) and scales convergent and discriminant validity (AVE > 0.5, HTMT < 0.9 and Fornell–Larcker) (Henseler et al., 2014).

On the other hand, the bootstrapping technique (5,000 permutations) (Hair et al., 2014) allows for analysing the structural model and provides the significance coefficients. The resulting analysis will determine the size of the effect ($f^2$), the amount of variance of the variable explained by the model (Palk and Miller, 1992) ($R^2$), the Stone–Geisser coefficient of predictive capacity ($Q^2$) (omission distance = 7) and the fit of the model through the standardized root mean square residual coefficient (SRMR).

The comparison between the samples in SmartPLS (Ringle et al., 2015) was done through multigroup analysis (MGA) under a non-parametric approach in PLS (PLS-MGA) with an algorithm based on the Henseler method described by Sarstedt et al. (2011) and Hair et al. (2017). This method gives us the probability of the differences between the path coefficients of the two groups.

4. Results
4.1 Evaluation of the measurement model
Table I shows information about the indicators of reliability and validity, following the recommendations of Hair et al. (2017) the coefficients of both validity and reliability are above the established minimum indicators. The rho_A specifically is above the limit of 0.5, the composite reliability is above 0.8, all the factorial loads are significant and Cronbach’s $\alpha$ is above 0.8 save in two exceptions. However, in the light of the rest of the reliability coefficients, all of the items were kept with the aim of not losing the variability in the construct.

In terms of the discriminant validity, the AVE is above 0.5 (Table I), the HTMT coefficient is below 0.9 (Table II above the diagonal) and correlations between the constructs (under the diagonal Table II) are lower than the square root of the AVE (italic in the Table II), fulfilling the criteria of Fornell–Larcker.

4.2 Evaluation of the structural model
The indicator $f^2$ shows the size of the big effect for the relationships CI $\rightarrow$ DS, CI $\rightarrow$ ET and CI $\rightarrow$ IF in Viña del Mar, a mean effect for the relationships CI $\rightarrow$ DS, CI $\rightarrow$ ET, ET $\rightarrow$ IF and AP $\rightarrow$ IF in Concepción and DS $\rightarrow$ AP, AP $\rightarrow$ IF in Viña del Mar (Chin, 1998).
The coefficient $Q^2$ shows positive values in all the endogenous variables in both models, which determines that both have predictive relevance. The fit of the model is adequate as it shows a value for the SRMR coefficient of 0.066 for the model of Concepción and 0.079 for the model of Viña del Mar. Lastly, the $R^2$ coefficients show that the models explain 59 and 67 per cent of the variance of the construct of future intentions for the cities of Concepción and Viña del Mar, respectively.

With respect to the hypotheses, Table III contains the indicators of significance of the path coefficients. All of the hypotheses are supported except for the $H2d$ ($CI \rightarrow IF$) hypothesis for the Concepción model and $H2c$ ($CI \rightarrow AP$) and $H3b$ ($ET \rightarrow IF$) for the Viña del Mar model, which were not supported.

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### Table I. Evaluation of the model

<table>
<thead>
<tr>
<th>Variable</th>
<th>$R^2$</th>
<th>$Q^2$</th>
<th>$\rho_A$</th>
<th>$\alpha$</th>
<th>CR</th>
<th>AVE</th>
<th>Factor loading</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Concepción</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSD</td>
<td>0.203</td>
<td>0.116</td>
<td>0.699</td>
<td>0.668</td>
<td>0.816</td>
<td>0.599</td>
<td>0.692-0.847**</td>
</tr>
<tr>
<td>QI</td>
<td>0.204</td>
<td>0.131</td>
<td>0.769</td>
<td>0.759</td>
<td>0.849</td>
<td>0.589</td>
<td>0.599-0.844**</td>
</tr>
<tr>
<td>ET</td>
<td>0.492</td>
<td>0.393</td>
<td>0.871</td>
<td>0.841</td>
<td>0.894</td>
<td>0.682</td>
<td>0.643-0.912**</td>
</tr>
<tr>
<td>SP</td>
<td>0.587</td>
<td>0.455</td>
<td>0.911</td>
<td>0.901</td>
<td>0.944</td>
<td>0.848</td>
<td>0.907-0.935**</td>
</tr>
<tr>
<td>FI</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.881-0.934**</td>
</tr>
<tr>
<td><strong>Viña del Mar</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSD</td>
<td>0.286</td>
<td>0.141</td>
<td>0.625</td>
<td>0.556</td>
<td>0.771</td>
<td>0.534</td>
<td>0.681-0.874**</td>
</tr>
<tr>
<td>QI</td>
<td>0.391</td>
<td>0.238</td>
<td>0.854</td>
<td>0.821</td>
<td>0.881</td>
<td>0.711</td>
<td>0.742-0.904**</td>
</tr>
<tr>
<td>ET</td>
<td>0.263</td>
<td>0.148</td>
<td>0.749</td>
<td>0.667</td>
<td>0.816</td>
<td>0.606</td>
<td>0.649-0.861**</td>
</tr>
<tr>
<td>SP</td>
<td>0.666</td>
<td>0.431</td>
<td>0.782</td>
<td>0.767</td>
<td>0.868</td>
<td>0.689</td>
<td>0.702-0.904**</td>
</tr>
</tbody>
</table>

**Notes:** FSD, fair social distribution; QI, quality of the information; ET, enthusiasm; SP, support for the CAF and other events; FI, future intentions. *Significant factor loadings

### Table II. Discriminant validity

<table>
<thead>
<tr>
<th>Dimension</th>
<th>SP</th>
<th>QI</th>
<th>FSD</th>
<th>ET</th>
<th>FI</th>
</tr>
</thead>
<tbody>
<tr>
<td>SP</td>
<td>0.856</td>
<td>0.356</td>
<td>0.664</td>
<td>0.546</td>
<td>0.673</td>
</tr>
<tr>
<td>QI</td>
<td>0.301</td>
<td>0.820</td>
<td>0.678</td>
<td>0.670</td>
<td>0.692</td>
</tr>
<tr>
<td>FSD</td>
<td>0.491</td>
<td>0.497</td>
<td>0.759</td>
<td>0.762</td>
<td>0.748</td>
</tr>
<tr>
<td>ET</td>
<td>0.453</td>
<td>0.555</td>
<td>0.553</td>
<td>0.806</td>
<td>0.776</td>
</tr>
<tr>
<td>FI</td>
<td>0.503</td>
<td>0.583</td>
<td>0.562</td>
<td>0.651</td>
<td>0.874</td>
</tr>
</tbody>
</table>

**Notes:** Heterotrait–Monotrait ratio (HTMT) above the diagonal; square root of the AVE in the diagonal (italic); and correlations between the dimensions under the diagonal (Fornell–Larcker criterion)

### Table III. PLS-MGA results for the two cities

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Concepción</th>
<th>Viña del Mar</th>
<th>$f^2$ (a)</th>
<th>$f^2$ (b)</th>
<th>$\Delta f^2$ path coeff. (MGA test)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H1$: SP → FI</td>
<td>0.365***</td>
<td>0.525***</td>
<td>0.164</td>
<td>0.139</td>
<td>0.114</td>
</tr>
<tr>
<td>$H2a$: QI → ET</td>
<td>0.451***</td>
<td>0.626***</td>
<td>0.256</td>
<td>0.643</td>
<td>0.174*</td>
</tr>
<tr>
<td>$H2b$: QI → FSD</td>
<td>0.451***</td>
<td>0.535***</td>
<td>0.255</td>
<td>0.401</td>
<td>0.084</td>
</tr>
<tr>
<td>$H2c$: QI → SP</td>
<td>0.171***</td>
<td>0.069</td>
<td>0.043</td>
<td>0.004</td>
<td>0.103</td>
</tr>
<tr>
<td>$H2d$: QI → FI</td>
<td>0.069</td>
<td>0.539***</td>
<td>0.008</td>
<td>0.477</td>
<td>0.471***</td>
</tr>
<tr>
<td>$H3a$: ET → SP</td>
<td>0.384***</td>
<td>0.163*</td>
<td>0.184</td>
<td>0.020</td>
<td>0.221**</td>
</tr>
<tr>
<td>$H3b$: ET → FI</td>
<td>0.397***</td>
<td>0.074</td>
<td>0.204</td>
<td>0.009</td>
<td>0.223***</td>
</tr>
<tr>
<td>$H4a$: FSD → SP</td>
<td>0.299***</td>
<td>0.361***</td>
<td>0.107</td>
<td>0.116</td>
<td>0.069</td>
</tr>
<tr>
<td>$H4b$: FSD → FI</td>
<td>0.062***</td>
<td>0.139***</td>
<td>0.005</td>
<td>0.034</td>
<td>0.077</td>
</tr>
</tbody>
</table>

**Notes:** $a$ = Concepción; $b$ = Viña del Mar. * $< 0.05$; ** $< 0.01$; *** $< 0.000$
The MGA analysis points out that there are significant differences between both models in the path coefficients of the relationships CI → IF, CI → ET, ET → AP and ET → IF. The difference between the path coefficients is negative when we carry out the contrast Concepción-Viña del Mar for the first relationships and positive for the two following ones. For the first of the cases with differences between the groups, the relationship for the Concepción model was not significant, nor was it for the last of the cases in the Viña del Mar model.

5. Discussion and conclusions

In this study, we identify diverse variables that can be antecedents or the result of support and future intentions of the residents of two host cities of a major sporting event, in this case the Copa América de Fútbol held in Chile. The results show that the enthusiasm, the quality of the information received through the media and the perception of the fair social distribution of the possible costs and benefits associated with holding the event can be variables that contribute to explaining the predisposition to supporting the holding of the event and the future intentions of the residents in terms of a sporting event. In addition, significant differences were observed in terms of the city of residence of the interviewees.

In accordance with the theory of social representations, the residents have a prior representation of sporting events determined by the influence of the information received through the media, social interactions and direct experiences (Fredline, 2005). This flow of information or antecedents can justify different reactions to sporting events according to the host city.

In this study, we confirm that the support of the residents interviewed for the holding of a sporting event positively influenced their future intentions in relation to the holding of the sporting event in the two host cities studied (H1). The analysis of the variable of support for the holding of events as a final consequence of the diverse direct antecedents or mediators (perception of the impacts, perception of the image of the city, general attitude, emotions, confidence or perception of the participation of the community) has been contrasted in different prior studies (e.g. Balduck et al., 2011; Gursoy and Kendall, 2006; Gursoy et al., 2017; Ouyang et al., 2017; Pappas, 2014; Prayag et al., 2013). However, the relationship between the support for holding a sporting event as an antecedent for future intentions or behaviour of the residents in terms of hosting it has not been contrasted.

In this work, we also confirm in the two samples of the cities consulted the positive influence of the quality of the information on the perceived enthusiasm surrounding the holding of the CAF (H2a) and on the perception surrounding the fair social distribution of the benefits and costs derived from holding the event (H2b). The positive influence of the quality of the information on support (H2c) was also confirmed, although only in the Concepción sample, while the positive influence of the quality of the information on future intentions (H2d) was confirmed only in the Viña del Mar sample. Furthermore, significant differences were detected between the two samples of the two cities for the relationship between the quality of the information and the enthusiasm and the future intentions. According to Chien et al. (2012), when residents consider that the publicity or information received from the event is fair and positive greater levels of commitment and greater support for the event are generated, while the opposite tendency is produced when the event publicity is negative. The same tendency was observed by Ritchie et al. (2010), while Falkheimer (2007) had already pointed out that the information offered by the media could vary depending on the host place. This aspect can suppose changes in residents’ perception of the quality of this information, thus influencing the valuation of the costs and benefits associated with the event.

On the other hand, the positive influence of enthusiasm on support for sporting events was contrasted (H3a) in both cities and on future intentions (H3b) just in Concepción, observing significant differences between the two cities for these relationships. The levels of enthusiasm are aspects that are intangible or psychosocial and can be determined by the festive atmosphere created around the event. Different studies have classified the
pride of residing in the city, the feeling of belonging to the community or emotions as impacts on a psychological or psychosocial level (Fredline, 2004; Kim and Walker, 2012; Preuss and Solberg, 2006) that can influence backing for holding the event (Lee and Krohn, 2013).

Finally, the positive influence of the perception of the fair social distribution of the benefits and costs associated with the holding of the CAF on the support for the holding of events ($H4a$) and future intentions ($H4b$) was confirmed in the two cities consulted. If the residents perceive the event as partial or unfair, changes in the reactions and behaviours of the residents in terms of the event can be produced (Chien et al., 2012) and, therefore, can influence future intentions or behaviours in terms of the event. In accordance with the theory of social exchange, the residents tend to support the holding of a sporting event if they consider that the benefits outweigh the costs (Fredline, 2005). Therefore, if there exists a positive perception of the balanced distribution of the benefits and costs in the host community, there can exist a greater degree of support for the holding of the event.

5.1 Theoretical and practical implications
This work makes progress on considering diverse antecedents such as enthusiasm, social justice and the quality of information as variables that can contribute to explaining the backing for holding major sporting events or the future intentions of the residents. The residents play an essential role in the moment of managing to make an event a collective success for the host community, contributing to social cohesion. It is important to highlight the role of the quality of the information received as an important factor in the formation of the perceptions of the residents about the social justice surrounding the event and the degree of enthusiasm generated. Furthermore, the perception of social justice is a determinant variable in the support for holding the event. For this reason, the administrators and organisers of major sporting events must develop strategies that permit the costs and benefits derived from the events to be distributed in an equitable way. Along the same lines, as Ritchie et al. (2010) highlighted, the need for communication that clearly reflects both the costs and benefits of the organisation of events is suggested, as is sufficient and impartial information from the media. An adequate management of these factors can contribute to forming a social representation of the event and future events that determine the support or behaviour of the citizens in terms of hosting sporting events. It is important to be aware that the social representations of a specific phenomenon are difficult to change (Fredline, 2005), and thus can remain stable over a considerable time.

Thus, the organisers of the events must manage the media efficiently, mainly when crisis or problems arise, making it necessary to establish positive relationships with them, transmitting to them a message that is believable, coherent and consistent (Chien et al., 2012). In the same way, it is necessary to promote parallel social events to encourage participation of locals and visitors with the aim of improving the festive atmosphere and the levels of emotion and enthusiasm for holding the event. It is necessary to encourage the attendance of the local public at the stadiums, facilitating arrival and access to the facilities through a discount in the prices of tickets for residents. Finally, it is necessary to inform adequately of the benefits and costs of the event, as well as highlighting the expenses destined to projects for the improvement of the quality of life of the residents (e.g. the construction of sporting facilities, improvement in transport services and communication, etc.).

5.2 Limitations and future lines of research
One of the limitations of this work is related to the type of sampling used. Because it is convenience sampling, it is necessary to be cautious when generalising to the population as a whole. Future studies could employ longitudinal samples as the literature has confirmed
that perceptions change over time (Kim et al., 2006). In addition, it would be possible to analyse the mediating role of the levels of enthusiasm, the quality of the information received through the media or the perception of the fair social distribution among the perceived impacts of the event on the support and future intentions of the residents.

References


Further reading

Appendix. Measurement indicators of the variables studied

1) Scale of enthusiasm:
   - I would like to collaborate as a volunteer in the CAF
   - In general, I am excited that the Copa América de Fútbol will be held in my city
   - I am proud that the CAF will be held in my city
   - The hosting of the CAF increases the sense of belonging to the community

2) Scale of perception of fair social distribution:
   - The costs and benefits of events like Copa América de Fútbol should be distributed equitably
   - The costs and benefits of the CAF will be distributed equitably in Concepción/Viña del Mar
   - In general, I believe that the investment in the CAF will be beneficial for the region

3) Scale of support for future events:
   - I support the hosting of the CAF in my city
   - In general I support the idea of organising more sporting events in my city
   - Concepción/Viña del Mar should present as a candidate to organise more sporting events

4) Scale of the quality of information:
   - I believe that the information offered by the media is sufficient
   - The information received through the media is impartial
   - I believe that the information received through the media is fair
   - The information received through the media is believable

5) Scale of future intentions:
   - I am willing to attend the Copa America de Fútbol in the future
   - I will recommend attendance at the CAF to my friends and family
   - I will speak well of the CAF to others if they ask me

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Abstract

Purpose – The purpose of this paper is to understand in-depth how consumers create value in their lives using WhatsApp, the leading mobile instant messaging (MIM) application.

Design/methodology/approach – The study adopts the perspective of customer-dominant logic (CDL) and uses a qualitative multimethod design involving 3 focus groups and 25 subsequent in-depth interviews. The research setting was Ecuador, a Latin American country.

Findings – Analysis and interpretation of the participants’ stories made it possible to identify and understand the creation of four types of value: maintaining and strengthening relationships; improving role performance; emotional support; and entertainment and fun. In addition, the present study proposes a conceptual model of consumer value creation as it applies to MIM.

Practical implications – Understanding the way consumers create value in their lives using MIM is important not only for organizations that offer MIM applications, but also for those companies that develop other applications for mobile phones or for those who wish to use MIM as an electronic word-of-mouth vehicle.

Keywords Latin America, Consumer behaviour, WhatsApp, Mobile instant messaging, Consumer value creation, Gika Latam 2019

Resumen

Propósito – El presente estudio busca comprender a profundidad la forma en que los consumidores crean valor en sus vidas usando WhatsApp, la aplicación líder de mensajería instantánea basada en móviles (MIM).

This study was funded by Universidad Tecnológica Indoamérica. The authors wish to express their gratitude to the Gika-Latam 2019 Conference and to Dr Franklin Velasco, Chair of Marketing, for their valuable suggestions and recommendations.
**Diseño/metodología/aproximación** – El estudio adopta la perspectiva de la lógica dominante del cliente y utiliza un diseño cualitativo multimétodo que involucra 3 grupos focales seguidos de 25 entrevistas a profundidad. El escenario de estudio es Ecuador, un país Latinoamericano.

**Hallazgos** – El análisis e interpretación de los relatos de los participantes hace posible identificar y comprender la creación de cuatro tipos de valor: Mantener y fortalecer relaciones, mejorar el desempeño de roles, apoyo emocional y, diversión y entretenimiento. Adicionalmente, el estudio propone un modelo conceptual de creación de valor aplicado a MIM.

**Implicaciones prácticas** – La comprensión de la forma en que los consumidores crean valor en sus vidas usando MIM, es importante no solo para las empresas que ofrecen aplicaciones MIM, sino también para las empresas que desarrollan otras aplicaciones para móviles o para aquellas que desean usar MIM como canal electrónico para estrategias boca a boca.

**Originalidad/valor** – El presente estudio es uno de los primeros en abordar el área del comportamiento del consumidor en el uso de tecnologías desde una perspectiva de la lógica dominante del cliente. Esta perspectiva permite presentar una visión cualitativa integrada de la creación de valor, en la cual el consumidor es el protagonista.

**Palabras clave** WhatsApp, Mensajería instantánea basada en móviles, Creación de valor por el consumidor, América Latina, GIKA-LATAM-2019

**Tipo de papel** Trabajo de investigación

1. **Introduction**

Mobile instant messaging (MIM) is among the most influential of current technologies in people’s lives. WhatsApp, the leading MIM application, first appeared in 2009 and in the period between December 2013 and December 2017 usage rose from 400 to 1,500m users worldwide (Statista, 2018). While the increasing use of MIM has important economic and social impacts (Aharony and Gazit, 2016; Bere and Rambe, 2016), academic research on this phenomenon and its consequences remains relatively scarce (Aharony and Gazit, 2016; Montag et al., 2015; Sultan, 2014). One factor that helps to explain this imbalance is the relatively recent appearance of this technology and its vertiginous expansion.

Given the current state of knowledge, several promising lines of inquiry can be identified in advancing our understanding of human and consumer behavior in relation to MIM. As MIM is a service/application whose social and physical context of use are of great importance, it seems fruitful to understand how consumers create value for themselves by integrating MIM into their lives. The present study pursues that objective in the particular case of WhatsApp, and the perspective of customer-dominant logic (CDL), which views consumers as the protagonists of value creation (Anker et al., 2015; Heinonen et al., 2010).

The selection of a CDL perspective – rather than another popular perspective such as service-dominant logic (SDL), which emphasizes the co-creation of value between the company and the consumer – is motivated by the fact that in MIM, the creation of value is largely carried out autonomously by the consumer. Therefore, throughout this paper, the main emphasis of the value creation will be in the value obtained by the consumers.

As one fundamental tenet of CDL is to understand the creation of value within the context of the consumer’s life, it is important to select an appropriate research setting. It was decided that the study objectives would be well served by the richness of interpersonal and group interactions in a collectivist cultural environment (Hofstede, 2001); an additional demographic consideration was that a significant proportion of humanity lives in societies that can be characterized as collectivist. On that basis, we chose Ecuador, which is commonly seen to typify Latin American collectivism, as an appropriate research setting. Because the CDL perspective on value creation favors qualitative interpretive methods (Heinonen et al., 2010), the present study adopts a qualitative multimethod approach, involving three focus groups followed by 25 in-depth interviews with the adult users of WhatsApp.

The paper begins with a discussion of the current state of knowledge in relation to human and consumer behavior among users of MIM and an outline of the CDL approach, followed by an overview of the relevant qualitative methods. The “analysis and findings”
section describes a conceptual model of value creation and further elaborates the four types of value created by the participants when using WhatsApp: maintaining and strengthening relationships, improving role performance, emotional support, and entertainment and fun. Finally, the paper discusses these results and considers their implications for marketing and consumer behavior.

2. Theoretical framework

2.1 Consumer behavior among users of MIM

The recent emergence and rapid growth of MIM services/applications stands in contrast to the relative scarcity of academic research in this area. Noting this discrepancy, several authors have called for more research to understand this increasingly influential phenomenon (e.g. Aharony and Gazit, 2016; Montag et al., 2015; Sultan, 2014). Public statistics recording the increasing use of MIM and WhatsApp are confirmed by incipient academic research showing that WhatsApp may now account for up to 20 percent of mobile phones usage (Montag et al., 2015). Existing research has also identified demographic differences that help to explain the use of MIM and WhatsApp; women are strongly represented, as are young people and extraverts (Ahad and Lim, 2014; Montag et al., 2015).

Reported reasons for the growing popularity of WhatsApp include ease and speed of communication (Ahad and Lim, 2014; Elangovan and Agarwal, 2015), improved student academic performance (Bere and Rambe, 2016), the facility to coordinate group meetings (O’Hara et al., 2014), increased control and privacy (Chambers, 2017) and the great potential it offers to express emotions (Waterloo et al., 2018).

Inquiry into the use of WhatsApp and MIM has also been informed by two other concepts: positive externalities and flow experience. Positive externalities may be direct or indirect; the former relate to the enhanced utility derived from the greater number of service users while the latter relate to the additional services provided as the number of users grows (Katz and Shapiro, 1985). Flow experience in online environments refers to users’ complete immersion and involvement in some form of online activity (Hoffman and Novak, 2009). Studies of MIM have found that positive externalities and flow experience have an indirect effect on loyalty to the application or provider, based on either perceived utility or satisfaction (Zhou and Lu, 2011).

As a relatively new field, the study of human and consumer behavior among users of MIM remains patchy. Nevertheless, understanding how consumers combine MIM with their own resources (cognitive, social, etc.) to generate value (welfare) in their lives has important implications, which is the focus of the present study.

2.2 Creation and co-creation of value in digital environments

The current research also draws on the CDL framework to account for the creation of value by consumers. Grönroos (2008) associated value with improvement in the consumer’s state or welfare when using a product or service. How that value is created has been the subject of deep debate in the marketing, service management and consumer behavior literatures. In this regard, at least three logics or perspectives can be identified; in chronological order of appearance, these are product-dominant logic (PDL), SDL and CDL. According to PDL, value is created by the companies or providers and is embedded in the product delivered to the consumer (Anker et al., 2015) – that is, the consumer plays a passive role. In contrast, SDL contends that the consumer plays an active role, co-creating value by interacting with companies and their resources (Grönroos, 2008). Finally, CDL identifies the consumer as the protagonist and key actor in value creation, which is often autonomous (Anker et al., 2015; Heinonen et al., 2010).

In placing the consumer at the center of interest, the CDL perspective is quite distinct from the emphasis on products, companies or the interaction process that predominates in
PDL and SDL (Heinonen et al., 2010). Instead, CDL views companies as actors that offer resources or means that enable consumers to create value in their lives (Heinonen et al., 2010; Anker et al., 2015). A central issue for studies informed by CDL is to unravel how value (i.e. value-in-use) emerges or is created when consumers integrate a product or service into their lives, experiences and activities (Heinonen et al., 2010). To explore this issue, it is clearly essential to understand the consumer’s life (Grönroos and Voima, 2013), using appropriate qualitative methods (Grönroos and Voima, 2013; Heinonen et al., 2010).

While there is very limited previous literature on consumer behavior in value creation using MIM, implicitly or explicitly PDL and CDL have been widely applied to the understanding of value creation in social network sites (SNSs). In this sense, consumer engagement has been shown to be a powerful concept in the understanding of value creation (Kumar et al., 2010; Lu, 2018), referring to motivated consumer behavior with a focus on the brand (Van Doorn et al., 2010). The consumer’s engagement with the brand can generate four value dimensions for it (Kumar et al., 2010): value through purchases made, value through referrals of new customers, value through the influence on other consumers (through word-of-mouth) and, finally, value through the feedback provided to the company.

From a somewhat more consumer-centered perspective, Al-Lozi et al. (2014) identify the following values that consumers co-create when interacting in SNSs: social (association in groups), hedonic (enjoyment and fun), epistemic (new knowledge), gift (access to information of interest) and utilitarian (problem solving). With other labels and with more or less disaggregation, these values have also been identified in other studies (e.g. Yavuz and Toker, 2014; Hassan et al., 2016).

Another key concept in the world of digital interaction and value creation is social capital, which is defined as “the supportive connections, information flow, trust, and cooperative actions” in a social network (Myers, 2013). Social capital can be generated in two ways. Bridging social capital is generated in large networks linked by weak ties and bonding social capital is produced in smaller and more homogeneous networks linked by strong ties (Riemer et al., 2015). Social capital in general is a vehicle of influence in consumer decisions (Castaneda et al., 2015), and is positively associated with the value obtained by consumers in SNSs (Vock et al., 2013). Additionally, the intensity of the use of SNSs leads to greater social capital (Park et al., 2015) and the cumulative use of SNSs is positively associated with online purchases (Zhang et al., 2017). Regarding the subject of interest of the current study, previous literature has found that while WhatsApp is associated by its users with the bonding dimension of social capital, Facebook is associated with the bridging dimension (Gvili and Levy, 2018).

There is also an important cultural component in the structuring of social capital in SNSs. In individualistic cultures, networks that are structured are large but have a high component of looser ties, while in collectivist cultures structured networks are smaller but with stronger links (Choi et al., 2011).

3. The research setting
The present study was conducted in Quito, the capital of Ecuador in Latin America. The urban area of Quito has an approximate population of 1.6m, accounting for about a tenth of the country’s 16m inhabitants. In economic terms, Ecuador is a developing country, and the culture is strongly collectivist (Hofstede, 2001). Ecuador shares these characteristics with most Latin American countries, along with its predominantly Roman Catholic and Spanish-speaking population (with the important exception of Brazil, whose national language is Portuguese).

In so-called “collectivist” societies, the individual’s objectives are subordinate to the objectives of the group in which they are integrated, in contrast to so-called “individualist” societies (e.g. the USA and the UK), where the individual’s objectives take precedence.
(Hofstede, 2001). While a significant proportion of humanity live in countries that can be characterized as collectivist, it seems clear that collectivism takes different forms. For example, the Confucian version of collectivism (in East Asian countries such as Japan, China and Korea) differs from Latin American collectivism, which is more westernized.

4. Methods
This qualitative multimethod study was designed as a two-stage process (Figure 1), involving focus groups followed by in-depth interviews. This design reflects a concern with proceeding gradually from the superficial to in-depth exploration by exploiting the complementarity of these methods (Hunter and Brewer, 2015). This research design and its ethical protocols, for example, the use of informed consent forms (Silverman, 2006), were approved by the institution which funded the study. The following sections describe each phase of the study design in greater detail.

4.1 Phase 1: first impressions of value creation when using WhatsApp
The goal of the first phase (during the second semester of 2017 in Quito, Ecuador) was to get a broad sense of consumer value creation using WhatsApp. Each of the three focus groups involved 12–14 male and female participants (Malhotra, 2009) aged between 19 and 24 years old, all of whom were university students. Focus groups are widely used for their flexibility and their ability to elaborate ideas based on the synergy between participants (Malhotra, 2009) – useful characteristics in achieving the first phase objective.

One of the authors was the moderator of the focus groups. The agenda of the focus groups included an introduction in which the nature of the research, the possible duration of the focus group, the rules to follow and their rights were explained to the participants. The participants were then asked to introduce themselves and indicate the university course they were studying and their favorite activities and hobbies. Once it was considered that the necessary environment existed to enter the topics of interest, the digital behavior of the participants was first explored and then the topic of using WhatsApp was addressed. To unleash this discussion, the central conversation revolved around the benefits or values that participants thought they created for themselves by integrating WhatsApp into their lives. Additionally, participants were asked to cite examples.

All three focus groups were recorded (audio and video); their duration ranged from 45 min to 1 h. The recordings were transcribed by a trained professional, producing approximately 50 pages of text (in Spanish). In addition, the moderator took field notes wherever these seemed relevant.

Phase 1: First impressions of value creation using WhatsApp

Goals
Gain an initial understanding of value creation behavior using WhatsApp

Methods
3 focus groups with university students

Outcomes
Broad but superficial understanding of the topic and initial coding

Phase 2: Deep understanding of value creation using WhatsApp

Goals
Gain an in-depth understanding of value creation behavior using WhatsApp

Methods
25 in-depth interviews with adults with different characteristics

Outcomes
Model of value creation through WhatsApp use and qualitative themes

Figure 1.
Qualitative multimethod design of the study
4.2 Phase 2: in-depth understanding of value creation when using WhatsApp

Phase 2 of the study (in late 2017 and early 2018) employed in-depth interviews to gain a deeper understanding of consumer value creation using WhatsApp. During Phase 2, the sample was extended until saturation was reached – that is, until no further new categories or relevant relationships emerged (Glaser and Strauss, 1967). Finally, 25 adults aged between 18 and 57 years old were recruited. The characteristics of the sample group are presented in more detail in Table I. These in-depth interviews lasted for about 1 h on average, and each participant received a reward of $30.

The Phase 2 sampling strategy was first purposive and then theoretical. The first participants were students from various universities in Quito, Ecuador, so providing some continuity with the Phase 1 focus groups. When new data began to emerge from interviewees who both worked and studied, sampling became theoretical (Glaser and Strauss, 1967), and non-students (i.e. full-time workers) were recruited.

The in-depth interviews were based on a semi-structured guide of questions. The first point consisted of presenting the research to the interviewees, and explaining the rules of the interview, the rewards and the rights of the participants. Each respondent was then asked to provide information about him or herself (age, occupation, hobbies, etc.) and about his/her social and physical environments (family, friends, residence, place of work or study). Subsequently, the topic of their digital behavior was addressed in a general way, before beginning to talk about MIM and specifically about the use of WhatsApp. Similarly to the focus groups, the interviewer asked participants about the benefits or values that the participants considered that they created in their lives when using WhatsApp. However, in addition to abstractions and generalizations, the participants were also asked to describe specific events in greater detail (Patton, 1999).

During the interviews, respondents were asked to make use of their mobile phones. The in-depth interviews were conducted by several of the authors and were audio-recorded. These recordings were subsequently transcribed by a trained professional, yielding about 400 pages of text (in Spanish).

5. Analysis and findings: focus groups

Two of the authors with qualitative research training performed the analysis of the focus group transcripts. Based on interpretive thematic analysis – that is, inductive construction of categories (Braun and Clarke, 2006; Burnard et al., 2008) – they processed the data using Atlas.ti 8 software for qualitative data analysis.

<table>
<thead>
<tr>
<th>Variable</th>
<th>f (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>14 (56.0%)</td>
</tr>
<tr>
<td>Male</td>
<td>11 (44.0%)</td>
</tr>
<tr>
<td>Age</td>
<td></td>
</tr>
<tr>
<td>18–29</td>
<td>11 (44.0%)</td>
</tr>
<tr>
<td>30–49</td>
<td>9 (36.0%)</td>
</tr>
<tr>
<td>50 or older</td>
<td>5 (20.0%)</td>
</tr>
<tr>
<td>Occupation</td>
<td></td>
</tr>
<tr>
<td>University student</td>
<td>8 (32.0%)</td>
</tr>
<tr>
<td>Manual worker</td>
<td>3 (12.0%)</td>
</tr>
<tr>
<td>Administrative worker/teacher/Business owner</td>
<td>14 (56.0%)</td>
</tr>
</tbody>
</table>

Table I.
Characteristics of the sample group used in the interviews

Note: n = 25
Considering that the interventions of the participants in focus groups are usually relatively brief (Malhotra, 2009), the unit of analysis selected for the analysis of the transcriptions was the intervention of each participant. The first decision around each unit of analysis was whether or not there would be reference to the objectives of the study (value creation using WhatsApp). If so, this unit was considered for the inductive construction of categories. In this process, each relevant unit of analysis was read and compared with the categories that were being formed (constant comparison) and subsequently it was assigned to an existing category or a new category was created for it (Braun and Clarke, 2006; Burnard et al., 2008). Initially, 12 categories were obtained, which, after a revision process, ultimately resulted in four categories. In total, 120 relevant quotations were extracted and coded.

In this way, the values that participants said they had created by using WhatsApp led to the inductive generation of four categories: maintaining and strengthening relationships, improving role performance, emotional support, and entertainment and fun.

The most frequently cited category was maintaining and strengthening relationships. This related to the care of relationships with other people or groups, either to reactivate these relationships, to maintain them at the current level or, in some cases, to narrow them. Comments assigned to this category took such forms as: “Communicate by WhatsApp [with my friends]. It’s like being there with them” (Martha); “We organize group meetings on WhatsApp […] that helps us all know and we can go” (Sebastián); “Now it is very difficult for us to see each other with my former schoolmates […] everyone is doing their own things […] at least we can send a message to be in contact” (Jonathan); “WhatsApp is like there is a permanent presence of you and your loved ones and there is always communication and a link with them” (Nicole). Some distinctive words from this category were: meet, contact, always and link.

The category improving role performance related to the use of WhatsApp to perform different roles more effectively (as student, parent, friend, son, consumer, etc.). This category encompassed comments like: “It helps me to carry out my university tasks […] I can find out the instructions […] download the documents” (Diana); “In the subject group, the teacher gives us instructions […] we all participate and if we do not understand we ask questions” (Carlos); “When I’m going to be delayed, I send a message to my parents so they do not worry […] with a message they are calm […] and me too” (Estefanía) and “Now all the people and the companies that sell products give you the WhatsApp number, to easily communicate, to buy or ask” (Vicky). Some distinctive words were: better, information, activity and task.

The category emotional support was linked to the use of WhatsApp to give or receive emotional backing, on a daily basis, as an expression of good wishes, or in difficult times. This category arose from comments such as “They write me messages that encourage me […] they also send me emojis or gifts to encourage me […] and I do the same” (Adriana); “When I’m sad, they tell me to talk […] it’s nice to know they care about me” (Patricia); “After a serious problem I had at the University, my friends wrote to me […] they asked me how I was […] they encouraged me” (Sebastián); and “In my family group they always send messages wishing you a nice day, always […] it’s nice to open [WhatsApp] and see that first” (Marcela). Some keywords were: desires, comfort and encourage.

Finally, the category entertainment and fun related to the use of WhatsApp to generate fun, recreation and leisure, encompassing comments like: “I check it to entertain myself when I take a break […] there are funny things that make me die of laughter” (Adriana); “My friends and I are always joking […] about ourselves, about teachers […] about everything we can” (Andrés); “When I’m bored with nothing to do, I check WhatsApp, the messages the videos and it’s like changing activities and entertaining me a little” (Katherine); and “It’s great to review [WhatsApp] when you’re saturated, you check out a bit, you die of laughter […] although sometimes you stay a long time” (Erika). Some keywords from this category were: fun, to joke, entertain and laughter.
6. Analysis and findings: in-depth interviews

6.1 Analysis of in-depth interviews and conceptual model of consumer value creation

The in-depth interview transcripts were also analyzed using Atlas.ti 8. To reinforce the validity of the analysis, two of the authors intervened in this process, conducting several rounds of analysis and subsequent meetings to resolve any discrepancies (Patton, 1999). The authors used interpretive thematic analysis (Braun and Clarke, 2006; Burnard et al., 2008) and grounded theory (Glaser and Strauss, 1967) to support inductive identification of patterns in the data, identifying categories and themes and then tracing the connections between them to generate a model or theory.

Inductive analysis of the interviews identified 693 pieces of text of relevance to the topic of value creation through WhatsApp. Based on both open coding (Braun and Clarke, 2006; Burnard et al., 2008; Charmaz, 2006) and support from the codes identified in the focus groups, the authors finally derived 28 relevant codes. Following analysis of these codes or variables in light of the data, they were grouped into six categories: microenvironment, roles, perceptions of WhatsApp (positioning), WhatsApp tools, behavior on WhatsApp and values created through WhatsApp use. Subsequent combination of the roles and perceptions of WhatsApp categories into a larger group called personal and psychological characteristics reduced the model to five categories of variables or codes.

The next step involved theoretical coding to trace the relationships between categories of variables in order to integrate them into a coherent theoretical model (Glaser, 1978). The decisive step was to establish the core category – that is, the one that connected all the other categories (Strauss and Corbin, 1998). It emerged that this core category was behavior on WhatsApp. Subsequently, based on further reflection on the data and the revision of other theoretical models of consumer behavior (e.g. Schiffman and Wisenblit, 2015), the connections between categories were identified, leading to the theoretical model in Figure 2.

6.2 The model in operation: themes identified in the consumer creation of value using WhatsApp

Although the categories described in the previous section and in Figure 2 were always present in consumer value creation when using WhatsApp, these categories manifested in different ways, depending on the value created. These differences can be characterized in terms of the four themes discussed below.

6.2.1 Microenvironment, role performance and type of interaction. Interaction with other people or groups emerged as a central element in value creation, as may be expected in this collectivist environment. The three groups most cited as influential were family, friends and occupational (work or study). Within these groups, the participants played different roles (e.g. friend, husband, son, coworker, etc.).

One of the most interesting aspects of value creation related to the nature of interactions between participants and their groups. For the creation of values such as improving role performance, emotional support, and entertainment and fun, WhatsApp was often self-sufficient. However, it could not create the value of maintaining and strengthening relationships, except at the most basic level. For this type of value creation, the interviewees noted the importance of alternating WhatsApp with face-to-face interactions. This synergy helps to explain previous reports that most WhatsApp interactions occur between people who have a close relationship (O’Hara et al., 2014).

In one interesting story, Jaime (male, 20 years old, university student) told how he and his friends used WhatsApp to create the value of maintaining and strengthening relationships. According to his account, a lack of face-to-face interaction poses a threat to relationships:

We separated when we entered university; most of my friends are in other universities […] we formed a WhatsApp group, we exchanged photos, and we even organized a meeting, although not
all of us were there […] we have not organized any others; it is not the same anymore because we no longer see each other […]

On the one hand, this conclusion concerning the need for face-to-face as well as online interaction addresses doubts about whether collectivist values can be sustained in exclusively online environments. On the other hand, in creating other values, and in certain circumstances, WhatsApp can be self-sufficient. For example, Martha (female, 41 years old, domestic services) reported how WhatsApp and interacting with others through this MIM app allowed her to perform better in her role as a tutor at her daughter’s school:

I am in a group of parents or course tutors at my daughter’s school […] the school reminds us about tasks that must be done, and we share advice among parents – for example, where to buy school supplies. It [WhatsApp] is also very useful in emergencies; for example, the other day I was informed that my daughter was sick, so I coordinated with my husband to see if he could pick her up […]

6.2.2 Emotion and mood as aspects of value creation. Externalizing emotions was central to the creation of most values considered here. The participants externalized their emotions through written messages but fundamentally relied on emojis and gifs (Chen and Siu, 2017). Expression of positive emotions (e.g. joy) was central to generating the values of maintaining and strengthening relationships and entertainment and fun. Lilian (female, 50 years old,
administrative employee) told a story about her use of WhatsApp and the role of emotional expression. She also shared the emojis and gifs she most often uses; the emoji was “laughing until you cry,” which was also the one most often used by most of the other interviewees. This is Lilian’s story:

I like to express my mood – that I’m happy, or that something made me laugh a lot. In [written] messages, you cannot always express what you feel. For example, I have a group with three friends who are mischievous when sending messages […] sometimes they make me die laughing, and I would not know how to explain it in words; then I send the little face […] laughing until you cry, and they realize that I found their message very funny.

The interviewees’ stories also revealed other emotions and moods such as surprise, boredom and sadness, and these were very important in the creation of the value emotional support. Cristina (female, 52 years old, secondary teacher) told this story:

Sometimes I am sad or tired, and I write to my sisters and send them a sad face. It seems to me that [with WhatsApp] it is easy to describe what one is going through at that time. Then they write to me; they encourage me and comfort me with a word, with some image […].

Regarding the fundamental role of expressing emotions in value creation, the important exception was the value improving role performance, where messages were shorter and more direct – that is, low-context (Hall, 1976) and generally detached from the emotional component.

6.2.3 Response hierarchy and flow experience. One of the most important findings in relation to this theme was that the use of WhatsApp and consequent value creation did not involve flow experience (i.e. total immersion) for most of the identified values. Previous studies have recommended that companies should promote online services that generate this flow experience in users (e.g. Hoffman and Novak, 2009; Zhou and Lu, 2011). In general, the value creation reported by participants occurred when using WhatsApp while simultaneously pursuing another activity (multitasking). Ramiro (male, 32 years old, administrative employee) told how he creates value in this way:

During the day, I am busy at work, but I use WhatsApp throughout the day […] I’m waiting for messages from work or from my family […] Unlike Facebook, with WhatsApp you’re in contact with the people closest to you […] there, I do not have “5,000 Facebook friends.” (laughs)

This ongoing activity of reviewing WhatsApp required participants to develop a hierarchy of review and response. The rules they used were simple and involved establishing priorities and reading and responding according to the time available. These priorities were based on the closeness of the relationship and the negative effects of a possible non-response. Isabel (female, 18 years old, university student) told us about her behavior and creation of value on WhatsApp:

WhatsApp is simple, I review it quickly, adapting to my activities […] Normally, I review the groups […] but the smaller groups […] I look for messages from those who matter to me […] my best friends […] my mom and my dad always […] so they know where I am and I’m fine […] and at night, if I have time, I check the [large] groups […].

Although value creation through WhatsApp was ongoing throughout the day and simultaneous with other activities, there was one important exception: the creation of the entertainment and fun value. In this case, because there were frequent flow experiences, the most propitious moments for creating this value were breaks during the day or night, or at weekends. Juan (male, 30 years old, administrative clerk) explained his situation:

I alternate WhatsApp with other activities […] I work, so I dedicate myself to doing that at the same time. I answer messages that are urgent during the day […] WhatsApp is definitely not my main activity. Starting at ten o’clock at night, it does become a main activity. I answer pending messages,
and above all, it diverts all my attention to receiving and sending funny things—I receive them and send them again, and so I have fun.

6.2.4 The mix of WhatsApp tools used. The use of a mix of WhatsApp tools to create value was another fundamental issue. The particular mix of tools varied according to the value created. At one extreme, the value created was better role performance, characterized by short and direct text messages and document attachments, a form of communication that could be described as low-context (Hall, 1976). One example of this was offered by Karla (female, 33 years old, administrative employee):

WhatsApp facilitates us a lot; through the working group, the instructions are clear for everyone, and there is no misunderstanding […] they also send you the necessary files, it is not just a text message […] so when we are talking about a certain topic, they say “look at this file, we’re going to discuss this at the next meeting.”

In the mix of tools, the creation of values such as maintaining and strengthening relationships and emotional support were at the midpoint of complication, where participants reported deploying a greater number of tools to add to messages and attachments (emojis, images, videos, etc.). The most extreme level of complication in mixing tools related to entertainment and fun, where, in addition to the use of almost all available tools, very creative use was made of them. Adrián (male, 19 years old, university student) described using WhatsApp to have a good time with his friends:

We have a group in the university, involving some students of mechanical engineering. We are a bit crazy, and we make a joke of everything. Then, in their spare time, they began to send memes with [photos of] the teachers, and we had a lot of fun […] Yesterday […] we did a very funny one […] taking a picture of the teacher of language who is quite old […] and mixing that photo with another photo, and we added a caption.

The findings described in the four themes discussed above are summarized in Table II.

Based on the extracts coded as values created through WhatsApp use, a word cloud was also generated using Nvivo 12 software (Figure 3). The word cloud is in Spanish, which was the language used in the interviews. For this analysis, we grouped stemmed words and we excluded articles, pronouns, prepositions, conjunctions and interjections. The words most frequently used by participants to express the value created included WhatsApp, grupo (group), más (more), personas (people) and mensajes (messages). Here, we can see the importance of groups in this collectivist society. At the same time, the interviewees frequently used the word more to refer to the superiority of WhatsApp over other digital media and applications.

7. Discussion and implications

7.1 Theoretical implications
The present study’s use of CDL and a qualitative multimethod design served to illuminate consumer value creation using WhatsApp in a Latin American collectivist scenario. In particular, the social microenvironment (Maimon Schiray et al., 2017; Zawislak et al., 2017), the WhatsApp tools, and people’s personal and psychological characteristics converge in their use of WhatsApp and determine the creation by consumers of four types of value for themselves: maintaining and strengthening relationships, improving role performance, emotional support, and entertainment and fun. Although similar values have been identified in the previous literature (e.g. Al-Lozi et al., 2014; Hassan et al., 2016), they were found in SNSs environments linked to bridging social capital, while the present study is one of the first to identify these values in the MIM (WhatsApp) scenario, linked to bonding social capital. In this regard, it is interesting to note that, although the values created are similar, the context and form of value creation in these two scenarios is quite different.
<table>
<thead>
<tr>
<th>Elements of the model</th>
<th>Maintain and strengthen relationships</th>
<th>Emotional support</th>
<th>Better role performance</th>
<th>Entertainment and fun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microenvironment</td>
<td>Different groups. Need to alternate interaction through WhatsApp with face-to-face meetings to create this value</td>
<td>Different groups. It is possible to create this value only through WhatsApp</td>
<td>Different groups. It is possible to create this value only through WhatsApp</td>
<td>Different groups. It is possible to create this value only through WhatsApp</td>
</tr>
<tr>
<td>Personal and psychological characteristics</td>
<td>Mainly in the role of friend and in roles within the family (father, son, etc.)</td>
<td>Mainly in the role of friend and in roles within the family</td>
<td>In many roles (friend, relative, student partner, employee, etc.)</td>
<td>Mainly in the role of friend and in roles within the family</td>
</tr>
<tr>
<td>Behavior in WhatsApp</td>
<td>Use of hierarchy for review and response; permanent task; use of multiple tools (mainly messages and emojis); no flow experience; externalization of emotions</td>
<td>Use of hierarchy for review and response; non-permanent task (first hours of the day and at night); use of multiple tools (mainly messages, emojis, images); no flow experience; externalization of full range of emotions</td>
<td>Use of hierarchy for review and response; permanent task; use of few tools (short messages and attached documents); no flow experience; little externalization of emotions</td>
<td>Task reserved for free time and breaks; maximum use of available tools; creative behavior; flow experience</td>
</tr>
</tbody>
</table>

Table II. Value creation model, values created and qualitative themes

Figure 3. Word cloud of participants’ excerpts related to value creation using WhatsApp
While these four categories of value would be expected to be universal, that is, found in both collectivist and individualistic societies, differences in frequency and importance would be expected. For example, maintaining and strengthening relationships was the category by far most frequently mentioned by participants in the current study. This has its logic since it is a category of central importance in collectivist societies, because of its connection with the care of relationships and the welfare of the group, and therefore in the creation of bonding social capital (Choi et al., 2011). On the other hand, it would be expected that in individualistic societies, improving role performance would be very important considering that in individualism, individual objectives take precedence over group goals (Hofstede, 2001).

A very useful classification of consumer motivations revolves around the division between utilitarian and hedonistic motivations. In the first case, the consumption of products is oriented to a specific application of satisfaction of needs or problems. In the second case, this consumption is oriented to sensory pleasure and enjoyment (Schiffman and Wisenblit, 2015). From this perspective, some of the values created using WhatsApp could be clearly identified by these categories. Entertainment and fun are strongly linked to hedonistic motivations, while improving role performance is associated more with utilitarian motivations. The two remaining values created by consumers, maintaining and strengthening relationships and emotional support, could be said to share utilitarian and hedonistic traits.

### 7.2 Managerial implications

While WhatsApp interaction suffices to create most of the identified values, it cannot maintain and strengthen relationships, which also requires face-to-face interaction. Based on these findings, companies in the field of instant messaging and social networks should not promote their applications in collectivist societies as a substitute for face-to-face meetings but rather as an important complement that generates synergies.

Another interesting finding concerned the role of flow experience when using MIM technologies. While other authors have highlighted the importance of this experience in promoting loyalty to MIM applications (e.g. Zhou and Lu, 2011), the present findings indicate that this experience is important only for the creation of the fun and entertainment value but not for the other values. These findings align with evidence from other areas where multitasking has already been explored, such as exposure to advertising (e.g. Garaus et al., 2017). It follows that organizations marketing mobile online services and applications should also develop these for simultaneous use with other consumer activities without seeking the experience of immersion.

Electronic word-of-mouth (eWOM) strategies have proven to be very efficient, since they accelerate purchases by people who would have bought a product anyway or induce the purchase by people who had not intended to do so (Libai et al., 2013). If it is considered that, in this study, consumers create value in their lives using WhatsApp, companies can promote their products as facilitators of this value creation. However, because WhatsApp is a communication medium high in bonding social capital, eWOM strategies would not work in the same way as in SNSs (high in bridging social capital).

Therefore, a recommendation for business practice is to devise a strategy that combines SNSs and WhatsApp. The work in SNSs would help to generate engagement in consumers and to encourage them to use eWOM on WhatsApp with their relatives and friends. Two of the values created by consumers and identified in this research show potential for this strategy. In the first place, eWOM has the potential to improve role performance, since people need products to fulfill their roles as parents, children, students and consumers, among others. Additionally, eWOM has the potential to facilitate the creation of the entertainment and fun value, through the recommendation of video sites, music, games, etc.
Furthermore, given that in collectivist cultures the behavior of imitation and conformity can better predict the adoption of products through digital media than the psychological trait of innovation, which is a better predictor in individualistic cultures (Park et al., 2015), eWOM campaigns on WhatsApp can encourage consumers to share their consumption options without necessarily going on to suggest them explicitly. However, given the nature of the bonding dimension of WhatsApp, consumers will feel encouraged to spread messages or share ideas only if they are considered to have high credibility (Gvili and Levy, 2018). Presumably in individualistic cultures, where people are less oriented to show conformity, this type of strategy would not be profitable.

7.3 Limitations and future research

The role of flow experience in the creation of value in the use of technologies has been viewed from the perspective of a qualitative approach in the present study and shows promise for future studies. If it is accepted that flow experience is related to consumers’ degree of attention and immersion in a given activity, future quantitative studies can incorporate this construct as a moderator in the creation and co-creation of value[2].

Because the current study was conducted in a specific cultural scenario – a Latin American collectivist country – and because the research was qualitative in orientation, care must be taken when generalizing from these results. For example, the fact that the creation of the value of maintaining and strengthening relationships has been so important and frequently noted in the environment studied may be due to the cultural collectivism strongly present in Ecuador and Latin America. By setting value creation in the context of the consumer’s life, CDL invites similar research in other cultural contexts (e.g. individualistic societies), as well as comparative studies.

Future studies should also address the impact of WhatsApp’s growth on the use of social media platforms such as Facebook (a constant comparator among these interviewees) – an impact that is becoming ever more noticeable (Elangovan and Agarwal, 2015).

Notes

1. Throughout the paper, interviewees’ names have been changed to preserve their anonymity.

2. This idea was suggested by Dr Francisco Velasco, Chair of Marketing at the Gika-Latam 2019 Conference. The authors are grateful to Dr Velasco for his idea.

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A brand-new world: brand-endorser-user fit on social media

El nuevo mundo de las marcas: La relación entre las celebridades-usuarios-marcas en las redes sociales

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Abstract

Purpose – The digital relationship between brand and users, and brand and endorsers has been analyzed from different angles. The purpose of this paper is to investigate how these three elements co-create online the brand personality of the firm, through user-generated content.

Design/methodology/approach – This study gathered data from the hotels’ websites, Facebook, Twitter and TripAdvisor accounts, examining the content posted by the hotel, by tourists and by the celebrity endorsing some of the hotels. To pursue the aims, the brand personality dimensions communicated online were assessed through content analysis for the global presence and for each social network by user typology to establish the alignment of brand personality traits communicated.

Findings – Digital communication was found to vary significantly between the hotels and tourists in different social networks. The amount of content created by tourists is significantly higher than the ones produced by the hotel. The sincerity dimension of brand personality was confirmed in both communications. However, tourists’ brand image impacts brand personality differently than the hotels themselves. Furthermore, an analysis of the influence of customers on social networks indicates that celebrity personality traits seem to impact on the image of a hotel brand.

Originality/value – This research can be used to help brand managers to understand better the digital co-branding with clients and celebrity, as well as to identify gaps in their brand personality strategy. It could also assist future researchers focusing on digital celebrity endorsement since few researchers have analyzed digital communication in different social networks.

Keywords Celebrity endorsement, Social media, Tourism, Hotels, Brand personality, Digital branding co-creation

Paper type Research paper
Objetivo – O relacionamento das marcas com os consumidores e das marcas com os endossers tem sido analisado por diversos prismas. O objetivo deste trabalho é analisar como estes três elementos se relacionam e co-criam a personalidade de marca da empresa, através dos conteúdos digitais criados por estes.

Diseño/Metodología/aproximación – Neste trabalho foram recolhidos os conteúdos e comentários com origem na empresa, nos clientes e nos endossers existentes nas páginas web oficiais dos hotéis, bem como no Facebook, Twitter e TripAdvisor. Através da análise de conteúdo foram determinadas as dimensões da personalidade de marca existentes em cada uma das redes e para cada tipo de utilizador, com vista a determinar a consistência e o alinhamento da comunicação de marca existente.

Resultados – Os resultados desta investigação apontam para a existência de diferenças significativas entre a comunicação com origem nos hotéis e a originada pelos turistas, nas redes sociais: os turistas criam mais conteúdos que os hotéis; e as dimensões da personalidade de marca comunicadas não são coincidentes, embora a dimensão sinceridade tenha sido encontrada nos conteúdos de ambos. As evidências sugerem que os traços de personalidade do endorser tendem a influenciar a personalidade da marca.

Originalidad/valor – Este trabalho ajuda os gestores a se consciencializarem da importância da co-criação da imagem de marca que ocorre no domínio digital, bem como permite que identifiquem as lacunas existentes na comunicação da personalidade de marca das suas empresas. Este trabalho pode ser útil também para os investigadores que queiram analisar o papel das celebridades na comunicação digital.

Palabras clave Respaldo de celebridades, Redes sociales, Turismo, Hoteles, Personalidad de marca, Co-creación de marcas,

Tipo de papel Trabajo de investigación

1. Introduction
An examination of the web evolution reveals that both firms and customers have undergone behavioral changes due to technology immersion (Tiago and Verissimo, 2014). Users are empowered, expressing their feelings directly (Constantinides and Fountain, 2008; Rafailidis et al., 2014). Furthermore, users are connected virtually through multiple devices that give seamless access to a wider spectrum of information and a broader selection of data sources (Liu and Park, 2015; Tiago and Verissimo, 2014). This reality is cross-sector and somehow more evident in tourism.

Tourism and hospitality firms are challenged to ride this path. Social media allow firms to easily follow tourists’ social media comments and evaluations and tourists to share their experiences with peers (Mistilis and Gretzel, 2014; Litvin et al., 2018). The experience perception of tourists is unique and is affected by their personality traits (Yoo and Gretzel, 2011). These tourists’ contribution can be assessed as brand co-creation, since they contribute to the co-creation of brand personality and image.

The overall purpose of this study is to explore the convergence of the brand personality communicated by firms, enhance by celebrity endorsement with that conveyed through customers’ communication. For this purpose, a medium-size international hotel group was chosen, since some of its hotels are endorsed by a celebrity. Data were collected from the official’s websites Facebook, Twitter and TripAdvisor regarding the content shared by the hotels and clients, using different traffic-analysis tools available online. The primary data collected for this study represent a unique effort of combining analysis of the communication conducted from different sources in distinctive social media networks. The brand personality model (Aaker, 1997) was used to establish the brand personality alignment between digital sources.

2. Conceptual framework
2.1 Brand image co-creation
Branding in the age of social media is a key issue for marketers. As noticed by Holt (2016), a decade ago firms were immersing into the digital universe, hoping to take advantage of the rise of social media to leveraged customer engagement and enhance their direct relationships with brands. However, from the initial success of social sites to the explosion of user-generated content, consumer has undergone a behavior change in what concerns their interactions over the internet (Bilgihan et al., 2016). The growing occurrence of
personalization blurred the lines between user and marketing content, disrupting with the traditional branding practice (Hennig-Thurau et al., 2013).

These platforms are unique user-to-user ecosystem where users can share, co-create, comment and adjust user-generated content (Kietzmann et al., 2011), co-creating brand value (Zwass, 2010).

The co-creation definition evolved over the years, encompassing new forms of collaboration between customers and firms, defined as the participation of consumers along with producers in the creation of value in the marketplace (Zwass, 2010). With web 2.0, the co-creation paradigm act as a catalyst for branding co-creation (Kamboj et al., 2018; Nyangwe and Buhalis, 2018), the process of branding with customers in an online environment, enhancing traditional branding process.

The relevance of co-creation for branding and management needs to be looked from different angles (Ind and Coates, 2013) that have not been fully researched (Ramaswamy and Ozcan, 2016), regardless the latest years increasing attention (see, Figure 1). According to Web of Science records, in the last four years, 358 articles were published, totalizing 527 articles on brand co-creation.

Constantly connected to all channel’s types, individuals can contribute directly and continuously through co-creation of brand building, transferring their mindset to the brand. Therefore, co-creation can be found under a framework of brand knowledge creation, linking co-creation to several branding elements: awareness, image, personality, feelings and attitudes (Zwass, 2010; Nyangwe and Buhalis, 2018; Keller, 2012).

Lately, the differences between products and services branding have been highlighted, especially regarding the co-creation of brand, implying the need to reassess the brand co-creation processes (Iglesias et al., 2017).

2.2 User-generated content in social media networks

Blichfeldt (2018) notes that web advances allowed firms and clients to adopt an interactive communication model; and that this model grounds on the central assumption that interactive communication integrates not only information exchange flows, but also the co-creation of new meanings and understandings. And in this sense, the author referred that “communication hereby becomes a symbiotic process through which messages and meanings are co-created, constructed, re-constructed, de-constructed” (p. 36). A similar approach was described in the early days of social media by Blackshaw and Nazzaro (2004). These authors considered that social media were “a variety of new sources of online information that are created, initiated, circulated and used by consumers intent on educating each other about products, brands, services, personalities, and issues” (Blackshaw and

![Figure 1](image-url)

**Figure 1.** Number of articles published between 2000 and 2019.
These endless flows of content and meaning creation are found to impact consumer journey in different forms.

In tourism and hospitality, it is not easy to find a traveler that has not used internet in any phase of its traveling journey (pre, during or post traveling). Jalilvand et al. (2012) considered that online user-generated reviews have become determinant sources of information for travelers, influencing their purchasing decision processes since the pre-traveling stage (Yoo and Gretzel, 2011).

To Litvin et al. (2018), “eWOM has fulfilled its promise to become a major influence on the hospitality and tourism industry.” As highlighted by Del Chiappa et al. (2018), electronic word of mouth (eWoM) relevance in tourism and hospitality derives from the service-nature and high-involvement of tourists in the tourism experience.

The eWoM produced with the format of a consumer review is “a mixture of fact and opinion, impression and sentiment, found and unfound tidbits, experiences, and even rumor” (Blackshaw and Nazzaro, 2004). That, according to Gretzel and Yoo (2008), is perceived by travelers has been more updated, trustful and enjoyable than all other types of official information sources available. For these reasons, online reviews and recommendations became part of the travelers routine (Del Chiappa et al., 2018).

Nonetheless, not all tourists value comments and reviews in the same way (Jalilvand et al., 2012), and not all tourists are active content contributors online (Yoo and Gretzel, 2011). Yoo and Gretzel (2011) found evidence that tourists’ personality traits influence their willingness to create and share online content, as well as the content type and meanings.

Varkaris and Neuhofer (2017) argue that tourists rely on user-generated content found on social networks to decide where and when to stay. Therefore, co-creation affects not only the communication process, but also hotels’ branding reputation (Kim and Ko, 2012; Ramaswamy and Ozcan, 2016), performance and digital image and identity (Ingenhoff et al., 2018).

In this sense, tourists that actively interact with a brand assume the role of “endorsers.” In addition to consumers, celebrities are commonly pointed out as being endorsers of brands (Halonen-Knight and Hurmerinta, 2010).

Celebrity endorsement is frequently used in promotion to enhance the effectiveness of persuasive communications, since elements such as content and celebrity credibility and appeal can influence brand perception (Esmaeilpour and Aram, 2016).

In spite of the interest of celebrity endorsement, Bergkvist and Zhou (2016) noted, after an extensive literature review, that research in celebrity endorsements has made relatively little progress over the years in what concerns to the role of fit between the celebrity and the brand values or image. In their review, only few studies mentioned considered digital communication.

Halonen-Knight and Hurmerinta (2010) suggested that in endorsement, celebrity’s personality traits can be transferred to the brand. This is linked with the findings of MacInnis and Folkes (2017) that after an extended literature review about how consumers humanize brands found three different streams of works, one pointing to consumers’ tendency to “perceive brands as having human-like forms, minds, and personality characteristics.”

The literature that emphasizes the importance of social endorsement in the tourism and hospitality sector is still less explored (Van Der Veen and Song, 2010) and focuses mostly on destination branding (Glover, 2009). Nonetheless, it is known that consumers tend to choose brands with whom they share emotional bonds (De Moya and Jain, 2013; Escalas and Bettman, 2009). The celebrity endorsement can be used to humanize the brand (MacInnis and Folkes, 2017) and facilitate this bonding, since brands are abstracts constructs (Fleck et al., 2014). Escalas and Bettman (2009) found evidence that consumers tend to bond or distance themselves from endorsed brands, based on the endorser aptitude to fulfill their self-related emotional needs (Escalas and Bettman, 2003; MacInnis and Folkes, 2017).

To Stern (1991), the congruence between celebrity and brand should reflect three baseline considerations, being the most salient the personality traits of the celebrity. This notion is
reinforced in the work of Escalas and Bettman (2009), underlying the need to establish an alignment between the endorser and brand personality traits.

2.3 Brand personality

In brand management, brand personality is often presented as a key component of an effective brand, since it provides a connection between the emotional and self-expressive benefits of the brand and it also helps to establish customer–brand relationships. Previous sections pointed that perceptions of brand personality traits can have more than one origin and outcome.

Su and Reynolds (2017) defend that brand perceptions can have their origin in brand communication, either directly through advertising, endorsement, employees and current clients, or indirectly, through the entire marketing mix of the brand. Thus, understanding brand personality may be critical, since nowadays brand personality is a multi-faceted function which is omnipresent in the firm–consumer relationship, as well as within-organization communication. Leading to question if brands are becoming humanized or human-like (MacInnis and Folkes, 2017), integrating endorsers’ personality traits with other factors impacting brand personality impressions.

Within the tourism and hospitality field, most recent studies that used brand personality scale (BPS) recognized that social media are shaping consumers’ perception of brand personality (Zhang, 2017; Opoku et al., 2006; De Moya and Jain, 2013) and that brands can differentiate themselves from competitors based on their brand personality traits (Aaker, 1997, 2012; Aaker and Joachimsthaler, 2000; Chan-Olmsted, 2002). Aaker (1997) proposed a model with five dimensions reflecting a set of human traits that can be associated with brands, each of which is divided into a set of facets, namely, sincerity (down-to-earth, honest, wholesome and cheerful); excitement (daring, spirited, imaginative and up-to-date); competence (reliable, intelligent and successful); sophistication (upper class and charming), and ruggedness (outdoorsy and tough). Despite some criticism regarding the scales adopted, as well as semantic problems and the close relation to the American culture, the brand personality model of Aaker has been widely used. The BPS has been commonly applied to assess firms’ brand image and its effect on consumer behavior, and more lately this assessment has been applied to the tourism and hospitality sector (De Moya and Jain, 2013; Zhang, 2017; Opoku et al., 2006). The earlier applications of the BPS tend to focus on brands that presented a predominance of one dimension, whereas more recent studies present several dimensions (Opoku et al., 2006).

Su and Reynolds (2017) argue that Aaker’s model in tourism can be understood from one of the following four viewpoints: the anthropomorphism view considers that individuals tend to familiarize themselves with a brand by treating it as a person; the brand–consumer relationship view suggests that individuals use interpersonal relationships norms as guiding principles to connect with brands; the self-concept view implies that customer–brand relationship relies on the self or the ideal self that consumers have; and the naïve psychology point of view or the folk psychology view considers that individuals attribute personality characteristics to other people in social settings in order to evaluate the others and develop interpersonal relationships.

Most studies applying Aaker’s scale in tourism are related to destination branding. Some researched how brand personality traits influence travelers’ intentions to recommend a destination (De Moya and Jain, 2013; Ekinci and Hosany, 2006), others explore how destination communicate their brand personalities online (Kumar and Nayak, 2018; Lalicic et al., 2018; Ekinci and Hosany, 2006) and others examined the relationship between destination brand image and brand personality (Rojas-Mendez and Hine, 2017; Vinyals-Mirabent, 2018; Hosany et al., 2006).

As more hotels are incorporating social media in their branding and communication strategy, a closer look at digital communication and its implication on co-branding is needed. However, studies tend to focus only on one of the sides of the digital conversation: hotel social
media communication (Philander and Zhong, 2016; Liu et al., 2015; Aureli and Supino, 2017); user-generated social media communication (Philander and Zhong, 2016; Yang et al., 2017; Varkaris and Neuhofer, 2017, Sanchez and Fernandez, 2017; Yu et al., 2017); and hotel- and user-generated social media communication (Levy et al., 2013). As pointed by Su and Reynolds (2017), there are a considerable number of unanswered questions from a hotel's point of view that need to be answered in order to optimize co-creation experience spaces.

In this work we will focus on two of these questions, trying to contribute to a better understanding of how branding is influenced by hotels' communication, celebrity endorsement and consumer-generated content (Viglia et al., 2016; Liu et al., 2015; Aureli and Supino, 2017):

RQ1. To what extent tourists shared content projected similar brand personality traits to the one communicated by hotels?

RQ2. Can hotel's digital brand personality be influenced by endorsers' personality traits?

3. Methodology
Relying on Aaker's (1997) dimensions of brand personality and using big data available on social media networks – Facebook, Twitter and TripAdvisor, this study attempts to add to the understanding of digital co-branding, by comparing the digital brand communication of a hotel group with contents communicated online by tourists and an endorser.

This research adopts the latter point of view of Su and Reynolds (2017), assuming that brand personality can be exploited by portraying a brand through images, memories and narrative stories – which correspond to the types of content commonly used in digital and social media communication.

The choice was drawn from the hotels of the Portuguese medium-sized Pestana Group, due to their international exposure and evident efforts to use social media as a platform to interact with the different publics (for instance they adopted an app SOMEMO Manager – SOcial MEdia MOBILE Manager to enhance customer experience). The Pestana Group has more than 88 hotels, with over 10,000 bedrooms in 14 countries, located in three different continents (Europe, South America and Africa), with more than 7,000 employees (Pestana, 2017). In this investigation only six hotels were chosen. Trying to guarantee a wider representativeness of clients and brand offers, the selection of these proceeded as follows: two 4-star hotels; two 5-star hotels and two CR7 hotels, located in different areas (different countries, cities and islands).

In addition, considering the gap found in the literature for celebrities' endorsement role, two hotels of the group under study endorsed by a football celebrity are also analyzed; Cristiano Ronaldo (CR7) social media activities were previously studied by Tiago et al. (2016), showing a wide influence online.

The data were gathered directly from the six hotels' official website and social-networking sites (Facebook, Twitter and TripAdvisor), using three traffic-analysis tools available online. Following the approach used by Opoku et al. (2006), information displayed on hotel websites was used to represent data on brand image. All textual information from each page of the hotel website was retrieving, using as main language the English. To establish if there was any kind of dynamic branding underlying the hotel websites, data were gathered after using different location proxies. Data gathered on social media, during 2017, comprehend all the comments available at Facebook and Twitter, and the newest 50 reviews available at TripAdvisor. The data collected for hotel communications had 14,644 words, whereas the tourist-generated content had 44,686 words (Table I).

4. Main results
A hybrid approach, combining qualitative analysis with quantitative analysis, was chosen for this study. A content analysis was conducted using the QDAMiner software and the
The original brand personality dictionary instrument created by Opoku et al. (2006), compiled a set of synonyms to Aaker’s (1997) five basic dimensions as well as 42 personality trait norms as set out in her paper, containing 833 words, split into the five BPS categories, namely, competence, excitement; ruggedness; sincerity; and sophistication.

Analyzing all the content gathered, the results highlight the value of sincerity in the brand communication. Figure 2 shows the dendrogram of brand personality, where the closest nodes are sincerity and sophistication, with a Jaccard’s coefficient of 0.188, which implies that even the closest nodes almost do not have shared contributors. According to WordStat, both these nodes co-occur 114 times in the data collected for this analysis.

From all the contents retrieved, only 1,517 mentions are linked to BPS dimensions in the websites sample, representing around 2 percent of the total words collected. The remaining 98 percent were found in the social networks, where user-generated content represented 75.3 percent of words reflecting brand personality traits. Looking separately at each of the SNS contents, brand personality suffers innumerous transformations (Figure 3).

A \( \chi^2 \) test was performed, and a relationship was found between brand personality dimension communicated and channel used, \( \chi^2 (4, n = 1,845) = 32.73, p < 0.001 \). At this point we can infer that brand personality traits are highly influenced by user-generated content in SMNs.

A partial match was found between the hotel brand personality dimensions communicated via the official websites, and tourists’ comments posted on the different social media platforms. Site communication emphasizes the sincerity and competence dimensions, with sophistication in third place. The comments gathered from TripAdvisor show a “good” evaluation of the service provided by the Pestana hotels, with almost 76 percent of them transmitting the idea that Pestana hotels have a sincere and sophisticated brand. The second most-valued dimension in the hotel chain communication – competence – does not match the comments made by tourists on TripAdvisor. Facebook content posted by tourists present a different image: competence and excitement are personality traits that are absent in the communication flows. In turn, ruggedness

### Table I.

<table>
<thead>
<tr>
<th>Hotel</th>
<th>Location</th>
<th>Category</th>
<th>Brand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pestana Bahia Praia</td>
<td>Azores</td>
<td>Nature and Beach Resort</td>
<td></td>
</tr>
<tr>
<td>🟣🌟🌟🌟</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pestana Bahia Tropico</td>
<td>Cape Verde</td>
<td>Ocean and City Resort</td>
<td></td>
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<td>🟣🌟🌟🌟</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pestana Palace Lisboa</td>
<td>Lisbon</td>
<td>Hotel and National Monument</td>
<td></td>
</tr>
<tr>
<td>🟣🌟🌟🌟</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pestana Vila Sol</td>
<td>Algarve</td>
<td>Premium Golf and SPA Resort</td>
<td></td>
</tr>
<tr>
<td>🟣🌟🌟🌟</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pestana CR7 Lisboa</td>
<td>Lisbon</td>
<td>Lifestyle Hotels</td>
<td></td>
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<td>🟣🌟🌟</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pestana CR7 Funchal</td>
<td>Madeira</td>
<td>Lifestyle Hotels</td>
<td></td>
</tr>
<tr>
<td>🟣🌟🌟</td>
<td></td>
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</tr>
</tbody>
</table>

WordStat software to assess the brand personality traits available at the text.

![Figure 2. Brand personality dendrogram](image)

Agglomeration order: Jaccard's coefficient (occurrence)
(40 percent) and sincerity (40 percent) are the main BPS dimensions communicated via Facebook by tourists. Looking at overall communication on Facebook, the differences between the hotel and tourists are quite evident. When the communicational process starts in the hotel, sincerity and competence are the dimensions mostly widely used; while when the communication is generated by tourists, the emphasis of the posts is on sincerity and ruggedness.

Looking at Twitter content, only two dimensions emerge: excitement and sophistication. This turnaround could be linked to the fact that some hotels have a brand alliance between the Pestana Group and Cristiano Ronaldo, the famous football player. When considering the two hotels endorsed by Cristiano Ronaldo (Pestana CR7 Lisbon and Pestana CR7 Funchal), the first set of a deep network structure analysis was carried out, aiming to establish the degree of the influence role of the player within the network.

In Figure 4, the red lines represent users located in Europe, while the green lines represent users located all over America. The HK fast multi-scale layout algorithm shows the presence of two pseudo-random networks with four clusters. The two top-side clusters are smaller and represent tours operator or travel agencies. The right-hand side cluster, that presents individuals with a more active inter-cluster and without geographical boundaries, is mid-pointed at Cristiano Ronaldo. The left-hand side cluster represents communication processes started by the hotel group. The content analysis of posts on Twitter for the cluster linked to Cristiano Ronaldo produces the bottom dendrogram in Figure 3. Similar to the non-CR7 hotels, the brand personality dimensions existence in the communication started by tourists focus on the sophistication (40 percent) and excitement (60 percent) dimensions. However, the predominant dimension is excitement in this case.

Acknowledging the differences found between BPS communicated on the distinctive channels, it is now relevant to analyze the results found for each hotel brand in different digital channels.

Table II presents how brand personality dimensions are associated with a particular hotel in the specific channel, considering that the cell counts reflect the number of times a
particular brand personality dimension showed on the content analyzed. A pair sample
correlation analysis reveals significant differences between the personality brand
dimensions communicated on the website and TripAdvisor for the Pestana brand, but no
significant differences were found related to CR7 Pestana brand.

Following a similar procedure to Opoku et al. (2006), outputs information on the relative
distribution of words for the two biggest hotel brand present in the sample and digital
channel file across the five brand personality dimensions were used to conduct a
correspondence analysis. This procedure reinforces the associations between a firm and
customer communication and the brand personality dimension, illustrated on a perceptual
map (See, Figure 5) generated by the correspondence analysis procedure.

The map reveals the underlying structure and positioning of the hotel brands in relation
to the brand personality dimensions. To determine the dimensionality of a solution, the
eigenvalues and the cumulative proportion explained were used and a two dimension
solution was chosen (Bendixen, 1995).

It can be observed in the map that the hotel brands near to the brand personality
dimension mostly communicate online. For instance, the brand Pestana hotels and resorts
are closely linked to the competence, showing an alignment with sincerity while CR7 brand

<table>
<thead>
<tr>
<th>BPS dimensions/communication channel</th>
<th>Competence</th>
<th>Excitement</th>
<th>Ruggedness</th>
<th>Sincerity</th>
<th>Sophistication</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pestana</strong></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Websites</td>
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<td>94</td>
<td>30</td>
<td>211</td>
<td>94</td>
<td>0.016</td>
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<tr>
<td>TripAdvisor</td>
<td>109</td>
<td>287</td>
<td>82</td>
<td>588</td>
<td>260</td>
<td></td>
</tr>
<tr>
<td>Facebook</td>
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<td>72</td>
<td>22</td>
<td>160</td>
<td>68</td>
<td></td>
</tr>
<tr>
<td>Twitter</td>
<td>2</td>
<td>202</td>
<td>–</td>
<td>–</td>
<td>190</td>
<td></td>
</tr>
<tr>
<td><strong>Pestana CR7</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Websites</td>
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<td>30</td>
<td>194</td>
<td>104</td>
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</tr>
<tr>
<td>TripAdvisor</td>
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<td>17</td>
<td>51</td>
<td>220</td>
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</tr>
<tr>
<td>Facebook</td>
<td>10</td>
<td>154</td>
<td>21</td>
<td>34</td>
<td>182</td>
<td></td>
</tr>
<tr>
<td>Twitter</td>
<td>–</td>
<td>168</td>
<td>–</td>
<td>–</td>
<td>252</td>
<td></td>
</tr>
</tbody>
</table>

Table II. BPS dimensions word references by hotel brand

Figure 4. Network graphs obtained using the Harel–Koren (HK) fast multi-scale layout

Created with NodeXL (http://nodexl.codeplex.com)
Positioning results reinforce the idea that the brand is mostly considered as sophisticated and exciting by customers. However, hotel communication over the website focuses on different personality traits: sincerity and excitement.

5. Conclusions and implications

Social networks allow not only marketers to manage their own brand, creating a unique and salient brand personality, but also users to transmit their brand perception through user-generated contents. Thus, both firms and clients are co-creating online the brand image and personality (Zwass, 2010; Nyangwe and Buhalis, 2018; Keller, 2012) in a relatively new process, that is fast growing. Initially, the brand co-creation research has focused on products, shifting lately to the services. This research attempts to add knowledge regarding co-creation of brand personality in services, even though it is just of an exploratory nature, by focusing on the tourism industry. Within tourism, brand co-creation has been mostly analyzed from a destination branding perspective. A less explore domain is the hotel branding, that was the field of analysis of this work.

Tourists do not always have or may not even want complete information about a service, experience or destination from providers (hotels, restaurants, DMOs, etc.) (Rafailidis et al., 2014; Standing et al., 2014). Therefore, they search online for complementary information, from multiple or a single source of information (Varkaris and Neuhofe, 2017). Social network sites are becoming live-stream repositories of information and whiteboards, where tourists can post and search for information concerning tourist experiences (Liu and Park, 2015; Cheung and Lee, 2012), co-creating a brand image and personality (Ramaswamy and Ozcan, 2016; Opoku et al., 2006; Kim and Fesenmaier, 2017) while endorsers shape brand image as brand spokesman’ (Fleck et al., 2014; Tiago et al., 2016).

One of the puzzling pieces of brand co-creation relies on identifying co-creation experience spaces and aligning the brand personality traits communicated by all involved: tourism and hospitality firms, tourists and endorsers.

Based on Aaker’s (1997) dimensions of brand personality, content shared by a medium-size hotel chain and tourists was analyzed through content analysis. The results found evidence of five hotel brand personality traits (competence, excitement, sincerity, sophistication and ruggedness) been communicated by the different users. These results are similar to those found by Zhang (2017) and Opoku et al. (2006) in what concerns the existence of the five personality traits in brand digital communication.
Considering that perceived brand personality traits can be formed during by any direct or indirect contact that the tourists make with the hotel brand, brand personality must be consistent with the brand’s positioning and brand image. The results show that the same brand can be communicated differently, depending on the source of the communication. When looking to global communication flows, the most important dimension of brand personality emerging in this study is sincerity (40.7 percent). The overall communication of the hotel group transmits sincerity and competence. However, when looking at content generated by tourists on Facebook, Twitter and TripAdvisor, different personality traits come to the fore.

The amount of content created and shared by tourist online, regarding their unique perception of the brand personality traits, is quite bigger than the one produced by the hotels, attesting that tourists can have an active contribution to the branding process. As a result, marketers should pay attention to out-in communication flows since, as referred by Nyangwe and Buhalis (2018), social media have modified the communication flows and new brand proposition can emerge from the hotel-tourist digital conversation or simply through the mind sharing of the brand co-created by tourists.

More, as hotels websites and SNS communication are important tools in an effective digital branding, it is important that hotels are aware of the distinctive brand personalities being communicated via the different SNS. Furthermore, for the present case – Pestana Group – at consumers’ eyes the group detains two different brands – Pestana and CR7 Pestana, however the group landing page has all the brands together.

The findings also reinforce the notion that celebrity endorsement can influence brand perception (Esmaeilpour and Aram, 2016), since the dimension excitement emerged from content generated in a network structure that has a link to Cristiano Ronaldo. As mentioned by Escalas and Bettman (2009), the celebrity endorsement seems to have a positive effect on branding when there is a match between the celebrity’s image and the brand’s image.

We believe that due to the importance, uniqueness and rapid growth of social media, hotels and researchers should pay special attention to branding co-creation in social media. Furthermore, they should acknowledge that consistency of brand personality depends on the integration of co-creation values. Brand management has become a task shared by tourists and hospitality firms. This study requires further research to examine the phenomenon in more depth. First, research can be replicated in other hotels, sectors and countries, testing the robustness of brand personality dimensions. Another line for future research could look at how firms react to consumers who modify their brand personality over time.

References


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Rhetorical strategies and emotions in political marketing management

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Universidad del Pacífico, Lima, Perú

Abstract
Purpose – The purpose of this paper is to analyze how political marketing management in terms of communication practices influence the voters' emotional responses as they observe and listen to the discourse of a political leader.
Design/methodology/approach – An experiment was conducted, in which participants watched the last debate of the campaign leading up the Peruvian presidential elections held in June 2016. During the experiment, the Emotient FACET technology codifies the facial micro-expressions of participants.
Findings – The results reveal that a voter's political tendencies influence the intensity of their positive emotions, when the political leader communicated a challenging message. Rhetorical strategies and non-verbal behaviors accompany this type of message in order to emphasize the discourse and persuade the audience.
Practical implications – The findings suggest that the gender gap in attitudes toward female politicians exists and could change the relationship found, influencing negative emotions instead of positive emotions. The implications of the findings for achieving political success are discussed.
Originality/value – The study makes a methodological contribution, employing an experimental protocol based on Emotient FACET technology in a political context, thereby enabling more direct and objective measurement of voters' emotional responses.
Keywords GIKA-LATAM-2019, Political marketing management, Emotions, Facial expression analysis, Political leadership, Marketing communication strategy

Resumen
Propósito – El artículo busca analizar la influencia de la gestión de marketing político, en términos de estrategias de comunicación política, en la respuesta emocional de los votantes al observar y escuchar el discurso de un líder político.
Diseño/Metodología/Enfoque – Se realizó un experimento en el cual los participantes miraron el último debate de la campaña para las elecciones presidenciales del Perú celebradas en junio de 2016. Durante el experimento, la tecnología Emotient FACET codificó las micro expresiones faciales de los participantes.
Resultados – Los resultados revelan que la tendencia política del votante influye en la intensidad de sus emociones positivas cuando el líder político emite un mensaje desafiante. Las estrategias retóricas y las conductas no verbales que acompañan a este tipo de mensajes enfatizan el discurso y persuaden a la audiencia. Implicaciones prácticas – Los hallazgos sugieren que el sesgo del género en las actitudes hacia las mujeres que participan en política existe y esto podría cambiar la relación encontrada, influenciando las emociones negativas cuando una candidata mujer expresa un mensaje desafiante. Se discuten las implicaciones de los resultados para lograr el éxito político.
Originalidad/valor – El estudio realiza un aporte metodológico al aplicar un protocolo experimental basado en la tecnología Emotient FACET a un contexto político, permitiendo así una medida más directa y objetiva de las respuestas emocionales de los votantes.
Palabras clave GIKA-LATAM-2019, Gestión de Marketing Político, Emociones, Análisis de expresiones faciales, Liderazgo político, Estrategia de comunicación en marketing
Tipo de papel Trabajo de investigación
Introduction
During presidential campaigns, a wide variety of stimuli exert a constant influence on voters’ emotions. Through these stimuli, candidates and political parties attempt to persuade voters and steer the public’s electoral decisions. Pre-election debates count among the most influential, allowing political leaders to convince and capture the attention of an audience, which, in the case of Peru, appears disconnected from political life despite compulsory voting (Ortigueira-Sánchez and Cárdenas-Egusquiza, 2017). This is reflected in the fact that, as Panagopoulos (2008) notes, Peru is a multiparty democracy with a high rate of absenteeism. Peru clearly has a weak and unstable party structure (Bonifaz, 2016); as such, electoral preferences are highly volatile (Muñoz, 2014).

In this context, it is important to understand the political phenomena witnessed in the country, such as the leadership and popularity of Ms Fujimori, despite her being the daughter of ex-president Alberto Fujimori, who executed a self-coup, fled the country and served 11 years in prison for human rights abuses (Sánchez-Sibony, 2012). Another political phenomenon was the victory of Mr Pedro Pablo Kuczynski (PPK) in the most recent presidential elections in 2016. These elections resembled a rollercoaster ride, with ups and downs in the voting intentions (Lanegra, 2016): the candidate Ms Fujimori of Fuerza Popular won the first round, taking 39.87 percent of the vote nationwide, followed by Peruanos Por el Kambio (so called to match the initials of their candidate Mr Kuczynski) on 21.05 percent; but in the second round, Mr Kuczynski triumphed with 50.124 percent – a margin of just 0.248 percent votes – ahead of Fujimori, who garnered 49.876 percent (Oficina Nacional de Procesos Electorales (ONPE), 2016).

The final televised debate of the campaign, screened on May 29, 2016 (one week before the second round of the elections) was responsible, in large part, for these results (Gianella, 2016), in that it preceded a dramatic change in voting intentions: according to data from the polling company IPSOS Perú (IPSOS, 2016), the figures prior to the debate in question were 53.1 percent in favor of Ms Fujimori and 46.9 percent for Mr Kuczynski. But in the election itself, it was Mr Kuczynski who ultimately won. During this debate, the two candidates utilized and replicated various communication strategies, such as references to printed documents and heavy reliance on attacks, and ironic and sarcastic remarks delivered in mocking tones. That is, Mr Kuczynski and Fujimori employed negative campaigning (Auter and Fine, 2016).

In this context, authors are interested in studying the Peruvian case on the basis of the following question: do the political tendencies of Peruvian voters influence their emotional reactions to the discourse of political candidates?

Regarding the research question, Maurer (2016) and Nagel et al. (2012) have already studied voter’s emotional reaction. However, the authors used questionnaires and the continuous response measurement technique to determine the emotional response of German voters to political discourses. These measurement techniques depend on the subjectivity of participants; hence, studies such as those of Bucy and Bradley (2004) and Gong and Bucy (2016) employ measures based on electromyographic and eye tracking technology, respectively, to study the autonomic response (in reference to the nervous system) and visual attention of voters to politicians’ facial expressions in a more objective, direct and accurate manner.

In that sense, the Emotient FACET technology used in this study is a biometric technology that is used mostly in marketing and, specifically, in neuromarketing (Mina and Barzola, 2018). Therefore, when using it in a political context we reaffirm the idea that voters are consumers, as mentioned by Whelan et al. (2016).

Moreover, studies on political communication draw largely on university students as subjects in their samples (Dumitrescu, 2016). This could bias the interpretation of result (Duchowski, 2007). Therefore, in the present study a sample with a high level of heterogeneity in terms of age and levels of education is used, rather than relying solely on university students. Another reason to aim for diversity is that Peru is a multicultural
country marked by considerable inequality of educational opportunities based upon socioeconomic status (Pasquier and Risso, 2015).

To respond to the question posed and in pursuit of objectivity in the results, the aim of the study is centered on analyzing the emotional reactions of voters to the political leaders Mr Kuczynski of Peruanos por el Kambio, and Ms Fujimori of Fuerza Popular during the final televised debate of the 2016 election campaign in Peru. To this end, an experiment was carried out, in which the Emotient FACET technology record the facial micro-expressions of participants in the study.

Related literature
Political leaders use language to persuade potential followers in the form of rhetoric, a practice that has been defined as the art of persuasion (Charteris-Black, 2005). Miles and Nilsson (2018) affirm that persuasion make us act (i.e. consume things or vote for a political candidate). Moreover, Tonks (2002, p. 806) demonstrates that “persuasion can be seen as a framing concept for marketing in general and for marketing management in particular.” In that sense, rhetoric constitute a communication element of politicians’ marketing strategy used in order to persuade and obtain more voters (Dumitrescu et al., 2015) or consumers from a market perspective.

Dumitrescu et al. (2015) propose that the correct formulation of a message by a political leader can persuade voters, and so the politician must prioritize logical, solid and valid arguments backed up with examples, data and rhetorical strategies. The authors also note that the discourse must be accompanied by appropriate non-verbal expressions of confidence and charisma. Along these lines, Nagel et al. (2012) observe that the literature on political communication has not yet reached a consensus regarding the importance and the relative effects of political leaders’ verbal and non-verbal communication on voter perception.

In turn, Grebelsky-Lichtman (2015) propose a model that attempt to clarify the role of verbal and non-verbal communication use by politicians in television debates, the interconnections between both forms of communication, and their predictive power of success in political debates and electoral results. The author finds that most winners of debates (and also of elections) exhibit the following pattern of communication: challenging verbal communication (such as accusations, threats and criticism of the opponent), accompanied by supportive non-verbal communication that expresses confidence, composure and calm, such as a smile. The author concludes that both types of communication play an important role in the perception of politicians, and that studies of political communication should thus aim to analyze both forms of communication to assure complete and consistent results.

As to non-verbal communication, an extensive literature has demonstrated that the non-verbal behavior of politicians, such as the candidate’s facial expressions (Gong and Bucy, 2016; Stewart et al., 2009), the timing and way of smiling (Stewart, 2010; Stewart et al., 2015; Stewart and Ford Dowe, 2013); posture (Holland et al., 2016); body movements: hand and head movements and changes of position (Kramer et al., 2010; Koppensteiner et al., 2015; Maricchiolo et al., 2009) and tone of voice (Anderson and Klofstad, 2012; Klofstad et al., 2015; Klofstad et al., 2012; Tigue et al., 2012) significantly affect the perception and emotional response of voters, and this has repercussions on public opinion about a candidate.

On the content of the discourse, Nagel et al. (2012) and Reinemann and Maurer (2005) propose that verbal communication encompasses the issues and subjects covered by political discourse, the tone of the discourse, acclamations of oneself or one’s party and attacks on the opposition, as well as the use of rhetorical strategies such as emotional appeals, commonplaces, metaphors, rhetorical questions and parallelisms. Meanwhile, Dumitrescu et al. (2015) define a high-quality political discourse as one based on the following rhetorical strategies: sequences of three, position taking and repetition.
Moreover, several authors have studied the use of communication tools such as rhetorical and argumentative strategies (attacks and acclaims) in the political context, and have analyzed their influence on voters’ emotions and perceptions (see Table I).

It is vital for the study to consider how the gender of political leaders and their different forms of verbal and non-verbal communication influence the perception of the population (Benstead and Lust, 2018; Carpinella et al., 2016; Golder et al., 2017) since the debate on study is a mixed-gender debate (Grebelsky-Lichtman and Katz, 2019). For the case of Latin America (Aguilar et al., 2015; Kerevel and Atkeson, 2015), scholars have demonstrated that

<table>
<thead>
<tr>
<th>Rhetorical strategy</th>
<th>Definition</th>
<th>Authors</th>
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<tbody>
<tr>
<td>Metaphor</td>
<td>Implied comparison through a figurative, non-literal, use of words</td>
<td>Charteris-Black (2005), Kazemian and Zhou (2015)</td>
</tr>
<tr>
<td>Parallelism</td>
<td>Repetition of a single structure several times, but alternating some element</td>
<td></td>
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<tr>
<td>Repetition</td>
<td>A word or phrase used twice or more in close proximity</td>
<td></td>
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<tr>
<td>Antithesis</td>
<td>Contrast of ideas or words in a single phrase</td>
<td></td>
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<tr>
<td>Alliteration</td>
<td>Repetition of the same sound at the beginning of several words in sequence</td>
<td>Charteris-Black (2005), Cano-Basave and He (2016)</td>
</tr>
<tr>
<td>Use of fear</td>
<td>Use of phrases that provoke fear in the audience</td>
<td></td>
</tr>
<tr>
<td>Reference to the past</td>
<td>Use of phrases that refer to past events or situations</td>
<td></td>
</tr>
<tr>
<td>Use of emotive words</td>
<td>Use of words that awaken emotions</td>
<td>Jones (2016)</td>
</tr>
<tr>
<td>Paradox</td>
<td>An assertion seemingly opposed to common sense, but that may yet have some truth in it</td>
<td>Nakayama and Krizek (1995)</td>
</tr>
<tr>
<td>Anaphora</td>
<td>Repetition of a word or phrase at the beginning of successive phrases, clauses or lines</td>
<td>Walker et al. (2012)</td>
</tr>
<tr>
<td>Emotional appeals</td>
<td>Use of phrases that have the intention of awakening emotions</td>
<td>Kosmidis et al. (2019), Nagel et al. (2012)</td>
</tr>
<tr>
<td>Rhetorical questions</td>
<td>Use of questions to emphasize assertions</td>
<td></td>
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<tr>
<td>Attacks</td>
<td>Negative utterances about the opponent, their proposals or their party</td>
<td></td>
</tr>
<tr>
<td>Acclaims</td>
<td>Positive utterances about oneself or one’s party</td>
<td>Nagel et al. (2012), Reinemann and Maurer (2005)</td>
</tr>
<tr>
<td>Commonplaces</td>
<td>Use of abstract or ambiguous phrases about general goals/objectives about which most of the audience will be in agreement</td>
<td></td>
</tr>
<tr>
<td>Evidence</td>
<td>Use of figures, statistics, facts</td>
<td></td>
</tr>
<tr>
<td>Rhetoric of disgust</td>
<td>Use of properties such as bad smell, ooziness, rottenness, germiness and decay in a message intended to communicate stigma and uncleanness in relation to social groups</td>
<td>Gadarian and Van der Vort (2018)</td>
</tr>
<tr>
<td>Moral rhetoric</td>
<td>Use of moral language that includes words such as: authority, liberty, loyalty, justice, sanctity and care</td>
<td>Lipsitz (2018)</td>
</tr>
<tr>
<td>Ambiguous rhetoric</td>
<td>Make deliberately unclear positions/statements on key issues</td>
<td>Krupnikov and Ryan (2017), Milita et al. (2017)</td>
</tr>
<tr>
<td>Self-deprecating humor</td>
<td>Humorous comments about one’s own weaknesses, defects or characteristics</td>
<td>Stewart (2011)</td>
</tr>
<tr>
<td>others irony</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Humor targeted at</td>
<td>Cruel irony or mocking with the intention of offending or abusing someone or something</td>
<td></td>
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<tr>
<td>others sarcasm</td>
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Table I. Rhetorical strategies studied in a political context
there remains a gender gap in attitudes toward female politicians compared with attitudes toward males, with gender stereotypes still prevailing.

Along these lines, the study of Everitt et al. (2016), explores the impact of non-verbal forms of communication by male and female politicians on voters’ assessments. Their results show that the use of gestures of aggression or dominance cause women to be perceived as worse leaders, whereas the reverse is true of male politicians. Grebelsky-Lichtman and Katz (2019) differentiate between non-verbal expressions attributed to the masculine and the feminine linguistic style during a televised political debate. Where masculine style includes broad and sharp hand movements, loud voice/shouting and interruption, whereas feminine pattern consists in making eye contact, small movements and extensive facial expressions.

As to verbal communication and politicians’ gender, Jones (2016) analyzes how Hillary Clinton changed her linguistic style in her discourses and interviews between 1992 and 2013, finding that it became more masculine as she gradually acquired more political power and participation, characterized by an increase in the use of statistical data, words of anger and emphasis on her own achievements. In contrast, Grebelsky-Lichtman and Katz (2019) found that during the mixed-gender debates of the 2016 presidential campaign in the USA, Hillary Clinton showed mostly feminine-communicative patterns such as personal examples, emotional reference and passive speech, whereas Donald Trump expressed masculine patterns such as direct, accusatory and angry speech, rationality and speech in the first person singular.

All these strategies could shape the political tendencies of voters. In that sense, a candidate’s discourse during a political debate can cause different reactions, depending upon the political tendencies or partisanship of the audience being addressed. This has been referred to as partisan bias (Krishna and Sokolova, 2017; Nicholson et al., 2016; Weeks, 2015). In this regard, according to the standard theories of party attachment (Dalton and Weldon, 2007; Greene, 2011), Peru, with its multiparty electoral system marked by young parties, should have weak partisanship, and partisan cues should have a very limited influence on vote choice (Brader and Tucker, 2010). However, Samuels and Zucco (2014) found that in Brazil, another country with a fragmented party system, party identification exists and it could impact on political behavior and attitudes.

Indeed, and despite the new/young parties competing in the campaign under study, participants have identified their political tendencies allowing the authors to assess whether the political tendencies of Peruvian voters influence their emotional reactions to the discourse of political candidates.

Research design and data
Participants
In total, 45 subjects participated in the experiment, all of them members of the Universidad del Pacífico community (56 percent women, women average age of 35.7, SD = 13.3 and men average age of 31.2, SD = 8.39), recruited personally and individually by the researchers. As to the education level of the sample, 28.9 percent had completed basic education, 33.3 percent had completed higher technical education, 31.11 percent university education and 6.6 percent were university students. The subjects were administrative workers, cleaning and security staff, students and professors at the university.

Where political tendencies are concerned, the questionnaire allowed participants to be divided into the 57.80 percent who preferred Mr Kuczynski, the 37.80 percent who preferred Ms Fujimori and 4.40 percent who preferred another or no candidates.

For the data analysis, the methodological requirements excluded participants for whom data quality in the recognition of facial micro-expressions was below 70 percent (Imotions, 2016), resulting in a total of 42 subjects for the first video and 41 subjects in the second. Given that the Emotient FACET is an Automated Facial Recognition System
(Calvo et al., 2018), in this study all participants’ data protection has been fulfilled through informed consent and anonymization (Lewinski et al., 2016).

The research material
The experiment involved screening the debate broadcast on May 29, 2016 (in which the proposals of the candidate Ms Fujimori were set against those of the candidate Mr Kuczynski), one week prior to the presidential elections of June 05, and identifying the facial expressions of the participants while they watched the debate.

The stimuli consisted of five segments in the debate, totaling 1 h and 8 min. These segments, known as thematic periods, corresponded to the following pattern: a 3-min introduction by each candidate; a round of questions, answers, replies and rejoinders (responses to replies) of 1 min each; adding a total of five contributions per candidate in each thematic period. Thematic Period 1 covered the area of economic growth and employment promotion; Thematic Period 2, sustainable development and environmental management; Period 3, education, poverty reduction and inequality; Period 4, transparency and the fight against corruption; and Period 5, citizen security and internal order. The stimuli were divided into three videos: the first, of a duration of 28 min and 44 s, contained the initial two periods; the second, lasting 26 min and 54 s, with Periods 3 and 4; and the third, of 13 min and 13 s, with Period 5.

The data analysis took into account only the first and second videos because their data are statistically comparable since both followed the same pattern and contained the same number of contributions: ten contributions per candidate over two thematic periods. Whereas Video 3 is not statistically comparable with the former videos because it contained just one thematic period, therefore, just five contributions per candidate. Additionally, data analysis was performed for each video as a whole and not for each thematic period. Thus, the data of ten contributions per video were necessary to conduct the statistical analysis and to reach significance. Therefore, the data of only five contributions in the third video were not sufficient.

The experiment utilized the following instruments: a webcam operated by version 6.4 of the Imotions Biometric Research Platform program; a monitor, laptop and mouse recommended by the company Imotions; and a questionnaire of sociodemographic data, recording date and place of birth, place of residence, occupation, level of education, university or technical qualification and center of study. The questionnaire also asked each participant about their political preference and voting decision.

Procedure
The sample recruitment process included a brief explanation about the reason for participation: to assess the communication capacity of Peruvian leaders; the signing of a consent form, with details about the procedures, duration, incentives, data confidentiality and participants’ rights; and the disbursement of an incentive of 30 soles to each participant.

Upon arriving at the biometric research laboratory, participants were asked to sit in a comfortable position in front of a monitor, and to look at the screen. Before starting the videos, the Imotions program performed a facial expression calibration process to determine each participant’s neutral expression, in which they were required to look at a black screen for 6 s. After being shown the three videos of the debate, the participants filled out the questionnaire of sociodemographic data, and were then given the monetary incentive. Finally, to prevent participant fatigue, breaks were held at the end of each video, in which soda, water, chocolates and candies were given out.

The identification of participants’ facial micro-expressions and emotions
The Imotions (2016) program, incorporating Emotient FACET technology, recognizes participants’ facial micro-expressions and classifies them into seven basic emotions
(joy, anger, surprise, fear, contempt, sadness and disgust), while also providing a valence of overall sentiment (positive, neutral and negative). In this study, emotional valence is used to analyze the data.

The software converts facial micro-expressions into numerical values and calculates their intensity in values ranging from $-5$ to $+11$, whereby higher values denote more intense positive, neutral or negative emotions. The system classifies the micro-expressions in real time, over milliseconds, and exports an Excel file per participant as week as a file for each video observed per participant. Thus, the experiment featured a total of two files per participant. To this end, it was necessary to identify over which milliseconds each of the five contributions were made by each candidate in each thematic period.

Once the milliseconds were identified, the maximum value of each emotional valence (positive, negative and neutral) during each candidate contribution, and for each participant, was calculated. Finally, the coding for participant political tendencies took the value of 0 to indicate a preference for Ms Fujimori, and 1 for Mr Kuczynski.

**Results**

The codings for each candidate’s contributions were assigned as follows: “PPK1” and “Keiko1” for the first contributions of Mr Kuczynski and Ms Fujimori, respectively, and so on successively for each candidate’s ten contributions in each video. Each contribution has three maximum values of each emotional valence: one for positive valence, another for neutral valence and a third for negative valence.

Then, for the statistical data analysis the SPSS 24 was used and Spearman’s correlation coefficient was employed in order to answer the research question:

**RQ1.** Do the political tendencies of voters influence their emotional reaction to the discourse of the political candidates in the study?

For the first video of the debate, the results show the following.

Figures 1 and 2 indicate that for Mr Kuczynski’s fourth and fifth contributions there is a relationship between the maximum values for positive emotional valence and the political tendencies of participants (correlation coefficient $= 0.387$, $p = 0.014$; correlation coefficient $= 0.347$, $p = 0.028$, respectively). That is, participants who preferred Mr Kuczynski reported higher maximum values of positive emotions during the PPK4 and PPK5 contributions, in comparison with those participants who preferred Ms Fujimori.

Mr Kuczynski stated the following in his fourth contribution:

> Knowledge is needed to manage the economy, I don't know what the [other] candidate’s work experience has been, she's basically been a politician, she hasn't worked for any company that I'm aware of. Here we have some immense challenges in the world economy, we need an experienced pilot to guide this plane through turbulent skies, I think I've done that already and I'll do it again [...].

Mr Kuczynski stated the following as part of his fifth contribution:

> I'm pleased to know that you have participated in politics for 20 years, that explains what's happening right now in your party [holds up newspaper] [...] the new secretary [...] is embroiled in a dispute about undue influences on a television channel to falsify a statement [...] but that doesn't seem like a good thing to me for 20 years of political experience.

For the second video, the results indicate the following.

Figure 3 reveals that for Mr Kuczynski’s fourth contribution, the maximum values for positive emotional valence are related to the political tendencies of the participants (correlation coefficient $= 0.318$, $p = 0.048$). That is, participants who preferred Mr Kuczynski reported higher maximum values of positive emotions during the PPK4 contribution, in comparison with those participants who preferred Ms Fujimori.
Figure 1.
Graph of dispersion of maximum values for positive valence, by political tendencies, during Mr Kuczynski’s fourth contribution in the first video.

Figure 2.
Graph of dispersion of maximum values for positive valence, by political tendencies, during Mr Kuczynski’s fifth contribution in the first video.
The candidate Mr Kuczynski stated the following in his fourth contribution:

[... so I had to leave Peru and I went off to study and came back to Peru later. But you, Ms. Fujimori, you accuse me of having been abroad, you in the 1,000 days that you were in Congress, you were absent for 500 sessions, that is, half of your time there, and of those, 223 days were for trips abroad, of which half were to the United States. So let’s be clear, nobody is a saint but that includes you [points].

Finally, Figure 4 shows that for Ms Fujimori’s first contribution there is a relationship between the maximum values for negative emotional valence and the political tendencies of the participants (correlation coefficient = 0.337, \( p = 0.027 \)). This reveals that participants who preferred Mr Kuczynski reported higher maximum values of negative emotions during the Keiko 1 contribution than did those participants who preferred Ms Fujimori.

Ms Fujimori said the following during her first contribution:

[...] How can we believe you Mr. Kuczynski, that you are going to work on the matter of water, that you say you have your own NGO; but when you were prime minister during the government of Mr. Toledo you opposed the “Marca Dos” water project, which is the reason why our capital has no water. I ask you, if you couldn’t do it in Lima, what are you going to do with the rest of the country?

Discussion and conclusion

Political tendencies have an influence on the relationship between the stimulus and the emotion that this provokes in the voter. That is, the political tendencies of voters do indeed influence their emotional reaction to the discourse of a political candidate. However, this depends on the type of message expressed by the politician. In the four contributions in which a significant relationship was observed, the politicians used the strategy of attack. Moreover, an additional strategy was on display in each of the four contributions, whether rhetorical or non-verbal behavior.
For instance, in his fourth contribution in the first video, Mr Kuczynski used a metaphor in which he described himself as an “experienced pilot” who would guide “this plane [Peru] through turbulent skies [the social and economic crises facing the country].” Also in this contribution, Mr Kuczynski used a personal acclaim by mentioning “I think I’ve done that already (manage Peru economy) and I’ll do it again.” Moreover, during his fifth contribution in the same video, Mr Kuczynski used the strategy of evidence by showing a newspaper and reading it, thus stressing and lending credibility to the idea expressed. The use of strategies as evidence and metaphor in the first person singular by Mr Kuczynski is in line with the definition of Jones (2016) and Grebelsky-Lichtman and Katz (2019) about masculine communication styles or patterns in political discourses.

In the second video, during his fourth contribution Mr Kuczynski employed the evidence strategy by citing exact figures regarding the days on which his opponent had traveled and was absent from parliament. The fact that Mr Kuczynski used precise data, again reaffirms the masculine linguistic style defined by Jones (2016). According to Jones (2016), a prototype of an ideal political leader is more associated with masculine traits and using masculine style usually ensures political success. Therefore, as Mr Kuczynski used more masculine traits in the last debate of the 2016 presidential campaign, this could explain the dramatic change in voting intentions and the final results where Mr Kuczynski won the elections. This coincides with the electoral results in the 2016 US presidential elections, where Trump, the winner, also used masculine-communicative patterns (Grebelsky-Lichtman and Katz, 2019). Both outcomes suggest that the masculine style is the one that ensures political success. Moreover, these results coincide with the findings of Grebelsky-Lichtman (2015), who contends that challenging political messages are a predictor of victory during televised debate.

Mr Kuczynski also used religious rhetoric, noting that “nobody is a saint, but that includes you.” Making a reference to religion could be an expected and appropriate strategy given that 76 percent of Peruvian citizens consider themselves as Catholic (Sausa, 2018). In the same contribution, the candidate reinforced the attack by pointing at his adversary,

Finally, in her first contribution during the second video, Ms Fujimori deployed a rhetorical question, accentuating her attack by asking “How can we believe you Mr. Kuczynski[...]? If you couldn’t do it in Lima, what are you going to do with the rest of the country?” The declaration could be classified as direct, accusatory and angry speech, therefore, it is a clear example of masculine linguistic style (Jones, 2016). Then, Ms Fujimori, similarly to Mr Kuczynski, used an aggressive, masculine strategy and not a feminine-communicative pattern as Hillary Clinton in the mixed-gender debate with Donald Trump (Grebelsky-Lichtman and Katz, 2019). We confirm that, typically, female candidates use masculine norms of behavior (Jones, 2016) which could be an efficient strategy. It has been demonstrated that female politicians who accentuate masculine traits are more likely to win the elections (Oliver and Conroy, 2018). However, this strategy should be used with caution because findings suggest that female candidates can be seen more negatively if they do not follow their traditional gender traits (Everitt et al., 2016). Therefore, as Ms Fujimori used a masculine style throughout the presidential campaign, this may cause a negative effect on Peruvian voters, leading to the defeat of Ms Fujimori. Further investigation is needed to study the linguistic styles of Peruvian politicians and their impact on Peruvian voters.

Regarding the first conclusion, masculine-communicative patterns in general and the communicative strategy of attack in particular, accompanied by other rhetorical strategies and non-verbal behavior, generates an emotional response in the audience, while the political tendencies of the voters influence this emotional response. As such, during the entire studio debate, the predominant rhetorical strategy was attack. Thus, the implications for a presidential campaign in Peru lie in choosing the most suitable time in the election campaign to use the election communication strategy of attack, accompanied by other strategies that emphasize and lend credibility to the message.

It is important to recall that political tendency conditions a certain kind of emotional response. In three of the four contributions, political tendencies had an influence on positive emotional valence; that is, on positive emotional responses. It were the followers of Mr Kuczynski who felt more positive emotions while watching and listening to his messages. In contrast, concerning Ms Fujimori’s contribution, political tendencies influenced the negative emotions of all participants (regardless of their political tendency). This confirms Everitt et al. (2016) findings: when female politicians express aggression and dominance in their messages, they are perceived and assessed more negatively than their male counterparts, even by their followers.

Concerning the principal aim of the present study, the authors conclude that political tendencies indeed influence the emotional reaction to the political discourses during a televised political debate. However, depending on the linguistic style and on the gender of the politician, political tendency could lose relevance. Furthermore, finding suggests that Peruvian candidates should attack their opponents by way of a mocking tone of voice and expressing a real smile, in order to trigger positive emotions in their followers. Additionally, the negative emotions elicited by Ms Fujimori’s speech confirm that gender stereotypes still exist among Peruvian voters. Therefore, it could be speculated that female Peruvian politicians should avoid using masculine linguistic styles and should try more feminine-communicative patterns in order to persuade Peruvian voters.

Moreover, the study makes a methodological contribution, employing an experimental protocol based on Emotient FACET technology in a political context, thereby enabling more direct and objective measurement of voters’ emotional responses. Furthermore, it exposed participants to real videos in which politicians’ verbal and non-verbal communication could be appreciated simultaneously. Additionally, the study contributes a protocol for the synthesis and analysis of data exported by the Imotions program.
As to the limitations of the study, the sample size means that the results cannot be
generalized to other contexts beyond the Peruvian case. Moreover, future investigations
should take participants’ sociodemographic characteristics into account in their analyses.
As regards political communication as a future line of research, scholars should separately
analyze the impact of different rhetorical strategies – such as sarcasm and irony – used by
Peruvian politicians, in order to establish their impact on voters’ emotions.

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Further reading


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Determinants of foreign exchange risk management in Latin American firms

DETRMINANTES DE LA GESTIÓN DEL RIESGO DE TIPO DE CAMBIO EN EMPRESAS DE AMÉRICA LATINA

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Abstract
Purpose – The purpose of this paper is to identify whether Latin American (LA) firms are adopting any hedging strategy when designing foreign exchange risk (FXR) measures. To that end, the authors explore the impact of several drivers of FXR management.
Design/methodology/approach – The sample consists of 342 non-financial listed firms established in a group of representative countries of the LA region and covers the period from 2008 to 2016. Hypothesis testing is performed through a Logit model that measures the likelihood to adopt hedging practices. In addition, a Tobit test offers further insights into the derivatives users.
Findings – The authors corroborate capital structure-related hypotheses such as tax goals, financial distress, liquidity and growth opportunities. In addition, both ownership concentration and income tax payable seem to be negative and significant determinants of FXR coverage.
Originality/value – Results reported in this study are relevant for the LA region with high tradition in raw materials and commodities exports. The results show that LA firms still make limited use of derivatives and there is still much room for improvement. Hence, additional efforts to promote FXR hedging should be desirable, to meet authorities’ recommendations (OECD et al., 2007). Further research exploring corporate governance relationships and differences between large and small firms might be helpful.
Keywords Risk management, Foreign exchange risk, Hedging, Derivatives, Logit, Tobit, Latin America, GIKA-LATAM-2019
Paper type Research paper

Resumen
Propósito – Este estudio tiene como objetivo identificar si las empresas Latinoamericanas (LA) están adoptando alguna estrategia de cobertura frente al riesgo de tipo de cambio (FXR). Para ello exploramos el impacto de varios determinantes de gestión de FXR.
 Diseño/metodología/enfoque – La muestra está formada por 342 empresas del sector no financiero de un grupo representativo de países latinoamericanos y abarca el periodo 2008 a 2016. Para testar las hipótesis se
aplican modelos Logit que miden la probabilidad de adoptar diferentes prácticas de cobertura. Adicionalmente, los resultados de la aplicación de un modelo Tobit ofrecen información extra sobre los usuarios de derivados.

### Hallazgos
- Corroboramos las hipótesis relacionadas con la estructura de capital, tales como objetivos fiscales, dificultades financieras, liquidez y oportunidades de crecimiento. Además, tanto la concentración de propiedad como los impuestos sobre la renta por pagar parecen ser determinantes negativos y significativos de la cobertura de FXR.

### Originalidad/valor
- Los resultados reportados en este estudio son relevantes para la región Latinoamericana con una gran tradición en exportaciones de materias primas y productos básicos. Nuestros resultados muestran que las empresas Latinoamericanas utilizan de manera limitada los derivados y todavía hay mucho por mejorar. Por lo tanto, es deseable la promoción de esfuerzos adicionales en cuanto a la cobertura de FXR para cumplir con las recomendaciones de las autoridades (OECD, 2007). Entre otras, serían de gran ayuda las investigaciones adicionales que exploten factores adicionales de Gobierno Corporativo (CG) así como profundizar en las diferencias entre empresas grandes y pequeñas.

### Palabras clave
- gestión del riesgo, riesgo de tipo de cambio, cobertura, derivados, Logit, Tobit, América Latina, GIKALATAM-2019

### Tipo de papel
- Trabajo de investigación

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### 1. Introduction

This study investigates the main drivers of foreign exchange risk (FXR) strategies in Latin American (LA) firms. The main goal is to provide further knowledge of FXR management in emerging economies because the promotion of derivatives would be not only desirable but also necessary in the LA region, which displays high levels of raw materials and commodities exports (World Bank Group, 2018).

In the globalization era, the use of risk-coverage instruments by multinational firms is increasing at exponential rates: for the period 2004–2018 the notional trades of OTC raised their value up to 130 percent, being interest rate and foreign exchange rate derivatives the most traded instruments, i.e. 70 and 14 percent on average, respectively (Bank for International Settlements, 2017, 2018).

LA countries also display a high export growth rate in commodities, i.e. 5 percent from 2008 to 2016 (World Bank Group, 2018) and positive forecasts for 2018 onwards, due to: the strength of US demand; the rise in commodity prices; and favorable financial conditions for countries exporting raw materials (International Monetary Fund, 2018). In this regard, the ECLAC (2016) shows that raw materials represented up to 44 percent of total exports in 2016 in this region.

These export operations trigger an explicit exposure to price and FXR that firms try to avoid. In particular, FXR management raised up to 88 percent in the LA region between 2007 and 2016 (Bank for International Settlements, 2017), but the use of financial instruments still remains at low levels because these countries frequently face challenges associated with underdeveloped markets, limited trading options, information asymmetries and weak corporate governance (CG) (OECD, 2007).

Extant literature on FXR management in the LA region is scarce and academic contributions would be helpful. From the macroeconomic perspective, according to the OECD et al. (2007), the use of derivatives in emerging economies is relevant since it supports the development of capital markets by increasing investments, trading operations and asset management opportunities.

In addition, at the firm level, prior investigations reveal that hedging transactions reduce the noise and increase the informational content of the firm’s profit, improving the quality of the financial forecasts (DeMarzo and Duffie, 1995); they provide cash flow stability, because deadweight losses of bankruptcy are limited (Smith and Stulz, 1985; Purnanandam, 2008); they are used as tax shield (Stulz, 2004); and they help to coordinate corporate investments and financing policies and to alleviate underinvestment costs (Froot et al., 1993).

In a nutshell, fostering the use of hedging instruments in general, and FXR hedging in particular, might contribute to the economic stability of the LA region and provide benefits to the multinational companies.
This study pretends to shed some light into this issue. We respond to research calls (Geyer-Klingeberg et al., 2018) and extend capital structure (CS) theories by integrating CG premises. In particular, the paper at hand builds on prior contributions that identified several determinants of FXR hedging such as leverage (Smith and Stulz, 1985; Clark and Judge, 2008; Marshall et al., 2013; Tanha and Dempsey, 2017), tax loss carryforwards (Nance et al., 1993; Berkman and Bradbury, 1996; Bartram, 2000), interest coverage (Clark and Judge, 2008) or size (Ben-Zion and Shahit, 1975; Allayannis and Ofek, 2001; Marshall et al., 2013), among others. Noteworthy, in the LA region, we are only aware of the study by Schiozer and Saito (2009).

This paper investigates the main factors associated with FXR management strategies in a sample of non-financial firms listed on the main stock exchanges in Argentina, Brazil, Chile, Colombia, Mexico and Peru, from 2008 to 2016.

We contribute to previous knowledge in several ways. First, we extend the range of countries analyzed in Schiozer and Saito (2009) by including not only Chile, Brazil, Mexico, and Argentina but also Peru and Colombia. After the worldwide financial crisis of 2008, the economies that showed the highest GDP growth rate in South America were Peru, Brazil and Colombia with an average rate of 6, 4 and 3 percent, respectively (World Bank, 2018). Therefore, by including Peru and Colombia the study covers around 99 percent of the market capitalization of listed domestic companies of both the LA and the Caribbean regions (World Bank, 2018) and offers an extended geographical analysis.

Second, we find that previous literature (Allayannis et al., 2012) examines the impact of derivatives in the firm’s value for a sample of companies and listed in the US exchanges. Alternatively, this study provides evidence on the FXR hedging strategies followed by LA firms listed in their domestic markets.

Third, in our view, this study updates prior results since Lel (2012) covers the period of 1990–1999 and Schiozer and Saito’s (2009) data cover the period of 2001–2004. We investigate a recent period of time (2008–2016) because from 2004, several LA countries have implemented domestic financial markets, i.e. from 2009 the future contracts are traded in the centralized markets in Colombia.

In addition, LA firms have recently experienced severe changes in their managerial and governance culture, both in governmental and non-governmental companies (Banco de Desarrollo de América Latina et al., 2012), being the case of the mining companies ISAGEN (Colombia) and CODELCO (Chile), the Panama Channel (Panamá) or the public services EPM (Colombia). In addition, our period of study is characterized by high currency volatility. According to the World Bank (2018), for the period 2014–2016, LA countries exhibit a nominal depreciation of their currencies in relation to the US dollar (33.1 percent in the case of Argentina) when FXR becomes even more relevant.

Finally, Schiozer and Saito (2009) only explore financial theory-based hypotheses, but we also integrate governance motivations for FXR practices, in order to provide a wider perspective.

The rest of the paper is organized as follows. Section 2 describes the literature review and development of the hypotheses to be tested. Section 3 reports the methodological design of the research, sample construction and descriptive results. Section 4 includes the empirical and robustness tests, and in Section 5 we discuss our findings and conclude.

2. Literature review and hypotheses development
This study integrates two theoretical frameworks, namely, the CS theory and the agency theory. We describe these theories that provide the premises for our research hypotheses as follows.

2.1 Hypotheses developed under the capital structure theory
According to the CS theory by Modigliani and Miller (1958) in a perfect market, the firm’s CS is irrelevant and companies do not need to manage risk because it does not affect the
firm value. However, since in the real world those conditions of perfect competition do not hold, CS scholars aim to identify the CS and risk strategies that maximize firm value and explore additional factors such as hedging activities, transaction costs, bankruptcy costs or tax functions, among others.

Within the CS framework, we rely on the trade-off (TO) theory that integrates tax considerations. The TO theory postulates that a firm reaches the optimum equilibrium (maximum firm value) when the leverage ratio triggers the maximum tax benefits with the minimum insolvency risk (Kraus and Litzenberger, 1973; Kim, 1978; Myers, 1984; Bradley et al., 1984).

Prior investigations under the TO theory have explored the relationship between hedging decisions, CS and tax factors and their impact on the firm value. Some academics report that hedging increases firm value (Graham and Rogers, 2002; Faff and Marshall, 2005; Carter et al., 2006; Bartram et al., 2011; Giraldo-Prieto et al., 2017). Conversely, other researchers report that derivatives reduce FXR but fail to prove value creation (Belghitar et al., 2013). Hence, empirical evidence is not conclusive. We develop the hypotheses related to TO theory as follows.

Corporate taxes as determinants of hedging activities. According to Smith and Stulz (1985), if a firm faces a convex tax function (i.e. taxes increase over-proportionally with taxable income), corporate hedging can increase post-tax firm value by reducing the volatility of pre-tax income. Several empirical contributions (Nance et al., 1993; Berkman and Bradbury, 1996; Bartram, 2000) demonstrate this premise. In consequence, the use of derivatives might be employed as a tax shield (Stulz, 2004).

The survey by Brown (2001) reveals that decreasing the expected US taxes is not a motivation for treasurers and tax experts to hedge. In this vein, Haushalter (2000) argues that the company’s marginal tax rate provides little support for a tax-based explanation for hedging. Graham and Rogers (2002), Schiozer and Saito (2009) and Marshall et al. (2013) also fail to corroborate that firms hedge in response to tax convexity or to decrease expected taxes.

However, although the tax convexity forces as a proxy for hedging cast doubts, the association between income tax payable (ITP) and hedging activities rise fewer concerns: Barton (2001) and Donohoe (2015) prove that, on average, derivatives users pay fewer taxes than non-users do. Moreover, Graham and Rogers (2002) demonstrate that hedging increases debt capacity and increases tax benefits by 1.1 percent of firm value.

Therefore, based on prior evidence, we posit the following hypothesis:

H1. ITP is negatively associated, ceteris paribus, to the likelihood of FXR hedging.

Financial distress costs as determinants of hedging activities. Smith and Stulz (1985) argued that the avoidance of transaction costs related to financial distress (such as higher debt costs, guarantees and collaterals) can induce firms to hedge and avoid risks. In this sense, Judge (2006) posits that the higher the firm’s indebtedness, the lower the interest coverage ratio (ICR), the greater probability of financial distress and, thus, the higher probability of risk hedging. Nevertheless, opposite reasoning may apply: Berkman and Bradbury (1996) claim that if hedging allows the firm to increase debt capacity and raise funds at a lower cost, then ICR should decrease and the firm should be less financially distressed. But, then, the firm would face less incentive to hedge (Schiozer and Saito, 2009).

Since no conclusive results from individual studies have been reported yet, the relationship among leverage, ICR, default probability and risk-avoidance strategies should be empirically determined.

Haushalter (2000) documents that FXR hedging could minimize debt costs and improve the terms of the financial debt contracts and, eventually, be positively associated with leverage. Similarly, Chen and Dolly King (2014) report strong evidence that hedging is associated with a lower cost of debt.
Clark and Judge (2008) divide the group of FXR hedgers into derivatives users and firms that use foreign currency debt in the same currency as future foreign earnings. Leverage variables are significantly related to FXR hedgers that use both methods but not to those firms that only use derivatives.

Moreover, the TO theory predicts that leverage should increase with tax benefits (Otero González et al., 2010). Accordingly, hedging strategies would ease higher leverage and higher tax benefits, as documented by Le (2012) and Graham and Rogers (2002). However, Le (2012) confirmed Clark and Judge’s (2008) conclusions on the lack of association between the use of FX derivatives and leverage.

Additionally, the institutional context is relevant because financial distress costs are less pronounced for the US than for non-US firms (Geyer-Klingeberg et al., 2018).

Based on theoretical and empirical findings, we posit the following hypotheses in the same direction that have predominantly been tested, according to the meta-data provided by Geyer-Klingeberg et al. (2018):

**H2a.** Leverage is positively associated, *ceteris paribus*, to the likelihood of FXR hedging.

**H2b.** ICR is negatively associated, *ceteris paribus*, to the likelihood of FXR hedging.

**Liquidity as a determinant of hedging activities.** Liquidity represents the ability of a firm to fully meet its short-term contractually fixed payment obligations (Géczy et al., 1997).

Nance et al. (1993) posit that liquidity is a substitute for hedging and that FXR derivatives users involve significantly less liquid assets and higher dividend yields (Froot et al., 1993; Marshall et al., 2013).

In LA countries, Schiozer and Saito (2009) report that derivatives and liquidity are almost unrelated.

The meta-analysis by Geyer-Klingeberg et al. (2018) identifies liquidity as one of the variables negatively and significantly associated with corporate hedging decisions. In spite of these findings, Gamba and Triantis (2013) theoretically demonstrate that high levels of cash play an important role in risk management. In this vein, Mello and Parsons (2000) argue that optimal coverage maximizes the company’s liquidity-slash in terms of excess cash or unused debt capacity when liquidity is more valuable, so hedge can also be understood as a source of liquidity to the firm.

Since prior archival findings are not conclusive, we posit the following hypothesis:

**H3.** Liquidity is negatively or positively associated, *ceteris paribus*, to the likelihood of FXR hedging.

**Investment opportunities as determinants of hedging activities.** Currencies’ volatility may lead to discard projects with negative present values that should be profitable, provided FXR is covered. Then, managers face incentives to hedge FXR associated to investments. Moreover, Froot et al. (1993) theoretically demonstrate that when external funds are costlier than internally generated funds, then risk management may assure internal funds to finance good investment opportunities. Then, investment and growth opportunities represent a good driver for hedging. However, Lin et al. (2008) state that the way in which hedging affects the firms’ financing and investing decisions differs across firms with different growth opportunities.

In this regard, Choi et al. (2013) assert that R&D projects can also benefit from risk coverage through corporate hedging and mitigate underinvestment problems. However, Géczy et al. (1997) failed to find any significant association between R&D and the use of currency derivatives.

The overall conclusion from prior empirical literature is that the degree of investment and growth opportunities is not a robust determinant of hedging activities and that the relationship between R&D expenses and hedging decreases over time (Geyer-Klingeberg et al., 2018).
In emergent countries, growth opportunities through tangible assets are higher than in developed countries, thus we expect to prove the following hypothesis in the LA region:

\[ H4. \] Investment opportunities are positively associated, \textit{ceteris paribus}, to the likelihood of FXR hedging.

2.2 Hypotheses developed under the agency theory and using CG mechanisms

Within the agency theory (Jensen and Meckling, 1976; Fama and Jensen, 1983), CG mechanisms are aimed at mitigating agency costs, such as the information asymmetries and the divergence of principal–agent interests (and/or the alternate agency relationships).

Hence, governance improvements in emerging markets benefit firms through better financial strategies and better financial performance where CG challenges (including the firm’s ownership structure) are highly influenced by the institutional environment (Claessens and Yurtoglu, 2013). Additionally, shareholders can use corporate financial policies such as hedging to complement their governance mechanisms (Lel, 2012).

According to (La Porta et al., 1998, 2000), in common-law countries, the shareholder protection is high and large companies are traditionally listed in stock markets with their ownership being highly disseminated. However, in other legal systems, firms exhibit a high degree of ownership concentration (Cuervo, 2002). Those shareholders with a high proportion of shares (at least 5 percent of a firm’s outstanding shares), known as blockholders, often have a strong presence in the board of directors and can play an active monitoring role (Almazan et al., 2005; Jensen and Warner, 1988; López-Iturriaga et al., 2015). They have more incentives to do so because they are bearing risk in huge investments; they can be more effective at overcoming the free-rider problem caused by ownership dispersion and, proportionally, their monitoring costs become lower.

Then, in highly concentrated ownership firms, it is plausible to expect that board of directors play a stronger monitoring role over managers and that managers will be more conservative in risk terms. DeMarzo and Duffie (1995) claim that good governance influences hedging decisions, which helps to mitigate information asymmetries, to reduce the noise and to increase the informational content of the firm’s profit, improving the quality of the financial forecasts. They find that the use of derivatives to hedge FXR is related to strongly governed firms and is included in the corporate risk strategy, while weakly governed firms appear to use derivatives mostly for managerial reasons.

However, to our knowledge, the empirical evidence on this ground is limited. Regarding the type of blockholder, Géczy et al. (1997) demonstrate that firms with high institutional ownership are more likely to hedge with currency derivatives. Tungsong and Jiraporn (2016) indicate that family ownership by itself does not have a significant impact on the Thai firm’s propensity to hedge; only when family members have a strong presence on the board of directors, firms are significantly more likely to engage in hedging activities.

LA companies exhibit high ownership concentration in the hands of families, banks and other large companies (Black et al., 2017; Claessens and Yurtoglu, 2013). Cid Aranda et al. (2017) reveal a U-inverted relationship between the use of derivatives and the firm’s value in Chile, so the positive association between FXR coverage and firm’s value turns out to be negative when the ownership concentration exceeds the maximum. Thus, considering that ownership concentration in LA firms is high and based on prior evidence (Cid Aranda et al., 2017), we expect a negative association between ownership concentration and risk-avoidance strategies and, accordingly, we posit the following hypothesis:

\[ H5. \] Ownership concentration is negatively associated, \textit{ceteris paribus}, to the likelihood of FXR hedging.

The agency theorists advocate that the optimal contract is the one that links executive compensation with firm performance, controlling for firm risk measures, because it closely
The interests of shareholders (principal) and the managers (agent) and, consequently, it reduces agency problems (Jensen and Murphy, 1990).

In the aftermaths of several financial scandals (Enron, Parmalat, Bankia, among others), society and academics claimed that executive remuneration seemed to be excessive and failure-rewarding (De Andrés et al., 2019). In response to the social claim, several authorities and standard setters (Section 952 of the Dodd–Frank Act of 2010; the 2010 UK Governance; and the EU Directive 2013/36/E) prompted the implementation of the pay-performance scheme with a variable component of the salary linked to the firm’s performance (bonuses, stock options, among others). Hence, managers face high incentives to avoid unnecessary or excessive risks when their salaries include a variable component of the salary.

Prior research corroborates this assertion. Barton (2001) evidences the managerial use of derivatives and discrecional accruals as substitutes to manage earnings volatility and the effect of the governance on this interaction. Tufano (1996) and Dionne and Triki (2013) prove this positive association between managerial shareholdings and hedging activities. Graham and Rogers (2002) report that managers show risk aversion (including Vega per option as a measure of the option’s price sensitivity to changes in the volatility of the underlying asset) when it benefits CEO’s salaries and bonuses. Marshall et al. (2013) tested a number of remuneration variables, but only the variable related to shares owned by executive directors turned out to be significant to hedging strategies.

Related to the stock option compensation, Rajgopal and Shevlin (2002) report that executive stock option sensitivity to stock return volatility is associated with less hedging in price risk exposure.

Hence, based on prior evidence, we predict a positive influence of the manager’s remuneration and hedging activities, thus, we posit the following hypothesis:

\[ H6. \text{ Stock option compensation expenses are positively associated, ceteris paribus, to the likelihood of FXR hedging. } \]

### 3. Empirical design

#### 3.1 Research methodology

We use panel data econometrics on a data panel strongly balanced, with 342 non-financial firms listed in the period 2008–2016 (3,078 observations). Following prior validated methodology (Nance et al., 1993; Allayannis and Ofek, 2001; Clark and Judge, 2008; Otero González et al., 2010), we developed a Logit model (Equation (1)) to identify whether the explanatory variables increase the likelihood for the firm to hedge FXR (the dependent variable equals 1) or not (the dependent variable equals 0):

\[
Pr(\text{FXRH} = 1) = \alpha + \beta_1 \text{ITP}_{it} + \beta_2 \text{Leverage}_{it} + \beta_3 \text{ICR}_{it} + \beta_4 \text{Quick}_{it} + \beta_5 \text{Capex}_{it} + \beta_6 \text{Owner}_{it} + \beta_7 \text{Stock}_{comp}_{it} + \beta_8 \text{Size}_{it} + \beta_9 \text{FXR}_{index}_{it} + \beta_{10} \text{DeltaFXR}_{it} + \epsilon_{it},
\]

where the dependent variable, \( Pr(\text{FXRH}) \) is the likelihood for the firm to hedge FXR exposure. To further explore different FXR management strategies, we develop three models: first, the dependent variable \( Pr(\text{FXRH}_{AA}) \) in Model 1 captures the probability for the company to hedge FXR, through accounting measures and/or derivatives. Second, \( Pr(\text{FXRH}_{de}) \) in Model 2 identifies the likelihood to hedge FXR with derivatives, at least, one year during the period of analysis. Finally, \( Pr(\text{FXRH}_{de\_reg}) \) in Model 3 represents the probability for the company to cover FXR with derivatives on a regular basis (i.e. the use of derivatives covers, at least, four out of the nine years of our period of analysis).
The set of explanatory variables are the following: we estimate whether the firm is obtaining tax benefits through the variable $\text{ITP}$ scaled with total assets (Nance et al., 1993; Judge, 2006; Clark and Judge, 2008; Otero González et al., 2010; Donohoe, 2015) Following prior research (Clark and Judge, 2008; Marshall et al., 2013; Tanha and Dempsey, 2017), $\text{Leverage}$ is estimated as the book value of debt over the market value of the company. We measure $\text{ICR}$ through the EBIT over interest expenses (Berkman and Bradbury, 1996; Clark and Judge, 2008) to estimate the firm’s capacity to pay back the financial costs of the debt. As in Berkman and Bradbury (1996) and Géczy et al. (1997), we estimate firms’ liquidity through the quick ratio ($\text{Quick}$) calculated as the current assets less inventories over the current liabilities. We approach investment and growth opportunities through capital expenditures, $\text{Capex}$, i.e. funds used to acquire fixed assets and other than those associated with acquisitions, in its log form (Geyer-Klingeberg et al., 2018).

Regarding CG characteristics, $\text{Ownership}$ is the percentage of shares owned by the shareholder who has the majority of the voting rights, veto power or golden share. $\text{Stock\_comp}$ is the natural log of the provision for stock option compensation released in the profit and loss account. Following Marshall et al. (2013), when the stock option compensation is not reported net of taxes, the standard tax rate is applied to the reported pre-tax amount. We also control for several factors that, according to prior research, are likely to influence FXR exposure hedging. First, we control for company’s size ($\text{Size}$) because, as stated by Faff and Marshall (2005), larger companies are expected to make more foreign operations, face higher FXR exposure and, eventually, use derivatives in a greater extent. In addition, most of the costs associated with risk management are fixed rather than variable, such as specialized personnel and software that make small contracts uneconomical. Thus, there are economies of scale associated with risk management using derivatives which implies a positive relationship between firm size and derivatives usage, as reported by the vast majority of archival research (Geyer-Klingeberg et al., 2018). Hence, we expect for this variable a positive sign and it is measured through the natural log of the total assets at year end.

Additionally, we expect that the higher the FXR exposure level, the higher the use of hedging instruments. Thus, to control for the firm’s exposure level, we estimate an index, labeled $\text{FXR\_index}$, which consists of the mean value of the outcome of adding the following two items for each firm every year: the proportion of foreign assets to total assets; and the proportion of foreign sales to total sales (Allayannis and Ofek, 2001; Belghitar et al., 2013; Jin and Jorion, 2006; LeL, 2012). Finally, we control for $\text{DeltaFX}$, which measures the volatility in the absolute value of the currencies analyzed. We do not expect a specific sign for this variable.

We work with positive values in all variables to estimate panel data Logit models. Descriptions of the variables, their measurements and the expected sign are displayed in Table AI.

### 3.2 Sample of the study

The sample includes non-financial firms listed in the stock exchanges of Argentina, Brazil, Chile, Colombia, Mexico and Peru and it covers the period from 2008 to 2016. The period of analysis starts in 2008 because it is the year from which we were able to obtain reliable data on FXR hedging practices in LA. We used two sources of information: Thomson Datastream and Economática databases; and additional information regarding FXR and hedging practices were manually collected from the annual reports released in companies’ websites or, alternatively, in their respective Financial Supervisory Authority websites.

Following Clark and Judge (2008), Géczy et al. (1997) and Graham and Rogers (2002), the sample only includes firms that are exposed to FXR; that is, that are disclosing one or
several of the following items in their annual accounts: foreign sales; foreign taxes; FX transactions; foreign assets; and qualitative discussion related to FXR in the notes.

Table I discloses the distribution of the final sample (which consists of 342 companies and 3,078 firm-year observations) by country. In 1,192 observations, LA firms do not cover FXR; meanwhile, in 1,886 cases firms practice operational and/or financial coverage. In 1,693 out of 1,886 cases (88.5 percent), firms have engaged in derivatives transactions and in 877 out of 1,886 cases (28.49 percent) they do it regularly. Brazil provides the highest number of companies (132) which represents 38.60 percent of the sample, followed by Chile (76 firms), Mexico (51 firms), Argentina (33 firms), Peru (34 firms) and Colombia in the last place with 16 companies. Regarding FXR management, Brazilian companies display the highest use of derivatives, either sporadically (36.68 percent) or regularly (34.09 percent). This proactive attitude toward exchange risk is followed by Chile and Mexico with 282 and 228 cases of regular use of derivatives, respectively. Conversely, none of the companies in Colombia uses derivatives regularly.

3.3 Descriptive results

Table II shows the descriptive statistics of the variables considered in the study. Average data related with the whole sample (Column 1, Table II) indicate that 61.3 percent of the exposed firms to FXR did manage this risk through accounting compensation and/or with derivatives ($\text{FXRH\_AA} = 1$). Around 55 percent of the sample used derivatives, at least, one year during the analyzed period ($\text{FXRH\_de} = 1$) and only 28 percent of the sample used derivatives, at least for four years ($\text{FXRH\_de\_reg} = 1$).

Noteworthy, $\text{ITP}$ in LA firms is around 1 percent, $\text{Leverage}$ offers an average value of 81.9 percent and $\text{Ownership}$ varies from 1.5 to 99.9 percent, but, on average is about 40 percent.

In order to assess whether there is any statistical difference between our groups of observations, we perform a standard $t$-test ($T$-student) and report the results in Table III.

Regarding our variables of interest, according to $H1$, those firms that are covering FXR and that use derivatives regularly are disclosing less $\text{ITP}$ than the remaining firms do (this variable displays negative and significant coefficients in Columns 3 and 9 of Table III). $\text{Leverage}$, $\text{Capex}$ and $\text{Stock\_comp}$ variables present positive coefficients, therefore, hedgers exhibit higher indebtedness, growth and executive stock compensation than non-hedgers do (according to $H2a$, $H4$ and $H6$). $\text{ICR}$ only displays the expected sign ($H2b$) at 1 percent level for those companies that use derivatives regularly (Column 9). $\text{Quick}$ ($H3$) presents miscellaneous results. $\text{Ownership}$ exhibits a negative coefficient, as expected according to $H5$, but it turns out to be significant only when comparing firms that do hedge with those firms that do not. Finally, the control variables are significant and display the expected sign according to prior investigations.

In order to detect multicollinearity problems, we perform the Bonferroni correlation analysis for significance levels of 5 percent or less. Marshall et al. (2013) consider as significant evidence of multicollinearity a 0.8 cut-off coefficient correlation value. We run the Dunn–Sidak adjustment at 5 percent. In our sample, results (unreported) do not exhibit severe multicollinearity problems.

4. Results

4.1 Results of the logistic regressions

Table IV reports the results of the logistic regression for the three models where the dependent variable is $\text{FXRH\_AA}$ (Model 1); $\text{FXRH\_de}$ (Model 2); and $\text{FXRH\_de\_reg}$ (Model 3), which captures the likelihood for adopting any FXR coverage measure, hedging with derivatives and hedging with derivatives on a regular basis, respectively. For every group, we have run the
<table>
<thead>
<tr>
<th>Country</th>
<th>Total firms</th>
<th>Total observations</th>
<th>Total %</th>
<th>FXRH_AA = 0</th>
<th>FXRH_AA = 1</th>
<th>FXRH_de = 1</th>
<th>FXRH_de_reg = 1</th>
<th>FXRH_AA = 0</th>
<th>FXRH_AA = 1</th>
<th>FXRH_de = 1</th>
<th>FXRH_de_reg = 1</th>
<th>% of observations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>33</td>
<td>297</td>
<td>10</td>
<td>200</td>
<td>97</td>
<td>88</td>
<td>26</td>
<td>16.78</td>
<td>5.14</td>
<td>5.20</td>
<td>2.96</td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>132</td>
<td>1,188</td>
<td>39</td>
<td>425</td>
<td>762</td>
<td>621</td>
<td>299</td>
<td>35.74</td>
<td>40.40</td>
<td>36.68</td>
<td>34.09</td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>76</td>
<td>684</td>
<td>22</td>
<td>201</td>
<td>483</td>
<td>475</td>
<td>282</td>
<td>16.86</td>
<td>25.61</td>
<td>28.06</td>
<td>32.16</td>
<td></td>
</tr>
<tr>
<td>Colombia</td>
<td>16</td>
<td>144</td>
<td>5</td>
<td>60</td>
<td>84</td>
<td>66</td>
<td>0</td>
<td>5.03</td>
<td>4.45</td>
<td>3.90</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>51</td>
<td>459</td>
<td>15</td>
<td>123</td>
<td>336</td>
<td>327</td>
<td>228</td>
<td>10.32</td>
<td>17.82</td>
<td>19.31</td>
<td>26.00</td>
<td></td>
</tr>
<tr>
<td>Peru</td>
<td>34</td>
<td>306</td>
<td>10</td>
<td>182</td>
<td>124</td>
<td>116</td>
<td>42</td>
<td>15.27</td>
<td>6.57</td>
<td>6.85</td>
<td>4.79</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>342</td>
<td>3,078</td>
<td>100</td>
<td>1,192</td>
<td>1,866</td>
<td>1,693</td>
<td>877</td>
<td>38.73</td>
<td>61.27</td>
<td>55.00</td>
<td>28.49</td>
<td></td>
</tr>
</tbody>
</table>

Notes: FXRH_AA, FXRH_de and FXRH_de_reg equal 1 if the firm hedge uses derivatives to hedge FXR at least one year during the period (2008-2016), and uses derivatives regularly to hedge FXR during at least for four years of the period (2008-2016), respectively, and 0 otherwise.

Table 1. Distribution of the sample by country for the period 2008-2016.
extended model with all explanatory variables, and also the CS removed and the CG removed models where the CS and the CG variables are dropped, respectively.

Notably, all models display high predictive power by around 73 percent. The $\chi^2$ tests reveal that including the CS and CG variables in the extended models significantly (at 1 percent) increases the explanatory power. Hence, for the sake of brevity, we only comment below on the extended models.

Regarding CS variables, our results corroborate H1 because the likelihood of adopting FXR coverage is negatively associated with the amount of ITP. Leverage is statistically significant with a positive sign for derivatives users, either under isolated or regular use, confirming H2a. Noteworthy, in Model 1, that also comprises accounting FXR hedging, the variable is not significant. The ICR reports statistical coefficients but with different signs, i.e. positive in Models 1 and 2 but negative in Model 3. Quick displays a significant coefficient in Model 2 (10 percent of significance) and in Model 3 (1 percent of significance) with a positive sign. Capex shows significant and positive coefficients in every model, thus we can confirm H4. Regarding CG variables, only Ownership displays negative and significant results in every model, as expected (H5). Hence, we fail to confirm H6. All control variables are significant at 1 percent and display the same sign than expected.

### Table II.
Descriptive statistics

<table>
<thead>
<tr>
<th>Variables</th>
<th>Mean (1)</th>
<th>SD (2)</th>
<th>Min. (3)</th>
<th>Max. (4)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FXRH_AA (1/0)</td>
<td>0.613</td>
<td>0.487</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>FXRH_de (1/0)</td>
<td>0.550</td>
<td>0.498</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>FXRH_de_reg (1/0)</td>
<td>0.285</td>
<td>0.451</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>DERIV_ASSET (%)</td>
<td>0.002</td>
<td>0.006</td>
<td>0</td>
<td>0.038</td>
</tr>
<tr>
<td>DERIV_LIAB (%)</td>
<td>0.010</td>
<td>0.034</td>
<td>0</td>
<td>0.255</td>
</tr>
<tr>
<td>DERIV_CFLOW (%)</td>
<td>0.022</td>
<td>0.097</td>
<td>0</td>
<td>0.795</td>
</tr>
<tr>
<td>ITP (ratio)</td>
<td>0.011</td>
<td>0.017</td>
<td>0</td>
<td>0.107</td>
</tr>
<tr>
<td>Leverage (ratio)</td>
<td>0.819</td>
<td>0.292</td>
<td>0.000</td>
<td>1.000</td>
</tr>
<tr>
<td>ICR (ratio)</td>
<td>8.660</td>
<td>17.681</td>
<td>0.103</td>
<td>124.78</td>
</tr>
<tr>
<td>Quick (ratio)</td>
<td>11.247</td>
<td>31.959</td>
<td>0</td>
<td>258.79</td>
</tr>
<tr>
<td>Capex (Ln)</td>
<td>9.7607</td>
<td>3.301</td>
<td>0</td>
<td>15.53</td>
</tr>
<tr>
<td>Ownership (%)</td>
<td>0.458</td>
<td>0.255</td>
<td>0.015</td>
<td>99.999</td>
</tr>
<tr>
<td>Stock_comp (Ln)</td>
<td>0.348</td>
<td>1.635</td>
<td>0</td>
<td>11.21</td>
</tr>
<tr>
<td>Size (Ln)</td>
<td>13.658</td>
<td>1.862</td>
<td>9.427</td>
<td>18.04</td>
</tr>
<tr>
<td>FXR_index (%)</td>
<td>7.652</td>
<td>15.714</td>
<td>0</td>
<td>80.41</td>
</tr>
<tr>
<td>DeltaFX ($\Delta%$ in decimals)</td>
<td>0.094</td>
<td>0.092</td>
<td>0.000</td>
<td>0.469</td>
</tr>
</tbody>
</table>

Notes: FXRH_AA, FXRH_de and FXRH_de_reg equal 1 if the firm hedge uses derivatives to hedge FXR at least one year during the period (2008–2016), and uses derivatives regularly to hedge FXR during at least for four years of the period (2008–2016), respectively, and 0 otherwise. DERIV_ASSET is a proportion of the total derivatives in assets, calculated as current derivative assets plus noncurrent derivative assets over total assets; DERIV_LIAB is a proportion of the total derivatives in liabilities, calculated as current derivative liabilities plus noncurrent derivative liabilities over total debt; DERIV_CFLOW is the absolute value of derivatives unrealized gain or losses in hedging positions over EBIT; ITP is the income tax payable over total assets ratio; Leverage is the book value of debt over the market value of company ratio; ICR is the interest cover ratio measured as EBIT over interest expenses; Quick is current assets less inventories over current liabilities ratio; Capex is the natural log of capital expenditures; Ownership is the highest percentage of the company shares in hands of one shareholder; Stock_comp is the natural log of the stock option compensations expenses, net of tax; Size is the natural log of total assets; FXR_index percentage-level exposure is the outcome average of adding for each observation: the proportion of foreign assets to total assets, and the proportion of foreign sales to total sales; and DeltaFX is the foreign exchange currency valuation/devaluation rate of each country currency with respect to the dollar in absolute value. Raw data are in units of US dollars at the year end.
### Table III. Results of the mean differences (t-test) for FXR coverage

<table>
<thead>
<tr>
<th>Determinants of FXR management in LA firms</th>
<th>$FXRH_{AA} = 0$</th>
<th>$FXRH_{AA} = 1$</th>
<th>t-test diff.</th>
<th>$FXRH_{de} = 0$</th>
<th>$FXRH_{de} = 1$</th>
<th>t-test diff.</th>
<th>$FXRH_{de_reg} = 0$</th>
<th>$FXRH_{de_reg} = 1$</th>
<th>t-test diff.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$n = 1,192$</td>
<td>$n = 1,193$</td>
<td>$n = 1,886$</td>
<td>$n = 1,893$</td>
<td>$n = 816$</td>
<td>$n = 877$</td>
<td>$t\text{-test diff.}$</td>
<td>$n = 816$</td>
<td>$n = 877$</td>
<td>$t\text{-test diff.}$</td>
</tr>
<tr>
<td>$ITP$</td>
<td>0.012</td>
<td>0.010</td>
<td>$-0.002^{***}$</td>
<td>0.009</td>
<td>0.01</td>
<td>0.001</td>
<td>0.011</td>
<td>0.009</td>
<td>$-0.002^{***}$</td>
</tr>
<tr>
<td>Leverage</td>
<td>0.747</td>
<td>0.865</td>
<td>0.118***</td>
<td>0.829</td>
<td>0.870</td>
<td>0.041**</td>
<td>0.823</td>
<td>0.913</td>
<td>$0.090^{***}$</td>
</tr>
<tr>
<td>ICR</td>
<td>8.207</td>
<td>8.947</td>
<td>0.740</td>
<td>5.795</td>
<td>9.306</td>
<td>3.511***</td>
<td>12.249</td>
<td>6.568</td>
<td>$-0.568^{***}$</td>
</tr>
<tr>
<td>Quick</td>
<td>10.760</td>
<td>11.555</td>
<td>0.795</td>
<td>5.850</td>
<td>12.205</td>
<td>6.355**</td>
<td>12.606</td>
<td>11.832</td>
<td>$-0.774^{**}$</td>
</tr>
<tr>
<td>Ownership</td>
<td>0.842</td>
<td>0.477</td>
<td>$-0.365^{**}$</td>
<td>0.478</td>
<td>0.477</td>
<td>$-0.001$</td>
<td>0.554</td>
<td>0.405</td>
<td>$-0.149$</td>
</tr>
<tr>
<td>Stock_comp</td>
<td>0.185</td>
<td>0.452</td>
<td>0.267***</td>
<td>0.401</td>
<td>0.458</td>
<td>0.067</td>
<td>0.377</td>
<td>0.533</td>
<td>0.156*</td>
</tr>
<tr>
<td>DeltaFX</td>
<td>0.099</td>
<td>0.092</td>
<td>$-0.007^{**}$</td>
<td>0.107</td>
<td>0.090</td>
<td>$-0.017^{***}$</td>
<td>0.093</td>
<td>0.087</td>
<td>$-0.006$</td>
</tr>
</tbody>
</table>

**Notes:** $FXRH_{AA}$, $FXRH_{de}$ and $FXRH_{de\_reg}$ equal 1 if the firm hedge uses derivatives to hedge FXR at least one year during the period (2008–2016), and uses derivatives regularly to hedge FXR during at least for four years of the period (2008–2016), respectively, and 0 otherwise. $DERIV\_ASSET$ is a proportion of the total derivatives in assets, calculated as current derivative assets plus noncurrent derivative assets over total assets; $DERIV\_LIAB$ is a proportion of the total derivatives in liabilities, calculated as current derivative liabilities plus noncurrent derivative liabilities over total debt; $DERIV\_CFLOW$ is the absolute value of derivatives unrealized gain or losses in hedging positions over EBIT; $ITP$ is the income tax payable over total assets ratio; $Leverage$ is the book value of debt over the market value of company ratio; $ICR$ is the interest cover ratio measured as is EBIT over interest expenses; $Quick$ is current assets less inventories over current liabilities ratio; $Capex$ is the natural log of capital expenditures; $Ownership$ is the highest percentage of the company shares in hands of one shareholder; $Stock\_comp$ is the natural log of the stock option compensations expenses, net of tax; $Size$ is the natural log of total assets; $FXR\_index$ percentage-level exposure is the outcome average of adding for each observation: the proportion of foreign assets to total assets, and the proportion of foreign sales to total sales; and $DeltaFX$ is the foreign exchange currency valuation/devaluation rate of each country currency with respect to the dollar in absolute value. *, **, ***Statistically significant at the 10, 5 and 1 percent levels, respectively.
## Results of the Logit regressions

<table>
<thead>
<tr>
<th>Variables</th>
<th>Exp. sign</th>
<th>FXRH_AA (Model 1)</th>
<th>FXRH_de (Model 2)</th>
<th>FXRH_de_reg (Model 3)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Extended CS removed</td>
<td>CG removed</td>
<td>Extended CS removed</td>
</tr>
<tr>
<td>ITP</td>
<td>–</td>
<td>–7.862*** (−3.11)</td>
<td>–7.604*** (−3.02)</td>
<td>–5.617** (−2.22)</td>
</tr>
<tr>
<td>Leverage</td>
<td>+</td>
<td>0.249 (1.582)</td>
<td>0.256 (1.625)</td>
<td>0.292* (1.835)</td>
</tr>
<tr>
<td>ICR</td>
<td>–</td>
<td>0.007** (2.555)</td>
<td>0.007*** (2.625)</td>
<td>0.009*** (3.376)</td>
</tr>
<tr>
<td>Quick</td>
<td>+/-</td>
<td>0.001 (0.908)</td>
<td>0.001 (1.625)</td>
<td>0.003* (1.912)</td>
</tr>
<tr>
<td>Capex</td>
<td>+</td>
<td>0.029* (1.665)</td>
<td>0.027 (1.61)</td>
<td>0.047*** (2.714)</td>
</tr>
<tr>
<td>Ownership</td>
<td>–</td>
<td>–0.038*** (−3.06)</td>
<td>–0.036*** (−2.97)</td>
<td>–0.037*** (−2.90)</td>
</tr>
<tr>
<td>Stock_comp</td>
<td>+</td>
<td>0.002 (0.058)</td>
<td>0.008*** (0.259)</td>
<td>–0.005 (−0.18)</td>
</tr>
<tr>
<td>Size</td>
<td>+</td>
<td>0.593*** (16.27)</td>
<td>0.631*** (21.29)</td>
<td>0.592*** (16.44)</td>
</tr>
<tr>
<td>FXR_index</td>
<td>+</td>
<td>0.029*** (4.979)</td>
<td>0.020*** (5.187)</td>
<td>0.018*** (4.690)</td>
</tr>
<tr>
<td>DeltaFX</td>
<td>+/-</td>
<td>−1.125*** (−2.36)</td>
<td>−1.269*** (−2.73)</td>
<td>−1.10*** (−2.34)</td>
</tr>
</tbody>
</table>

(continued)
<table>
<thead>
<tr>
<th>Variables</th>
<th>Exp. No. of observations</th>
<th>Extended CS removed</th>
<th>CG removed</th>
<th>Extended CS removed</th>
<th>CG removed</th>
<th>Extended CS removed</th>
<th>CG removed</th>
<th>Extended CS removed</th>
<th>CG removed</th>
</tr>
</thead>
<tbody>
<tr>
<td>FXRH_AA (Model 1)</td>
<td>3,078</td>
<td>3,078</td>
<td>3,078</td>
<td>3,078</td>
<td>3,078</td>
<td>3,078</td>
<td>3,078</td>
<td>3,078</td>
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</tr>
<tr>
<td>FXRH_de (Model 2)</td>
<td>3,078</td>
<td>3,078</td>
<td>3,078</td>
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<tr>
<td>FXRH_de_reg (Model 3)</td>
<td>3,078</td>
<td>3,078</td>
<td>3,078</td>
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<td>3,078</td>
<td>3,078</td>
<td>3,078</td>
<td>3,078</td>
</tr>
</tbody>
</table>

Log-likelihood: |
- FXRH_AA: -1,629.48
- FXRH_de: -1,641.43
- FXRH_de_reg: -1,636.42

χ² – CS removed: |
- FXRH_AA: 826.32***
- FXRH_de: 802.70***
- FXRH_de_reg: 787.1***

χ² – CG removed: |
- FXRH_AA: 836.33***
- FXRH_de: 826.32***
- FXRH_de_reg: 816.35***

Predictive power (%): |
- FXRH_AA: 74.43
- FXRH_de: 73.85
- FXRH_de_reg: 74.43

Pseudo R²: |
- FXRH_AA: 0.207
- FXRH_de: 0.201
- FXRH_de_reg: 0.203

Notes:
FXRH_AA, FXRH_de, and FXRH_de_reg equal 1 if the firm hedge uses derivatives to hedge FXR at least one year during the period (2008–2016), and uses derivatives regularly to hedge FXR during at least four years of the period (2008–2016), respectively, and 0 otherwise.

**Determinants of FXR management in LA firms**

\[ P(XRH = 1) = e^{a + b_1 \text{ITP} + b_2 \text{Leverage} + b_3 \text{ICR} + b_4 \text{Quick} + b_5 \text{Stock_Comp} + b_6 \text{Size} + b_7 \text{ FXR_index} + b_8 \text{ DeltaFX} + e} \]

Table IV.
4.2 Further insights into the derivatives users
To further explore the extent of FXR hedging through the use of derivatives, we also run a panel data Tobit model (as in Brunzell et al., 2011; Afza and Alam, 2011; Lel, 2012; Tanha and Dempsey, 2017) controlling for the unobserved heterogeneity with random and fixed effects to estimate the magnitude of hedging through derivatives (Schiozer and Saito, 2009) on the same data used in the logistic regressions. The Tobit model (displayed in Table V) considers the same set of independent variables disclosed in Equation (1), where the dependent, now continuous, variable captures the proportion of derivatives to some items of the annual accounting statements, in particular: \( \text{DERIV}_{\text{ASSET}} \) equals to current assets derivatives plus noncurrent assets derivatives over total assets (Model 4); \( \text{DERIV}_{\text{LIAB}} \) equals to current liabilities derivatives plus noncurrent liabilities derivatives over total debt (Model 5); and \( \text{DERI}_{\text{CFLW}} \) equals the absolute value of derivatives unrealized gain or losses in hedging positions over EBIT (Model 6). Lower and upper limits are censored at the 95 percent level.

The three models display a negative association between the dependent variable and \( \text{ITP} \) (H1). Variables related to the financial distress hypothesis (H2a and H2b), i.e. Leverage and ICR, are not significant. Quick (H3) and Capex (H4) are positively associated with the percentage of liabilities derivatives. The results corroborate H5 only for assets derivatives (Model 4) because Ownership exhibits significance at 1 percent. To sum up, hypotheses testing through the Tobit models do not offer robust results but income taxes payable (\( \text{ITP} \)).

4.3 Additional analysis
We split the sample into large and small firms (above and below mean Size) and the results (untabulated) indicate that the model performs better with smaller firms than with larger firms.

We also test whether the model is sensitive to alternate measures of our variables of interest. The untabulated results confirm that \( \text{ITP} \) is negatively associated with hedgers and occasional derivatives users. We also employ lagged \( \text{ITP} \), in order to deal with endogeneity concerns, and the sign and significance remain the same. Regarding leverage ratios, we also find a positive association between FX debt and hedging for all models at 1 percent of significance. We also replaced Quick with the current ratio (current assets to current liabilities) and results were significantly positive for all models. An alternate measure of growth opportunities, that is, R&D expenses, displays significant but negative coefficient.

5. Discussion of the findings, conclusions and limitations of the study
5.1 Discussion of the findings
This study updates previous empirical research by Schiozer and Saito (2009) and Lel (2012), although relevant differences in the methodology and the sample prevent us from direct comparisons. First, we have tested the likelihood to carry out any type of FXR coverage, that is, operational and with derivatives. However, our model performs better for the regular derivatives users, the main focus of the Schiozer and Saito (2009) study. Similar to the abovementioned authors and Graham and Rogers (2002), we confirm that avoidance of transaction costs associated with financial distress and investment opportunities are relevant forces of derivatives usage. On the contrary, the cited references fail to prove any tax benefit from FXR hedging; meanwhile, we report a negative association between FXR coverage and \( \text{ITP} \).

Moreover, our results corroborate the CS-related hypotheses, because leverage and growth are positively associated with the likelihood of FXR hedging and, in particular, with the regular use of derivatives.
<table>
<thead>
<tr>
<th>Variables</th>
<th>Exp. sign</th>
<th>DERIV_ASSET (Model 4)</th>
<th>DERIV_LIAB (Model 5)</th>
<th>DERIV_CFLOW (Model 6)</th>
</tr>
</thead>
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<tr>
<td>ITP</td>
<td></td>
<td>-0.074***</td>
<td>-0.071***</td>
<td>-0.163</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(-2.75)</td>
<td>(-2.64)</td>
<td>(-1.34)</td>
</tr>
<tr>
<td>Leverage</td>
<td></td>
<td>0.003</td>
<td>0.003***</td>
<td>0.080</td>
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<tr>
<td></td>
<td></td>
<td>(1.550)</td>
<td>(1.880)</td>
<td>(1.03)</td>
</tr>
<tr>
<td>ICR</td>
<td></td>
<td>-0.000</td>
<td>-0.000</td>
<td>-0.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(-0.510)</td>
<td>(-0.617)</td>
<td>(-0.473)</td>
</tr>
<tr>
<td>Quick</td>
<td>+/−</td>
<td>0.000</td>
<td>0.000</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.103)</td>
<td>(0.006)</td>
<td>(3.327)</td>
</tr>
<tr>
<td>Capex</td>
<td></td>
<td>0.000</td>
<td>0.000</td>
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<td></td>
<td></td>
<td>(1.404)</td>
<td>(1.562)</td>
<td>(2.683)</td>
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<td></td>
<td>-0.005***</td>
<td>-0.005***</td>
<td>-0.001</td>
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<tr>
<td></td>
<td></td>
<td>(-2.890)</td>
<td>(-3.148)</td>
<td>(-1.516)</td>
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<td>0.000</td>
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<tr>
<td></td>
<td></td>
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<td>(1.301)</td>
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<td>0.005***</td>
<td>0.004***</td>
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<tr>
<td></td>
<td></td>
<td>(12.83)</td>
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<td>(1.283)</td>
<td>(1.359)</td>
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<td>0.000***</td>
<td>0.000***</td>
<td>0.000***</td>
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<tr>
<td></td>
<td></td>
<td>(2.825)</td>
<td>(3.153)</td>
<td>(2.836)</td>
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<td>0.001</td>
<td>-0.056***</td>
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<tr>
<td></td>
<td></td>
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<td>(0.371)</td>
<td>(-0.334)</td>
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<td></td>
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<td>(1.721)</td>
<td>(2.016)</td>
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(continued)
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<tr>
<th>Variables</th>
<th>Exp. sign</th>
<th>DERIV_ASSET (Model 4)</th>
<th>DERIV_LIAB (Model 5)</th>
<th>DERIV_CFLOW (Model 6)</th>
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<tr>
<td></td>
<td></td>
<td>Extended</td>
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<td>CG removed</td>
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<td>3,078</td>
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<td></td>
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<td>1,328.932</td>
<td>1,329.368</td>
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<td>$\chi^2$ – CS</td>
<td></td>
<td>605.270***</td>
<td>457.390***</td>
<td>218.520***</td>
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<tr>
<td>$\chi^2$ – CG</td>
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<td>606.150***</td>
<td>474.960***</td>
<td>224.590***</td>
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<td>Pseudo $R^2$</td>
<td></td>
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<td>−0.295</td>
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<tr>
<td>AIC</td>
<td></td>
<td>−2,575.420</td>
<td>−2,601.640</td>
<td>−2,578.420</td>
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Notes: DERIV_ASSET is the ratio of current derivative assets plus noncurrent derivative assets over total assets; DERIV_LIAB is the ratio of current derivative liabilities plus noncurrent derivative liabilities over total debt; DERIV_CFLOW is the absolute value of derivatives unrealized gain or losses in hedging positions over EBIT; ITP is the income tax payable over total assets ratio; Leverage is the book value of debt over the market value of company ratio; ICR is the interest cover ratio measured as EBIT over interest expenses; Quick is current assets less inventories over current liabilities ratio; Capex is the natural log of capital expenditures; Ownership is the highest percentage of the company shares in hands of one shareholder; Stock_comp is the natural log of the stock option compensations expenses, net of tax; Size is the natural log of total assets; FXR_index percentage level exposure is the outcome average of adding for each observation: the proportion of foreign assets to total assets, and the proportion of foreign sales to total sales; and DeltaFX is the foreign exchange currency valuation/devaluation rate of each country currency with respect to the dollar in absolute value. Akaike’s information criterion (AIC) provides a measure of model quality obtained by simulating the situation where the model is tested on a different data set. After computing several different models, AIC is used to compare them. According to Akaike’s theory, the most accurate model has the smallest AIC. The $t$-statistic values are in parentheses. *, **, ***Statistically significant at the 10, 5 and 1 percent levels, respectively:

\[
Pr(Y_i) = \alpha + \beta_1 ITP_{it} + \beta_2 Leverage_{it} + \beta_3 ICR_{it} + \beta_4 Quick_{it} + \beta_5 Capex_{it} \\
+ \beta_6 Ownership_{it} + \beta_7 Stock_comp_{it} + \beta_8 Size_{it} + \beta_9 FXR_index_{it} \\
+ \beta_{10} DeltaFX_{it} + \epsilon_{it}
\]
On the other hand, LA countries exhibit a high ownership concentration and, according to our results, this concentration negatively influences FXR hedging, in the same vein than prior evidence from Chile (Cid Aranda et al., 2017).

5.2 Concluding remarks and limitations of this research
This paper investigates the main determinants of FXR management in six LA countries, namely, Argentina, Brazil, Chile, Colombia, Mexico and Peru, through a data panel strongly balanced comprising 342 non-financial firms listed in their respective main stock exchanges in the period 2008–2016.

First, our data evidence that there is a significant gap in FXR management among the countries of the sample. On the one hand, Brazil and Chile seem to be the most advanced in FXR management because they display the highest levels of both, coverage and derivatives usage. Conversely, Argentina and Colombia display the lowest levels of FXR coverage, being null the use of derivatives on a regular basis by Colombian firms.

The multivariate results suggest that LA firms are considering tax benefits and financial distress costs when adopting FXR management decisions. Liquidity is also positively associated with the likelihood of FXR hedging. We also conclude that firms that are investing in fixed assets are more likely to hedge FXR but we failed to prove any association with R&D expenses.

Noteworthy, ownership concentration is negatively associated with the likelihood of FXR hedging, as Cid Aranda et al. (2017) report for Chile. The results are robust to several sensitivity analyses. Hence, further investigation on the type of blockholder and/or alternate CG variables and theories would be desirable.

Among the limitations of this study, we reckon those that apply to most archival research, that is, that our experimental variables that are significant might reflect the effect of omitted correlated variables. Furthermore, it is worth mentioning that the tested models lack from non-identified country-level variables that might explain our main results.

In addition, alternate theoretical CG frameworks, such as the stewardship or the stakeholder theories might better illustrate the LA governance culture and family ownership (Briano-Turrent and Poletti-Hughes, 2017). Finally, it seems that there are major differences between large and small firms in LA, and therefore further research on this topic would be desirable for the development of financial strategies.

Acknowledgments
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References


Further reading


Appendix

<table>
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<th>Label</th>
<th>Measurement</th>
<th>Hypothesis</th>
<th>Expected sign</th>
<th>Winsor at 1%</th>
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<td><strong>Dependent variable</strong></td>
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<td></td>
<td></td>
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<td>FXRH_AA</td>
<td>Dummy variable that equals 1 if the firm do FXR hedging, 0 otherwise</td>
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<tr>
<td>FXRH_de</td>
<td>Dummy variable that equals 1 if the firm discloses the use of derivatives to hedge FXR at least one year during the period (2008–2016), 0 otherwise</td>
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<td>No</td>
<td></td>
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<tr>
<td>FXRH_de_reg</td>
<td>Dummy variable that equals 1 if the firm discloses the use of derivatives to hedge FXR during at least for 4 years of the period (2008–2016), 0 otherwise</td>
<td></td>
<td>No</td>
<td></td>
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<tr>
<td>DERIV_ASSET</td>
<td>Current derivative assets plus noncurrent derivative assets over total assets</td>
<td>Yes</td>
<td></td>
<td></td>
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<tr>
<td>DERIV_LIAB</td>
<td>Current derivative liabilities plus noncurrent derivative liabilities over total debt</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>DERIV_CFLOW</td>
<td>Absolute value of derivatives unrealized gains or losses in hedging positions over EBIT</td>
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<td></td>
<td></td>
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<tr>
<td><strong>Explanatory variables</strong></td>
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<td></td>
<td></td>
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<tr>
<td>ITP</td>
<td>Income tax payable (accrued tax liability which is due within the normal operating cycle of the company) over total assets</td>
<td>H1</td>
<td>–</td>
<td>Yes</td>
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<tr>
<td>Leverage</td>
<td>Book value of debt over the market value of company (MVC). For companies with more than one listed equity security, the MVC represents the sum of the individuals listed equities</td>
<td>H2a</td>
<td>+</td>
<td>Yes</td>
</tr>
<tr>
<td>ICR</td>
<td>Interest cover ratio (EBIT over interest expenses)</td>
<td>H2b</td>
<td>–</td>
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</tr>
<tr>
<td>Quick</td>
<td>Current assets less inventories over current liabilities</td>
<td>H3</td>
<td>+/-</td>
<td>Yes</td>
</tr>
<tr>
<td>Capex</td>
<td>Natural logarithm of the capital expenditures</td>
<td>H4</td>
<td>+</td>
<td>Yes</td>
</tr>
<tr>
<td>Ownership</td>
<td>The highest percentage of the company shares in hands of one shareholder</td>
<td>H5</td>
<td>–</td>
<td>No</td>
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<tr>
<td>Stock_comp</td>
<td>Natural log of the stock option compensations expenses, net of taxes</td>
<td>H6</td>
<td>+</td>
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<tr>
<td><strong>Control variables</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Size</td>
<td>Natural logarithm of the total assets at year end</td>
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<td>+</td>
<td>Yes</td>
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<tr>
<td>FXR_index</td>
<td>It is the outcome of adding for each observation: i) the proportion of foreign assets to total assets, and ii) the proportion of foreign sales to total sales. Results are in percentage</td>
<td></td>
<td>+</td>
<td>Yes</td>
</tr>
<tr>
<td>DeltaFX</td>
<td>Foreign exchange currency valuation/devaluation rate of each country currency with respect to the dollar in absolute value</td>
<td></td>
<td>+/-</td>
<td>No</td>
</tr>
</tbody>
</table>

Table AI: Variables, measurements and expected signs

Sources: Financial information was taken from Thomson Datastream. Hedging practices were manually collected from the annual reports released in their websites or, alternatively, in their respective Financial Supervisory Authority websites.

Corresponding author
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Explaining university student loyalty: theory, method, and empirical research in Chile

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Department of Marketing,
University of Texas Rio Grande Valley, Edinburg, Texas, USA

Abstract
Purpose – The purpose of this paper is to explain student loyalty beyond its customary relationship with student satisfaction by including two relational variables, trust and commitment, two cognitive traits (service familiarity and communication) and one affective trait (opportunism) as moderators of the impact of trust and commitment on loyalty.

Design/methodology/approach – Two relational constructs (trust and commitment) are employed to improve the loyalty model and key comparisons are performed to know if career, cohort and sourcing school generate differences in the explanation of student loyalty.

Findings – Results show that the explanation chain that starts with student satisfaction but continues with the development of student trust and the reaching of student commitment culminates with student loyalty. The moderators (student opportunism, service familiarity, communication, age and available income for education) significantly contribute to the explanatory power of the model. Career is a meaningful differentiator in reaching student loyalty as are student cohort and the type of high school from which the student came.

Research limitations/implications – This is one of first empirical studies on university student loyalty. Future research could test the same or new hypotheses using different samples and contexts.

Practical implications – University policies may benefit from the inclusion of norms regarding relational processes and outcomes such as the value of trust in the interactions and systematic recognition and awards assigned to student commitment achievements.

Originality/value – The explanation chain of customer loyalty was successfully applied to student loyalty, and strengthened with the addition of meaningful moderating variables.

Keywords Commitment, Trust, Communication, Satisfaction, Student loyalty, GIKA-LATAM-2019

Paper type Research paper

Resumen
Propósito – Esta investigación tiene como objetivo explicar la lealtad del estudiante más allá de su relación habitual con la satisfacción del estudiante al incluir dos variables relacionales, confianza y compromiso, dos rasgos cognitivos (familiaridad con el servicio y comunicación) y un rasgo afectivo (oportunismo) como moderadores del impacto de la confianza y Compromiso de lealtad.

Diseño/metodología/enfoque – Se emplean dos construcciones relacionales (confianza y compromiso) para mejorar el modelo de lealtad y se realizan comparaciones clave para saber si la carrera, la cohorte y la escuela de recursos generan diferencias en la explicación de la lealtad de los estudiantes.

Hallazgos – los resultados muestran que la cadena de explicación que comienza con la satisfacción del estudiante, pero continúa con el desarrollo de la confianza del estudiante y el logro del compromiso del estudiante culmina con la lealtad del estudiante. Los moderadores (el oportunismo de los estudiantes, la familiaridad con el servicio, la comunicación, la edad y los ingresos disponibles para la educación) contribuyen significativamente al poder explicativo del modelo. La carrera es un diferenciador significativo para alcanzar la lealtad de los estudiantes, al igual que la cohorte del estudiante y el tipo de escuela secundaria de la cual proviene el estudiante.

Limitaciones/implicaciones de la investigación – Este es uno de los primeros estudios empíricos sobre la lealtad de los estudiantes universitarios. Las investigaciones futuras podrían probar las mismas o nuevas hipótesis utilizando diferentes ejemplos y contextos.
Implicaciones prácticas – Las políticas de la universidad pueden beneficiarse de la inclusión de normas con respecto a los procesos y resultados relacionales, como el valor de la confianza en las interacciones y el reconocimiento sistemático y los premios asignados a los logros de compromiso de los estudiantes.

Originalidad/valor – La cadena de explicación de la lealtad del cliente se aplicó con éxito a la lealtad del estudiante y se fortaleció con la adición de variables moderadoras significativas.


Tipo de papel Trabajo de investigación

1. Introduction

Student loyalty does not seem to depend on student satisfaction with the received educational service and the university that provides it, but on the student relationship with the university providing educational services. It is true that student satisfaction may be an outcome of that relationship, but only one outcome (Annamdevula, 2017; Bitner, 1990; Caruana, 2002; Cronin et al., 2000; Mosahab et al., 2010; Ng, 2018; Parasuraman et al., 1985, 1988; Pedro et al., 2018; Snijders et al., 2018; Tong et al., 2018). This study examines the role of two relational variables, trust and commitment, which may constitute the main drivers of student loyalty. Student satisfaction may require the addition of student trust and commitment for it to influence student loyalty in a consistent manner and in the long term.

The role of trust and commitment in B-to-B and B-to-C relationships has been widely explored in the literature (e.g. Morgan and Hunt, 1994). They were specifically included in the analysis of student loyalty by Rojas-Méndez et al. (2009). Using the explanation chain, Vásquez-Parraga et al. (2014) put to the test in their research of customer loyalty, the purpose of this study is to replicate their explanation chain in the determination of student loyalty; how trust and commitment, in this order, carry the effects of student satisfaction to the explanation of student loyalty. In addition, this research explores the moderating role that key consumer attributes (product familiarity, opportunism and communication) and relevant demographic characteristics play in the explanation chain.

What follows includes a brief literature review on the antecedents of student loyalty and the theoretical framework that is adopted, the methodology to model and test the explanation chain of student loyalty and its moderators, the results obtained, and the discussion, conclusions, and managerial implications of the findings.

2. Literature review

Student loyalty to the school has not been often considered a sought-after outcome of education delivery and administration. In emerging countries such as Chile, where this research is performed, higher education has been linked to the social, economic and cultural development of the country (Annamdevula, 2017) with the idea that education may contribute the professional competencies that are required in the economic development of the country (Castells, 2000; Levy and Murnane, 2004). This need generated a boom of universities and other institutions of higher education in many countries (UNESCO, 1995) and their influence has been felt in many industries (Shavit et al., 2007).

The opportunity also produced the entrance of institutions with low-quality education, reason why the quality of education also became an issue to address (Fernández Cruz and Gijón, 2011). As a consequence, some universities started developing strategies that focus on the customer (Fornell et al., 1996; Mazhar and Masood, 2018; Poole et al., 2000) and the student (Clancy and Goastellec, 2007), while other universities opted for economies of scale (Carvalho et al., 2010; Molesworth et al., 2009). Only the universities seeking quality in their programs adopted long-term plans (Austin and Pervaiz, 2017) that aimed at higher levels of student loyalty (Mazhar and Masood, 2018; Taecharungroj, 2014).
Some studies have related the quality of educational services to student satisfaction and loyalty (Annamdevula, 2017; Bitner, 1990; Caruana, 2002; Cronin et al., 2000; Jamaludin et al., 2018; Mosahab et al., 2010; Parasuraman et al., 1985, 1988). The main limitation in these studies is that they focus on student satisfaction to explain student loyalty, without considering that satisfaction is transactional and loyalty is relational (Rojas-Méndez et al., 2009). The transactional approach focuses on unique transactions with an emphasis on maximizing the volume and efficiency of individual sales rather than developing a long-term relationship with the buyer. However, the objectives of the relational marketing approach are to create and maintain lasting relationships between the company and its clients, through interactions and dialogues, trying to achieve better results, through the reduction of client rotation and its strengthening (Blomqvist et al., 1993; Rapp and Collins, 1990). Finally, Gummesson (1995) concluded that relational marketing is based on the management of relationships between companies and their clients and whose omission affected adequate understanding of the concept of loyalty (Rojas-Méndez et al., 2009).

Newer studies of customer loyalty have considered some relational variables as necessary to a better explanation of customer loyalty (Agustin and Singh, 2005; Chiou and Droge, 2006; Miranda et al., 2005), in particular student loyalty (Hennig-Thurau et al., 2001). Two relational variables, trust and commitment, were found to be strongly related to customer loyalty (Hennig-Thurau et al., 2002; Sahagun and Vásquez-Parraga, 2014; Walker and Francis, 2003; Zamora et al., 2011).

3. Theoretical framework to study student loyalty

This study attempts to explain students’ loyalty through two relational variables, trust and commitment, and how they affect the satisfaction and loyalty of students to a higher education institution. This section briefly reviews the fundamentals of customer loyalty, commitment, trust and satisfaction.

Customer loyalty assumes a long-term relationship between the service provider, a university for example, and those who receive the service, the university students (Edvardsson et al., 2000), involves cognitive and affective traits (Oliver, 1997), is associated with actual experiences with the product or service (Eshghi et al., 2007), and goes beyond client retention (Bowen and Chen, 2001; Firdaus and Kanyan, 2014; Hart and Johnson, 1999). In educational services, student loyalty involves strong ties with the institution that succeeds in bestowing competitive advantages on its patrons, strives for student satisfaction and ensures a positive corporate image of itself (Alves and Raposo, 2006; Nguyen and LeBlanc, 2001).

Commitment reveals the level of attachment of a person to another person or institution. Student commitment refers to students relating to their educational institutions (Geyskens et al., 1996; Bello and Gilliland, 2002; Sweeney and Swait, 2008). Some authors believe that student commitment is determined by the level of academic and social integration that is promoted by university bodies (Chen, 2016; Tinto, 1975, 1993; Rojas-Méndez et al., 2009). It is also believed that student commitment is associated with student trust and satisfaction with the service (Adidam et al., 2004; Hennig-Thurau et al., 2001; Holdford and White, 1997) and can positively influence student loyalty to the educational institution (Amani, 2015; Fournier, 1998; Sheth and Parvatiyar, 1995).

Trust involves value sharing among the participants (Moorman, Deshpande and Zaltman, 1993; Morgan and Hunt 1994), which may have an impact on outcomes such as buying as customers (Berry, 2002; Firdaus and Kanyan, 2014) or just becoming loyal to a firm or brand (Alrubaiee and Al-Nazer, 2010; Ndubisi, 2007; Aminu, 2012). Student trust in the educational institution involves value sharing among the many actors in a university setting (Gwinner et al., 1998; Patterson and Smith, 2001) with the expressed or tacit goal of developing student loyalty (Perin et al., 2012; Rojas-Méndez et al., 2009), in order to improve retention rates and attract new enrollments (Schlesinger et al., 2016).
Customer satisfaction is an outcome of customers’ positive evaluation of consumption experiences (Edvardsson et al., 2000; Johnson et al., 1995; Oliver, 1997). Student satisfaction results from student evaluation of educational services (Douglas et al., 2006; Elliot and Healy, 2001) and may be influenced by the quality of teaching, student interactions, availability of infrastructure and student gender, among other factors (Fredericksen et al., 2000; DeBorough, 2003; Stokes, 2003; Helgesen and Nesset, 2007).

The relationship between satisfaction and loyalty has been frequently considered by educational institutions to the point of affecting their value-based proposals for prospective and current students (Howard and Sheth, 1969; Hill, 1995; Martensen et al., 2000; O’Loughlin and Coenders, 2004; Owlia and Aspinwall, 1996) with the expectation that such a policy would improve retention and attract new students (Nesset and Helgesen, 2009). The relationship between satisfaction and trust has also received some attention in the previous literature (Anderson and Narus, 1990; Dwyer et al., 1987; Mitchell et al., 1998).

The hypotheses formulated below seek to confirm the main relationships in the explanation of student loyalty ($H_1$), and important differences in the results that are due to the following characteristics of university students: career ($H_2$), cohort ($H_3$) and the type of student high school ($H_4$):

$H_1$. Student loyalty is significantly influenced by their commitment, which in turn depends on trust and satisfaction.

$H_2$. The loyalty of the students of business administration is greater than that of their accounting peers.

$H_3$. Students from recent cohorts (2016 and 2017) show greater loyalty than their peers from previous cohorts (2015 and earlier).

$H_4$. The loyalty of students who come from public schools is greater than that of their peers from private schools.

4. Methodology

This research adopts the methodology that was proposed and tested to study customer loyalty among consumers of retail services (Vásquez-Parraga et al., 2014), food services (Sahagun and Vásquez-Parraga, 2014) and transportation services (Zamora et al., 2011). The methodology tests the sequential relationships between satisfaction, trust, commitment and loyalty, as shown in an econometric formula in which the loyalty of students is a function of commitment, trust and satisfaction. In this way, we can explain and weigh in an easy and summarized way the relative importance of each of the variables that determine loyalty. According to this, the following equation is presented:

$$\text{Loyalty} = f(\text{Commitment}; \text{Trust}; \text{Satisfaction}).$$

In addition, this methodology tests the role of several moderators to the effect of trust and commitment on loyalty. The moderators used in this research include two cognitive traits impacting on trust and commitment (product familiarity and communication) and one affective trait impacting on trust (student opportunism). The cognitive traits reveal how people think or decide, whereas the affective traits reveal how people feel (Amine, 1998, Oliver, 1999). The measures for the seven constructs were adopted from the same sources with necessary adaptations to the target population, university students. The sample chosen includes 419 undergraduate students from a private university in Southern Chile. About 70 percent are students from accounting, and 30 percent from business administration. About 80 percent entered the university more recently (2016–2017), and 20 percent entered earlier (2015 and before). Slightly more than half are women,
overwhelmingly single, and younger than 25 years of age (see Table I). Finally, it is important to mention that the results presented and discussed in this research were obtained using the SPSS 23 software.

The results relate to the constructs measured using five or four items and a seven-point Likert scale, the correlation coefficients among all variables obtained, and the regression analyses performed in three models: with central variables only, with the inclusion of moderating variables without interactions and with the inclusion of all variables with interactions. The results also show the differences due to career, cohort and high school of origin.

Table II shows all constructs and their corresponding factor loadings, α coefficients and average variances explained. Student loyalty is tri-dimensional, reflecting in each dimension a dominant trait, behavioral, cognitive or affective as conceptualized by Oliver (1999). The three dimensions are above the threshold in factor loadings (0.50), Cronbach’s α coefficients for reflective measures (0.70), and average variances explained (0.50) following the criteria academically established (Hair et al., 2010). Similarly, student satisfaction is a three-dimensional construct with all coefficients above the threshold. Each dimension relates to a type of satisfaction relevant to the student experience: with the service, with the personnel and considering competitive offers. The two relational variables, trust and commitment, are unidimensional constructs with all coefficients above the threshold. Finally, the three moderating constructs chosen for this research, product familiarity, communication and student opportunism, are all unidimensional and exhibit all coefficients above the threshold. In conclusion, all constructs show convergent validity.

5. Results and discussion

Table III presents the correlations among all constructs. For this analysis, the three-dimensional constructs (loyalty and satisfaction) are examined as second-order constructs and taken as such for further analyses. All correlation coefficients among the central constructs (loyalty, commitment, trust and satisfaction) are positive and significant at p < 0.001, and none are greater than the square root of average variance explained. This later condition is a test for discriminant validity. In addition, opportunism correlates negatively with all constructs (except service familiarity) to show a counterforce in the impact of any variable on student loyalty. Similarly, age (a demographic characteristic introduced here because of its role in regression results) is negatively related to all variables (except service familiarity) meaning that the younger the person the less of the trait in the loyal analysis. Finally, an economic variable was estimated to approach university costs for

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Students (n = 419)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>46.4</td>
</tr>
<tr>
<td>Women</td>
<td>53.6</td>
</tr>
<tr>
<td>Marital status</td>
<td></td>
</tr>
<tr>
<td>Married</td>
<td>1.8</td>
</tr>
<tr>
<td>Single</td>
<td>98.0</td>
</tr>
<tr>
<td>Other</td>
<td>0.3</td>
</tr>
<tr>
<td>Age</td>
<td></td>
</tr>
<tr>
<td>19–21 years</td>
<td>61.2</td>
</tr>
<tr>
<td>22–24 years</td>
<td>28.6</td>
</tr>
<tr>
<td>25–27 years</td>
<td>7.2</td>
</tr>
<tr>
<td>28 years or more</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Table I. Sample profile (in %)
<table>
<thead>
<tr>
<th>Constructs, items, α and AVEs</th>
<th>Factor loading</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Behavioral loyalty (α = 0.701, AVE = 50.11%)</strong></td>
<td></td>
</tr>
<tr>
<td>Even though universities are available with many names, I always chose this one</td>
<td>0.656</td>
</tr>
<tr>
<td>I have been with my favorite university for a long time</td>
<td>0.467</td>
</tr>
<tr>
<td>I plan to continue relying on my favorite university for a long time</td>
<td>0.682</td>
</tr>
<tr>
<td>I say positive things about my favorite university to others</td>
<td>0.835</td>
</tr>
<tr>
<td>I encourage friends and relatives to use my favorite university</td>
<td>0.833</td>
</tr>
<tr>
<td><strong>Affective loyalty (α = 0.775, AVE = 53.49%)</strong></td>
<td></td>
</tr>
<tr>
<td>Once I get used to a university, I hate to switch</td>
<td>0.664</td>
</tr>
<tr>
<td>I feel a strong loyalty to my favorite university</td>
<td>0.854</td>
</tr>
<tr>
<td>I have developed some sort of emotional connection with my favorite university</td>
<td>0.807</td>
</tr>
<tr>
<td>Continued service from my favorite university gives me peace of mind</td>
<td>0.617</td>
</tr>
<tr>
<td>I’d like to have my current favorite university as my only university</td>
<td>0.688</td>
</tr>
<tr>
<td><strong>Cognitive loyalty (α = 0.839, AVE = 61.14%)</strong></td>
<td></td>
</tr>
<tr>
<td>Once I get to know a university, I tend to use that university more often</td>
<td>0.700</td>
</tr>
<tr>
<td>For the time being, I am not looking for an alternative university</td>
<td>0.756</td>
</tr>
<tr>
<td>When I decide to stay with a university, I make sure that the university is adequate to my needs</td>
<td>0.811</td>
</tr>
<tr>
<td>I am loyal to my university because personnel at this university is very knowledgeable</td>
<td>0.850</td>
</tr>
<tr>
<td>Client loyalty in universities is based on good personal reasons and experiences</td>
<td>0.785</td>
</tr>
<tr>
<td><strong>Commitment (α = 0.858, AVE = 65.39%)</strong></td>
<td></td>
</tr>
<tr>
<td>I am proud to be a student in my favorite university</td>
<td>0.826</td>
</tr>
<tr>
<td>I feel a sense of belonging to my university</td>
<td>0.888</td>
</tr>
<tr>
<td>As far I am concerned no one could choose a better university</td>
<td>0.754</td>
</tr>
<tr>
<td>I am very confident about the success of my university</td>
<td>0.786</td>
</tr>
<tr>
<td>I feel that I have a personal relationship with my university</td>
<td>0.805</td>
</tr>
<tr>
<td><strong>Trust (α = 0.854, AVE = 59.41%)</strong></td>
<td></td>
</tr>
<tr>
<td>I have complete faith in the integrity of the personnel at my university</td>
<td>0.806</td>
</tr>
<tr>
<td>I feel quite confident that my university will always try to treat me fairly</td>
<td>0.829</td>
</tr>
<tr>
<td>My university has been truthful in dealing with me</td>
<td>0.832</td>
</tr>
<tr>
<td>My university would never try to gain an advantage by deceiving its students</td>
<td>0.768</td>
</tr>
<tr>
<td>My university is trustworthy</td>
<td>0.835</td>
</tr>
<tr>
<td>I am sure that the education I receive from my favorite university is a valuable one</td>
<td>0.498</td>
</tr>
<tr>
<td><strong>Satisfaction with service (α = 0.904, AVE = 78.04%)</strong></td>
<td></td>
</tr>
<tr>
<td>This is one of the best experiences with a university I have ever had</td>
<td>0.806</td>
</tr>
<tr>
<td>This university is exactly what I need</td>
<td>0.913</td>
</tr>
<tr>
<td>This university has worked out as well as I thought it would</td>
<td>0.921</td>
</tr>
<tr>
<td>This university has adequately fulfilled my expectations</td>
<td>0.890</td>
</tr>
<tr>
<td><strong>Satisfaction with personnel (α = 0.799, AVE = 6.285%)</strong></td>
<td></td>
</tr>
<tr>
<td>Employees at my current university give me personal attention</td>
<td>0.838</td>
</tr>
<tr>
<td>Employees at my current university know what they are doing</td>
<td>0.859</td>
</tr>
<tr>
<td>Employees at my university are never too busy to respond to client requests promptly</td>
<td>0.905</td>
</tr>
<tr>
<td>Employees from my favorite university are polite</td>
<td>0.780</td>
</tr>
<tr>
<td><strong>Satisfaction despite competition (α = 0.867, AVE = 71.68%)</strong></td>
<td></td>
</tr>
<tr>
<td>Compared to the other universities, my university offers the best service</td>
<td>0.838</td>
</tr>
<tr>
<td>Compared to the other universities, my university has the best reputation</td>
<td>0.859</td>
</tr>
<tr>
<td>Compared to the other universities, my university gives students the best satisfaction overall</td>
<td>0.905</td>
</tr>
<tr>
<td>I am satisfied with my decision to choose this university over all the other universities</td>
<td>0.780</td>
</tr>
</tbody>
</table>

Table II. Confirmatory factor analysis (continued)
the student and how sensitive the student may be to that cost; it is the percentage of income the student would consider available for education. This variable is somewhat related to the relational variables, in particular trust with a coefficient that is significant at \( p < 0.001 \).

Table IV shows three explanatory models of student loyalty as follows: Model 1 includes only the central variables with commitment dominating the other variables in the explanation of loyalty and a high resulting \( R^2 \) (0.580), in support of \( H1 \). Model 2 adds the moderating variables without interactions and Model 3 does the same with interaction terms. Model 2 decreases the

<table>
<thead>
<tr>
<th>Variable</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Loyalty</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Commitment</td>
<td>0.732**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Trust</td>
<td>0.659**</td>
<td>0.728**</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Satisfaction</td>
<td>0.571***</td>
<td>0.638**</td>
<td>0.598***</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Communication</td>
<td>0.438**</td>
<td>0.479**</td>
<td>0.552***</td>
<td>0.596***</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Familiarity</td>
<td>0.417**</td>
<td>0.423**</td>
<td>0.354**</td>
<td>0.468***</td>
<td>0.588***</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Opportunism</td>
<td>−0.127*</td>
<td>−0.110*</td>
<td>−0.241**</td>
<td>−0.159**</td>
<td>−0.110*</td>
<td>0.160**</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Age</td>
<td>−0.148***</td>
<td>−0.132***</td>
<td>−0.137**</td>
<td>−0.113*</td>
<td>−0.113*</td>
<td>0.035</td>
<td>0.007</td>
<td>1.00</td>
<td></td>
</tr>
<tr>
<td>9. Available income for education</td>
<td>0.046</td>
<td>0.116*</td>
<td>0.158**</td>
<td>0.128*</td>
<td>0.078</td>
<td>0.080</td>
<td>−0.101</td>
<td>−0.087</td>
<td>1.00</td>
</tr>
</tbody>
</table>

**Notes:** \( *p < 0.05; **p < 0.01 \)

Table III. Correlations between all variables
$R^2$ to 0.563 and Model 3 increases the $R^2$ to 0.602, a 6.9 percent increase of the coefficient in Model 1. The three moderators significantly interact with trust and commitment, and age interacts with satisfaction, all contributing to a better explanation of student loyalty.

Tables V and VI report on the differences introduced by student career, accounting vs business administration. The first group of students (accounting) present lower explained

### Table IV.
Determination of student loyalty – all students

<table>
<thead>
<tr>
<th>Dependent variable: loyalty</th>
<th>Model 1a</th>
<th>Model 2b</th>
<th>Model 3c</th>
</tr>
</thead>
<tbody>
<tr>
<td>β t-value</td>
<td>β t-value</td>
<td>β t-value</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>28.378***</td>
<td>9.682</td>
<td>35.702***</td>
</tr>
<tr>
<td>Commitment</td>
<td>0.482***</td>
<td>9.363</td>
<td>0.441***</td>
</tr>
<tr>
<td>Trust</td>
<td>0.242***</td>
<td>4.915</td>
<td>0.228***</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.116***</td>
<td>2.612</td>
<td></td>
</tr>
<tr>
<td>Communication</td>
<td>-0.044</td>
<td>-0.820</td>
<td>-0.074</td>
</tr>
<tr>
<td>Familiarity</td>
<td>0.146***</td>
<td>2.860</td>
<td>0.934***</td>
</tr>
<tr>
<td>Opportunism</td>
<td>-0.039</td>
<td>-0.966</td>
<td>-0.277</td>
</tr>
<tr>
<td>Age</td>
<td>-0.054</td>
<td>-1.415</td>
<td>0.372*</td>
</tr>
<tr>
<td>Available income for education</td>
<td>-0.067</td>
<td>-1.781</td>
<td>-0.603**</td>
</tr>
<tr>
<td>Trust × Communic.</td>
<td></td>
<td></td>
<td>1.050*</td>
</tr>
<tr>
<td>Trust × Familiar.</td>
<td></td>
<td></td>
<td>-2.013***</td>
</tr>
<tr>
<td>Trust × Opportun.</td>
<td></td>
<td></td>
<td>0.925**</td>
</tr>
<tr>
<td>Commitment × Commu.</td>
<td></td>
<td></td>
<td>-1.096***</td>
</tr>
<tr>
<td>Commitment × Famil.</td>
<td></td>
<td></td>
<td>0.932*</td>
</tr>
<tr>
<td>Commitment × Opportun.</td>
<td></td>
<td></td>
<td>-0.736**</td>
</tr>
<tr>
<td>Satisfaction × Age</td>
<td></td>
<td></td>
<td>-0.568*</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.580</td>
<td>0.563</td>
<td>0.602</td>
</tr>
<tr>
<td>$F$</td>
<td>179.455***</td>
<td>51.207***</td>
<td>23.163***</td>
</tr>
<tr>
<td>Δ$R^2$</td>
<td>-2.9</td>
<td>6.9</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** aEffects of central variables: commitment, trust, and satisfaction; beffects of moderating variables: communication, familiarity, and opportunism; ceffects of two-way interactions. *p < 0.10; **p < 0.05; ***p < 0.01 (level of significance)

### Table V.
Determination of student loyalty – business administration students

<table>
<thead>
<tr>
<th>Dependent variable: loyalty</th>
<th>Model 1a</th>
<th>Model 2b</th>
<th>Model 3c</th>
</tr>
</thead>
<tbody>
<tr>
<td>β t-value</td>
<td>β t-value</td>
<td>β t-value</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>32.652***</td>
<td>7.044</td>
<td>39.056***</td>
</tr>
<tr>
<td>Commitment</td>
<td>0.565***</td>
<td>5.939</td>
<td>0.529***</td>
</tr>
<tr>
<td>Trust</td>
<td>0.274***</td>
<td>2.919</td>
<td>0.269*</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.001</td>
<td>0.011</td>
<td>0.005</td>
</tr>
<tr>
<td>Communication</td>
<td>-0.163</td>
<td>-1.641</td>
<td>-0.143</td>
</tr>
<tr>
<td>Familiarity</td>
<td>0.084</td>
<td>0.936</td>
<td>1.366**</td>
</tr>
<tr>
<td>Opportunism</td>
<td>-0.070</td>
<td>-0.833</td>
<td>-0.069</td>
</tr>
<tr>
<td>Trust × Communic.</td>
<td></td>
<td></td>
<td>0.649</td>
</tr>
<tr>
<td>Trust × Familiar.</td>
<td></td>
<td></td>
<td>-2.777*</td>
</tr>
<tr>
<td>Trust × Opportun.</td>
<td></td>
<td></td>
<td>0.597</td>
</tr>
<tr>
<td>Commitment × Commu.</td>
<td></td>
<td></td>
<td>-0.776</td>
</tr>
<tr>
<td>Commitment × Famil.</td>
<td></td>
<td></td>
<td>0.933</td>
</tr>
<tr>
<td>Commitment × Opportun.</td>
<td></td>
<td></td>
<td>-0.597</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.635</td>
<td>0.627</td>
<td>0.662</td>
</tr>
<tr>
<td>$F$</td>
<td>66.046***</td>
<td>12.690***</td>
<td>8.872***</td>
</tr>
<tr>
<td>Δ$R^2$</td>
<td>-0.13</td>
<td>4.0</td>
<td></td>
</tr>
</tbody>
</table>

**Notes:** aEffects of central variables: commitment, trust and satisfaction; beffects of moderating variables: communication, familiarity and opportunism; ceffects of two-way interactions. *p < 0.10; **p < 0.05; ***p < 0.01 (level of significance)
loyalty ($R^2 = 597$ vs $R^2 = 662$) but experiences higher increases due to interaction effects (8 vs 4 percent). The findings corroborate $H2$. Besides the differences, however, both groups exhibit strong sequential paths and high coefficients in the explanation of student loyalty. An explanation to this result could be related to the lower performance achieved and preference in the postulation of accounting students with respect to their administration peers when entering the institution of higher education.

Tables VII and VIII address the differences by cohort showing the most recent cohort with higher coefficients and the older cohort with stronger moderators (2.8 vs 1.8 percent increase in the explanation) in support of $H3$. The younger cohort seems to be more influenced by the school in reaching student loyalty; their level of commitment is also a lot stronger (0.556) than the level experienced by their older fellows (0.386). The older group also shows a very weak satisfaction level. An explanation of this result is that each year the educational model is being perfected with strategies that allow a greater commitment of the students to the institution.

<table>
<thead>
<tr>
<th>Dependent variable: loyalty</th>
<th>Model 1$^a$</th>
<th>Model 2$^b$</th>
<th>Model 3$^c$</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\beta$</td>
<td>$t$-value</td>
<td>$\beta$</td>
</tr>
<tr>
<td>Constant</td>
<td>29.854$^{***}$</td>
<td>8.127</td>
<td>27.983$^{***}$</td>
</tr>
<tr>
<td>Commitment</td>
<td>0.556$^{***}$</td>
<td>8.940</td>
<td>0.543$^{***}$</td>
</tr>
<tr>
<td>Trust</td>
<td>0.180$^{***}$</td>
<td>3.060</td>
<td>0.182$^{***}$</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.123$^{***}$</td>
<td>2.257</td>
<td>0.047</td>
</tr>
<tr>
<td>Familiarity</td>
<td>0.151$^{***}$</td>
<td>3.169</td>
<td>0.151$^{***}$</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.609</td>
<td>0.624</td>
<td>0.609</td>
</tr>
<tr>
<td>$F$</td>
<td>121.248$^{***}$</td>
<td>65.326$^{***}$</td>
<td>60.526$^{***}$</td>
</tr>
</tbody>
</table>

**Notes:** $^a$Effects of central variables: commitment, trust and satisfaction; $^b$effects of moderating variables: communication, familiarity and opportunism; $^c$effects of two-way interactions; $^d$students that entered the university in 2016 and 2017. **$p < 0.05$; ***$p < 0.01$ (level of significance)
of higher education, through higher quality academic programs, competent professors and a set of attributes that enrich the value proposition of the institution.

Tables IX and X compare the results by student high school type, public or private. Students from public schools show higher coefficients and higher increases due to the moderation effects (3.9 vs 1.6 percent), which corroborates $H4$. However, students from private schools enjoy higher satisfaction levels than their classmates from public schools.

To counter this advantage, students from public schools enjoy a higher level of commitment (0.558 vs 0.427), whereas students from private schools offer a higher level of trust (0.259 vs 0.180). These results can be explained due to the stratification of the Chilean school system. According to this, students of public schools have higher levels of vulnerability than students of private schools and therefore, they demand greater strategies and academic requirements than those students who come from private schools and according to this, public school students have higher levels of vulnerability than students from private schools and, therefore, require more strategies and academic requirements than students who come from private schools and accordingly, the institutions of higher education adapt teaching-learning strategies to their requirements. In relation to this point, every year universities work on better development of the curricular plan based on competences and learning outcomes.

<table>
<thead>
<tr>
<th>Table VIII.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determination of student loyalty – previous cohort$^d$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent variable: loyalty</th>
<th>Model 1$^a$</th>
<th>Model 2$^b$</th>
<th>Model 3$^c$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>28.933***</td>
<td>5.773</td>
<td>27.314***</td>
</tr>
<tr>
<td>Commitment</td>
<td>0.386***</td>
<td>4.086</td>
<td>0.357***</td>
</tr>
<tr>
<td>Trust</td>
<td>0.327***</td>
<td>3.587</td>
<td>0.343***</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.084</td>
<td>1.093</td>
<td>0.087</td>
</tr>
<tr>
<td>Familiarity</td>
<td>0.027</td>
<td>0.394</td>
<td>0.027</td>
</tr>
<tr>
<td>Trust $\times$ Familiar.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment $\times$ Famil.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.532</td>
<td>0.538</td>
<td>0.553</td>
</tr>
<tr>
<td>$F$</td>
<td>54.496***</td>
<td>40.835***</td>
<td>28.426***</td>
</tr>
<tr>
<td>$\Delta R^2$</td>
<td>1.1</td>
<td>2.8</td>
<td></td>
</tr>
</tbody>
</table>

Notes: $^a$effects of central variables: commitment, trust and satisfaction; $^b$effects of moderating variables: communication, familiarity and opportunism; $^c$effects of two-way interactions; $^d$students that entered the university in 2015 or before. $^* p < 0.10; ^** p < 0.05; ^*** p < 0.01$ (level of significance)

<table>
<thead>
<tr>
<th>Table IX.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Determination of student loyalty – from public high schools$^d$</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Dependent variable: loyalty</th>
<th>Model 1$^a$</th>
<th>Model 2$^b$</th>
<th>Model 3$^c$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>27.407***</td>
<td>5.924</td>
<td>24.785***</td>
</tr>
<tr>
<td>Commitment</td>
<td>0.558***</td>
<td>6.917</td>
<td>0.542***</td>
</tr>
<tr>
<td>Trust</td>
<td>0.180**</td>
<td>2.277</td>
<td>0.195**</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.115</td>
<td>1.515</td>
<td>0.087</td>
</tr>
<tr>
<td>Familiarity</td>
<td>0.073</td>
<td>1.221</td>
<td>1.213***</td>
</tr>
<tr>
<td>Trust $\times$ Familiar.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment $\times$ Famil.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.610</td>
<td>0.621</td>
<td>0.645</td>
</tr>
<tr>
<td>$F$</td>
<td>72.266***</td>
<td>55.707***</td>
<td>40.666***</td>
</tr>
<tr>
<td>$\Delta R^2$</td>
<td>1.8</td>
<td>3.9</td>
<td></td>
</tr>
</tbody>
</table>

Notes: $^a$effects of central variables: commitment, trust and satisfaction; $^b$effects of moderating variables: communication, familiarity and opportunism; $^c$effects of two-way interactions; $^d$students that come from public high schools. $^* p < 0.10; ^** p < 0.05; ^*** p < 0.01$ (level of significance)
6. Conclusions

The purpose of this research is to explain student loyalty beyond its customary relationship with student satisfaction. Two relational constructs (trust and commitment) were employed to improve the explanation of loyalty on the basis of recent research on customer loyalty. In addition, key moderators were added to increase the explanatory power of the independent variables on the dependent variable, and key comparisons were performed to know if career, cohort and sourcing school generate differences in the explanation of student loyalty.

The explanation chain that starts with student satisfaction but continues with the development of student trust and the achievement of student commitment culminates with student loyalty. The explained $R^2$ at the end of the process is robust. Moreover, all antecedents of loyalty are strongly related to each other in the predicted order of a chain. Thus, student loyalty does not depend on student satisfaction alone; it requires student trust and student commitment to be developed and achieved at the end of the process. These results validate the explanation chain replicated in this research, in which the process to explain customer loyalty starts with customer satisfaction but continues with the development of customer trust and the achievement of customer commitment, and culminates with customer loyalty (Vásquez-Parraga et al., 2014).

The moderators identified for this research (product familiarity, opportunism and communication) out of previous research on customer loyalty were notable in their contribution to the explanatory power of the model. Other moderators (age and available income for education) had also some role on a limited basis. Career is a meaningful differentiator in reaching student loyalty as are student cohort and the type of high school from which the student came. The latter moderator (type of high school) is particularly interesting in the Chilean context; it contributes to the understanding of why students from public schools become more loyal to their institutions that their counterparts from private schools; students from public schools may be compensating the greater attention and care they receive from their teachers with loyalty, because the Chilean educational system has generated a unique social stratification. Where, in a logic of function of academic production, private subsidized schools are more efficient at attracting the best students of public schools and are associated with a higher sociodemographic level, leaving public school students more vulnerable in these schools without the option of accessing better academic pathways. The data show that the subsidized private system serves families of a wide socioeconomic spectrum, however, within each of these schools the sociodemographic characteristics are homogeneous (Gallegos and Campos, 2018).

<table>
<thead>
<tr>
<th>Dependent variable: loyalty</th>
<th>Model 1&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Model 2&lt;sup&gt;b&lt;/sup&gt;</th>
<th>Model 3&lt;sup&gt;c&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>29.729***</td>
<td>27.846***</td>
<td>27.846***</td>
</tr>
<tr>
<td>Commitment</td>
<td>0.427***</td>
<td>0.395***</td>
<td>0.395***</td>
</tr>
<tr>
<td>Trust</td>
<td>0.259***</td>
<td>0.252***</td>
<td>0.252***</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>0.139</td>
<td>0.065*</td>
<td>0.065*</td>
</tr>
<tr>
<td>Familiarity</td>
<td>0.130**</td>
<td>0.162***</td>
<td>0.162***</td>
</tr>
<tr>
<td>Trust $\times$ Familiar.</td>
<td>-1.093**</td>
<td>-1.953**</td>
<td>-1.953**</td>
</tr>
<tr>
<td>Commitment $\times$ Famil.</td>
<td>0.349</td>
<td>0.758</td>
<td></td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.550</td>
<td>0.558</td>
<td>0.567</td>
</tr>
<tr>
<td>$F$</td>
<td>98.837***</td>
<td>75.062***</td>
<td>51.457***</td>
</tr>
<tr>
<td>$\Delta R^2$</td>
<td>1.5</td>
<td>1.6</td>
<td></td>
</tr>
</tbody>
</table>

Notes: <sup>a</sup>effects of central variables: commitment, trust and satisfaction; <sup>b</sup>effects of moderating variables: communication, familiarity and opportunism; <sup>c</sup>effects of two-way interactions; <sup>d</sup>students that come from private high schools. *$p < 0.10$; **$p < 0.05$; ***$p < 0.01$ (level of significance)
7. Pedagogical implications

Because universities, and schools in general, have a genuine interest in developing student loyalty in order to retain students, increase new enrollment and create a positive atmosphere for better educational performance, knowing how student loyalty is generated and developed, that is, starting with satisfaction but cultivating and enhancing relational ties between students (receivers) and professors (givers) will definitely benefit educational outcomes and processes. To do so, university policies may benefit from the inclusion of norms regarding relational processes and outcomes such as trusting the interactions and recognizing or awarding the commitment of university students.

Educational avenues to influence student loyalty have to include lessons on opportunism, the main counterforce in the development of student loyalty. Opportunism diminishes the importance of trust and commitment in personal and institutional relationships. The role of communications has to be enhanced throughout many university activities and the learning of how and why services are generated and provided in the university is essential to count on student service familiarity as a positive moderator in the formation of student loyalty.

Finally, the institution may be interested in raising the levels of student loyalty in somewhat weaker segments of the student population including some careers, cohorts and/or groups of students coming from some types of high school. The university has to also consider student age and student available income for education, characteristics that have a limited moderating effect in the long-term development of student loyalty.

References


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Further reading


Corresponding author

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Understanding affective evaluation in retail: consumers perspective

Entendiendo la evaluación afectiva en retail: perspectiva de los consumidores

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Leslier Valenzuela-Fernández
Departamento de Administración, Facultad de Economía y Negocios, Universidad de Chile, Santiago, Chile, and
Karla Barajas-Portas
Universidad Anáhuac México, Campus Norte, México, México

Abstract
Purpose – The purpose of this paper is to analyze the effect of the consumer’s emotional shopping experience on the perception of benefits and on the corporate reputation of a department store.
Design/methodology/approach – This study was applied to a non-probabilistic sample survey proportionally distributed among the main department stores in Chile and Mexico.
Findings – The findings show for both countries that the functional and symbolic benefit perceived by consumers significantly influences the reputation of department stores. However, the hedonic benefit perceived by the consumer had a negative effect on the reputation of the store.
Practical implications – The companies could redirect their marketing and commercial management strategies based on the variables and relationships of the model proposed in this study. For instance, managers should implement strategies to improve the emotional experience of their clients. In addition, future studies also could use other variables inherent to the consumer’s purchasing behavior to evaluate their effects on the corporate reputation of the department store.
Originality/value – This research contributes with the proposal of an explanatory model for decision making, using structural equations that suggest that the affective evaluation of the shopping experience is a key antecedent of the functional, hedonic and symbolic benefits perceived by the consumer. Moreover, the emotional experience plays a key role as an antecedent for the corporate reputation of a company.
Keywords Perception, Hedonic, Symbolic, Functional, GIKA-LATAM-2019, Affective evaluation

Resumen
Propósito – El objetivo de esta investigación es analizar el efecto de la experiencia emocional de compra del consumidor en la percepción de los beneficios y en la reputación corporativa de una tienda por departamentos.
Diseño/Metodología/Enfoque – Este estudio se aplicó a una muestra no probabilística a través de una encuesta distribuida proporcionalmente entre las principales tiendas por departamentos de Chile y México.
Resultados – Los resultados muestran para ambos países que el beneficio funcional y simbólico percibidos por los consumidores influye significativamente en la reputación de las tiendas por departamentos. Sin embargo, el beneficio hedónico percibido por el consumidor tuvo un efecto negativo en la reputación de la tienda.
**Implicaciones prácticas** – Las empresas podrían redirigir sus estrategias de marketing y gestión comercial en función de las variables y relaciones del modelo propuesto en este estudio. Por ejemplo, los gerentes deben implementar estrategias para mejorar la experiencia emocional de sus clientes. Además, los estudios futuros también podrían usar otras variables inherentes al comportamiento de compra del consumidor para evaluar sus efectos en la reputación corporativa de las tiendas por departamentos.

**Originalidad/Valor** – Esta investigación contribuye con la propuesta de un modelo explicativo para la toma de decisiones, utilizando ecuaciones estructurales que sugieren que la evaluación afectiva de la experiencia de compra es un antecedente clave de los beneficios funcionales, hedónicos y simbólicos percibidos por el consumidor. Además, la experiencia emocional juega un papel clave como antecedente de la reputación corporativa de una empresa.

**Palabras clave** evaluación afectiva, percepción, simbólica, funcional, hedónica, consumidores

**Tipo de papel** Trabajo de investigación

**Introduction**

Of the 626m inhabitants of Latin America (ECLAC, 2018), a population close to 320m, or approximately 60 percent of its inhabitants, are considered emerging consumers. This segment spends a significant amount of its income on food, beverages and personal care and cleaning products. Low-income households within this segment spend a higher percentage on more basic consumer products. This reality means that in Latin America, in order to improve the shopping experience, companies must provide consumers with better access to products or services (D’Andrea et al., 2010).

Thus, in the last two decades, factors such as income, urbanization, infrastructure and financial policies have favored market growth in the region. Countries considered as emerging economies, such as Chile and Mexico, have led the process of development in retail sales (Bianchi and Ostale, 2006; Reardon et al., 2003). In the retail sector, the department store format has had a positive impact on the consumers’ purchasing experience (Grace and O’Cass, 2005) and the creation of experiential offerings (Antéblian et al., 2013). From the corporate point of view, a department store can be defined as a place with ample spaces that operates on several levels and offers a variety of products and services (Davies and Chun, 2002). From the perspective of marketing, the department store has a standard format adhering to a criterion that influences its choice such as, its image, its location, low prices, variety and quality of products and brands, the environment and attention to customer service (Wang and Ha, 2011; Baltas and Papastathopoulou, 2003).

The format of the department stores adhering to the selection criteria allows department stores in Chile and Mexico to present important similarities in their plant layout. Both countries have a considerable number of emerging consumers whose monthly income fluctuates between US$ 500 and 2,500 (D’Andrea, 2010). Of them, in Chile, 91.7 percent have an income that is in this range vs 87.6 percent in Mexico. Similarly, in Chile, 55.6 percent have “purchasing power” vs 47.6 percent in Mexico. Furthermore, in Chile, 69.5 percent allocate their income to the consumption of basic food products vs 63.4 percent in Mexico (D’Andrea, 2010). The main retailers in these countries face a daily challenge to maintain or increase their market shares in a highly competitive environment of hard-to-please consumers and informed demand. In the case of Chile, the traditional spaces of commerce are being challenged by accelerated technical advances, opening the doors to consumers who can move beyond the traditional physical borders of the region and access multiple, cutting-edge global markets (Bianchi and Mena, 2004).

The challenge for the industry is to focus on the development of new platforms that respond to the demands of more personalized products and services. This can offer a higher level of quality, increasingly specialized products and better levels of service and attention (D’Andrea et al., 2010). In Chile, the three leading companies in the retail sector with which this study was conducted are Falabella, Paris and Ripley. In Mexico, the changes experienced by the retail industry have led to a constant and growing increase in self-service
stores (Schwentesius and Gómez, 2002) and an explosive growth of department stores (González-Hernández and Orozco-Gómez, 2012). Given the proliferation and diversification of points of sale, the emerging Mexican consumer has been forced to become better informed to express their greater power of choice. In Mexico, according to the survey conducted for this study, the three major stores preferred by consumers are El Palacio del Acero, Liverpool and Sears. Whether in Chile or Mexico, the signals that a department store transmits to its customers must be clear and effective. By having a direct and positive effect on the client’s social identity, one of the best-valued signs is the reputation of the store (Lee and Shavitt, 2006). This is how, for the consumer, the reputation of department stores fulfills an important function of evaluation, image and relation (Chun, 2005). The objective of this study is to analyze the effect of the consumer’s emotional shopping experience on the perception of benefits and on the corporate reputation of a department store.

From the marketing point of view, the department store’s reputation is considered a key factor in the positioning of its physical presence (Klaas Jagersma, 2010), and virtual presence (Dutot and Castellano, 2015). Moreover, it is also considered an important driver of the consumer’s shopping experience, which can positively influence the image of the store (Mittal and Mittal, 2008). Additional to this, reputation can also be the result of the consumers’ experience (Shamma and Hassan, 2009) and the perception of the quality of the purchased products and services (Wang et al., 2003), that are specific in time and context (Petermans et al., 2013).

From this perspective, corporate reputation is a direct consequence of the commitment to the organization expressed by the customer (Dehghan et al., 2014), and of their level of corporate attractiveness and performance (Schwaiger et al., 2010). It has also been argued that corporate reputation may be the result of the cognitive, emotional and symbolic assessment of the institution (Cian and Cervai, 2014) as well as a consequence of the brand’s personality (Vila-López and Rodríguez-Molina, 2013).

Although different approaches to corporate reputation have been developed, as both antecedent and/or consequent factors, the literature reaching into the analysis of corporate reputation from the emotional perspective of the consumer is scarce. There is little evidence accounting for the way in which the affective evaluation of the customer in a department store may become the main source of corporate reputation. The evidence indicates that there is little literature related to the role that affective evaluation plays as a precedent for the perception and reputation of a department store.

Furthermore, the effect of environmental characteristics on the purchasing experience of the consumer ensures the provision of an atmosphere that improves the functional benefit, together with the perceived hedonic benefit (Ballantine et al., 2010). Alternatively, it could improve the symbolic benefit in relation to the perceived hedonic benefit (Joseph-Mathews et al., 2009), or even optimize the perceived functional, social and hedonic benefits (Rintamäki et al., 2006).

However, efforts to analyze the joint performance of functional, hedonic and symbolic benefits perceived as a consequence of the emotional experience of consumers have been scarce (Naylor et al., 2008). Contrary to this point it has been shown that the consumers’ emotional state is a consequence only of the perceived functional and hedonic benefits (Chaudhuri, 2002). It is especially true that the emotional state is a consequence of the consumers’ hedonic consumption (Roy and Ng, 2012), while Allard et al. (2009) also mention that hedonic motivations reflect positive emotional experiences related to the needs of shoppers.

It has been stated that corporate reputation is a determining factor of the consumers’ emotional state (Laaksonen et al., 2011) not a consequence of the consumers’ emotional state. Consequently, this research contributes to scientific productivity in corporate marketing and reputation because it proposes that the customers’ affective evaluation is an important precedent of reputation, which, in turn, reflects on the customers’ perception of the functional, hedonic and symbolic benefit of a department store.
Literature review
The main conceptual background to define each of the factors comprised in this study is reviewed below through the revision of previous literature.

Affective evaluation
The affective experiences encountered in a department store have a strong influence on the mood, thinking, judgments and behavior of the client (Forgas et al., 2008). Affection influences different stages of the customer purchase process. It influences the recognition of the need, the search for information, the evaluation, the purchase and post purchase of a product or service (Puccinelli et al., 2009).

The consumers' emotions play an important catalyzing function on how, where and what to buy. Specialized literature states that affective evaluation can be defined as a set of real, foreseen, imagined or adopted emotions of an individual in a relationship with others (Melita Prati et al., 2003).

Affective evaluation is characterized by being emotionally reactive, with minimum direct response control (Nock et al., 2008). It has been argued that affective reactions to stimuli are often the first reactions, which occur automatically and subsequently guide the processing of information and judgment (Slovic et al., 2004). Due to these characteristics, consumers will respond spontaneously to stimuli from their environment. Affective evaluation may be manifested physically (Krishna, 2012).

Therefore, consumers will express their emotional state about these stimuli through body language. From this perspective, affective evaluation responds to most stimuli and can be learned (Scherer and Ceschi, 2000). Consumers express their affective well-being about material and immaterial stimuli through favorable or unfavorable decisions to purchase the products or services they need (Slovic et al., 2004). There is also evidence that human-related attributes on environmental factors affect the consumer's perceptions toward stores (Kim and Kim, 2012).

Reputation
The term reputation can be understood as a collective assessment of a company’s ability to provide valued outcomes to a representative group of stakeholders in its competitive and institutional environments (Fombrun et al., 2000). In this sense, the reputation of a department store plays an important role in the consumers’ decision-making processes (Graham and Fearn, 2005). From the perspective of management and marketing, the context of most research, reputation is described as the coherence of an organization over time. Reputation then, is based on a trustworthy service guarantee, and is comparable to the zero-defect philosophy (Nguyen and Leblanc, 2001). Therefore, reliable service is paramount for customers in assessing the quality of service (Parasuraman et al., 2005).

The reputation of a service company is built on credible management actions, i.e. credibility in management will lead to the stated intentions as unconditional when customers are offered the service (Wirtz et al., 2000). Overall, management plays a key role in the building of company reputation through a set of substantial indicators such as: leadership style, personality and the fostering of an organization style aimed toward attending to the customers’ needs (Hall et al., 2004). This virtuous circle is critical in maintaining the companies’ relations – long-term customers, especially since reputation has been shown to be a strong precedent for a companies’ sustainability (Czinkota et al., 2014).

Functional benefit
To strengthen the relationship between a department store and its customers, it is important for the latter to perceive the functional benefit (Okada, 2005). Functional benefits, such as “losing weight,” “getting started on a new fitness routine” and “chocolate is good for my health”
are concrete and objective claims. These benefits are easily expressed and are not emotion-based. Information can be readily provided in advertisements that articulate functional benefits (Naylor et al., 2008).

As stated previously, this benefit may be defined as consuming products and/or services that respond to the customers’ needs, value, essential needs and problem solving (Chitturi et al., 2008), thus avoiding experiences that lead to frustrating experiences for the customer (Stauss et al., 2005). From the perspective of department store customers, they will always seek to obtain an inherent advantage in consuming products and/or services. In general, the consumer will seek the advantages in the product’s attributes, which are often related to basic motivations, such as physiological or security needs, and they involve the desire to eliminate or avoid a problem (Marzo-Navarro et al., 2004). However, customers not only seek to meet their basic needs, but they also expect to attain comprehensive solutions to their problems (Okada, 2005). In other words, the customers’ experiences unveil the reliance and competence of the services received (Berry et al., 2006).

**Hedonic benefit**
The hedonic benefit perceived by customers is very important in its relationship with department stores (Bauer et al., 2004). For a consumer, the main motivating factors of a hedonic purchase include “adventure shopping,” “social shopping,” “gratification shopping,” “idea shopping,” “role shopping” and “value shopping (Arnolds and Reynolds, 2003). One of the main motivations of the consumer is to obtain a hedonic experience through a feeling of pleasure and enjoyment at the moment of purchase (Ng et al., 2007). Specialized literature makes it clear that this benefit may be defined as resulting from customers’ psycho-sensorial experiences, especially from the need of stimuli and the search of pleasurable sensations (Sloot et al., 2005) when visiting a department store. In short, customers expect to find the desired pleasure through their experience with the service, associated to their own fantasies and feelings (Alba and Williams, 2013). The perception of hedonic attributes represents global multisensory experiences and is likely to prompt a positive mood on consumers (Kronrod et al., 2011). The store that is capable of understanding customer needs and manages to activate these multisensory images by stimulating diverse senses in the customer may achieve a better consumption experience (Frow and Payne, 2006).

**Symbolic benefit**
The symbolic benefit can contribute greatly to the strengthening of the relationship between the customer and a department store. It is related to the underlying needs of social approval or personal and external expression, leaning toward self-esteem and comprising of attributes that are not related to the products (Esbjerg and Bech-Larsen, 2009).

Therefore, shopping represents a social act where the symbolic meanings, social codes, relationships and identity as well as the consumer’s ego can be produced and reproduced (Rintamäki et al., 2006). The act of shopping can also provide a symbolic benefit, as customers are able to express their personal values through the consumption experience (Chandon et al., 2000). Similarly, symbolic consumption has been defined as the benefit received by multiple components of “self-concept.” This is largely the result of assessment by others, which may be real or unreal (Creusen and Schoormans, 2005), and is made up of diverse representations and linked to a set of social circumstances (Sirgy et al., 2000).

Each component of self-concept represents the domain of people’s hopes and fears and indicates what can be done or decided in certain situations. Previous studies have used four components of self-image to explain purchase behavior: real self-image, ideal self-image, social self-image and ideal social self-image (Malär et al., 2011). From this point
of view, in general, the consumers seek to surround themselves by their reference group (Wang, 2010), thus, they prefer going to the same department store as those who reinforce their degree of belonging.

**Hypothesis**

To evaluate the relationships proposed in the theoretical model the following hypotheses are proposed (see Figure 1).

**The affective evaluation of the consumer as antecedent of the reputation**

Although few studies support the causal relationship between affective evaluation as precedent for corporate reputation, it has been admitted by some previous studies that affective commitment has a positive impact on corporate reputation (Helm, 2011). From the perspective of hospitality management, the affection expressed toward the brand has a direct and positive influence on reputation (Han et al., 2015). From the business management point of view, the emotional attraction expressed by individuals positively affects corporate reputation (Friedman, 2009). With this in mind, the following hypothesis is deduced:

\[ H1. \text{ Affective evaluation of the shopping experience has a direct and positive effect on the reputation of a department store.} \]

**The functional benefit perceived by the consumer as antecedent of the reputation**

Customers’ perception of functional benefit is crucial for a company’s corporate reputation (Cian and Cervai, 2014). In the context of retailing, the customers’ experience associated with functional benefits improves the perception of corporate reputation (Jarvinen and Suomi, 2011). In fact, product- and service-related experiences precede the company’s corporate reputation (Shamma and Hassan, 2009). Functional attributes such as quality and performance play a relevant role in the better perception of corporate reputation (Schwaiger et al., 2010). With these precedents, the following hypothesis is proposed:

\[ H2. \text{ The functional benefit perceived in the shopping experience has a direct and positive effect on the reputation of a department store.} \]

**The hedonic benefit perceived by the consumer as antecedent of the reputation**

From a marketing perspective, pleasure obtained by hedonic customers directly influences the choosing of a brand with a better reputation (Bahng et al., 2013). Thus, the customers’
perception of a product’s reputation value is a consequence of their hedonic experience in using it (Firat et al., 2013). Additionally, the consumer’s hedonic experience is a relevant precedent of a brand’s reputation (Vila-López and Rodríguez-Molina, 2013). The hedonic benefit is one of the most important determinants of corporate reputation (Jones, 2005).

In line with previous studies and in the context of the department store industry, the following hypothesis is proposed:

**H3.** The hedonic benefit perceived in the shopping experience has a direct and positive effect on the reputation of a department store.

*The symbolic benefit perceived by the consumer as antecedent of the reputation*

Consumers’ perception of the symbolic experience is a relevant cause of the corporate reputation attained by the company (Cian and Cervai, 2014). This experience, based on products and services, is an important precedent of corporate reputation (Shamma and Hassan, 2009). Likewise, the symbolic representation attained by the customer precedes the corporate reputation the company will hold (Rindova et al., 2005).

Similarly, the symbolic benefit obtained by customers will directly influence their perception of the corporate reputation (Boddy, 2012). Therefore, the symbolic benefit is a relevant precedent of corporate reputation (Jones, 2005). Considering the findings of previous studies, in the context of the department store industry, the following hypothesis is proposed:

**H4.** The symbolic benefit perceived in the shopping experience has a direct and positive effect on the reputation of a department store.

*The affective evaluation of the department store as antecedent of the functional benefit perceived by the consumer*

Specialized literature has argued that affective purchasing leads to greater long-term satisfaction for purchases that are considered important. This suggests that affective evaluation may be translated into the customers’ perceived functional benefit (Darke et al., 2006) and that emotional characteristics, created around a product, positively affect the customers’ perceived functional benefit (Childs et al., 2006).

Providers must present services and products to generate a mental response on the consumer, thoughts, ideas, memories, curiosity (Bagdare and Jain, 2013). An emotionally attractive product increases the customers’ perceived functional benefit (Barnes and Lillford, 2009). Given this argumentation, in the context of the department store industry, the following hypothesis may be suggested:

**H5.** The better the affective evaluation of a department store, the better the functional benefit perceived by the consumer will be.

*The affective evaluation of the department store as antecedent of the hedonic benefit perceived by the consumer*

According to Babin and Attaway (2000), consumers seeking high level stimulations have a close relationship between their affective evaluation and their perceived hedonic benefit in the process of choosing a service. From this point of view, the pleasure perceived in the purchasing process is the result of the customers’ favorable affective evaluation (Voss et al., 2003). Consequently, the customers’ hedonic behavior is positively affected by their affective evaluation of their environment
Based on these previous studies, the following hypothesis is suggested:

\[ H_6. \] The better the affective evaluation of a department store, the better the functional benefit perceived by the consumer will be.

The affective evaluation of the department store as antecedent of the hedonic benefit perceived by the consumer

Specialized literature has stated that affective evaluation is very relevant because it is a precedent of the symbolic benefit (Park, 2006). It has also been argued that there is a close relationship between the affective evaluation and the symbolic benefit perceived by a person (Hamilton and Hassan, 2010). Specifically, the affective evaluation positively affects the self-concept of the individual (Loroz, 2004). Based on what is stated in the literature, the following hypothesis is suggested:

\[ H_7. \] The better the affective evaluation of a department store, the better the symbolic benefit perceived by the consumer will be.

Methodology

Measures and sample

To build measurement scales with a good degree of validity it was necessary to carry out several stages (Raubenheimer, 2004). In both countries, the first stage was to build scales with a degree of content validity. To this end, a comprehensive and rigorous literature analysis was conducted, considering the adaption of scales built in several previous studies. For example, for reputation, Fombrun et al. (2000) and Nguyen and Leblanc (2001) were considered. For the functional benefit, Rintamäki et al. (2006) and Dhar and Wertenbroch (2000) were used as reference. For the hedonic benefit Park (2006) and Chitturi et al. (2008) provide the reference. The references used for the symbolic benefit were the works of Sweeney and Soutar (2001) and Kim et al. (2002). Affective evaluation was based on the work of Lee et al. (2008).

Consecutively, critical incidents were studied, in which people had to describe the factors that were part of the analyzed constructs. A non-probabilistic sample was used based on quotas proportionally distributed among the main department stores in Chile and Mexico.

Through this procedure, the scales of reputation, functional benefit, hedonic benefit, symbolic benefit and affective evaluation were tested. Afterwards, a second refining process of these scales recommended by De Wulf and Odekerken-Schröder (2003) was conducted. Focus groups comprised of regular department store customers were used, in addition to several interviews with experts in the retail industry and business executives from some department stores in Chile and Mexico.

These analyses enabled the addition of indicators that best reflected each of the dimensions within the context of the study, and the adaptation and/or elimination of indicators that proved to be conflicting or redundant. A modification of the method by Zaichkowsky (1985) was used for this study. Each expert had to qualify each of the items regarding their dimensions, considering three alternatives: clearly representative, somewhat representative and not representative. At last, it was decided to keep the items with a high level of consensus (Lichtenstein et al., 1990). The scales to build the questionnaire were attained in this process. In the second stage, the final questionnaire was elaborated. With this preliminary quantitative questionnaire, a pre-test was conducted on a random sample of 50 people in Chile and 50 people in Mexico. With this data, an exploratory factor analysis (EFA) was performed, and the Cronbach's \( \alpha \) for each of the resulting dimensions was calculated.
With this prior analysis, the existence of each of the dimensions resulting from the preceding analysis was tested. The items were written as statements and were to be answered using a Likert seven-point scale (see Table I). In total, 700 people were interviewed in Chile and 250 people in Mexico, however, in Mexico, 12 forms were excluded due to incomplete or duplication of information, thus leaving 238 valid surveys. In both countries, the last department stores visited by the respondents were considered. Most respondents were undergraduate university students from business schools in both countries. The application of the surveys was carried out between July and September of 2017.

The non-probabilistic sampling (see Table II) of 700 people was segmented based on quotas in proportion to the market share of the main warehouses of the Chilean retail industry: Falabella (43 percent), Paris (30 percent) and Ripley (27 percent). In Mexico, the non-probabilistic sampling of 250 people was segmented based on quotas proportional to the market share of: The Iron Palace (51 percent); Liverpool (40 percent); Sears (2 percent); others (7 percent).

**Psychometric data analysis**

With the resulting data of both countries, a psychometric analysis was performed to obtain scales with adequate reliability, validity and dimensionality. To this end, an EFA, confirmatory factor analysis (CFA) and several reliability analyses using Cronbach’s $\alpha$, construct reliability and average variance extracted (AVE). To identify the components that did not adhere to their dimension, factor analysis was performed on the main components using varimax rotation (Brown, 2001).

According to this method, it was not necessary to eliminate the indicators of the analyzed scales. In fact, all of them displayed a good degree of one-dimensionality with a value over 0.4 (Larwood *et al.*, 1995). Considering the different scales included in this study, a CFA was carried out to verify if the indicators or variables were adequate to achieve a good fit with

<table>
<thead>
<tr>
<th>Constructs</th>
<th>Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reputation</td>
<td>This department store has a very good reputation</td>
</tr>
<tr>
<td></td>
<td>This department store has a better reputation than similar stores</td>
</tr>
<tr>
<td></td>
<td>This department store is very respected by the people</td>
</tr>
<tr>
<td></td>
<td>People speak very well of this department store</td>
</tr>
<tr>
<td></td>
<td>The good reputation of this department store is supported by its history</td>
</tr>
<tr>
<td>Functional benefit</td>
<td>This department store gives me the attention I need</td>
</tr>
<tr>
<td></td>
<td>This department store gives me the services I was looking for</td>
</tr>
<tr>
<td></td>
<td>This department store is the most convenient</td>
</tr>
<tr>
<td></td>
<td>This department store is the most efficient</td>
</tr>
<tr>
<td></td>
<td>This department store is the best</td>
</tr>
<tr>
<td>Hedonic benefit</td>
<td>In this department store I forget my problems</td>
</tr>
<tr>
<td></td>
<td>In this department store my experience is unique</td>
</tr>
<tr>
<td></td>
<td>In this department store the time is well used</td>
</tr>
<tr>
<td></td>
<td>In this department store I discovered what really matters</td>
</tr>
<tr>
<td></td>
<td>In this department store I escape from my routine</td>
</tr>
<tr>
<td>Symbolic benefit</td>
<td>This department store gives me prestige</td>
</tr>
<tr>
<td></td>
<td>This department store gives me status</td>
</tr>
<tr>
<td></td>
<td>This department store reflects who I am</td>
</tr>
<tr>
<td></td>
<td>This department store expresses my lifestyle</td>
</tr>
<tr>
<td></td>
<td>This department store is a social necessity</td>
</tr>
<tr>
<td>Affective evaluation</td>
<td>This department store is entertaining</td>
</tr>
<tr>
<td></td>
<td>This department store is lively</td>
</tr>
<tr>
<td></td>
<td>This department store is nice</td>
</tr>
<tr>
<td></td>
<td>This department store is cheerful</td>
</tr>
<tr>
<td></td>
<td>This department store is stimulating</td>
</tr>
</tbody>
</table>

Table I. Description of constructs
the model. The requirements considered were the three criteria proposed by Jöreskog and Sörbom (1993).

For both Chile and Mexico, the following analysis was used: first, we analyzed if it was necessary to eliminate indicators with a weak convergence condition with latent variables. The requirement used was Student $t$ greater than 2.28 ($p < 0.01$). Second, the need to leave out variables with a value translated into standard coefficients under 0.5 was analyzed. Finally, $R^2$ values greater than 0.3 were observed. The statistics package AMOS SPSS V. 22 was used for this process. After this process, it was observed that for this analysis, none of the indicators according to the three criteria had to be eliminated. In Chile, the model fix index of this Confirmatory Factor model was acceptable: IFI 0.962, CFI 0.962, RMSEA 0.056, Normed $\chi^2$ (3.199). In Mexico the model fix index of the confirmatory factorial model was acceptable: IFI 0.962, CFI 0.962, RMSEA 0.065, Normed $\chi^2$ (2.009). Once the optimal model for both countries was verified, the reliability of each one of the scales was checked.

Three tests were applied for this: Cronbach’s $\alpha$ (limit 0.7), composite reliability construct (limit 0.7) (Jöreskog, 1971) and AVE analysis (limit 0.5) (Fornell and Larcker, 1981). The results for Chile and Mexico (see Table III) show that in all the cases the established minimum reliability parameters are met.

Finally, for both countries, validity was then verified, considering content and construct validity. The scales included in this analysis show an adequate degree of content validity because a deep literature review and study of critical incidents with department store customers included in this study were carried out. Later, the scale was rectified through focus groups with customers and in-depth interviews with several department store experts and business executives of the main department stores (details in the Methodology section). In order to comply with construct validity, the rectified proposed scale was analyzed to verify if convergent and discriminatory validity were confirmed. Convergent validity was confirmed by observing that all standardized coefficients of the CFA were statistically significant at 0.01
and over 0.5 (Bagozzi and Yi, 1988). To confirm discriminant validity, a confidence intervals test (Anderson and Gerbing, 1988) was used. The first test is to construct confidence intervals resulting of the correlations of the different latent variables of the CFA model.

According to this test, there is discriminant validity because none of the confidence intervals have the value 1 (Bagozzi, 1981). In fact, in all the cases, the correlations are considerably far from this value. The second test observes the differences obtained between the $\chi^2$ model of the proposed CFA and the value of this statistic in identical but alternative models that contain latent variable pairs for those whose discriminating value is being determined, with their coefficient set at one. According to this test, the proposed model has discriminant validity (see Table IV), because the statistic $\chi^2$ of the CFA model is significantly lower (better fit to the model) than that presented by alternative models (Bagozzi and Phillips, 1982). Considering all this information, we may conclude that the proposed model has a good degree of validity overall.

### Analysis and results

The seven hypotheses proposed in this study were tested using a structural equation model (Bagozzi, 1981). As observed through standardized $\beta$, in Figure 2. In Chile, consumers’ affective evaluation has direct and positive effect on corporate reputation ($\beta = 0.19; R^2 = 0.58; p < 0.001$), on the functional benefit ($\beta = 0.66; R^2 = 0.43; p < 0.001$), on the hedonic benefit ($\beta = 0.69; R^2 = 0.47; p < 0.001$) and on the symbolic benefit ($\beta = 0.55; R^2 = 0.30$). These values may be very important for department store retail because this triad of benefits reflects the affective state of the consumer and it becomes the main precedent for corporate reputation. Similarly, the functional benefit ($\beta = 0.61; p < 0.001$)

<table>
<thead>
<tr>
<th>Scales</th>
<th>Variables</th>
<th>Cronbach’s $\alpha$</th>
<th>Reliability</th>
<th>Average variance extracted</th>
<th>Average deviation</th>
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<tr>
<td></td>
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<td>Chile</td>
<td>Mexico</td>
<td>Chile</td>
<td>Mexico</td>
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<td>0.96</td>
<td>0.94</td>
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<td>0.95</td>
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<tr>
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<td>4.60</td>
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<td>0.95</td>
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<tr>
<td></td>
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</tr>
<tr>
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<tr>
<td></td>
<td>Afe5</td>
<td>4.28</td>
<td>5.60</td>
<td>1.742</td>
<td>1.392</td>
</tr>
</tbody>
</table>

Table III. Reliability of scales
and the symbolic benefit ($\beta = 0.21; p < 0.001$) perceived by the consumer have direct and positive effect on corporate reputation ($R^2 = 0.58; p < 0.001$). However, it is important to note the negative effect of perceived hedonic benefit ($\beta = -0.16; p = 0.001$) on the reputation of the department store. In Mexico, Consumers’ affective evaluation has direct and positive effect on corporate reputation ($\beta = 0.23; R^2 = 0.72; p < 0.05$), on the functional benefit ($\beta = 0.84; R^2 = 0.71; p < 0.001$), on the hedonic benefit ($\beta = 0.79; R^2 = 0.62; p < 0.001$) and on the symbolic benefit ($\beta = 0.72; R^2 = 0.52; p < 0.001$). Likewise, the functional benefit ($\beta = 0.72; p < 0.001$), and the symbolic benefit ($\beta = 0.27; p < 0.01$) perceived by the consumer have a direct and positive effect on the corporate reputation of department stores ($R^2 = 0.72$). In the same way, as in Chile, the exception (see Figure 2) is the hedonic benefit ($\beta = -0.38; p < 0.001$) perceived by consumers that has a negative effect on the reputation of department stores.

From these relationships, for Chile (see Table A1) and for Mexico (see Table AII), positive correlations were observed between constructs. Thus, the direct and positive relationship between latent variables, as well as their indicators that comprise this analysis model is empirically verified.
**Multigroup analysis**

Next, an invariance test was performed (Villa Castaño et al., 2018) to guarantee the analysis of the differences or similarities observed in the behavior of consumers in Chile and Mexico. Here it was necessary to contrast whether there were any significant differences between the consumer groups from Chile and Mexico, given the relationships raised in the theoretical model of this study. For thus effects, the $\chi^2$ of the proposed model is observed without restrictions ($\chi^2 = 2147.3; \text{df } 532; \text{p-value } < 0.001$) (Cheung and Rensvold, 2002) vs the $\chi^2$ of the same model with restrictions ($\chi^2 = 2218.8; \text{df } 551; \text{p-value } < 0.001$) (Yu and Shek, 2014). The difference between both $\chi^2$ considered is 71.5; difference in df is 19; $\text{p-value } < 0.001$. This indicates that the consumer groups in Chile and Mexico are different at the general model level. Next, tests were carried out to evaluate the invariance at the level of the different relationships proposed in the theoretical model. Through the differences of Chi squared ($\chi^2$) and by means of the calculation of the critical indicators for differences between parameters it is necessary to observe the bias produced by the difference of $\chi^2$ given its sensitivity to the sample size (Cheung and Rensvold, 2002). A critical indicator superior to ±1.96 indicates that there are significant differences between groups (Byrne, 2004). According to this analysis, there are significant differences between the groups in Chile and Mexico (see Table V). This is in the relationship between the hedonic benefit perceived by the consumer and the reputation of the department store ($\chi^2 = 2,150.4; \text{df } 533; \text{z-score } = -1.939; \text{p-value } < 0.10$); between the affective evaluation of the department store and the functional benefit perceived by the consumer ($\chi^2 = 2,152.4; \text{df } 533; \text{z-score } = -2.935; \text{p-value } < 0.05$); between the affective evaluation of the department store and the hedonic benefit perceived by the consumer ($\chi^2 = 2,156.5; \text{df } 533; \text{z-score } = -2.94; \text{p-value } < 0.01$) and between the affective evaluation of the department store and the symbolic benefit perceived by the consumer ($\chi^2 = 2,166.4; \text{z-score } = 4.136; \text{df } 533; \text{p-value } < 0.01$).

**Mediation effect**

For consumers who visit department stores in Chile and Mexico, significant values can be observed in the path of affective evaluation–hedonic benefit–reputation and in the direct route of the affective-reputation evaluation. This is enough reason to declare the mediating effect of the hedonic benefit (Park and Kim, 2003). This occurs partially in the path of affective–functional benefit–reputation evaluation. Similarly, the same partial effect can be observed in the affective evaluation-symbolic benefit–reputation route. Despite these results, it is necessary to verify the intensity of the hedonic benefit as a mediator between the affective evaluation and the reputation of the department store. The mediation test was conducted using bootstrap bias correction with a confidence interval of 95%, using the AMOS SPSS 25 ($n = 3,000$ repetitions) (Preacher and Hayes, 2004). The standardized indirect effect between the affective evaluation and the reputation of the department store

<table>
<thead>
<tr>
<th>Relationships</th>
<th>Difference $\chi^2$ (df)</th>
<th>90% confidence ratios</th>
<th>Critical $z$-score</th>
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**Notes:** $^* \text{p-value } < 0.10$; $^{**} \text{p-value } < 0.05$; $^{***} \text{p-value } < 0.01$

Table V. Multigroup analysis Chile–México
associated with its SE standard error and the value of \( p \), for consumers in Chile is \( \beta = 0.410, SE = 0.043, p\)-value < 0.001. For consumers in Mexico it is \( \beta = 0.567, SE = 0.137, p\)-value < 0.001. Given the statistical significance of these results, it is considered that there is enough evidence to confirm that the hedonic benefit perceived by consumers in Chile and Mexico plays a mediating role between the affective evaluation and the reputation of the department store.

**Conclusion and discussion**

In this study between Chile and Mexico, different perceptual factors that influence the reputation of a department store have been analyzed. The functional shopping experience (Cian and Cervai, 2014) and the symbolic shopping experience (Boddy, 2012) have a positive effect on the store’s reputation. In Chile and Mexico, the exception in the direction of this relationship is the hedonic benefit’s negative effect on reputation.

In both countries, the findings show that the emotional experience affects not only the functional, hedonic and symbolic benefits perceived (Darke *et al.*, 2006; Kazakeviciute and Banyte, 2012; Hamilton and Hassan, 2010) but also generates an important direct effect in the store’s reputation (Järvinen and Suomi, 2011).

While there could be a strong and high emotional connection with the store, it has no value if consumers are not able to tangibly perceive the benefits of their shopping experience. Both achieving positive emotional states for the consumer and turning their negative emotional states into positive ones is a real challenge for marketing managers. For example, a happy and welcoming environment would help the consumer’s purchasing experience to be conducted with happiness and gratitude. Undoubtedly, these are two basic emotions, but they mark the consumers’ emotional experience with the store (Krishna, 2012).

Clearly, the functional and symbolic benefit perceived by the consumer positively affects the reputation of a department store. The exception to this rule is the negative effect of the hedonic benefit perceived by the consumer on the reputation of the store. The consumers in Chile and Mexico visit department stores to buy products and/or services that solve their problem, and the stores they visit offer a certain degree of social belonging. They do not necessarily go to the department store in search of a shopping experience whose main feature is pleasure. Therefore, it is not through the hedonic benefit perceived by the consumer that the store will increase its reputation. Rather, it is through the diverse and varied disposition of the products and services offered, plus an *ad hoc* environment to the socioeconomic profile of the consumers, that it will increase its reputation.

So, in order to improve the reputation, efforts should focus on strengthening the emotional, functional and symbolic links of the shopping experience of consumers and department stores. In both countries, the findings show that a strong perception of the symbolic attributes of the consumer’s shopping experience directly and effectively influences the reputation of the store (Shamma and Hassan, 2009). Although the consumers of both countries manage to connect through the symbolic attributes perceived in their shopping experience, and despite having the same products and being able to generate an important functional link, they fail to create a strong hedonic link with them. Undoubtedly, the functional benefit perceived by customers is an antecedent that strengthens the reputation of department stores, thus achieving an important physical positioning (Klaas Jagersma, 2010). Furthermore, as an alert to physical stores, the functional characteristics of online stores have a positive impact on the satisfaction of online shopping, and therefore it is necessary that physical stores take advantage of this medium to increase their virtual presence (Ha and Stoel, 2012). As an example, it has been demonstrated that the Mexican consumer increasingly prefers to buy from online stores (Ahmed and Aguilar, 2013).
Implications and limitations

The present study offers professionals a research framework, aimed at guiding them on how they can understand, establish and optimize the functional, hedonic and symbolic shopping experience of clients to positively influence the reputation of department stores. First, our empirical results confirm that the reputation of a department store is a consequence of the shopping experience associated with the benefits perceived by the consumer. This finding suggests that for managers it should be a constant challenge of their commercial management strategy to establish and highlight the functional and symbolic attributes of the department store. Second, the evidence indicates that the hedonic benefit is not perceived positively in Chile and Mexico. Therefore, the department store should try to link the emotional experience with the functional and symbolic benefits perceived by the consumer. It is through these routes that the reputation of the department store can be increased. These findings are important inputs for management decision making when it comes to strengthening the reputation of a department store through emotional ties with its consumers. In Chile and Mexico, knowing that the emotional state of consumers associated with their shopping experience significantly influences the reputation of the company can be an excellent indicator to improve the experience of the consumer in the store. Thus, with this knowledge, the company could not only know what factors to include or address in the shopping experience of its consumers, but also change, differentiate or redefine their shopping experience.

This study could be a support to initiate the discussion on the mediating effect of the functional, hedonic and symbolic variables that affect the relationship between the emotional experience and the reputation of the store. The results are limited to the sample used, because the type of sampling applied in the study are non-probabilistic. The study is also cross-sectional, limiting the results to a snapshot of a moment in time, thus a longitudinal study is suggested, to analyze the behavior over a longer period. The statistical sample was selected on a university campus. It should be borne in mind that this is a risky sampling method since this demographic is too homogeneous compared to the general population.

Future lines of research

Another line of possible research is to consider the extension of the model with a construct that considers experiential elements within the purchasing process, such as, assessment of time, importance of physical contact with product, importance of reference groups in the purchase decision. This would allow to give a greater space to include/understand how these elements can moderate reputation.

Future research should analyze whether the emotional experience of the online consumer influences the reputation of the company. Another study could analyze intercultural behavior that considers the environmental and characteristic elements of different Latin American countries. This would allow us to understand the reality in an aggregated and disaggregated way, managing to observe the mediating effects between different Latin American realities.

References


**Further reading**


**Corresponding author**

Karla Barajas-Portas can be contacted at: karla.barajas@anahuac.mx

(The Appendix follows overleaf.)
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Table AI. Correlations Chile

(continued)
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**Note:** **Significant at the level 0.01
Table AII

Correlations Mexico

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(continued)
| Hed3  | Hed4  | Hed5  | Affe1 | Affe2 | Affe3 | Affe4 | Affe5 | Fun1  | 0.801** | 1     | 0.698** | 0.642** | 1     | 0.622** | 0.572** | 0.806** | 1     | 0.631** | 0.580** | 0.596** | 0.707** | 1     | 0.670** | 0.587** | 0.659** | 0.713** | 0.823** | 1     | 0.682** | 0.650** | 0.584** | 0.670** | 0.765** | 0.781** | 1     |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|---------|-------|---------|---------|-------|---------|---------|---------|-------|---------|---------|---------|---------|-------|---------|---------|---------|---------|-------|---------|---------|---------|---------|-------|
| Fun2  | 0.622** | 0.572** | 0.806** | 1     | 0.631** | 0.580** | 0.596** | 0.707** | 1     | 0.670** | 0.587** | 0.659** | 0.713** | 0.823** | 1     | 0.682** | 0.650** | 0.584** | 0.670** | 0.765** | 0.781** | 1     | 0.654** | 0.572** | 0.729** | 0.737** | 0.566** | 0.619** | 0.628** | 1     |
| Fun3  | 0.631** | 0.580** | 0.596** | 0.707** | 1     | 0.670** | 0.587** | 0.659** | 0.713** | 0.823** | 1     | 0.682** | 0.650** | 0.584** | 0.670** | 0.765** | 0.781** | 1     | 0.654** | 0.572** | 0.729** | 0.737** | 0.566** | 0.619** | 0.628** | 1     | 0.554** | 0.542** | 0.625** | 0.638** | 0.597** | 0.600** | 0.596** | 0.814** | 1     |
| Fun4  | 0.670** | 0.587** | 0.659** | 0.713** | 0.823** | 1     | 0.682** | 0.650** | 0.584** | 0.670** | 0.765** | 0.781** | 1     | 0.654** | 0.572** | 0.729** | 0.737** | 0.566** | 0.619** | 0.628** | 1     | 0.554** | 0.542** | 0.625** | 0.638** | 0.597** | 0.600** | 0.596** | 0.814** | 1     | 0.576** | 0.587** | 0.660** | 0.675** | 0.609** | 0.641** | 0.616** | 0.821** | 0.839** | 1     |
| Fun5  | 0.682** | 0.650** | 0.584** | 0.670** | 0.765** | 0.781** | 1     | 0.654** | 0.572** | 0.729** | 0.737** | 0.566** | 0.619** | 0.628** | 1     | 0.554** | 0.542** | 0.625** | 0.638** | 0.597** | 0.600** | 0.596** | 0.814** | 1     | 0.576** | 0.587** | 0.660** | 0.675** | 0.609** | 0.641** | 0.616** | 0.821** | 0.839** | 1     |
| Rep1  | 0.801** | 1     | 0.698** | 0.642** | 1     | 0.622** | 0.572** | 0.806** | 1     | 0.631** | 0.580** | 0.596** | 0.707** | 1     | 0.670** | 0.587** | 0.659** | 0.713** | 0.823** | 1     | 0.682** | 0.650** | 0.584** | 0.670** | 0.765** | 0.781** | 1     | 0.610** | 0.587** | 0.686** | 0.701** | 0.626** | 0.663** | 0.677** | 0.807** | 0.798** | 0.852** | 1     |
| Rep2  | 0.682** | 0.650** | 0.584** | 0.670** | 0.765** | 0.781** | 1     | 0.610** | 0.587** | 0.686** | 0.701** | 0.626** | 0.663** | 0.677** | 0.807** | 0.798** | 0.852** | 1     | 0.696** | 0.595** | 0.658** | 0.675** | 0.631** | 0.641** | 0.680** | 0.757** | 0.773** | 0.848** | 0.839** | 1     |

**Nota:** **La correlación es significativa en el nivel 0.01 (bilateral)**
Perceived value, satisfaction and future intentions in sport services
Putting congruence and brand trust in the equation – linear models vs QCA

Valor percibido, satisfacción e intenciones futuras en los servicios deportivos
Poner congruencia y confianza de marca en la ecuación – Modelos lineales vs QCA

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Catholic University of Valencia, Godella, Spain
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Abstract
Purpose – The purpose of this paper is to analyze the role of brand-related variables as congruence and brand trust on the traditional model formed by perceived quality, perceived value (PV) and satisfaction, in order to compare predictive models for the variables of PV, satisfaction and future intentions of 683 users of sports services.
Design/methodology/approach – The analysis has been carried out using two different methodologies. First, three models have been proposed to be analyzed by hierarchical regression models, in order to subsequently propose a fuzzy-set qualitative comparative analysis (fsQCA) to verify the existence or not of necessary and sufficient conditions.
Findings – The results indicate that both the classic service variables and the elements related to the brand significantly predict PV, satisfaction and future intentions, in some cases with greater predictive weight being given to congruence and trust than the classic service variables. In addition, linear models have been shown to improve their predictive capability by including brand-related variables, especially the future intentions model. After the fsQCA, congruence and trust have proved to be sufficient combinations to achieve high levels of PV and future intentions, while this is not the case for satisfaction.
Originality/value – The importance of the aspects related to the brand, either on their own or in combination with the classic service variables, is demonstrated, contributing to the literature on brand image in sports services, which is practically non-existent.
Keywords Consumer behaviour, Brand image, Hierarchical regression model, Qualitative comparative analysis, Sport services
Paper type Research paper

Resumen
Objetivo – El objetivo es analizar el papel de las variables relacionadas con la marca como la congruencia y la confianza en la marca en el modelo tradicional formado por la calidad percibida, el valor percibido y la
satisfacción, con el fin de comparar modelos predictivos para las variables de valor percibido, satisfacción e intenciones futuras de 683 usuarios de servicios deportivos.

**Diseño/Metodología/Enfoque** – El análisis se ha llevado a cabo utilizando dos metodologías diferentes. En primer lugar, se han propuesto 3 modelos para ser analizados mediante modelos de regresión jerárquica, con el fin de proponer posteriormente un análisis comparativo cualitativo de conjuntos difusos para verificar la existencia o no de condiciones necesarias y suficientes.

**Resultados** – Los resultados indican que tanto las variables clásicas del servicio como los elementos relacionados con la marca predicen significativamente el valor percibido, la satisfacción y las intenciones futuras, en algunos casos con un mayor peso predictivo de la congruencia y la confianza que las variables clásicas de servicio. Además, se ha demostrado que los modelos lineales mejoran su capacidad predictiva al incluir las variables relacionadas con la marca, especialmente en el modelo de intenciones futuras. Después del análisis cualitativo comparativo, la congruencia y la confianza han demostrado ser combinaciones suficientes para lograr altos niveles de valor percibido e intenciones futuras, mientras que no ha sido así en el caso de la satisfacción.

**Originalidad/valor** – Queda demostrada la importancia de los aspectos relacionados con la marca, por sí solos o en combinación con las variables clásicas del servicio, contribuyendo a la literatura sobre la imagen de marca en los servicios deportivos, que es prácticamente inexistente.

**Palabras clave** Análisis comparativo cualitativo, Modelos de regresión jerárquica, Imagen de marca, Servicios deportivos, Comportamiento del consumidor

**Tipo de papel** Trabajo de investigación

**Introduction**

Brand image is the element that allows all the effort, time and money invested by marketing managers, whether for goods or services, to be transmitted to consumers in a way that can lead to the success or failure of the company. Brand image should be understood as the set of aspects that we perceive of a brand, so it is equivalent at a conceptual level with brand perception, but should not be confused with the corporate image, which is a mistake that usually arises in research in this area. Through brand image, users perceive and interpret what we are and to what extent that fits with them and motivates them to carry out certain future intentions, so how we manage the brand is crucial. Throughout the literature there are numerous studies that have analyzed this aspect of brand image from different marketing approaches (Dwivedi and McDonald, 2018; Pham et al., 2018) but despite this, as stated by Bougoure et al. (2016) most studies are oriented to the analysis of goods while the scope of services, especially the context of sports services, remain largely unaddressed and leaves a number of important questions unanswered.

For this reason, the objective of this study is to compare predictive models for the variables of perceived value (PV), satisfaction and future intentions of users of sports services, to contribute to filling the gap that exists in the literature and provide evidence of the importance of brand trust (BT) and congruence for the improvement of classic variables in the service, all through an approach with different methodologies such as hierarchical regression models (HRM) and a fuzzy- set qualitative comparative analysis (fsQCA).

**Theoretical background**

The study of PV, satisfaction and future intentions has been a topic widely covered in the scientific literature related to services (Jin et al., 2015; Londoño et al., 2017; Murray and Howat, 2002; Wu and Li, 2017). Most existing models have been based on the analysis of the same classic variables of perception of service performance, such as perceived quality (PQ), value, satisfaction and future intentions (Su et al., 2016), leaving aside the possibility of incorporating other variables that may have an influence on these relationships, in this case brand congruence and BT.

Regarding the traditional variables within the quality models PQ has historically been understood as the excellence or superiority of a product and the consumer’s judgment about it (Zeithaml, 1988). Grönroos (1984), for his part, establishes that the PQ corresponds to a comparison between the expectations that users have and what they really feel they receive.
On the other hand PV is defined as consumer perception of the overall benefits obtained and the cost of obtaining those benefits (Chen and Dubinsky, 2003), while satisfaction can be understood as an overall assessment by the consumer after purchase (Fornell, 1992) based on the consumer’s consumption and purchasing experience over time (Anderson et al., 1994), as consumers rely on all their purchasing experiences over time when making purchasing decisions (Ha and Perks, 2005).

In the field of marketing, quality has been related throughout the literature mainly to PV (Sweeney et al., 1999), to value as a prior step to improving future intentions (Cronin et al., 1997) and to satisfaction (Chen and Chen, 2010). PV has been especially analyzed in relation to variables such as price, brand strategies and consumer behavior (Gil et al., 2006) PQ, satisfaction and future intentions (Murray and Howat, 2002) and also with satisfaction and loyalty (Yang and Peterson, 2004) but not with elements related to the brand in sport services, although it seems that aspects such as congruence and trust can have an influence on it. Satisfaction has also been studied in relation to other variables, such as attitudes toward the brand, future intentions of users and attitudinal loyalty (Russell-Bennett et al., 2007), its relationship with BT (Delgado-Ballester and Luis Munuera-Alemán, 2001), the relationship between satisfaction and repurchase intentions (Mittal and Kamakura, 2001) or the analysis of the expectations, satisfaction and loyalty of fitness club users (Pedragosa and Correia, 2009).

Brand congruence is an element that has been accepted both in terms of consumer attraction to the brand and in terms of attachment and loyalty (Karampela et al., 2018). Congruence, as Festinger’s (1957) theory of cognitive dissonance explains, is based on the fact that people pretend to act as they think. This is why consumers are attracted to products that have a symbolic image similar to their own concept (Kwak and Kang, 2009) because they buy products that meet their needs, but are still coherent and consistent with their own image (Sirgy, 1982), which will make them more satisfied with the purchase (Bajac et al., 2018). Congruence has been studied mainly in relation to loyalty satisfaction (Jamal and Goode, 2001), the effectiveness of sponsorship (Alonso Dos Santos et al., 2019; Alonso Dos Santos and Calabuig, 2018), PV (Kwak and Kang, 2009) and attitudes toward the brand (Ghantous, 2016).

On the other hand, BT is also a fundamental aspect that must be analyzed, since in the buying process the relationship between buyer and seller is strongly influenced by the trust that exists between them (Kim and Walker, 2013) and is essential to build a strong relationship between the customer and the brand (Sahin et al., 2011). Trust is defined as the sense of security that the consumer possesses when interacting with a brand (Delgado-Ballester et al., 2003) mitigating the uncertainty in that business relationship (Frasquet et al., 2017). If a problem arises, this confidence will make the consumer believe that the brand will try to solve it (Kim et al., 2018) and the greater the confidence, the better the expectations will be of the brand’s intentions (Pauwels-Delassus and Descotes, 2013), complying with the provisions (Erciş et al., 2012). Trust has been related to more traditional variables within the management of sport services, such as satisfaction, PV or quality of service (Kim and Peterson, 2017).

In the field of sport services, the relationships between the variables abovementioned have been little analyzed. Besides, most of the existing studies have focused on the so-called linear models, obviating other types of non-linear relationships which can be observed between these constructs such as the case of models based on fsQCA (Prado-Gasco et al., 2017). In general, in contrast with linear models, fsQCA offers the possibility of addressing multiple contextual causes in a straightforward manner, identifying combinations of multiple causes and get results more detailed that give us more horizontal complexity than the regression analysis (Vis, 2012). Besides, fsQCA offers more systematic fashion of analyzing complex causality and the logical relationships between causal conditions and a result than linear models (Legewie, 2013). Despite of this the literature recommends the use of both methodologies in a complementary manner (Calabuig et al., 2016; Giménez-Espert and Prado-Gascó, 2018; Villanueva et al., 2017).
Summarizing and to establish the approach from which this research is carried out, as hypotheses for this paper we found a total of three:

**H1.** The variables related to the brand will significantly predict value, satisfaction and future intentions, as well as the classic variables related to service performance.

**H2.** The variables related to the brand will have greater weight in some predictions than the service variables that have been analyzed mainly in the literature.

**H3.** Congruence and trust will be present in the combinations to obtain the expected results.

**Method**

**Participants**

The sample is composed of 683 users of sports services aged 18 to 81 years, with an average age of 36.18 years (SD 11.39). The frequency of distribution users is 3.1 percent \( n = 21 \) who come occasionally (less than once a week/irregularly), 64.7 percent \( n = 435 \) who come regularly (once or twice a week) and 32.1 percent \( n = 216 \) who come frequently (more than three times a week). Based on gender, we see how the sample is distributed among 54.8 percent \( n = 374 \) men and 45.2 percent \( n = 309 \) women. Regarding the employment situation, 58.4 percent \( n = 397 \) work full time, 14 percent \( n = 95 \) part-time, 23.1 percent \( n = 157 \) are unemployed and 4.6 percent \( n = 31 \) are retired. Finally, as regards the ownership of the center to which 50.1 percent \( n = 346 \) belong to a publicly owned service, while 49.9 percent \( n = 344 \) belong to a private service.

**Instrument**

In order to collect the information, a questionnaire was used with a Likert type response from 1 to 5 points. First, the congruence scale, taken from Grace and O’Cass (2005) and made up of four items. That scale showed adequate psychometric properties with a Cronbach’s \( \alpha \) of 0.80 (Hair et al., 2006) AVE values above 0.50 (Fornell and Larcker, 1981) and correlations between dimensions below 0.85 (Kline, 1998). These adequate psychometric properties hold for this study, with an \( \alpha \) of 0.88. Subsequently, we find the scale of trust and PV, with four items for each case, extracted from Hur et al. (2014) who adapted it from Chaudhuri and Holbrook (2001). The reliability and validity of the model was satisfactory (Hur et al., 2014). Also, in Chaudhuri and Holbrook (2001) where the value of Cronbach’s \( \alpha \) of BT was 0.81 and above 0.70 for PV (Hair et al., 2006). In our case with an \( \alpha \) value of 0.92 and 0.85, respectively. Regarding PQ, the scale is made up of four items obtained from Buil-Carrasco and Montaner-Gutiérrez (2008), Lee and Leh (2011) and Yoo and Donthu (2001). First, the instrument of Buil-Carrasco and Montaner-Gutiérrez (2008) showed good properties in Cronbach’s \( \alpha \), composite reliability, AVE and the goodness-of-fit indicators: SB\( \chi^2 \) \( (df) = 831.46(419); \chi^2/df = 1.98; NFI = 0.88, NNFI = 0.92, CFI = 0.94; IFI = 0.94; RMSEA = 0.05, \alpha = 0.90. \) Regarding the contribution of Lee and Leh (2011) and Yoo and Donthu (2001), the scales showed adequate psychometric properties, with an \( \alpha \) of 0.96 and 0.84, respectively. In the case of our study, the scale produced an \( \alpha \) of 0.89. Regarding the statements of satisfaction, we find two items that have been extracted from Bettencourt (1997), confirming good reliability and validity, with a Cronbach’s \( \alpha \) value of 0.91 (Hair et al., 2006) and hold for this study with an \( \alpha \) of 0.85. Finally, the scale of future intentions was an adaptation of Hightower et al., the scale showed adequate psychometric properties in previous studies (Howat and Assaker, 2013) and also in this study, with a value of 0.94 on Cronbach’s \( \alpha \).

**Statistical analysis**

First, descriptive analyses of the participants were estimated, then, calibration values for fsQCA were calculated, after that, HRM and an fsQCA were performed. In the HRM, three models were calculated: general value, satisfaction and future intentions. On the other hand,
to perform the fuzzy-set qualitative comparative analysis, the raw data from participants’ responses were transformed into fuzzy-set responses. First, as suggested on literature, all missing data were deleted, and all constructs (variables) are calculated by multiplying their item scores (Giménez-Espert and Prado-Gascó, 2018; Villanueva et al., 2017). Before performing the analysis, the values must be recalibrated between 0 and 1. The recalibration is quite important because it may affect the final result, indicating more or fewer observations or participants that achieved a particular output. When we consider only two values, we proceed with 0 (not having the characteristic, fully outside the set) and 1 (having the characteristic, fully in the set). However, to perform the recalibration with more than two values, we must consider the following three thresholds: the first one (0) considers that an observation with this value is fully outside the set (low agreement); the second one (0.5) considers a median point, neither inside nor outside the set (intermediate level of agreement); and the last value (1) considers the observation to be fully in the set (high level of agreement). This process was the direct method of calibration proposed by the author of the methodology (Ragin, 2008), and it is the most used on literature (Barton and Beynon, 2015; Rey-Martí et al., 2016; Schneider and Wagemann, 2012; Woodside, 2013). With continuous variables or with factors from a survey (formed by different items), we must introduce these three values to proceed to an automatic recalibration of values between 0 and 1. In these cases, the literature suggests that with continuous variables or with factors, the three thresholds must be percentiles 10, 50 and 90 (Woodside, 2013): 10 percent (low agreement or fully outside the set), 50 percent (intermediate level of agreement, neither inside nor outside the set), and 90 percent (high agreement or fully in the set). Once the responses have been transformed, as suggested by literature, necessary and sufficient condition tests were carried out. A sufficient condition expresses a combination of conditions that can produce a particular outcome although that particular outcome can be achieved by other combinations of conditions. Conversely, a condition is necessary when it must always be present for the occurrence of a particular outcome. According to Eng and Woodside (2012), to calculate sufficient conditions, the fsQCA analysis involves two stages: first, a truth-table algorithm transforms the fuzzy-set membership scores into a truth table that lists all logically possible combinations of causal conditions and each configuration’s empirical outcome. Second, fsQCA analysis generates three possible solutions: complex, parsimonious and intermediate. The complex solution is the most restrictive, and the parsimonious solution is the least restrictive. Previous studies (Ragin, 2008) suggest including the intermediate solution (the solution that is presented here). When considering a sufficient analysis, as stated above, solution coverage considers variance explained (number of observations that can be explained by a particular combination of conditions), whereas solution consistency expresses a model’s possible reliability or fit. In addition, when we consider each condition, raw coverage indicates how many cases or observations can be explained by the conditions (variance explained). Conversely, the unique coverage expresses the number of observations (variance) that can be explained by a particular combination of conditions but not by other combination of conditions. To choose the most important condition, we must consider the raw coverage. Regarding necessary analysis and similar to sufficient analysis, the consistency indicates the adequacy of the condition to predict a particular outcome (≥0.90), whereas coverage considers variance explained by a condition (Ragin, 2008). SPSS (Statistical Package for the Social Sciences, Version 23, IBM) was used to perform descriptive analysis, calibration values and HRM, and fsQCA software (fuzzy qualitative comparative analysis, version 2.5, Raging and David, (Claude and Christopher, 2014)) was used to perform fsQCA.

**Results**

With the aim of knowing the predictive capacity of the different service quality variables and the variables related to the brand regarding future intentions, PV and satisfaction,
the analyses were carried out using two different methodologies: on the one hand, the creation of linear models using multiple HRM and, subsequently, fsQCA.

Hierarchical regression models (HRM)
In terms of regression models, three hierarchical linear regressions were performed to predict PV, satisfaction and future intentions (see Table I). In all cases, two differential steps were considered: in the first step, the traditional sports quality management variables (PQ, PV and satisfaction [ST]) were included, while in the second step, the congruence (CG) and BT variables were included. First, in terms of predicting perceived value, in the first step of the regression quality was able to predict 55 percent of the value variance ($R^2 = 0.55; R^2_{adj} = 0.55$) with a weight of 0.74 ($\beta = 0.74; p < 0.001$). In the second step, we included the variables related to the brand (congruence and trust), we observed that all the variables proposed in the regression model significantly explain the general value perceived by users ($F (550.95) = 338.45; p < 0.001$). The second step model is capable of predicting 71 percent of the general value variance ($R^2 = 0.71; R^2_{adj} = 0.71$). As we can see, the variables that have more weight in the explanation of general value are BT ($\beta = 0.47; p < 0.001$), followed by brand congruence ($\beta = 0.27; p < 0.001$) and perceived quality ($\beta = 0.18; p < 0.001$). Thus, this second step implies a change in $R^2$ of 0.16 ($\Delta R^2 = 0.16, p = 0.000$) by including the variables related to the brand. In the analysis of satisfaction, In the first step, including only perceived value and perceived quality, the model was able to explain 80 percent of satisfaction ($R^2 = 0.80; R^2_{adj} = 0.80$) where quality ($\beta = 0.71; p < 0.001$) showed a greater predictive weight than value ($\beta = 0.23; p < 0.001$). In the second step, including again brand congruence and BT, we can see that all the proposed variables predict satisfaction significantly ($F (743.78) = 436.54; p < 0.001$). In this case, the second step model predicts 81 percent of satisfaction variance ($R^2 = 0.82; R^2_{adj} = 0.81$). The variable that have more weight in the explanation of satisfaction is perceived quality ($\beta = 0.60; p < 0.001$) followed by BT ($\beta = 0.17; p < 0.001$), brand congruence ($\beta = 0.11; p < 0.001$) and perceived value ($\beta = 0.10; p < 0.001$). Therefore, the inclusion of variables related to the brand implies a variation in the value of $R^2$ of 0.015 ($\Delta R^2 = 0.015; p = 0.000$) improving slightly the predictive capacity of the satisfaction model. Finally, regarding future intentions, in the first step where only perceived value and satisfaction were included the model was able to explain 66 percent of the variance of future intentions ($R^2 = 0.66; R^2_{adj} = 0.66$). With the second step, including again congruence and trust, all the variables of the model are significant ($F (350.02) = 393.53; p < 0.001$) predicting 67 percent of future intentions variance ($R^2 = 0.67; R^2_{adj} = 0.67$). Perceived value has the highest weight

<table>
<thead>
<tr>
<th>Variable</th>
<th>Perceived value</th>
<th>Satisfaction</th>
<th>Future intentions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Predictors</td>
<td>$\Delta R^2$</td>
<td>$\beta$</td>
<td>$\Delta R^2$</td>
</tr>
<tr>
<td>Step 1</td>
<td>0.55***</td>
<td>0.74***</td>
<td>0.80***</td>
</tr>
<tr>
<td>Perceived quality</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Perceived value</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Step 2</td>
<td>0.16**</td>
<td>0.18***</td>
<td>0.015***</td>
</tr>
<tr>
<td>Perceived quality</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Perceived value</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Satisfaction</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Congruence</td>
<td>0.27***</td>
<td>0.11***</td>
<td>0.17***</td>
</tr>
<tr>
<td>Brand trust</td>
<td>–</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Total $R_{adj}$</td>
<td>0.71***</td>
<td>0.81***</td>
<td>0.67***</td>
</tr>
</tbody>
</table>

Table I. Hierarchical regression models (HRM)

Notes: “–”: not part of the analysis. *$p < 0.05$; **$p < 0.01$; ***$p < 0.001$
ARLA 32.4

($\beta = 0.33; p < 0.001$) followed by satisfaction ($\beta = 0.28; p < 0.001$), BT ($\beta = 0.22; p < 0.001$) and brand congruence ($\beta = 0.06; p < 0.05$). These data imply a variation of 0.016 in the value of $R^2$ ($\Delta R^2 = 0.016, p = 0.000$) after the inclusion of the elements related to the brand.

**Fuzzy-set qualitative comparative analysis (fsQCA)**

The qualitative comparative analysis was then carried out. First, the descriptive statistics and calibration values of the different variables that are part of the study were calculated using the fsQCA software (see Table II). Within this procedure and with the intention of maximizing the variance, the different calibration values have been obtained by multiplying the items of each of the scales that make up the instrument (Ragin, 2008).

**Necessary conditions analysis for future intentions, perceived value and satisfaction.** With respect to the necessary conditions analysis carried out for the variables of future intentions, perceived value and satisfaction (see Table III), we can observe how the results indicate that only the absence of perceived quality is necessary to achieve the dissatisfaction, since it is the only result that is placed with a value of 0.90 equaling the 0.90 criterion established by Ragin (2008).

**Sufficiency conditions analysis for perceived value, satisfaction and future intentions.** As for the sufficiency analysis, we have calculated the combinations of variables that allow for a high and low level of both the variable of perceived value, satisfaction and future intentions, indicating, as can be seen in Table IV, the three most important combinations for the achievement of each of the proposed results. The frequency cutoff was set at 1, and consistency cutoffs ranged from 0.86 to 0.88 above the criterion of 0.74 (Eng and Woodside, 2012).

### Table II. Descriptive statistics and calibration values

<table>
<thead>
<tr>
<th></th>
<th>FI</th>
<th>CG</th>
<th>BT</th>
<th>PQ</th>
<th>PV</th>
<th>ST</th>
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<tbody>
<tr>
<td>Mean</td>
<td>287.40</td>
<td>178.14</td>
<td>55.35</td>
<td>188.92</td>
<td>216.78</td>
<td>13.19</td>
</tr>
<tr>
<td>SD</td>
<td>210.04</td>
<td>157.97</td>
<td>34.71</td>
<td>151.62</td>
<td>176.68</td>
<td>6.02</td>
</tr>
<tr>
<td>Minimum</td>
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<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>625</td>
<td>625</td>
<td>125</td>
<td>625</td>
<td>625</td>
<td>25</td>
</tr>
</tbody>
</table>

**Calibration values**

<table>
<thead>
<tr>
<th>Percentiles</th>
<th>Cons</th>
<th>Cov</th>
<th>Cons</th>
<th>Cov</th>
<th>Cons</th>
<th>Cov</th>
<th>Cons</th>
<th>Cov</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
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<td>0.78</td>
<td>0.43</td>
<td>0.41</td>
<td>0.40</td>
<td>0.41</td>
<td>0.77</td>
<td>0.78</td>
</tr>
<tr>
<td>50</td>
<td>0.47</td>
<td>0.48</td>
<td>0.81</td>
<td>0.84</td>
<td>0.42</td>
<td>0.45</td>
<td>0.90</td>
<td>0.84</td>
</tr>
<tr>
<td>90</td>
<td>0.77</td>
<td>0.87</td>
<td>0.41</td>
<td>0.41</td>
<td>0.82</td>
<td>0.80</td>
<td>0.43</td>
<td>0.49</td>
</tr>
</tbody>
</table>

### Table III. Necessary conditions analysis for perceived value, satisfaction and future intentions

<table>
<thead>
<tr>
<th></th>
<th>PV</th>
<th>~PV</th>
<th>ST</th>
<th>~ST</th>
<th>FI</th>
<th>~FI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cons</td>
<td>0.79</td>
<td>0.82</td>
<td>0.43</td>
<td>0.49</td>
<td>0.75</td>
<td>0.87</td>
</tr>
<tr>
<td>Cov</td>
<td>0.40</td>
<td>0.41</td>
<td>0.77</td>
<td>0.89</td>
<td>0.39</td>
<td>0.39</td>
</tr>
<tr>
<td>Cons</td>
<td>0.77</td>
<td>0.78</td>
<td>0.43</td>
<td>0.50</td>
<td>0.43</td>
<td>0.50</td>
</tr>
<tr>
<td>Cov</td>
<td>0.81</td>
<td>0.80</td>
<td>0.43</td>
<td>0.49</td>
<td>0.77</td>
<td>0.77</td>
</tr>
<tr>
<td>Cons</td>
<td>0.46</td>
<td>0.42</td>
<td>0.90</td>
<td>0.90</td>
<td>0.46</td>
<td>0.42</td>
</tr>
<tr>
<td>Cov</td>
<td>0.79</td>
<td>0.84</td>
<td>0.43</td>
<td>0.43</td>
<td>0.79</td>
<td>0.84</td>
</tr>
</tbody>
</table>

**Notes:** Cons, consistency; Cov, coverage; FI, future intentions; PV, perceived value; ST, satisfaction. ~: absence of condition. Condition needed: consistency ≥ 0.90
In predicting high and low levels of perceived value, we obtain three combinations that produce the expected result in each of them: for the case of achieving a high perceived value the most important combinations are the interaction of high levels of perceived quality and trust (raw coverage \(= 0.74\); consistency \(= 0.89\)), high levels of quality and congruence (raw coverage \(= 0.72\); consistency \(= 0.88\)) and high levels of trust and congruence (raw coverage \(= 0.71\); consistency \(= 0.91\)), while for the achievement of low levels of perceived value, the best combinations are the interaction of low levels of trust and congruence (raw coverage \(= 0.77\); consistency \(= 0.91\)), low levels of quality and trust (raw coverage \(= 0.76\); consistency \(= 0.91\)) and low levels of quality and congruence (raw coverage \(= 0.73\); consistency \(= 0.92\)).

For the high and low levels of satisfaction outcome variable, we find four combinations between the different variables to reach the expected result in each of them. In the case of achieving high levels of satisfaction, the most relevant combinations are high levels of perceived quality (raw coverage \(= 0.84\); consistency \(= 0.89\)), high levels of quality and trust (raw coverage \(= 0.72\); consistency \(= 0.88\)) and high levels of trust and congruence (raw coverage \(= 0.71\); consistency \(= 0.91\)), while for the achievement of low levels of perceived value, the best combinations are the interaction of low levels of trust and congruence (raw coverage \(= 0.77\); consistency \(= 0.91\)), low levels of quality, trust and congruence (raw coverage \(= 0.77\); consistency \(= 0.91\)) and finally, low levels of value, quality and congruence (raw coverage \(= 0.76\); consistency \(= 0.92\)).

Finally, for a high and low level of future intentions, we see that seven possible combinations are obtained that would produce the final result of high levels of future intentions or low levels. If we consider the achievement of a high level of future intentions,
the three most important combinations are the interaction of high levels of satisfaction, perceived value and trust (raw coverage = 0.69; consistency = 0.89), high levels of trust and congruence (raw coverage = 0.69; consistency = 0.87) and high levels of satisfaction, perceived value and perceived quality (raw coverage = 0.71; consistency = 0.88). On the other hand, the three most relevant combinations to achieve low levels of future intentions are the interaction of low levels of value and trust (raw coverage = 0.76; consistency = 0.89), low levels of perceived value and congruence (raw coverage = 0.73; consistency = 0.89) and low levels of perceived quality and trust (raw coverage = 0.73; consistency = 0.89).

Discussion
The results of this study are partly consistent with those of Calabuig et al. (2016), who analyzed the future intentions of spectators of a sports event and verify that quality, satisfaction and value predict future intentions, in our case the same thing happened, except in the case of perceived quality that is not part of the model. We also find the analysis of these variables in Murray and Howat (2002) where it is confirmed that satisfaction has a direct effect on future intentions, as well as an indirect effect, which is mediated by perceived value. Besides, the authors confirmed the direct effect of value on future intentions, with no indirect effect mediated by satisfaction. This agrees with our results and indicates that the variables that are part of the analysis may have more interrelationships with each other. In this sense, in the light of the study of Chen and Chen (2010) it was confirmed that both perceived value and satisfaction have significantly direct positive effects on behavioral intentions, with an indirect effect of experience quality on behavioral intentions mediated by both perceived value and satisfaction.

Prado-Gascó and Calabuig-Moreno (2016) analyzed linear models using HRM as well as fsQCA to observe the prediction of future intentions in spectators of a multi-sport event. Perceived value and satisfaction are shown to be significant predictors of future intentions, as is the case in the present study, but perceived quality is not. As for the fsQCA, specifically in the necessary conditions analysis, only a low level of perceived quality is shown to be necessary for low levels of satisfaction. In the case of future intentions, the interaction of high levels of value and satisfaction have been the variables closest to the criterion, but not necessary, as was the case in the work of Calabuig et al. (2016). On the other hand, with regard to the sufficiency conditions analysis, seven possible combinations were obtained for future intentions, three for perceived value and four for satisfaction, which contrasts with studies such as Prado-Gascó and Calabuig-Moreno (2016) where only the interaction of satisfaction and perceived value was obtained for future intentions.

Conclusions
The results indicate that in the prediction using linear models, both the classic service variables (quality, value and satisfaction) and those related to the brand (congruence and trust) significantly predict the result variables in the different models: perceived value, satisfaction and future intentions, supporting H1. In addition, the inclusion of brand variables leads to improved prediction in all models, the most prominent being the predictive model of perceived value. In terms of regressions, in the case of perceived value, brand variables show greater predictive weight than quality (supporting H2), while in the case of satisfaction analysis, quality shows greater weight and brand elements follow, slightly above the perceived value. In future intentions, while congruence and trust show significance, perceived value and satisfaction offer the greatest weight. On the other hand, the results of qualitative comparative analysis indicate that the combination of trust and congruence in the absence of the rest of variables is not sufficient to obtain high levels of perceived value, satisfaction or future intentions, just the combination in the absence of trust
and congruence is capable of obtaining low levels of perceived value. Thus, trust and congruence require the combination of variables such as quality, value and satisfaction to reach the result. In this case, we find that perceived quality in the analysis of satisfaction, and the combination of quality, satisfaction and value in future intentions, are the only options capable to achieve the result without the presence of brand-related variables, so $H_3$ is partially supported. Therefore, the results indicate that research related to perceived value, satisfaction and future intentions in services should consider aspects related to the brand such as congruence and trust within its models, given the importance they have shown to have in predicting these variables.

**Managerial implications**

As managerial implications, as the conclusions of this study stated, service managers, especially sports service managers, should not only focus on traditional variables to achieve the proposed objectives, but should also take into account new variables such as congruence and BT to ensure that users perceive a greater value, are more satisfied and have future intentions to continue using the service. This approach provides useful information in a context that remains largely unaddressed, allowing managers to know how variables relate to each other and how they interact to achieve the expected results, which in a way allows them to be more effective in the decisions they make and therefore achieve the objectives with less resources.

**Limitations and future research**

Regarding the limitations, the homogeneity and the size of the sample is the main one. Although the opinions of users of public and private services have been considered and different socio-demographic characteristics have been considered, it would have been interesting to obtain a larger and more heterogeneous sample, grouping, for example, the results depending on whether the service is public or private or considering the opinions of the users of services in different countries, which would have allowed us to verify possible differences based on the context or cultural aspects. As future lines of research, it would be interesting to solve these limitations.

**References**


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Mario Alguacil got his PhD in Sport Management at University of Valencia. He is Full Professor at the Department of Educational Sciences in Catholic University of Valencia. He writes and presents research results in national and international journals and conferences about brand in sport services. His research interest are brand management and the relationship between the brand and the outcome of sport enterprises. Mario Alguacil is the corresponding author and can be contacted at: mario.alguacil@ucv.es

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