

Is No marketing the New marketing?

A quantitative study of the signaling effects of marketing vs. non-marketing

In a world where we are constantly surrounded by advertisements and companies are doing everything in their power to cut through the media clutter and reach their target audiences it is surprising that some brands manage to reach significant success without marketing at all. There are fashion brands that have become household names without ever buying a magazine ad and restaurants that are fully booked months in advance even though most people have never even heard of them. The objective of this thesis is to find out whether or not a “non-marketing strategy” can perhaps be a viable choice for brands in certain industries or if the examples above have just been lucky. We also wanted to investigate whether or not brands that have never previously used marketing may be perceived as desperate if they suddenly start to use marketing. An experiment was conducted in order to test the difference in brand perception between brands that do use marketing and brands that don’t in the restaurant and fashion industries. The results of the experiment show that brands in the restaurant industry in particular may in some cases enjoy more positive brand perceptions if they do not market than if they do. This suggests that “non-marketing” may actually be an effective way to signal quality and that word-of-mouth marketing is just as powerful a tool as say expensive TV ads.

Key words: advertising, market signal theory, word-of-mouth, fashion industry, restaurant industry

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1 INTRODUCTION

*“Our products are so good they sell themselves, we don’t need to use traditional marketing”
– Mikael Schiller, CEO Acne Studios*

If you have good products, people will buy them regardless of marketing efforts. At least that’s what Mikael Schiller, CEO of Swedish fashion brand ACNE believes, or perhaps just wants us to believe. Marketing is and always has been a very powerful tool to attract new customers and keep existing customers loyal but in the recent past there has been a significant shift from traditional marketing such as magazines, TV, radio and billboards, to alternative marketing techniques like social media, blogs and guerilla marketing. The underlying reason is the considerable increase in advertising and the subsequent clutter, or noise, which has followed. It is becoming increasingly difficult to reach your target audience not only because they are drowning in advertisements already but also because they have become more skeptical towards marketing where the brand is the source of the information in the advertisement.

When the line between the context of the message and the message itself (Dahlén, 2007) is blurred, people tend to not only pay more attention to it but also to put more trust in it. Therefore recommendations from peers, which include both friends and people they look up to, are seemingly more effective than a recommendation from the brand itself. If this is in fact the case, could it be that marketing as we know it is losing its influence on consumers? And if it is, could some companies perhaps survive, and even thrive, if they chose not to market at all and instead put their energy into making sure the message about their brand is spread in the right circles, by the right sources?

We believe that the choice not to market can be an effective way to signal a certain brand image to target customers. Saying that Acne doesn’t “need” to market its products is a way for Schiller and Acne to justify their not *wanting* to market their brand traditionally by signaling that their products are so good they sell themselves. In fact

marketing in the traditional sense may even end up hurting rather than helping the companies who are successful at using this strategy, i.e. Acne, and who rely solely on PR and word-of-mouth.

Our aim with this essay is to determine whether it can perhaps be a good idea for certain brands *not* to market their products or if brands like ACNE have just been lucky in the enormous amount of attention that they have received without marketing. For this essay we have chosen to focus on the fashion and restaurant industries, for two reasons. First of all we have seen proof of companies who have successfully implemented the “non-marketing strategy” in both these industries¹. Secondly, a lot of money is spent on marketing in both of these industries which makes it all the more interesting to investigate whether or not this is actually necessary in order to reach their target audiences and ultimately their profit goals. Our aim is therefore to analyze the signaling effects of marketing vs. non-marketing on customers’ brand perception in these two industries and to investigate whether or not non-marketing can be a viable strategy choice for companies in the fashion and restaurant businesses.

1.1 Background

In today’s society we are constantly exposed to advertisement in all shapes and forms. Whether we live in big cities or in the countryside, operate online or offline, we simply cannot avoid it. Companies today face the difficult task of cutting through all this marketing noise in order to successfully reach their target audiences. The challenge is to try and develop new marketing strategies and techniques in order to be able to set their brands apart from their competitors’ which is why we have seen a significant shift from traditional marketing to alternative marketing techniques. In the past, marketing has been synonymous with TV- and magazine ads used to expose brands and products as much as possible, requiring the kind of marketing budgets that many companies do not have. Today research goes so far as to suggest that consumers actually *avoid* traditional advertising because they interpret the ad as a persuasive attempt, making them more skeptical and wary of it than when the message and the context are more blurred, as in

¹ E.g. ACNE in the fashion industry and restaurants like La Esquina and Waverly Inn in the restaurant business

non-traditional advertising (Speck & Elliott, 1997). Thanks in great part to the Internet and various social media sites however, it is now possible to reach target audiences *more* efficiently at *less* of a cost. This means that not only have large corporations lost the edge that their large marketing budgets used to give them, they now face a great many more competitors and are therefore forced to follow the development of alternative marketing techniques in order not to lose ground.

The marketing landscape has changed not only for the companies but for the consumers as well. Since more companies can reach consumers now thanks to the Internet, consumers are becoming increasingly aware of the importance of being able to filter advertising and have developed techniques that allow them to determine which sources they can trust. As mentioned, consumers are shown to be more skeptical towards advertisements in traditional media because they interpret them as direct attempts by the brands to persuade them to buy their products or services (Dahlén & Edenius 2007). The same research proves that consumers are more likely to trust the message if it is placed in a non-traditional advertising medium because here the argument “The medium is the message” may in fact be true. Dahlén and Edenius (2007) argued that when the line between the advertised message and the advertising context was blurred, consumers were more likely to trust the message.

The above arguments may explain why consumers are more willing to trust recommendations given to them by peers (which goes beyond friends and colleagues to include people they look up to and consider to have the same taste, like local or international celebrities) more than recommendations that come straight from the companies themselves. This fact has given rise to the increasing use of PR firms who use “hidden marketing” to market their client brands, for example by ensuring that their products or services appear in magazines or on celebrities without making it obvious that they are in fact getting paid to promote these brands. Brands that are successful in creating a “buzz” in this way, we believe, are more likely to be perceived as high-quality brands as consumers interpret the “buzz” as a sign of quality and “cool”. They are also more likely to enjoy positive word-of-mouth effects.

What’s interesting about this is what we eventually chose to write this thesis about. If “hidden marketing” and PR leads to a “buzz” and positive word-of-mouth effects that

outweigh the effects of traditional marketing, can companies in some cases profit from avoiding marketing altogether? The idea here is that by choosing a marketing strategy that entails no marketing at all, at least in the traditional sense of TV-, magazine- and radio-ads, companies can signal to potential consumers that their products or services are so good that people who have used them are willing to talk about and recommend them to others. Since consumers tend to trust this type of marketing more than advertising whose source is obviously the company behind the advertising, it seems this strategy can be effective in certain cases.

* * * *

The signaling theory is a theory that refers to the effects a brand's marketing and media presence and choices on their target audience's perception of the brand. Research shows that brand image is greatly affected by signaling theory and is particularly important since brand image helps form brand reputation. Firms that successfully fulfill marketing signals by for example, delivering on their promise of offering high quality products, will enjoy the effects of good brand image and reputation just as firms that fail to fulfill marketing signals will eventually earn a bad reputation resulting and face the possibility of their future signals being completely disregarded by both competitors and consumers.

Traditionally, signaling effects have been analyzed by testing the effects of for example, warranties and advertising spending and research has focused primarily on the value of advertising *heavily*. Studies in these research areas show that large marketing budgets and high advertising spending have been efficient in signaling to consumers that the company offers high-quality products and services since consumers interpret high ad spending as a sign that the company believes in their products and are willing to risk high marketing investments. Studies also show however, that ad spending needs to lie on an appropriate level and that if it goes beyond that point (and consumers view spending as too high) it can be interpreted as desperate and a sign of trouble.

Considering all this, we question whether or not signaling theory cannot also be used to analyze the effects of advertising *very little*. Referring back to Schiller's quote in the introduction, we believe that the strategy that we have chosen to call the "non-marketing strategy" can be just as efficient a signal of quality as a strategy that entails

large amounts of ad spending (which indirectly means spending money on traditional marketing as these media make up the biggest part of marketing budgets). This because of the potential “buzz” and word-of-mouth effects that “hidden marketing” and PR efforts can lead to when implementing the “non-marketing strategy”, especially when reinforced by statements from the company which signal their unwillingness to market because they’re good enough not to have to.

1.2 Area of concern

As of today, there is no academic research in this particular field and we wish to fill this gap by observing the marketing strategies of certain brands in the fashion and restaurant industries. We aim to investigate the effectiveness of the “non-marketing strategy” and what it signals about the brand to the target audience. How do they perceive the brand and what is their opinion about such a brand? Does it create a positive brand image and do they view them differently than brands that do market; if so in what ways? Is there a difference in quality perception and willingness to try or buy the products? Can marketing in some cases be seen as a sign of desperation? And finally, can it pay off to avoid marketing?

1.3 Objective

Our objective with this essay is to test whether or not brands in certain industries can be successful without marketing. Real life cases in both the fashion and the restaurant industries point to positive effects of non-marketing and there are many examples of both clothing brands and restaurants that have become incredibly popular thanks only to word-of-mouth. We aim to investigate whether marketing in itself can create negative perception about the source and perhaps even signal desperation in some cases.

1.4 Limitations

In our study we have chosen to limit ourselves to analyzing the effects of the “non-marketing strategy” in two industries, the fashion industry and the restaurant industry.

Reasons for this will follow in the theory but we feel that these two industries are good examples of industries where brand image is very important in respect to which type of customers they attract, and want to attract. We have also had to limit our research to testing the target audience in the Stockholm area. Nevertheless, our test concerns international companies and we believe that our test subjects represent a sample of one of the largest groups of consumers of these types of fashion and restaurant products and services.

1.5 Definitions

Marketing- For the purpose of this essay we use marketing as almost a synonym for traditional marketing which, includes TV ads, magazine ads, billboards and radio spots. We do not include PR, word-of-mouth or viral messages.

Non-marketing Strategy- We are investigating the difference in brand perception of attitude, quality, ability, willingness to buy and desperation between brands who market (defined above) and those who do not. The brand that do not market utilize what we have called a “non-marketing strategy”.

Signaling Theory- Signaling theory, or market signaling theory, refers to announcements from brands that provide information beyond mere form. That is signals that convey information, to alert customers and competitors to a brand’s intentions, commitments and motives.

Word-of-mouth- The word-of-mouth effect refers to marketing messages that are passed along from person to person without external influence or interference from companies.

PR- Public Relations- In this thesis we refer to PR as the practice of hiring PR agencies to deliberately spread the marketing messages of a brand by making sure it appears in magazines, on websites and on celebrities that appeal to the brand’s target audience. PR is a form of “hidden marketing” because it is not obvious that they are in fact being paid to promote the brand.

1.6. Expected knowledge contribution

As the choice of marketing channels, media and techniques becomes increasingly important in order to cut through the vast advertising clutter that exists today, there is a need for academic research concerning the effectiveness of alternative marketing strategies. In the past decade we have seen an increase in studies of alternative marketing techniques such as the use of blogs, social media and guerilla marketing as more companies start to implement these techniques in their marketing strategies.

In the fashion and restaurant industries we have also seen an increase in the amount of companies that have chosen to rely solely on alternative marketing techniques, primarily PR and word-of-mouth, and have decide to avoid traditional marketing altogether. Perhaps this is an attempt to keep the “coolness” factor and “hype” that is often important in these industries but either way it is an interesting phenomenon and one that has not been researched at all. With this essay we expect to be able to contribute new research on the marketing strategy that we have chosen to refer to as the “non-marketing strategy” in order to make it possible for companies in the fashion and restaurant business to evaluate whether or not it can be suitable for their brands and why. If our study shows that some companies can in fact benefit from this kind of marketing, companies in these two industries can potentially save a lot of money on marketing and new companies will be less afraid of entering the market.

1.7 Disposition

We chose to conduct a quantitative study in the form of an experiment with two different marketing scenarios (one with marketing and one with no marketing) for two different industries. The experiment was conducted in Stockholm and aimed to investigate the difference in perceptions of brand attitude, ability, quality and desperation as well as the willingness to buy for companies in both the fashion and the restaurant industry that *do* market vs. companies who *do not*. Following the introduction our study is based on the testing 6 hypotheses. Our analysis of the results will enable us to answer our hypotheses on the signaling effects of a brand with a “non-

marketing strategy” and what happens if they convert to traditional marketing forms. This will in turn give us an indication of which type of companies that can be successful in using this strategy.

2 THEORY & HYPOTHESES

The market signaling theory refers to a form of announcement that provides information beyond mere form and is usually intended to convey information, to alert consumers or other firms to its intentions, commitments or motives (Milewicz & Herbig 1994). In other words, market signals are a way for brands to communicate with consumers beyond advertisements. Since quality is not often detectable at a glance (or in a magazine) consumers are often unable to make clear quality comparisons among brands (Gerstner, 1985). By researching the brands consumers can collect enough information to make an informed decision but since most consumers no longer have the time or wish to thoroughly research the brands beforehand, and are sometimes skeptical towards advertisements, market signals are becoming increasingly important indicators of product or service quality.

For example, one of the most common and more researched market signals is advertising expenditure. Economic signaling theory suggests that consumers interpret advertising expenditure as a signal of high quality (Kirmani, 2007) and the logic behind it is simple. Consumers interpret this kind of advertising spending as a sign that the brand is confident in the quality of its products and are willing to risk large amounts of money because they are certain to gain it back in sales. Since consumers can't be fooled into believing that products are of high quality once they've tried them, they know that it would be foolish of companies to spend a lot of money on advertising if their products weren't in fact of high quality. Advertising would only pay off if the products were so good that the sales will make up (and more) for the marketing expenses.

Though signaling theory has largely focused on the value of advertising heavily, as above, we believe that it may also be used to predict the effects of advertising very little, or not at all. If heavy advertising signals that the company believes in their products and are willing and able to take risks, should not the opposite be able to signal that the company believes so much in their products that they are confident the products will eventually market themselves? What is more interesting still is what might happen if companies that decide not to market their products start to market at a later point? Following market signaling theory, an increase in advertising that is considered excessive compared to previous levels will indicate that something is wrong and that the company is over-advertising because it is desperate to attract more customers. If a company that does not market starts to market heavily, that should, according to this theory, signal desperation to consumers.

2.1 Signals of desperation

One of, if not the, best way to measure advertising expenditure is advertising repetition. Many companies believe that brand recall and memorability are greatly helped by the amount of time they run the same ads. This is probably true but what's more is that consumers will perceive the repetition as an expensive marketing strategy and will, according to signal theory, interpret this as a sign of high quality. In a departure from the theory however, it has been argued that when spending reaches a certain (high) level of spending, marketing efforts may start to be perceived as excessive, unreasonably high and, even desperate (Kirmani, 2007). In these cases consumers may start to wonder why the brand is spending such excessive costs on marketing and trying so hard to get them to buy their products and therefore start to mistrust them. Research results show that repetition, and advertising expenditure in general, will, consistent with signal theory, indicate a trustworthy manufacturer who believes in their products. It also shows however, that at higher levels of repetition, perceptions about the manufacturer and brand quality actually decreased; "if it's advertised too much, there must be something wrong."

Though this research has been tested on companies that go from advertising a normal (or normal to high) amount, to advertising excessively, it should also apply to cases

where companies go from advertising very little or not at all to advertising a lot. That is that companies that have traditionally chosen not to market and then start marketing aggressively will signal the same thing that firms who over-spend on marketing, namely that something is wrong.

What we are investigating in this thesis what happens if a company that does not advertise at all because it wants to signal that its products are good enough to create a “buzz” and word-of-mouth interest starts to advertise heavily. We have chosen to focus on the fashion and restaurant businesses because we believe that brands in these industries can benefit from the “cool” factor that follows when they avoid mass marketing. In other words, we believe that fashion brands and restaurants that chose not to mass market signal exclusivity, “coolness” and credibility (credd²), as well as high quality, even if they do “secretly” rely on PR efforts, price setting and word-of-mouth in order to achieve these things. We also believe that these types of brands will be perceived as desperate and lose their credibility if they start to use marketing as this departure from non-marketing will signal to consumers that something must be wrong. Desperation is an unexplored and previously untested measurement. Our first hypothesis is therefore:

H1: Consumers view the brand as more desperate when they use marketing than when they do not use marketing

2.2 Consequent effects on consumer perception of ability and quality

If brands that use marketing are perceived as more desperate than brands that do not use marketing in the fashion and restaurant industries specifically, it should also be reasonable to assume that brands that use marketing will be perceived as less successful and less competitive than they want to appear. Desperation would indicate that the companies are not doing very well and are either unable to attract new customers, which would indicate that they are perhaps not reaching their target

² The Free Dictionary (www.thefreedictionary.com) defines it as “credibility among young fashionable urban individuals” which is precisely what we mean in this context

audiences, or unable to retain existing customers, which would probably point to a problem of product or service quality. Either way, signals that indicate desperation in brands, should similarly indicate that the brand is doing worse. Thus our second hypothesis is the following:

H2: Consumers experience a lower level of perceived ability for brands that use marketing than for brands that do not use marketing

Another way to look at it would be to consider Herbig and Milewicz's (1994) idea of mixed signals and their effects on credibility and brand reputation, one of the primary contributors to perceived quality.

Brand reputation can be compared to the concept of personality as brands often develop their own "personalities" which have a significant effect on whether the users decide that the product's image is consistent with their needs and wants (Milewicz & Herbig, 1994). It is further defined as the expectations that consumers have on a brand and the standard to which they measure the brand's actions by, based on their previous experiences with the brand and its visibility in the marketplace (Dahlén, Granlund & Grenros 2009). Credibility in turn can be defined as the trustworthiness of a brand at any given point in time, or the confidence that consumers have in that brand. To achieve credibility for high quality, a company must first develop a reputation for producing and delivering high-quality products (Herbig & Milewicz, 1994). Quality of items produced previously will eventually act as signals of quality for future goods.

In Herbig and Milewicz's Model of Reputation Building and Distruction³ (1994) they describe the relationship between a company's intentions and its true behavior and visually demonstrate a "comparison between a firm's pronounced (or implied) intentions and its true behavior or final outcome". In this model mixed signal-signaling refers to a situation where a firm either indicates it will do something and does not follow thru, or when it indicates it will not do something and then does it anyway. This type of signaling leads to a loss of credibility and a potentially destroyed reputation, which should consequently lead to a decrease in perceived quality. Market signaling

³ See Appendix

should therefore be viewed as a long-term commitment rather than a haphazard way to communicate with customers at a certain point in time.

To return to the purpose of our thesis, we have already mentioned that brands can signal confidence and ability by deliberately avoiding marketing and relying instead only on existing customers, bloggers, magazine editors, stylists to spread the word. Using the logic of the above mentioned model of reputation destruction, we can assume that brands that use market signals in this way will risk destroying their good reputation and losing credibility if they were to deviate from their “non-marketing strategy” and starts to market even though it has signaled that it does not want to (or need to). Should this happen it is also reasonable to assume that consumers may experience a decrease in the perception of quality of the brand’s products.

Our third hypothesis is thus:

H3: Consumers experience a lower level of perceived quality for brands that use marketing than for brands that do not use marketing

2.3 Effects of Market Signals on Brand Attitude

As brands in the two industries that we have chosen to look closer at are known to be very dependent on their images it is important to consider market signal effects on both brand image and brand attitude. Most people would probably agree that what people wear and where they choose to eat often says a lot about them, both in terms of taste and what kind of image they want to portray to the world. For this reason it is important that clothing and restaurant brands make sure that they signal a brand image that is in line with the image their target customers have or want to have. For many of these brands the choice to rely solely on non-traditional marketing techniques such as word-of-mouth, PR and online media is a very deliberate attempt to ensure that information about their brand will reach and attract the “right” people whose personal images are in line with the brand image. Doing so successfully will create a positive brand attitude among that group of “right” people, as they will feel the brand is catering to exactly their needs and preferences.

The examples of brands that have been successful in the fashion and restaurant business despite ever having run an ad in a magazine show that word-of-mouth “buzz” can be just as effective, or more, in certain social circles than TV ads and billboards. In fact, and this is what we intend to test, it seems this kind marketing can actually be detrimental to these types of brands in the sense that it attracts the “wrong” customers which, in turn creates a brand image that is not in line with target customers. It thus becomes a sort of evil circle where the fashion brand or restaurant finds itself catering to a completely different audience than it had intended, no doubt worsening the brand attitude of both those consumers, and the consumers, which the brands hoped to attract in the first place. Our fourth hypothesis is therefore:

H4: Consumers that are exposed to traditional marketing experience a decreased brand image perception

* * * *

Our final two hypotheses are to test spillover effects of what we think the results from the the first four hypotheses will show, namely if willingness to buy and the amount of money a consumer would be willing to pay for a product or service decreases along with brand attitude and quality and ability perception. If customers who enjoy the fact that a brand is confident and “cool” enough to stay low-key in order to attract a customer base that other consumers consider to be credible suddenly lose faith in the brand it is reasonable to assume that they are less willing to try or buy any of the brand’s products, or at least less willing to pay more for them. Our fifth and sixth hypotheses are therefore as follows:

H5: Consumers are less willing to try/buy products from brands that use marketing than from brands that do not use marketing

H6: The amount consumers are willing to pay is less for brands that use marketing than for brands that do not use marketing

3 METHOD

3.1 Choice of Subject

When we learned that the Swedish fashion brand ACNE had never marketed its products we were surprised as ACNE is one of the most well known brands in Sweden and one of the most well-known Swedish fashion brands in the world. We began to wonder if ACNE's "non-marketing strategy" was a deliberate attempt to signal that they can do just fine without marketing or if they had simply been lucky in the attention that they have received both nationally and internationally.

As we thought about it we realized there are more examples of brands that have been incredibly successful in creating a "buzz" without marketing, primarily in the restaurant industry. Restaurants like La Esquina and Waverly Inn in New York are notoriously hard to get reservations at even though they have never advertised (La Esquina in fact have gone so far as to hide their restaurant in the basement below a seedy taco-stand in Downtown New York City). We were interested in finding out whether or not the lack of marketing could actually be interpreted as a market signal in itself and what would happen if these types of brands changed strategies and began to use marketing in the traditional sense.

3.2 Choice of Approach

For this experiment we chose a deductive experimental approach where we used surveys to test consumer responses to two different marketing scenarios, in two different industries, in order to determine the signaling effects on customers' brand perception for brands that use marketing vs. brands that do not use marketing. A deductive approach (where one answers previously formulated hypotheses and test them using an experiment) was more appropriate for our thesis than an inductive approach (where empirical data forms the basis for analysis from which theory and conclusions are then derived) as empirical data was scarce in our case and our intention was to test a new area of research using existing theories for similar cases (Malhotra & Birks, 2007). The hypotheses that we ourselves defined were tested and analyzed with

the help of empirical data and existing theory in order to draw conclusions (Alvesson & Sköldbberg, 2008)

Furthermore, we chose to conduct a quantitative study on a large and random sample of respondents in order to quantifiably measure respondents' brand perception of marketing vs. non-marketing (Malhotra, 2004). We felt this was most appropriate as our research is relatively new and opens up to the possibility of conducting similar experiments in other cities or industries, or perhaps in other age groups. This would not be possible if we had used a qualitative approach.

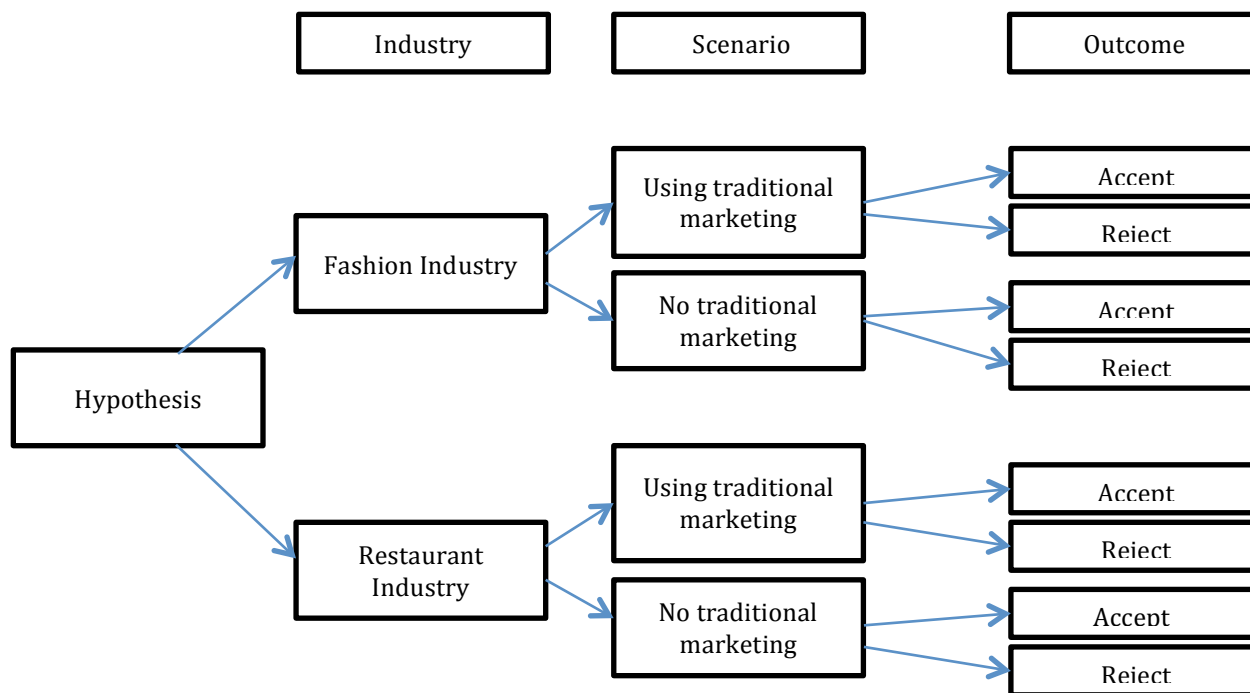
3.3 Experiment Design

We conducted the experiment in order to test consumer responses to two different marketing scenarios, in two different industries. The experiment was conducted with the help of surveys, one for each of the four scenarios, where none of the four scenarios were tested on the same people. The experiment thus involved 140 respondents (approximately 35 respondents per survey) over four days at the Stockholm School of Economics.

We grouped the four surveys into two groups, categorized by the manipulations that we wanted to conduct on our respondents.

- The first group received a survey testing the signaling effects of brands that have never used marketing previously, and are now launching a big marketing campaign.
- The second group received a survey testing the signaling effects of brands that have never used marketing.

The two first days, we tested the signaling effects of fashion brand "X" and restaurant "Y" which we described as two brands that have avoided all marketing and relied solely on word-of-mouth and PR. The two following days we tested the signaling effects of the same fashion brand "X" and restaurant "Y" but where they were now two brands that had never *previously* used marketing but were now planning to launch huge marketing campaigns. Each survey tested our previously formulated hypotheses and below you can see a graphic representation of the working process of testing each hypothesis.



Graphic representation of working process in testing hypotheses

Our four surveys were designed so that the same 6 hypotheses could easily be tested, namely by ensuring that we only manipulated the stimuli (or descriptions of the brands' marketing strategies) but kept the questions exactly the same. This made it easy to test the hypotheses by conducting independent sample t-tests for each group of questions that corresponded to each hypothesis (for example the first three questions on the surveys corresponded to respondent's brand attitude). By doing so we were easily able to compare results between the two groups, those with marketing and those without, in order to come to a conclusion as to whether brand perceptions were more positive for brands that do not market than for brands that do.

3.4 Preparation of study

3.4.1 Choice of media and support

In order to get interesting and relevant results we decided to test consumer's perception of two anonymous brands by giving them a short description and

background of the brand as their only point of reference. Since we are testing the usage of a marketing strategy consisting of *not* doing marketing, a description in words handed out as printed surveys was the most appropriate.

3.4.2 Choice of industries and brands

The challenge for us was to test the signaling effects of a strategy consisting of *not* doing traditional marketing, on two relevant industries that have shown successful cases. We identified brands in the fashion industry who have successfully created a brand image in this manner, which is appealing to many but without falling into main-stream.

Similarly, certain restaurants have succeeded in creating an image of secrecy, no signs on the road, no information nor website; only relying on word-of-mouth to attract the clientele, most often friends of friends, making them feel exclusive and unique when they pass the door. Resultantly, it takes months to get a reservation and everybody wants to visit these restaurants.

Furthermore, we decided to test the signaling effects on one brand in each industry, respectively fashion and restaurant. We wanted to analyze how consumers perceived them when they shun all traditional marketing and test how they were perceived when they started doing big marketing campaigns.

3.5 Core study implementation

Based on our survey preparations, and the theories and academic research we analyzed, we designed the structure of our survey in the following way.

3.5.1 Shaping of survey

To conduct the experiment we used four surveys handed out to four different groups of students from the Stockholm School of Economics, each representing one of two marketing scenarios in one of two industries; either with marketing or without, in either the fashion or the restaurant industry. For each of the surveys we wrote a short text describing either a fashion brand, "X", or a restaurant, "Y", and their marketing strategies. Thus the first group received a text describing fashion brand "X" where the

brand does not use marketing. The second group received a text describing fashion brand “X” where the brand has never previously used marketing but is now planning a huge marketing campaign. The third and fourth groups received corresponding texts but for the restaurant industry (restaurant “Y”).

Each survey consisted of the same 20 questions spread over 2 pages and each of the questions were formed so that respondents could answer on a 10 point semantic differential scale ranging from 1- “totally disagree” to 10- “fully agree” (Söderlund, 2005). All surveys were written in Swedish since we handed them out at the Stockholm school of Economics.

The questions were grouped together strategically to answer our hypotheses:

- The 3 first questions (I-III) tested the consumer’s attitude towards the brand in the fashion or restaurant industries.
- Questions IV-VII tested their perceived quality of the brand
- Questions VIII-X tested their willingness to try/buy the products or services
- Questions XI tested their willingness to pay for the products/services
- Questions XII-XIV tested their perceived capacity and success of the brand
- Questions XV-XVII tested their perceived level of desperation of the brand
- Finally, questions XVIII-XX tested their perceived level of typicality of the brand

The last three questions, testing the level of perceived typicality, do not answer a specific hypothesis but only serve as a control tool to ensure our respondents did not distort their answers because they believed the companies were acting strangely. The vocabulary used in our survey was kept simple and basic to ensure the reader would not misunderstand the questions. We consciously chose to keep the number of questions few so the students answering the survey would not lose interest and not read the questions carefully (Söderlund, 2005).

3.5.2 Selection of respondents

The experiment was conducted in Stockholm, at the Stockholm school of Economics. We chose to do it over lunch to reach a mix of students from various years and programs. The students were aged from 19-30; we are aware that this is not fully

representative of the whole Swedish demographic; nevertheless this age group is a very large target group for the fashion and restaurant industry so we believe the results are valid and relevant for our analysis.

3.5.3 Distribution of survey

The distribution of the surveys leaped over four days, from March 7th-10th 2011. We distributed one part in the Atrium hall and another part in the computer lab to randomly selected respondents, and managed to get all 35 surveys completed per scenario, every day of the experiment. In total we collected 140 surveys and only seven were not entirely completed so we could not include their answers in the analysis. We handed out surveys corresponding to one stimuli per day so the students would not look at the other scenarios and have it influence their answers, and no student was asked to answer more than one survey. Hence, no student got to answer surveys with a different stimuli (Söderlund, 2005).

We received a lot of questions from the respondents after their completion of the surveys regarding the anonymous brands tested. Nevertheless, we never revealed more information than was given in the survey and collected them after a few minutes.

3.6 Research variables

3.6.1 Measurements

The aim of our survey was to test how the respondents reacted in different scenarios involving brands doing marketing or not. To test their perceptions we used following variables:

- Perceived desperation: is an explorative measure, which has not been tested previously. We wish to measure the level of desperation signaled by a brand in the fashion and restaurant industry when they move from a non-marketing strategy to using marketing.

- Perceived quality: is a measure of the signaling effect on customer's perceived quality and exclusivity of a brand. We wish to measure the differences in perceived quality between a brand who uses a non-marketing strategy to a marketing strategy (Dahlén, Rosengren, Törn and Öhman, 2008)
- Perceived ability : is a measure of the signaling effects from using marketing on customer's perceived capacities and success of a brand (Dahlén, Rosengren, Törn and Öhman, 2008)
- Brand attitude: is a measure of the signaling effects of marketing on customer's brand perception which influences their brand attitude. This measure has been explored and used previously by Dahlén, Rosengren, Törn and Öhman
- Willingness to try/buy: is a measure of the signaling effects of marketing on customer's willingness to try products and buy products in the fashion and restaurant industry (Dahlén, Rosengren, Törn and Öhman, 2008)
- Willingness to pay for the products: is a measure of the signaling effects of marketing on the amount customers are willing to spend on products and services in the fashion and restaurant industry (Dahlén, Rosengren, Törn and Öhman, 2008)

Below we will illustrate the various questions we used in our four surveys. We used a multiple question method; each hypothesis was tested with several questions in order to increase the reliability of the respondent's answers. For example to test their attitude towards a fashion brand using marketing we built three questions around whether their attitude was positive, good and advantageous. This multiple question method increases the internal consistency of their answers and help us measure the reliability of their answers (Söderlund 2005). The so called internal consistency is measured using the Cronbachs alpha coefficient which is a measure between 0 and 1. An answer over 0,6 is considered strong enough to prove internal consistency of the answers and implies the measure of the multiple questions can be put together forming an index. The index is formed by taking the mean value of the answers to facilitate our analysis (Malhotra & Birks, 2007; Söderlund, 2005). In one of our questions we asked the respondents to give us the amount they were willing to spend for a product or service in the fashion and

restaurant industry in the different scenarios. In this case we performed an independent sample t-test to compare the means from the different scenarios (Malhotra & Birks, 2007). The answers to our survey were registered on a semantic differential 10 point scale ranging from (1) being totally disagree and (10) being fully agree.

Summarizing table of Cronbach alpha index results in both industries:

	Fashion industry without marketing	Fashion industry with marketing	Restaurant industry without marketing	Restaurant industry with marketing
Attitude	0,898	0,865	0,915	0,936
Quality	0,718	0,889	0,874	0,942
Willingness to try/buy	0,923	0,925	0,779	0,936
Ability	0,790	0,791	0,693	0,930
Desperation	0,865	0,648	0,724	0,730
Typicality	0,922	0,678	0,911	0,922

As we can see from the above table, all our Cronbach alpha indexes are above the 0,6 scale which implies a very strong internal consistency of our respondent's answers.

3.6.2 Test variables brand attitude

To measure the respondent's attitude towards fashion brands who either use marketing or do not we asked the following **three** questions: *My perception of the brand is positive (1)-(10)*; *My perception of the brand is good (1)-(10)*; *My perception of the brand is advantageous (1)-(10)*. The results gave an index of (0,898) Cronbach alpha in the stimuli without marketing and an index of (0,865) Cronbach alpha in the scenario using marketing.

The questions for the restaurant industry were exactly the same and results here gave an index of (0,915) Cronbach alpha in the scenario without marketing and an index of (0,936) Cronbach alpha in the scenario with marketing.

3.6.3 Test variables perception of quality

In order to test the respondents' perception of quality of brands either using marketing or not we asked the following **four** questions: *I perceive this brand as exclusive and luxurious (1)-(10); I perceive the quality of these products as better than their competitors (1)-(10); I perceive the quality of these products as outstanding (1)-(10); I perceive the quality as high (1)-(10)*. We computed the Cronbach alpha indexes which gave us a result of (0,718) in the scenario without marketing and a result of (0,889) in the scenario with marketing.

Similarly, to test respondents' perception of quality in the restaurant industry we asked the following **four** questions: *I perceive this restaurant as exclusive and luxurious (1)-(10); I perceive the quality of their food and service as better than their competitors (1)-(10); I perceive the quality of their food and service as outstanding (1)-(10); I perceive the quality of their food and service as high (1)-(10)*. The results gave us a Cronbach alpha index of (0,874) in the scenario without marketing and an index of (0,942) in the scenario with marketing.

3.6.4 Test variables willingness to try and/or buy

To test the respondents' willingness to try and/or buy products from a fashion brand depending on their marketing strategy we gave the two groups the following **three** questions: *I am interested in visiting one of the stores (1)-(10); I am interested in trying some of their products (1)-(10); I am interested in buying some of their products (1)-(10)*. After analyzing the respondents' answers we formed the Cronbach alpha indexes that resulted in a coefficient of (0,923) in the scenario without marketing and resulted in a coefficient of (0,925) in the scenario with marketing.

To test the respondents' willingness to try and/or buy services from a restaurant depending on their marketing strategy we gave the other two groups a set of three questions to measure their willingness to buy and interest in the services. The questions were formulated as follows: *I would like to visit the restaurant (0)-(10); I would like to try their food (1)-(10); I would be willing to pay to visit the restaurant (1)-(10)*. The outcome of the the analysis of their answers gave a Cronbach alpha index of (0,779) in the scenario without marketing and a Cronbach alpha index of (0,936) in the scenario with marketing.

3.6.5 Test variables willingness to pay

In order to test the respondents willingness to pay for products from a fashion brand in the two different scenarios, with and without marketing; we asked them to state an amount in Swedish crowns that they were willing to spend. The question was formulated as follows: *How much would you be willing to pay for a product from this brand ____ ?* For this question we computed a n independent sample t-test to analyze their answers and it gave us a mean of 956,09sek in the scenario without marketing and a mean of 1227,27sek for the scenario with marketing.

Similarly, to test the respondents willingness to pay for services from a restaurant brand in the two different scenarios; we asked them to state an amount in Swedish crowns that they were willing to spend. The question was formulated as follows: *How much would you be willing to pay for a dinner at this restaurant ____ ?* We used an independent sample t-test to analyze the results of the price the respondents were willing to pay at these restaurants and it gave us a mean of 671,47sek in the scenario without traditional marketing and a mean of 430,31sek in the scenario with traditional marketing.

3.6.6 Test variables perceived level of ability

To test the respondents' perceived level of ability of the fashion brand in the two different scenarios we gave the two groups the following **three** questions: *I perceive the brand as successful (1)-(10); I perceive the brand as leading in the fashion industry (1)-(10); I perceive the brand as better than their competitors (1)-(10).* We compiled the Cronbach alpha indexes that were (0,790) for the scenario without marketing and of (0,791) in the scenario with marketing.

For the restaurant industry, we wanted to test the respondents perceived level of ability of the restaurant in the two different scenarios, in the same way as for the fashion industry. We gave the two groups the following **three** questions: *I perceive the restaurant as successful (1)-(10); I perceive the restaurant as leading on the New York restaurant scene (1)-(10); I perceive the restaurant as better than their competitors (1)-*

(10). The Cronbach alpha indexes that came out as (0,693) for the scenario without marketing and of (0,930) in the scenario with marketing.

3.6.7 Test variables perceived level of desperation

At this stage we wanted to test the respondents perceived level of desperation depending on the brands use of marketing. The respondents answered the following **three** questions: *I perceive the company as desperate (1)-(10); I believe the company is in need of more clients (1)-(10); I believe the company is not as successful as it wishes to be (1)-(10)*. Their answers were analyzed and gave us a Cronbach alpha index of (0,865) in the scenario without marketing and an index of (0,648) in the scenario with marketing.

In the scenarios testing the restaurant industry, we also wanted to test the respondents perceived level of desperation depending on the brands use of marketing. We gave the two groups answering a set of 3 same questions for both scenarios and formulated as follows: *I perceive the restaurant as desperate (1)-(10); I believe the restaurant is in need of more clients (1)-(10); I believe the restaurant is not as successful as it wishes to be (1)-(10)*. The analysis of their answers gave us a Cronbach alpha index of (0,730) in the scenario with marketing and an index of (0,724) in the scenario without marketing.

3.6.8 Test variables perceived level of typicality

Lastly, we wanted to test the respondents perceived level of typicality of the brands in order to ensure they perceived the brand's choice of marketing strategy as normal. We gave the two groups a set of three questions formulated as follows: *I believe the company is acting unusually (1)-(10); I believe the company is acting strangely (1)-(10); I believe the company is acting typically (1)-(10)*. The Cronbach alpha indexes that were computed for questions 1 and 2 showed an index of (0,678) in the scenario including marketing and a Cronbach alpha index of (0,922) in the scenario without marketing. For question 3 we got a mean of 4,63 in the scenario without marketing and a mean of 6,52 in the scenario with marketing.

In the same manner we wanted to test the respondents perceived level of typicality of the brands in the restaurant industry. We gave the two groups a set of three questions with answers on a semantic differential scale ranging from (1)-(10). They were formulated as follows: *I believe the restaurant is acting unusually (1)-(10); I believe the*

restaurant is acting strangely (1)-(10); I believe the restaurant is acting typically (1)-(10).

The Cronbach alpha indexes that were computed for question 1 and 2 gave an index of (0,922) in the scenario including marketing and a Cronbach alpha index of (0,911) in the scenario without marketing. For question 3 we got a mean of 3,71 in the scenario without marketing and a mean of 4,12 in the scenario with marketing.

3.7 Statistical analysis

We conducted the analysis of our results in a program called SPSS that is used for statistical analysis in marketing research. To test our hypotheses we began by computing new variables out of each set of questions. We did this by adding the values for each set of questions together and dividing by the number of questions. Though we are aware that a factor analysis may have been appropriate here in order to create weighted factors, we judged that the answers to the questions were so similar in each of the question groups that a factor analysis would not have given significantly different factors.

We then used these new variables to conduct independent sample t-tests where we compared brand attitude, brand ability, brand quality, willingness to pay, willingness to buy/try and desperation of fashion brands that market and fashion brands that do not, and restaurant brands that market and restaurant brands that do not. We will elaborate further on the results in the results (Malhotra & Birks, 2007).

In order to ensure the relevance of the outcome from our t-tests we used a 5% significance level and proceeded using the following method: if the Levene's t-test significance level was $>0,1$ we assumed the variances were equal; if the significance level was $<0,1$ we assumed the variances were not equal. In a second step we looked at the t-values and the 1-tailed significance level; if the later was $>0,05$ our test showed to be *non-significant* and if it was $<0,05$ it was showed to be *significant*.

3.8 Quality of study

3.8.1 Reliability

The reliability of our study is defined by the discrepancy that can be found between the observed and the real value due to random errors in measurement (Söderlund, 2005).

We assured the reliability of our surveys by using approved methods from marketing research and a multiple questions method to increase the reliability of the respondent's answers.

3.8.2 Validity

Furthermore, the validity is a measure of the extent the results correspond to reality (Söderlund, 2005). By running a pre-test of our surveys we assured the quality of the questions to ensure they would give us reliable answers. Validity can be divided between internal and external validity. Internal validity is how well the study is free from influence not included in the study. We assured this by keeping the brand names anonymous in the surveys not to influence the respondent's perceptions. External validity is defined as the possibility of drawing general conclusions from the study and assuring our results are valid to take on for further research in the field.

4 RESULTS & ANALYSIS

4.1 Testing of manipulations

To ensure our surveys were correctly disposed and the questions would be interpreted as we wished, we performed a control of the manipulation. By running a test survey on close friends and relatives we adapted the surveys to be able to analyze the answers accordingly for the scenario with marketing and the scenario without marketing in both industries.

4.2 Testing of hypotheses

Similarly as to the theory section, we have divided this result and analysis section according to the different hypotheses we tested. The hypotheses will be accepted if the results show a significant difference between the usage of traditional marketing and

not. Generally, if the usage of traditional marketing has a negative signaling effect on the customers brand perception, the hypotheses will be accepted. As described in the method section, our analysis is based on the answers from the questions in the surveys, registered on a semantic differential scale from (1) to (10), (1) being totally disagree and (10) being fully agree.

4.2.1 Perceived Desperation

We were interested in testing whether a brand implementing a high level of marketing would send out negative signaling effects on consumer's perception of the brand. To test this hypothesis we analyzed whether the perceived level of desperation of a brand was perceived as higher from doing a big marketing campaign.

	Fashion Industry	Restaurant Industry
Perceived desperation with traditional marketing	4,3011	7,0202
Perceived desperation without traditional marketing	4,1429	2,7647
Difference	0,15822	4,25550
Significance level	0,05	0,05
Levene's test p-value	0,028	0,654
t-value	0,347	10,786
p-value	0,365	0,000
Significance of test	Non-Significant	Significant

Level of desperation (1 low- 10 high)

Significance level 5%

The results show that our hypothesis can be accepted for the restaurant industry but is rejected for the fashion industry.

H1: Consumers view the brand as more desperate when they use marketing than when they do not use marketing

- a- Fashion industry: REJECT
- b- Restaurant industry: ACCEPT

In the fashion industry, a brand which is about to launch a big marketing campaign is not perceived as slightly more desperate than a fashion brand not doing any marketing. The means are both below average (5) and these results should not be interpreted as signaling a desperate brand image in either of the scenarios on a 5% significance level. The conclusion we can draw is that a fashion brand launching a large campaign is not

significantly viewed as more desperate than one that does not. Yet, the perceived level of desperation remains low.

Furthermore, the test of the level of perceived desperation in the restaurant industry showed much stronger results for a restaurant launching a big marketing campaign than a restaurant that does not conduct marketing. The results show that a restaurant about to make a large campaign is perceived as a lot more desperate with a difference of 4,25 units in level of desperation which is an extremely strong result.

4.2.2 Perceived level of ability

Whether the usage of marketing signals a decreased ability and success of a brand was tested by asking the respondent's about their level of perceived ability in the fashion or restaurant industry in the two scenarios. This, in order to test whether a brand is negatively affected from launching marketing campaigns and signal a decrease in abilities or not.

	Fashion Industry	Restaurant Industry
Perceived ability of a brand using traditional marketing	6,2796	4,7273
Perceived ability of a brand without traditional marketing	6,5905	6,7647
Difference	-0,31091	-2,03743
Significance level	0,05	0,05
Levene's test p-value	0,665	0,007
t-value	-0,731	-4,197
p-value	0,234	0,000
Significance of test	Non-Significant	Significant

Level of desperation (1 low- 10 high)

Significance level 5%

The results show that we reject our hypothesis in the fashion industry and we accept it in the restaurant industry.

H2: Consumers experience a lower level of perceived ability for brands that use marketing than for brands that do not use marketing

- a- Fashion industry: REJECT
- b- Restaurant industry: ACCEPT

The respondent's do not have a significantly higher perception of fashion brand's abilities in the scenario where they never did any marketing. Results show they perceive a fashion brand that had never done any marketing previously as slightly more successful but not significantly enough on a 5% level. The fashion brand about to implement marketing methods was also seen as successful and capable with the future campaign coming up; nevertheless the results were not as strong. In the fashion industry we cannot conclude they are perceived as more desperate when about to launch a marketing campaign.

In the restaurant industry, the results of our survey showed a much higher perception of their abilities and success in the scenario of a restaurant shunning marketing than a restaurant doing large marketing campaigns. The difference in perceived abilities is a lot stronger in the restaurant industry than in the fashion industry. Our results show that the signaling of decreased abilities from using marketing is a lot stronger in the restaurant industry than in the fashion industry.

4.2.3 Perceived quality

Furthermore we wished to test the signaling effect from using traditional marketing on our respondent's perceived quality of brands in the fashion and restaurant industry. We wanted to test whether the use of marketing had a negative signaling effect of a brand's perceived quality or not.

	Fashion Industry	Restaurant Industry
Perceived quality with traditional marketing	5,5242	5,8182
Perceived quality without traditional marketing	6,1357	6,4632
Difference	-0,61152	-0,64505
Significance level	0,05	0,05
Levene's test p-value	0,384	0,171
t-value	-1,598	-1,275
p-value	0,058	0,104
Significance of test	Non-Significant	Non-Significant

Level of desperation (1 low- 10 high)

Significance level 5%

Our survey showed results that enabled us to accept our hypothesis in both industries.

H3: Consumers experience a lower level of perceived quality for brands that use marketing than for brands that do not use marketing

a-Fashion industry: REJECT

b- Restaurant industry: REJECT

The outcome of our test showed that the respondents did not perceive a fashion brand's quality as higher when they had a past of not doing marketing. The results showed the respondents had a positive quality perception of a brand about to launch a big campaign but the results were not as strong as in the case where the brand never does marketing. Nevertheless, the difference is not large enough to be significant on a 5% level.

Similarly to the fashion industry, the results from our survey on the restaurant industry showed that the perceived quality was not perceived as higher for a restaurant avoiding marketing than for a restaurant about to launch a big campaign. The quality was still perceived as good for the restaurant about to do marketing but not as highly perceived as in the scenario where the restaurant avoided all kind of marketing. Similarly, the difference in perception is not large enough to be significant on a 5% level.

4.2.4 Perceived brand attitude

It was interesting to test the signaling effect on the respondent's brand attitude from using marketing. We were interested in whether the use of marketing would have a negative effect on their brand attitude and perception of brand image; would they perceive the brand as less good if they produced big campaigns or not. This was performed by asking them about their attitude towards a brand in both industries and in both situations.

	Fashion Industry	Restaurant Industry
Brand attitude with traditional marketing	7,2043	5,0909
Brand attitude without traditional marketing	6,8667	6,1275
Difference	0,33763	-1,03654
Significance level	0,05	0,05
Levene's test p-value	0,806	0,821
t-value	0,942	-2,242
p-value	0,825	0,014
Significance of test	Non-Significant	Significant

Level of desperation (1 low- 10 high)

Significance level 5%

The results show that we can reject our hypothesis in the fashion industry but we can accept it in the restaurant industry.

H4: Consumers experience a less positive brand attitude towards brands that use marketing than towards brands that do not use marketing

- a- Fashion industry: REJECT
- b- Restaurant industry: ACCEPT

The outcome shows that a fashion brand about to launch a big campaign has a positive signaling effect on the respondent's brand attitude. The fashion brand that has not done any past marketing showed a lower brand attitude in comparison but nevertheless their brand attitude was relatively strong with an average of 6,88. Therefore our hypothesis of a decreased brand image perception from exposure to marketing is rejected for the fashion industry.

On the other hand we accept our hypothesis in the restaurant industry where our results show a lower brand attitude towards a restaurant about to launch a marketing campaign than for the restaurant shunning it. Therefore, the restaurant industry will have a decreased brand image perception if they decide to do marketing.

4.2.5 Willingngess to buy/try

Furthermore, we wished to test the signaling effect from using marketing on the respondent's willingness to buy and/or try the products in the fashion and restaurant industries. The test was conducted by asking them about their willingness to try and/or buy the products or services in both scenarios to see if there was a difference when the brand used marketing or not.

	Fashion Industry	Restaurant Industry
Willingness to try/buy with traditional marketing	5,7957	6,4040
Willingness to try/buy without traditional marketing	5,8910	6,6275
Difference	-0,18525	-0,22341
Significance level	0,05	0,05
Levene's test p-value	0,611	0,262
t-value	-0,398	-0,393
p-value	0,346	0,348
Significance of test	Non-Significant	Non-Significant

Level of desperation (1 low- 10 high)

Significance level 5%

The outcome shows a result that makes us reject our hypothesis for both industries.

H5: Consumers are less willing to try/buy products from brands that use marketing than from brands that do not use marketing

- a- Fashion industry: REJECT
- b- Restaurant industry: REJECT

The results from our survey show that the respondent's willingness to try and/or buy is not higher when a fashion brand does not conduct any marketing than when he does. The willingness to try and/or buy is slightly lower in the scenario where the fashion brand is about to launch a big campaign but the difference is not significantly strong enough.

Moreover, the willingness to try and/or buy is higher for a restaurant shunning all type of marketing than a restaurant about to launch a campaign; nevertheless the difference is not significantly large enough to accept our hypothesis. The respondents were slightly more willing to visit the restaurant in the scenario where they avoided marketing. Similarly to the fashion industry, the willingness to try and or eat at the restaurant was high in the scenario where they were about to launch a big campaign therefore, our results are not significant on a 5% level to accept our hypothesis.

4.2.6 Willingness to pay

Lastly, we were interested in measuring the amount our respondents were willing to spend in both scenarios and in both industries. To test our hypothesis whether the

implementation of a marketing campaign had a negative effect on the amount they were willing to spend we asked our respondents to give us an amount in Swedish crowns they were willing to spend in both industries.

	Fashion Industry	Restaurant Industry
Amount willing to pay with traditional marketing	1227,27sek	430,31
Amount willing to pay without traditional marketing	956,09sek	674,41
Difference	271,187	-244,099
Significance level	0,05	0,05
Levene's test p-value	0,406	0,155
t-value	0,923	-2,736
p-value	0,870	0,004
Significance of test	Non-Significant	Significant

Amount willing to pay (SEK 0- ∞)

Significance level 5%

By comparing the outcome of the means in both scenarios we could reject our hypothesis for the fashion industry and accept our hypothesis for the restaurant industry.

H6: The amount consumers are willing to pay is less for brands that use marketing than for brands that do not use marketing

- a- Fashion industry: REJECT
- b- Restaurant industry: ACCEPT

The results show a willingness to pay a higher amount for a product from a fashion brand about to launch a large marketing campaign than for a fashion brand shunning all marketing. The difference in means is of 271,2sek which is a strong price difference. For a fashion brand, the implementation of marketing has a positive signaling effect and significantly increases the respondent's willingness to pay.

Furthermore, the restaurant industry shows the opposite signaling effect on the respondent's willingness to pay. They were willing to spend a larger amount for a restaurant shunning all types of marketing than for a restaurant about to launch a big marketing campaign. Therefore, the implementation of marketing has a negative signaling effect on the amount the respondents were willing to spend. The difference in means is of

-244,1sek for a restaurant about to launch a marketing campaign, which is very significant.

4.3 Summary of results

To summarize the outcome of our analysis:

H1: Consumers who are exposed to marketing view the brand as desperate
→ **Hypothesis rejected for the fashion industry and accepted for the restaurant industry**

Our results show that the respondents who are exposed to marketing do not view the brands in the fashion industry as more desperate but they view the brands in the restaurant industry as slightly more desperate than if they shun all type of marketing.

H2: Consumers who are exposed to marketing experience a decreased perceived ability
→ **Hypothesis rejected for the fashion industry and accepted for the restaurant industry**

Results did not show a significantly lower perceived ability of brands in the fashion industry that were about to launch a big campaign in contrast to the brands that did not use any marketing methods. The difference was a lot stronger in the restaurant industry than for the fashion industry where the hypothesis was accepted.

H3: Consumers that are exposed to marketing experience a decrease in perceived quality
→ **Hypothesis rejected for both industries**

Analysis of the results did not show the respondents had a lower perception of quality from brands in both industries who were about to launch a marketing campaign. It is concluded that neither of the industries signaled lower quality from doing marketing.

H4: Consumers that are exposed to marketing experience a decreased brand image perception
→ **Hypothesis rejected for the fashion industry; Hypothesis accepted for the restaurant industry**

The outcome of our test showed that the respondents had a higher perceived brand image for a fashion brand about to launch a campaign than for a fashion brand not doing

marketing. On the other hand, our respondents got a lower brand attitude towards a restaurant about to launch a big campaign than for a restaurant avoiding marketing.

H5: Consumers who are exposed to marketing are less willing to try/buy

→ Hypothesis rejected for the fashion and restaurant industries

Results did not show a lower willingness to try and/or buy products or services from brands about to launch a large campaign than for brands avoiding all type of marketing. Brands in both industries showed signs of negative signaling effect from implementing marketing than for brands who avoided it. Nevertheless, the difference is not significantly strong enough to accept our hypothesis for brands in both the fashion and restaurant industries.

H6: Consumers who are exposed to marketing are less willing to pay

→ Hypothesis rejected for the fashion industry; Hypothesis accepted for the restaurant industry

Our analysis showed that our respondents who were exposed to marketing from a fashion brand were willing to spend a higher amount than for a fashion brand that did not market themselves. On the other hand, our respondents were willing to spend a higher amount in a restaurant that shun all type of marketing than a restaurant who was about to launch a big campaign.

5 DISCUSSION & IMPLICATIONS

5.1 Discussion of results

The Swedish brand ACNE is one of the most famous brands in Sweden and has in the past couple of years gained international attention for their cutting edge designs and Swedish aesthetic. The company doubled their revenue in 2009 and continued to grow another 20%, give or take, the year after. It is *no* surprise therefore that people *are* surprised to learn that ACNE has never actively marketed their products. Instead ACNE has clearly signaled that it lets its products speak for themselves by, for example, stating that their products are so good “they sell themselves” (Schiller, 2010). Perhaps it is this

self-confidence that has attracted the attention of celebrities, bloggers, stylists and IT-girls who have then spread the word about the brand in any way they could. ACNE is one of the prime examples of fashion brands that have been able to grow impressively, and become both a popular and “cool” brand without ever investing in magazine ad. What we aimed to do with this essay was investigate whether the success of their marketing strategy can work for not only other brands in the same industry, but for brands in the restaurant industry. Our experiment gave rise to several interesting findings, the most important of which we will discuss in this section.

5.1.1 What Companies Can Signal Without Marketing

We have discussed signaling theory at length and the ways in which companies use it to signal quality to potential customers. As mentioned, the most common ways in which to use the signaling theory are advertising expenditure, warranties and pricing but after looking closer at the fashion and restaurant industry, we began to think that there are other, more unexplored, signaling techniques that can be effective in marketing.

As we touched upon in the theory section, high levels of advertising expenditure have proven to be effective in signaling quality to consumers as it indicates that the company believes enough in their products or services to invest in expensive advertising campaigns. Studies also show however, that if it passes a certain excessive amount of spending it can be detrimental to brand attitude, reputation and credibility because it begins to signal that something is wrong and that the company is desperate to attract new customers. In much the same way, mixed signals, meaning that a brand signals one thing but delivers another, can lead to a ruined reputation that can be hard to rebuild. Considering these two aspects, it should be reasonable to assume that a company that signals quality by choosing to rely on positive word-of-mouth and confidently declaring that their products are so good that they sell themselves (Schiller) and then begins to mass-market may face the possibility of being considered desperate or in trouble. This in turn would likely lead to a decreased confidence in the brand's ability as well as worsening of brand attitude.

Interestingly enough, our results for the fashion industry do not support our hypotheses, indicating that ACNE's successful use of the "non-marketing" strategy may be due to other factors, or perhaps even luck. For the restaurant industry however, results indicate that many restaurants, depending on the type of customers it wants to attract and what type of image they want to project, can in fact benefit from avoiding traditional marketing. In fact, restaurants that do not market themselves in that way and, rely solely on word-of-mouth and personal recommendations do enjoy higher perceived ability and brand attitude and are also perceived as less desperate than brands that do market. Though results show that consumers are not more willing to try these restaurants but are however, willing to pay more if they *do* visit.

The logic behind this, we believe, is that by being clear about the fact that the restaurant does not want to attract the wrong type of customers, they are effectively signaling that they can afford to be selective, making it reasonable to assume that they can also afford to keep a high standard. They are also signaling to consumers that they are confident that their restaurant will be able to attract customers without marketing because their existing customers are willing to voluntarily recommend the restaurant to their friends by word-of-mouth, both off- and online. If the restaurant is also successful in attracting high-profile guests such as local or even international celebrities, it is possible that paparazzi, gossip tabloids and blogs will spread the word about the restaurant in magazines and the likes allowing the restaurant to *be* marketed, instead of actively marketing themselves. Since customers tend to pay attention to and trust this type of marketing better, when the line between the context and the message is blurred, it makes sense that this would reach target audiences more effectively.

For the fashion industry it seems that, even though brand perceptions were slightly better for brands that do not market, results were not significant enough to prove that brands would lose customers to the same extent as a restaurant if they chose to start marketing their products. We do however think that fashion brands who wish to attract a certain type of customers should at least consider the possibility of appearing desperate or "in trouble" and perhaps use this information to choose more appropriate ways to market their products. If brands feel that traditional marketing tools such as TV ads, magazine ads or radio spots are not in line with their image, there are ways to

market even luxury brands or “cool” brands without losing their credibility. They should however keep our results in mind as brands that want to maintain a “cool” image by not marketing may be forfeiting profits for no reason at all.

5.2 Implications

Based on the results that we found, there are several implications that can be useful to both academics and brands in the fashion and restaurant industries. Even though our results did point in much the same direction for both industries, they can only be said to be significant for the restaurant business, which is why we’ve chosen to discuss the implications for the fashion and restaurant industries separately.

5.2.1 Implications for the fashion industry

Studies have shown that companies that have higher relative advertising expenditures successfully signal to customers not only that they are financially stable, but also that they believe in the quality of their products and services. At a certain point however, companies reach levels that are perceived as excessive which customers seem to interpret as a sign of trouble and desperation. This in turn leads to a decreased perception of quality in customers as they start to think that something must be wrong.

Using the same logic we hypothesized that customers may experience similar reactions to companies who shift from a “non-marketing” strategy to a strategy that entails mass-marketing using traditional media such as TV, billboards and magazine ads.

We were somewhat surprised to find that our results were not significant enough to accept our hypotheses and we believe many brands will be too. Considering that this means that brands that do not market do not enjoy significantly higher perceptions of quality and ability or better brand attitude than brands that do market, we believe that many brands may be unnecessarily losing money. Though ACNE is one of Sweden’s most successful brands, our results point to other factors being the determinants of that success, and not the “non-marketing” strategy. As we mentioned previously, luck no doubt has something to do with it but ACNE may also be able to credit some of their success to the fact that they were a sort of “first mover” on the Swedish fashion scene,

paving the way for many other brands and gaining PR and press for being the “first” internationally successful Swedish fashion brand.

Many Swedish brands that have adopted the same mentality as ACNE, where they do not want to use traditional marketing because they feel it compromises their image, may need to rethink the balance between profitability and credibility and realize that there is a need to market their company and ways to do so without having to “sell out”. This is shown mainly by our hypothesis about brand attitude decreasing if brands use traditional marketing, which was rejected at a 5% significance level. Perhaps such brands should put more effort into finding the appropriate advertising channels for their target customers and learn where these customers get their information.

5.2.2 Implications for the restaurant industry

As mentioned in the discussion, results for the restaurant industry indicate that there are in fact significant advantages for restaurants that do not use traditional marketing techniques to attract customers. In four of six cases our hypotheses were accepted meaning that brand attitude, perceived ability and the amount they were willing to pay were all higher for restaurants that avoided marketing altogether and, restaurants that were planning big marketing campaigns were perceived as more desperate than their counterparts.

Though these results only give an indication of what could be the case in reality, they are non-the-less significant for restaurants deciding whether or not they can in fact attract customers without marketing at all. In the questionnaire that we used to test the restaurant industry we were very clear in stating that the restaurants who used a “non-marketing” strategy did not market at all because the owner did not want to attract the wrong kinds of customers. Respondents seemed to perceive this type of restaurant as “more able” and less desperate than restaurants that use traditional marketing and, were also willing to pay a higher price for a meal. This implies that restaurants that make an effort to create a “buzz”, either by inviting the right clientele to the opening or hiring a PR firm to make sure they appear in the appropriate magazines may be just as successful as restaurants that take to huge billboards to market themselves. In fact, it

may even imply that restaurants that start to mass-market a restaurant may be perceived as desperate, preventing target audiences from ever visiting the restaurant.

Besides the implications that these results have for people who have opened or are planning to open a restaurant, it may also be significant for future research within the marketing field. There has been relatively little research conducted on signaling theory and the importance of signaling for companies and, most of the research focuses primarily on market signals that arise from advertising expenditure, warranties and pricing. Our research shows that there are other very effective ways to signal quality, without marketing at all (well, almost). Results also point to the fact that certain industries, in which brand image may be perceived as slightly more important than in other industries, can use signal theory to create an air of exclusivity and confidence that attract the types of customers that in turn create a “buzz” which attracts more customers

5.3 Critique

Although the reliability level of our research is relatively high, there are of course certain things that could have been improved. The first would be that we chose to limit the study to Sweden and more specifically the Stockholm area. We also chose to conduct the survey at the Stockholm School of Economics where test subjects were all students between the ages of approximately 19-30. At the same time, we do feel that it is appropriate to choose a group from a big city and from that specific age group as they are often the target audiences of the types of fashion brands and restaurants that we focus on in this experiment. It would of course have been interesting to expand the experiment and test consumers in the same age group in other cities or include a wider age range but it is hard to do so within the limits of this thesis.

Another aspect of the experiment that would have been interesting to test is whether or not our results would have been the same for other industries.

A last critique may be that we used unweighted factors to conduct the t-tests in SPSS instead of using factor analysis to produce weighted factors. In our case however, we judged that the answers to the questions that were grouped together to form new

variables were so similar that a factor analysis would not have given significantly different values. In cases where answers differ greatly or are not strongly correlated it would have been more appropriate to do a factor analysis but we did not find that to be necessary in our case.

5.4 Suggestions for further research

During the process of writing this thesis there were a number of other questions that came up and that we would have liked to investigate further had we able to. We chose to focus on the restaurant and fashion industries because we felt that these industries would give the most significant results. As our results do show that there may be certain advantages to limiting the amount of marketing, or at least the type of advertising medium used, for restaurants and fashion brands that want to attract a specific kind of customers, we wonder if this “no marketing” strategy could be applied to other industries as well.

Just as higher prices seem to only signal high quality in cases where the quality of the products are easy to discern (which means it's harder to cheat the customers) or the products are relatively expensive, we believe that the “no marketing” strategy only works for products that are very closely associated with personal image and consumers' personal “brands”. That is to say that it only works in industries with high-involvement products or services. It would be interesting to test whether or not this is in fact the case.

It would also be interesting to conduct the same experiment in a number of different cities as it is our belief also that people in big cities and cities that are considered to be “trendier” than others (i.e. New York, London, Paris, etc.) are more image conscious and careful of what their clothing and eating habits signal to others which, translates to their clothing and restaurant choices.

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7. APPENDIX

1. Survey on fashion industry, with traditional marketing:

"Märket X grundades 1996 av två unga designers från Stockholm. De lanserade sin första kollektion i slutet på 90-talet och idag är de så pass stora att de visas på

London Fashion Week. Kläderna syns ofta i svensk, och även utländsk, media och har burits av ett stort antal kändisar, från modebloggare till supermodeller och tidningsredaktörer. X har butiker i tretton länder, inklusive Amsterdam, New York, Stockholm och Köpenhamn och har planer på vidare expansion inom en snar framtid.

X känner nu att de behöver marknadsföra sig ordentligt och planerar därför att lansera en stor reklamkampanj som kommer att synas i modetidningar, på TV och på stora annonser. ”

2. Survey on fashion industry, without traditional marketing:

”Märket X grundades 1996 av två unga designers från Stockholm. De lanserade sin första kollektion i slutet på 90-talet och idag är de så pass stora att de visar på London Fashion Week. Kläderna syns ofta i svensk, och även utländsk, media och har burits av ett stort antal kändisar, från modebloggare till supermodeller och tidningsredaktörer. X har butiker i tretton länder, inklusive Amsterdam, New York, Stockholm och Köpenhamn och har planer på vidare expansion inom en snar framtid.

Företaget har aldrig använt sig av traditionell marknadsföring, med andra ord har de aldrig haft annonser i tidningar, eller på stan, och har heller aldrig gjort tv-reklam. Istället förlitar sig märket helt på PR och word-of-mouth för att nå ut till deras målgrupp. Deras VD har uttryckt att ”har man bra produkter så marknadsför de sig själva”.

3. Survey on restaurant industry, with traditional marketing:

”Restaurang Y är en väldigt populär restaurang på Manhattan i New York. Den grundades av en välkänd restauratör för två år sedan och blev därmed den senaste restaurangen att ingå i Z-gruppen. Restaurangen ligger i trendiga Meatpacking District, på en liten gränd under the High Line, och vet man inte var den ligger så kommer man missa den. Det finns ingen skylt som visar att det är en restaurang utan bara en stor svart järndörr med en ringklocka bredvid.

För att få en reservation på Y måste man ringa minst 3 månader i förväg och inte ens då är det säkert att de svarar. Det enda säkra kortet är att känna restaurangägaren som är en mycket excentrisk man.

Restaurangen känner att de behöver marknadsföra sig ordentligt nu och planerar därför en stor reklamkampanj som kommer att synas i tidningar, på TV och på billboards i New York.”

4. Survey on restaurant industry, without traditional marketing:

"Restaurang Y är en väldigt populär restaurang på Manhattan i New York. Den grundades av en välkänd restauratör för två år sedan och blev därmed den senaste restaurangen att ingå i Z-gruppen. Restaurangen ligger i trendiga Meatpacking District, på en liten gränd under the High Line, och vet man inte var den ligger så kommer man missa den. Det finns ingen skylt som visar att det är en restaurang utan bara en stor svart järndörr med en ringklocka bredvid.

För att få en reservation på Y måste man ringa minst 3 månader i förväg och inte ens då är det säkert att de svarar. Det enda säkra kortet är att känna restaurangägaren som är en mycket excentrisk man. Han avskyr allt vad kommersialism heter och vägrar att marknadsföra restaurangen då han tycker att det attraherar "fel" sorts kunder."

Herbig and Milewicz's Model of Reputation Building and Destruction

