

# IS A NO AD THE NEW AD?

- a comparative study of consumers' perceptions of non-advertising and advertising brands

## ABSTRACT

Consumers are today continuously exposed to advertising, which value is increasing to brands. The advertising amount has long been recognized as a major driving force to signaling effects, and thus revenues. However, several brands distinguish themselves by setting their advertising amount to zero. These non-advertising brands have challenged traditional advertising theory by their prevalence and success.

This paper's purpose is to investigate if non-advertising brands gain stronger signaling effects among consumers, compared to advertising brands. Further it was hypothesized that creativity and the third-person effect have causal relations to differences in signaling effects. An experiment formed the basis for a comparison of consumer perceptions of non-advertising and advertising brands.

The authors find evidence supporting that non-advertising brands take advantage of stronger signaling effects. Creativity was confirmed as an explanatory factor to these signaling effects, while the impact of the third-person effect was weak.

*Keywords: signaling effects, third-person effect, creativity, non-advertising brands, communication strategy*

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**“If we are strong, our strength will speak for itself.  
If we are weak, words will be of no help”**

*- John F. Kennedy*

## 1. Introduction

*This chapter aims to motivate the relevance of the thesis by providing a background to the subject followed by the purpose and research questions. To clarify and concise the purpose this section is followed by delimitations, the thesis' expected contribution, and definitions being formulated. In order to further illuminate the thesis and its structure the final introductory section presents the disposition of the following chapters.*

### 1.1 Background

Most brands use each element of market communication in their brand strategy. However, some brands have formed their communication strategy abstaining from the advertising element. The conscious decision to apply a non-advertising strategy seems to be more frequent among clothing brands (van den Brink, 2007; Sandison, 2008) and restaurants (Blaustein, 2011; Bruni, 2005). This paper aims to investigate the phenomenon of brands that do not use any form of advertising. An experiment is formed and executed, assessing consumers' perceptions of non-advertising brands in comparison to advertising brands. This is expected to provide important knowledge of consumer attitudes towards brands that do not use advertising. Since the phenomenon of non-advertising brands appear to be more common within some industries, the experiment considered these: the fashion industry and the restaurant industry respectively. Following the experiment, the authors hope to be able to draw conclusions explaining the prevalence of non-advertising brands.

The examples of brands applying a non-advertising strategy are several. Maison Martin Margiela is a French fashion brand, which never since its start in 1987 has used any type of advertising (Sandison, 2008). Despite this fact, it has become well known and is a very successful brand in its industry (CPP-Luxury, 2010; Tucker 2009). Another non-advertising brand is Jarla Partilager, which in spite of its name, meaning *bulk storage*, is an exhibition hall in Stockholm. Since it was founded in the 1990's it has in addition to not advertising, also restricted visitors' access, and asked critics not to publish any reviews (Svenska Dagbladet, 2007). Although Jarla Partilager has preserved its anonymity, it has successfully prevailed for almost two

decades and opened up a branch in Berlin (Lewenhagen, 2009). Examples of brands with a similar strategy can also be found within industries distributing goods of less durable character. The French family owned Ladurée is another brand applying a non-advertising strategy (Larsson, 2011). Ladurée produces and sells cakes and pastries, and since it was founded in 1862 (Ladurée, 2011) it has deliberately chosen not to use any sort of advertising. Despite this choice, the French brand has become one of the world's most known brands within its industry and is the world's leading producer of its signature pastry macaron (Larsson, 2011).

Although the examples exhibit brands that disaffiliate advertising, this communication form has never been as accessible and popular as today. Continuous development within technology enables brands to advertise in an increasing set of media channels. At the same time globalization has facilitated brands to advertise in an increasing set of markets as well as intensified the competition in each market. These are some factors explaining the rapidly increasing advertising expenditures. The Organisation for Economic Co-operation and Development (OECD, 2008a) reports that only between the 2005 and 2007 the worldwide total advertising expenditure increased by more than 10 %, equivalent to more than 45 billion USD. Sweden's advertising expenditure is also steadily increasing; the spending in April 2011 was remarkably 16 % higher than the equivalent expense in April 2010 (Bråse, 2011). Brands' perceived importance of advertising and advertising spending are thus extensive.

As with advertising expenditure, the total advertising revenue has increased to reach an exceeding amount of 400 billion USD 2007 (OECD, 2008b). However brands return on advertising does not seem to be perfectly positively correlated. Several factors have been shown to affect this ratio. One factor with a strong impact on the return on advertising is the amount of advertising. Other factors regard for instance the content of the advertising, such as the degree of creativity, and the media channel used for the advertising.

For brands to prevail on competitive markets it is crucial that consumers have positive attitudes towards the brands and that their buying intentions are at a sufficient level. Following, there must exist consumers who have positive attitudes towards non-advertising brands and intend to buy the non-advertising brands'

products. Signaling theory explains that these behaviors among consumers are affected by the signals sent out by brands. There is limited research on a non-advertising strategy's impact on brands' signaling effects. The signaling effects vary and are dependent on consumers' perceptions of the brand and its products. As with non-advertising brands' choice of strategy, there is also scarce previous research in the field of consumers' perceptions of the characteristics of these brands and their products.

The advertising amount has previously been shown to create signaling effects. Kirmani (1990) states that the amount of advertising carried out by a brand correlates with the revenues as to form an inverted U-shaped curve: the amount correlates positively with the signaling effects, and thus revenue, until a limit where the correlation reverses. There has also been exhibited a *wear-out effect* in brands that advertise to an excessively high extent, and it has been proposed that these brands are perceived as *desperate* among consumers (Kirmani, 1997). This gives reason to believe that an optimal amount of advertising could be found just below the point where the return on advertising spending is reversed, just below the point where the brand probably is perceived as *desperate* among consumers. At this point the signaling effects, according to theory, is maximized. Contradictory to this optimal allocation, several brands distinguish themselves by setting their advertising amount to zero. By completely disregard from the use of advertising they do not risk any negative return on advertising spending, however the positive effects of advertising spending are lost.

A simple analysis suggests that these brands, and other brands applying a similar non-advertising strategy, would benefit by increasing the amount of advertising. However, these brands' decisions to not use advertising are consciously made. Is there reason to anticipate that these brands actually benefit from *not* advertising? A more complete analysis would ask to include and account for more and additional factors, except from the amount of advertising, to affect the signaling effects and revenue outcome.

In advertising research recent findings suggest that other characteristics of the advertising affects the signaling effects and the correlation to revenues. The degree of creativity in the content of the advertising has been proven to matter to the

interaction; a higher degree of creativity yielding increased revenues (Dahlén 2005; Friberg and Nilsson 2006). The total advertising amount, as well as the media channels it is communicated through, has increased over the years why consumers today encounter advertising continuously. A brand's strategy to abstain from advertising could be defined as creative since it clearly deviates from common brand strategy. Following, if consumers of brands that apply a non-advertising strategy perceive these brands as creative, this could function as a factor explaining their prevalence.

Another potential factor underlying the phenomenon of brands prevailing with a non-advertising strategy is consumer attitudes towards advertising brands. The third-person effect [TPE] states that people tend to believe of others as being more receptive to advertising (Davison, 1983). By this it follows that people will believe of others, in comparison to them, as being more persuaded by brands that use advertising. These distorted perceptions have been shown to impact the behavior of consumers (Gunther and Thorson, 1992; Zhang and Daughery, 2009). Brands that apply a non-advertising strategy could thus benefit from TPE if the target consumer group gains favorable behavioral changes due to the presumed effects advertising has on others. This potentially beneficial situation for non-advertising brands due to TPE may explain the incidence of these brands.

The prevalence of non-advertising brands does not appear to be explained by the correlation between advertising amount and revenue. This phenomenon is recognized and found as interesting by the authors of the thesis. There seem to be a discrepancy between the implied advertising amount and the behavior of non-advertising brands.

## **1.2 Purpose**

### **1.2.1 Explanatory purpose**

There are limited research of the commonness and nature of non-advertising brands. The phenomenon of brands that do not use any type of advertising is undoubtedly present; however research and literature are in lack of a definition for this type of brands. An underlying purpose of the thesis is to explain the nature of brands not using any type of advertising. Non-advertising brands' prevalence can neither be



explained by research nor by common advertising theory. The general purpose of the thesis is to try to explain non-advertising brands occurrence and survival.

### **1.2.2 Empirical purpose**

It is stated in the introduction that there seem to be a discrepancy between the implied advertising amount and the behavior of the non-advertising brands. The thesis tries to explain this discrepancy and thus the prevalence of non-advertising brands. The authors of this thesis aim to investigate this discrepancy by means of two other advertising attributes correlated with revenues: creativity and TPE.

Following, the thesis research questions are:

1. Do non-advertising brands gain stronger signaling effects compared to advertising brands?
  - a. Is creativity an explanatory factor to the potentially stronger signaling effects among non-advertising brands?
  - b. Is TPE an explanatory factor to the potentially stronger signaling effects among non-advertising brands?

### **1.2.3 Theoretical purpose**

As there is limited research on the topic of the thesis, there exist no conceptual set of factors explaining the occurrence of brands that apply a non-advertising strategy. Subsequently, the thesis approach aims to fulfill its empirical purpose by means of investigating signaling effects gained by non-advertising brands. These signaling effects may depend on several underlying factors. The thesis aims to examine two of these factors potentially underlying non-advertising brands' gained signaling effects. Thus, the theoretical purpose is to initiate the development of a conceptual model explaining the prevalence of non-advertising brands.

## **1.3 Delimitations**

The experiment consisted of four different survey versions. Two of them concerned the clothing industry, while the other two regarded the restaurant industry. This has important implications for the interpretations of the results and the outcome of the thesis. The clothing industry as well as the restaurant industry can be characterized by both low- and high-involved customer decisions. This lead to the first limitations in the use of the thesis' results and conclusions since these may not be applicable for all product categories.

A second delimitation comes from the geographical conduction of the primary study. The phenomenon and the general purpose comprise a global geographical area, while the primary study is conducted with Swedish respondents. This discrepancy delimits the thesis by way of that it cannot be made sure that the primary study results are applicable worldwide. However, motivating the purpose of the thesis, its other research sections contain no similar geographical delimitations.

Thirdly, the surveys were designed featuring unknown brands. This was chosen due to desire of drawing generalizable conclusions from the study. Concretized brands would not have made this aim achievable. It is possible that well known brands may have a different impact on consumers, why the results are delimited to concern unknown brands.

Furthermore and fourthly the study was focused on non-advertising brands. This is defined as brands not using any type of advertising, and compared to brands applying an advertising strategy. Following, the thesis results does not account for other market communication except from advertising.

The fifth delimitation considers the measurement of brands' signaling effects. The authors deliberately chose three different variables as proxies to signaling effects. These were: *brand attitude*, *product quality perceptions*, and *buying intentions*. In order to measure signaling effects, these variables have been used in a lot of previous research and are, by the authors, condemned as highly relevant for the purpose.

## 1.4 Expected contribution

As elaborated on in previous sections, the thesis has three distinguished purposes: an explanatory, an empirical, and a theoretical. The expected explanatory contribution of the thesis is to define and explain the nature and prevalence of brands that use a non-advertising strategy. The expected theoretical contribution of the thesis is to initialize the development of a conceptual model that can explain the prevalence of non-advertising brands. Both the expected explanatory contribution and the expected theoretical contribution are of value to further research and progress in the field of the raised phenomenon.

Besides lay foundation to further research through the theoretical contribution, the thesis is expected to have implications for brand strategy. This more practical contribution is expected to be of significance for brand strategists, and other practitioners, by potentially enlighten advertising attributes correlated to revenues. This is considered to be of high value since the advertising spending is continuously increasing, which proves that advertising is a prioritized subject for many businesses. Since common academic theory disagrees with a non-advertising strategy, explaining non-advertising brands' signaling effects are of importance.

## 1.5 Definitions

In order to clarify the thesis and its implications, central terms will be further defined. By this, misinterpretations will hopefully be avoided, and the reader's understanding of what the thesis investigates will be improved. Following terms will be used throughout the thesis:

<i>Advertising</i>	is when a known sponsor pays for communication distributed through mass media, aimed to influence consumers (Wells, Burnett, and Moriarty, 1998)
<i>Advertising strategy</i>	is a marketing communication strategy containing advertising
<i>Non-advertising strategy</i>	is a marketing communication strategy, which does not contain any form of advertising
<i>Signaling effects</i>	are positive consumer perceptions and behaviors raised from the signals sent out by brands
<i>Third-person effect</i>	states that a person exposed to a persuasive mass media communication perceives it as having less effect on oneself than on others (Davison, 1983)
<i>Creativity</i>	is the ability to innovate and the capability to see reality from new perspectives (Nationalencyklopedin, 2011)

## 1.6 Disposition

The disposition is illustrated by *Figure 1*. After the introduction the thesis will firstly present the theoretical framework used throughout the study in order to address the research questions. This provides the reader with a deeper understanding of the investigated phenomenon and different ways of approaching it. This section is followed by a presentation and discussion of the used methodology. This motivates the research process and design, and clarifies the reliability and validity of the study. Furthermore, the reader is provided with a better understanding of the following chapters.

The methodology is followed by a presentation of the results and empirical findings from the survey conducted. The data have been analyzed in order to provide answers to the research questions presented in the purpose. The results and findings from the analysis are further on discussed and conclusions are drawn in order to give a deeper understanding of the presented results.

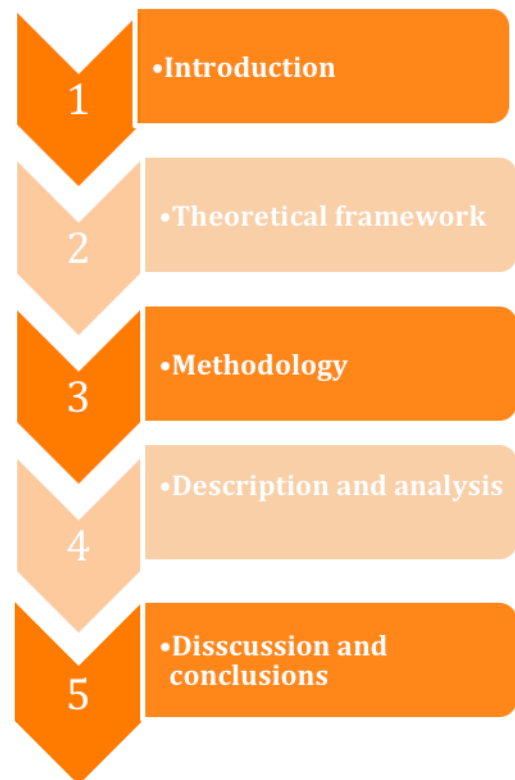


Figure 1: Disposition

The conclusions also clarify the answers to the research questions. Finally, managerial implications and main contributions for further research on the topic are discussed.

## 2. Theoretical framework

*This chapter provides an overview of the theories that are used in the thesis. The chapter will explain and motivate the choices of theories and the hypotheses investigated in the thesis.*

In the time of globalization and rapid technological development, the opportunities to create and market a brand are constantly increasing. Many companies exploit and take advantage of new ways to reach out to their audience, other seek new exciting ways to create attention. In the same time advertising expenditures are continuously increasing and brands' perceived importance of advertising and advertising spending seems to be extensive.

Consumers are exposed to about 1,500 brand related messages every day (Lucas and Dorrian, 2006). Since it is impossible for each of these messages to make an impact consumers have developed a mental barrier to the increased advertising noise (Dahlén and Edenius, 2007; Friestad and Wright, 1994). This is a challenge for marketers and companies, which now need to find new ways to make an impact on consumers and break through these mental barriers. Unconventional marketing has proven to be very successful for this purpose. Since advertising is an almost elementary part in a modern marketing strategy, non-advertising brands apply an unconventional marketing strategy. Thus, non-advertising brands may have a different impact on consumers compared to advertising brands, and could also be able to successfully break through consumers' mental barriers. Following, non-advertising brands could gain stronger signaling effects among consumers.

### 2.1 Product quality, brand attitude, and buying intention as measurements of signaling effects

#### 2.1.1 A non-advertising strategy signals higher product quality

There are many different factors that affect consumers' beliefs about product quality (Kirmani and Rao, 2000). However, it is shown that consumers' attitudes and beliefs of the brand quality is the most important factor for long-term success (Buzzel, Bradley, and Sultan, 1975; Rust, Moorman, and Dickson, 2002).

The economic signal theory argues that the more money and effort an advertiser spends on advertising, the more the advertiser believes in his products (Kirmani and Wright, 1989). This will result in consumers' believing that advertising, which is more costly for the advertiser, represents products of a higher quality (Nelson, 1974). Recent research has investigated other possible ways for the advertiser to indicate that he believes in his products' attributes and attractiveness. These could be alternative ways to indicate a high level of effort rather than expenses, which lead to higher perceived quality for the consumers.

A non-advertising strategy could be perceived as resource demanding since it is a strategy that is strongly differentiated from the competition and not aligned with existing marketing strategy theories. Still, there are several examples of brands that successfully apply a non-advertising strategy.

A possible reason could be that the risky non-advertising strategy indicates that the brand's products are of such high quality that they do not require advertising. Therefore, the authors find it interesting to investigate if and in what way a non-advertising strategy affects the perceptions of product quality. Therefore the first hypothesis investigates how consumers perceive the product quality of brands that apply a non-advertising strategy.

*H1: Non-advertising brands' products are perceived as of higher quality than advertising brands' products.*

### **2.1.2 A non-advertising strategy generates more positive brand attitudes**

Consumers' attitudes and perceptions of a brand and the brand's products are formed by the information they possess about the products and their features (Fishbein and Middlestadt, 1995). These brand perceptions are, according to recent advertising literature, claimed to be the most reliable measurement of advertising effectiveness. This has its origin in the fact that consumers are incapable of discerning all the advertising they are exposed to (Weilbacher, 1993).

An important and interesting factor impacting the brand attitude and the perception forming among consumers is the consumers' attitudes towards the advertising (Mitchell and Olson, 1981). This has its explanation in the fact that the advertising's popularity transfers to also apply to the brand itself (Mitchell and Olson, 1981; MacKenzie Lutz and Belch, 1986).

A positive brand attitude is fundamental for consumers' willingness to pay for the brands' products, and also for creating buying intentions and finally generate sales. Consumers' brand attitudes in many cases determine their behavior towards the brand and its products (Mitchell and Olson, 1981). For brands to prevail on competitive markets, as for example Maison Martin Margiela in the competitive clothing industry, it is crucial that consumers have positive attitudes towards the brands. Following, there must exist consumers who have positive attitudes towards non-advertising brands. Therefore the second hypothesis investigates consumers' brand attitudes towards brands that use a non-advertising strategy.

*H2: Consumers have more positive attitudes towards brands that apply a non-advertising strategy compared to brands that advertise.*

### **2.1.3 A non-advertising strategy provokes higher buying intentions**

It is difficult to influence consumers' intentions to buy a product solely through marketing since the intentions generally depend on the consumers' earlier buying experiences. According to previous research, higher marketing expenses and a broader variety in marketing probably lead to a higher rate of sales (Aaker and Carman, 1982). Consumers' buying intentions is a powerful measurement of signaling effects since it has a strongly causal relation to sales, which means that even a small effect of marketing on buying intentions can generate a large difference in sales (van de Putte, 2009).

Consumers' intentions to purchase a product also depend on the price and willingness to pay for the product. The consumer's willingness to pay is the maximum amount the person is willing to pay in exchange for the brand's products. The information gathered about the consumers' buying intentions can also give a hint about the consumers' future consumption of the product.

When most marketing strategies aim to influence the consumers through advertising, the authors find it interesting to investigate how a non-advertising strategy influences consumers' buying intentions. For brands to prevail on competitive markets it is crucial that consumers have buying intentions at a sufficient level. Since there are several examples of successful non-advertising brands, in the restaurant industry as well as in the clothing industry, there must exist consumers with high buying

intentions to these brands' products. This leads to the formulation of the third hypothesis:

*H3: Consumers have higher buying intentions towards non-advertising brands' products compared to advertising brands' products.*

## **2.2 TPE affects consumers' beliefs of a non-advertising brand**

The authors hypothesize that TPE is present in consumer's evaluation of non-advertising brands. TPE states that people tend to believe of others as being more receptive to persuasive communication in mass media than themselves, and this variation in perceptions can in turn impact behavior and attitudes (Davison, 1983; Perloff, 1999). Thus it follows that a communication can affect consumers' behavior and attitudes solely based on the consumers' own expectations that communication will have a greater effect on another audience. Combined with the thesis' investigation, non-advertising brands may gain distorted consumer attitudes and behavior due to the consumers' own anticipations regarding others' responses. The appliance of TPE to the thesis is especially significant since the public perception of advertising has impaired (Eisend, 2008).

A lot of research has been done on the hypothesis of TPE. It is stated that the TPE is highly robust (Sun, Pan, and Shen, 2008). Sun, Pan, and Shen (2008) were able to draw this conclusion after their meta-analysis, consisting of more than 100 studies. TPE is applicable to, and explains occurrences in, widely separated areas. The variable has been proven to be present in phenomena such as conspiracy theory spreading (Douglas and Sutton, 2008), political influence (Cavazza and Mucchi-Faina, 2008), the use of social networking sites (Banning and Sweetser, 2007), and censorship of violence and pornography (McLeod, Eveland, and Nathanson, 1997).

When investigating TPE applied to media influence, the effect of TPE is indirect. The indirect character of TPE implies that the reactions to the communication do not have to be real as in direct effects (Gunther and Storey, 2003). Instead, TPE yields behavioral reactions founded on the presumed effects the communication has on others (DeLorme, Huh and Leonard, 2006). Following, TPE depends both on the perceptual effects, and on the behavioral effects. This implies that the presumed effects consumers believe that the advertising has on others will impact their behavior towards the advertising brand. This results in that consumers may believe



others as being more influenced by and thus more probably customers of advertising brands, compared to non-advertising brands.

People's perception that others are more influenced than themselves by mass media communication is based on several elements, however Perloff (1999) points at motivated reasoning and self-enhancement as being preponderant explanatory factors to the phenomenon. When comparing to others, humans tend to overemphasize their own capabilities such as intelligence; which can explain the self-perception of being more resistant to persuasive communication (Zhang and Daugherty, 2009). Brands that apply a non-advertising strategy could therefore benefit from TPE if the target consumer group perceives others as not aware of the product's value enhancing attributes. Most people, as stated above, have the perception that they are a bit smarter and better at finding unique offers than the average. It is therefore likely that they believe that a non-advertising brand's customers, like them selves, are a bit smarter and better at finding unique offers than average. These offers could belong to both the restaurant and fashion industry. Following people would believe of non-advertising brands as having lower recognition among the average Swede. Because of the fact that people tend to self-enhance their own characters and capabilities it is possible that people have a more positive attitude to the customers of non-advertising brands than to others. This potentially beneficial situation for non-advertising brands due to TPE could function as a factor explaining the incidence of these brands. This leads to the following two hypotheses:

*H4: Non-advertising brands are perceived as having lower recognition among the average Swede, compared to advertising brands.*

*H5: Consumers have a more positive attitude towards customers of non-advertising brands, compared to advertising brands.*

### **2.3 Creativity affects consumers' beliefs of a non-advertising brand**

A second factor that may explain the success of brands that apply a non-advertising strategy is the perceived creativity of the brand. There are a lot of definitions of creativity but several of them involve some consideration of newness, divergence, unexpectedness, and originality (Haberland and Dacin, 1992; Sternberg and Lubart, 1993; Ang and Low, 2000; El-Murad and West, 2004; Smith and Yang, 2004). The

degree of creativity in the content of the advertising has been proven to matter to the interaction; a higher degree of creativity yielding increased revenues (Dahlén 2005; Friberg and Nilsson 2006).

Creativity has been exhibited to constitute an important element in brands' communication towards customers (Kirmani and Wright, 1989). Advertising as a communication channel, has never been as accessible and popular as today. Continuous development enables brands to advertise in an increasing set of media channels and in an increasing set of markets. Not only praxis, but also theory, suggests that brands applying a non-advertising strategy would benefit by increasing the amount of advertising.

Advertising with a more creative content delivers a higher value to customers compared to advertising with a less creative content (Dahlén, Rosengren, and Törn, 2008). When judging a product's level of creativity many researches define divergence as the most important aspect (Jackson and Messick, 1967; White and Smith, 2001; Koslow, Sasser, and Riordan, 2003). A non-advertising strategy clearly deviates from both theories and common brand strategy. However, there are several examples of brands that successfully apply a non-advertising strategy. Following, if consumers of brands that apply a non-advertising strategy perceive this strategy as creative, this could function as a factor explaining the prevalence of this type of brands.

This leads to the formulation of the sixth hypothesis:

*H6: Non-advertising brands are perceived as being more creative than advertising brands.*

## **2.4 TPE and creativity as explaining factors to signaling effects**

### **2.4.1 TPE strengthens signaling effects**

TPE has been recognized to affect the way in which people react to communication (Joslyn, 2003; Gunther and Thorson, 1992). From this it is of relevance to investigate if non-advertising brands evoke consumer attitudes and behaviors affected by TPE.

If the findings suggest that TPE affects consumers' beliefs of non-advertising brands it is therefore of great interest to examine whether or not TPE evokes stronger

signaling effects. Since the authors expect that people will believe of non-advertising brands as targeting smarter and more capable people like themselves, people will likewise have a more positive attitude towards non-advertising brands and believe of their products as being of higher quality. Thus, the following hypotheses are stated:

*H7a: TPE generates higher perceived product quality.*

*H7b: TPE generates more positive brand attitudes.*

*H7c: TPE generates higher buying intentions.*

#### **2.4.2 Creativity strengthens signaling effects**

Several researches have found a correlation between creative media choices and consumers' brand attitudes (Kover, Goldberg and James 1995; Lee and Mason, 1999). Dahlén, Rosengren, and Törn (2008) noted that an enhanced value creation for creative advertising is manifested by higher perceived product quality, higher buying intentions and more positive brand attitudes among consumers. Tesch and Zeng (2010) emphasizes, similarly, that a more creative choice of media channel has a positive impact on consumer attitudes.

If creativity is stressed as a factor affecting consumers' beliefs of non-advertising brands, it is highly significant to investigate if the factor yields more positive signaling effects and consumer attitudes. This leads to the formulation of the hypotheses:

*H8a: Higher perceived creativity generates higher perceived product quality.*

*H8b: Higher perceived creativity generates more positive brand attitudes.*

*H8c: Higher perceived creativity generates higher buying intentions.*

### 3. Methodology

*This chapter will give an understanding of how the research and study have been executed. The chapter will also explain briefly how the experiment was conducted and how the sample was chosen.*

#### 3.1 Research design and approach

The thesis has a primary focus on a hypothesis-testing approach. A hypothesis-testing approach is used when there are both knowledge and theories (Olson and Sörensen, 2007). The hypothesis-testing approach can be explorative as well as explanatory (Olson and Sörensen, 2007) and this thesis has both of these approaches. Primarily an explanatory approach has been used when forming the experiment, which has been an appropriate method since the thesis' aim is to explain the prevalence of non-advertising brands.

The choice of either a quantitative or a qualitative approach is determined by the purpose of the thesis (Olson and Sörensen, 2007). This thesis is structured around a quantitative approach, which is more commonly used when testing if a phenomenon is generalizable (Eliasson, 2010). The authors found this approach suitable for the thesis since a quantitative approach is to prefer in order to reach objective and generalizable conclusions beyond the group of respondents (Ghauri and Grønhaug, 2005), which is in line with the aim of the thesis.

The thesis uses an abductive reasoning, which is a combination of an inductive and a deductive reasoning (Olson and Sörensen, 2007). From relevant general and accepted theories, and the phenomenon, hypotheses have been formulated and studied.

#### 3.2 Collection of data

The data used in the thesis can be divided into two different parts, primary and secondary data. The primary data have been collected by the researchers of the thesis (Bell, 2006). The secondary data have been collected from previous research and literature on the specific area (Bell, 2006). Since the thesis takes a quantitative approach, the primary data in the thesis consist of results from the experiment

conducted. As a complement to the primary data, secondary data were collected, consisting of articles and academic literature.

### **3.2.1 Collection of primary data**

The primary data used for the thesis are the data collected through the conducted experiment. Since the aim of the thesis is to investigate the phenomenon in order to reach generalizable results, the thesis lays the primary focus on a quantitative research method. There is no earlier research on this specific phenomenon why it is not possible to rely on secondary data alone.

### **3.2.2 Collection of secondary data**

The secondary data used in the thesis are primary articles published in scientific journals. In order to find appropriate literature, databases and library resources have been used. The databases have been found primarily through the Stockholm School of Economics' library. When writing the thesis the authors had to do a screening for relevant theories based on the problem formulation.

## **3.3 Experiment design and structure of the study**

A pre-study was discussed but rejected since the authors condemned the risk of the respondents misunderstanding the experiment to be low. The experiment did not contain any new or confusing information why a pre-study was not distributed. This decision was made after a consultation with professor Micael Dahlén.

Since the thesis has a quantitative and primarily an explorative approach the design of the study was causal (Ejvegård, 2009). The purpose of the study was to test the potential difference in gained signaling effects between non-advertising and advertising brands. In order to reach realistic results a field experiment was conducted. The study was conducted in a natural environment where independent variables were manipulated in order to measure the effects of dependent variables. Furthermore, the study aimed to investigate whether or not TPE and creativity could be considered as explanatory factors to the potentially discrepancy between the gained signaling effects.

To be able to generalize the results of the experiment further, the authors chose to carry out the study containing identical questions, but regarding two different industries. One version considered the clothing industry and the other one

considered the restaurant industry. For each of the two industries two different versions were formed, each one giving a description of an imaginary brand present in the two industries respectively. The description of the brands was identical in all versions of the survey, but for each industry two different advertising strategies were presented. One survey version for each industry contained a brand deliberately applying a non-advertising strategy while the other contained a brand applying an advertising strategy. The survey was consequently conducted in four different versions. The four different stimuli presented in the surveys are placed in *Appendix 1*. Each respondent answered one of the four versions.

The questions in the surveys consisted of closed questions. Open questions were discussed but rejected particularly since closed questions give consequent answers with less variation (Malhotra and Birks, 2007).

The questions were formulated in a structured way. Questions where the respondents were going to take stand to a claim the answer alternatives were represented on a Likert-scale between 1-7, where 1 represented “do not agree” and 7 represented “totally agree” (Lange, Selander, and Aberg, 2003). The scale was chosen to make it possible to give a neutral respond to each question (Ejvegård, 2009) and identic scale steps were used (Dahmström, 2000) When attitudes towards the brand or the product were tested, the questions consisted of bipolar semantic scales also within an interval of answering alternatives between 1 and 7. Both methods are tested and recommended (Malhotra, 2004). Before the surveys were distributed to the respondents they were discussed with professor Micael Dahlén, who has a lot of experience in the area. The stimuli and the questions were then modified according to the feedback.

### 3.4 Variables of research

The questions were chosen carefully with the aim of the thesis and the formulated hypotheses in mind. In order to test the internal consistency between questions that measured the same variable, an analysis based on Cronbach's alpha was used. If Cronbach's alpha was higher than 0.7 the separate questions were merged to an index (Malhotra, 2004).

### 3.4.1 Quality

The perceived quality of the products was measured through the question: *What do you think about the product quality?* Three different pairs of answering alternatives were presented, low quality/high quality, lower than average/higher than average, I would be satisfied/I would not be satisfied (Dahlén, Rosengren, and Törn, 2008; Kirmani, 1997). The surveys also consisted of questions about the *view of the brands' prices*. This is due to consumers' perceptions of prices as closely connected to quality. To this question two different pairs of answering alternatives were formulated; low/high, lower than average/higher than average (Dahlén, Rosengren, and Törn, 2008; Kirmani, 1997). The internal consistency for these questions was high (Cronbach's alpha 0.897), why an index was created.

### 3.4.2 Brand attitude

In order to measure the respondents' attitudes towards the brand the respondents were asked *how they perceived the brand*. Three different pairs of answering alternatives were presented: positive/negative, attractive/not attractive, and poor/good (Söderlund, 2001; Friberg and Nilsson, 2006; Björkman and Blomstedt, 2008; Kirmani and Shiv, 1998). The internal consistency for these questions was exceptionally high with a Cronbach's alpha of 0.959.

### 3.4.3 Buying intention

In order to measure the buying intention of the respondents they were asked if they *wanted to buy* the brand or *were willing to buy* the brand. The respondents were also asked about *their willingness to pay for the brand*. The two different pairs of answering alternatives were low/high, lower than I use to/higher than I use to. Cronbach's alpha was measuring 0.905 why an index was created.

### 3.4.4 Perceptions of the average Swede

The respondents were also asked if "*the average Swede*" knows the brand and if "*the average Swede*" uses the brand. Cronbach's alpha had a value of 0.872 and an index was therefore created.

### 3.4.5 Attitudes towards the perceived customers

In order to understand what the respondents thought about the clientele of the brand two different questions were formulated. The respondents had to take side about

*how they perceived the average client* of the brand; in order to do so there were seven different attributes presented. The attributes listed were: *conscious, confident, informed, reflecting, intelligent, successful* and *has connections to my social network*. The internal consistency was very high with a Cronbach's alpha at 0.932, and the questions were merged into an index.

### 3.4.6 Creativity

The respondents were asked about *their appreciation of the brand*. The two attributes creativity and innovativeness were measured. Cronbach's alpha had a value of 0.927, why the question set was merged into an index.

## 3.5 Sample selection

With the vision to reach a sample with heterogeneous demographics and geographics, a distribution strategy composed of two different channels was formed.

Internet is a wide channel used by a broad range of the Swedish population and offers many opportunities to get in contact with people. Social media, such as blogs, Twitter, and Facebook were used to find respondents. Mailing lists were also created. Social media have users in a broad range of ages, with different occupations, within a broad geographical scope. In order to reach people from the above-mentioned different categories the experiment was conducted at places on the Internet that all people are able to reach. In order to avoid the risk that the study only attracted a homogeneous group of respondents the authors placed the links at different kinds of social media that attracted different groups of people. The mailing lists consisted of people in different age groups, with different occupations, and from different parts of Sweden. These mailing lists generated a high response rate.

With the purpose to minimize the risk for accidental error further, a manual distribution method was also used. The experiment was also conducted at the Central Station in Stockholm. At the Central Station people from all ages, social groups and different geographical places are represented. To further reduce the risk of accidental error the experiment was conducted at different occasions and at different times of the day (Lange, Selander, and Aberg, 2003).

In both distribution methods all of the four survey versions were distributed in equal amounts. The different distribution methods presented above were chosen with the



purpose to reach an as broad sample population as possible and with the aim to avoid accidental errors that could arise when solely using one channel.

In total, 469 people responded the survey.

### **3.6 Quality of research**

Throughout the whole research process reliability has been kept in the authors minds. To measure the reliability as well as the validity is important for the trustworthiness of the study.

#### **3.6.1 Reliability**

Since the thesis has a quantitative approach, the thesis reliability is dependent on the experiment conducted. In order to obtain a high reliability, the questions should give the same responses even if the surveys were to be distributed at different occasions. With the aim to reach a high reliability questions sets were used, and the experiment was conducted at different occasions and at different times during the day. In order to assure a high reliability and internal consistency only question sets with a Cronbach's  $\alpha > 0.7$  were accepted as recommended by Söderlund (2005). All the question sets had alphas higher than 0.8 and were therefore accepted.

The written sources consisted of academic research and academic literature. In order to maintain a high reliability of the secondary sources all literature were collected directly from the origin.

#### **3.6.2 Validity**

Since the aim with the thesis is to reach generalizable conclusions the authors strived for a high internal as well as external validity for the research.

##### ***Internal validity***

The internal validity is the validity of causal inferences in a study (Trochim, 1999). The experiment conducted for this thesis consisted of four different survey versions. The versions contained almost identical brand descriptions and questions. The only difference between them was that two of the stimuli versions represented the clothing industry and two of them represented the restaurant industry. One version in each industry represented a brand that applied a non-advertising strategy and the other represented a brand that applied an advertising strategy. Identical words were used in each combination of industry and advertising strategy specific stimuli. This

indicates that the found differences in the dependent variables of the four versions are a result of the different advertising strategies, which was the purpose of the study. The decision to only describe imaginary brands strengthens the internal validity further since the respondents were not influenced by their preconceptions of the brand or current, accurate advertising. In order to strengthen the internal content validity further the authors searched for already tested sets of questions to ensure the covering of the theoretical framework with the content of the surveys. These facts all together strengthen the internal validity why the authors' conclusion is that the internal validity for the research is high.

### **External validity**

The external validity determines how generalizable the results of the research are. One distribution channel was the Internet; the other was the Central Station. People from a broad geographical and demographical scope were represented at the both chosen distribution places, which were chosen to complement each other and to avoid accidental errors that can occur if choosing one individual place. To increase the chances of significant results each survey version should be answered by a minimum of 30 respondents (Churchill and Peter, 1984). A large sample of 469 respondents participated in the experiment. About 115 respondents answered each version. All four versions were distributed in both distribution channels and on all occasions. The chance determined which version each respondent answered. This contributed to homogeneous groups of respondents between the different stimuli. In order to generalize the results further, two different industries were investigated. The stimuli were homogeneous in their content, with the industry as the only difference. The empirical purpose of the thesis is global, but the experiment is conducted with only Swedish respondents since the authors valued it as difficult to find a global sample. Overall the authors judge the external validity of the research as very high.

### 3.7 Structure of research process and analysis tools

The preparatory work consisted of analysis and research of secondary data. The preparatory work resulted in the formulation of the research questions used in the experiment. Primary empirical data were gathered through the distribution of the surveys and secondary data were collected through academic literature and academic journals. After all relevant data were collected the data were analyzed. The analyzing method was of a quantitative character. The data collected from the surveys were analyzed in the statistical analysis program SPSS. Hypotheses with a statistical significance level of 1 % were accepted.

## 4. Description and analysis

*In this chapter the results from the analysis conducted will be presented and discussed. Following, the hypotheses will be condemned as either empirically supported or not.*

### 4.1 Hypothesis tests

Variable	Advertising brand	Non-advertising brand	Difference	Significance
Product quality	4.434	5.265	0.830	0.000
Brand attitude	4.512	5.170	0.658	0.000
Buying intention	3.959	4.960	1.000	0.000
Recognition among the average Swede	4.270	3.162	1.107	0.000
Attitude towards brand's customers	3.805	4.933	1.127	0.000
Creativity perceptions	3.951	4.674	0.724	0.000

Table 1: Consumer perceptions of non-advertising and advertising brands

#### 4.1.1 Signaling effects

The aim of the thesis is to investigate which factors that can explain the prevalence of non-advertising brands. In order to fulfill this purpose it is examined and analyzed whether non-advertising brands are associated to stronger signaling effects than advertising brands are. This lays foundation for an investigation of which factors that can explain the potential differences between the signaling effects of the different strategies. The signaling effects were measured through the respondents' perceptions of product quality, their brand attitudes, and their buying intentions.

### **Product quality perceptions**

The economic signal theory claims that the more money and effort an advertiser spends on advertising, the more the advertiser believes in his products (Kirmani and Wright, 1989).

A non-advertising strategy could be perceived as resource demanding since it is a strategy that is differentiated from the competition and which involves high risk. The risky non-advertising strategy could indicate that the brand's products are of such high quality that they do not require advertising. Therefore, the authors find it interesting to investigate if and in what way a non-advertising strategy affects the perceptions of product quality. The results can be seen in *Table 1*.

The results indicate that a non-advertising strategy has a positive effect on the perceptions of product quality. The product quality was perceived as significantly higher for brands applying a non-advertising strategy (5.265) than for brands using a traditional advertising strategy (4.434). The first hypothesis is therefore **empirically supported** at a 1 % significance level.

*H1: Non-advertising brands' products are perceived as of higher quality than advertising brands' products.*

### **Brand attitudes**

An important and interesting factor affecting the brand attitude and the perception forming among consumers is the consumers' attitudes towards the advertising (Mitchell and Olson 1981), which has very high spillover effects on the brand. Consumers' brand attitudes in many cases determine their behavior towards the brand and its products.

If a brand that applies a non-advertising strategy creates more positive brand attitudes among consumers, this will also affect the consumers' willingness to pay for the products and their buying intentions. Therefore the authors find it fundamental to analyze how a non-advertising strategy affects consumers' attitudes towards the brand. The results from the test are presented in *Table 1*.

As seen in the table consumers' attitudes towards brands that apply a non-advertising strategy are more positive (5.170) than their attitudes towards advertising brands (4.512). The discovered difference in brand attitude is highly noteworthy at a 1 % significance level. Therefore the conclusion can be drawn that a non-advertising

strategy has positive effects on consumers' brand attitudes. The second hypothesis is thus **empirically supported**.

*H2: Consumers have more positive attitudes towards brands that apply a non-advertising strategy compared to brands that advertise.*

### **Buying intentions**

Information gathered about consumers' buying intentions can give a hint about consumers' future consumption of the product. According to earlier research higher marketing expenses and a broader variety in marketing are factors that can generate increased sales.

When most marketing strategies aim to influence consumers through advertising, the authors find it interesting to investigate how a non-advertising strategy influences consumers' buying intentions. The results are exhibited in *Table 1*.

As seen in the table a non-advertising strategy leads to higher buying intentions (4.960) than an advertising strategy does. The difference between consumers' buying intentions to non-advertising and advertising brands is very large (1.000) and has a very high level of significance (1 % significance level). This indicates that a brand that applies a non-advertising strategy gains considerable higher buying intentions among consumers. The third hypothesis is therefore **empirically supported**.

*H3: Consumers have higher buying intentions towards non-advertising brands' products compared to advertising brands' products.*

#### **4.1.2 TPE and creativity**

As shown in *Table 1*, non-advertising brands gain more positive brand attitudes, higher product quality perceptions, and higher buying intentions among consumers. These stronger signaling effects can be the reason behind the prevalence of successful brands applying a non-advertising strategy. Part of the thesis' purpose is to further investigate if TPE and creativity are factors that affect these stronger signaling effects. This part of the study may possibly constitute the initialization of the development of a conceptual model explaining non-advertising brands' spread. Following, the tests of TPE and creativity are presented.

**TPE effects**

In situations where TPE is present, people and consumers have a tendency to believe of others as being more influenced by persuasive communication. From this, brands that apply a non-advertising strategy could be perceived, from a first-person perspective, as not acquainted to the third-person group. From a first-person perspective, this is a beneficial situation. Following, TPE could affect the signaling effects of non-advertising brands. Therefore it is of interest to investigate if TPE is present in consumers' evaluation of non-advertising brands. The fourth and fifth hypotheses were formulated to clarify the potential presence of TPE. The fourth hypothesis regards the perceived recognition of the different types of brands among the average Swede and the results are exhibited in *Table 1*.

Non-advertising brands were perceived as having much lower recognition among the average Swede compared to advertising brands. Thus consumers believed that the third-person group, the average Swedes, was more affected by the advertising strategy. This is why consumers rated the third-person group's recognition of these brands significantly higher than their recognition of non-advertising brands. The difference was remarkably high, 1.107, and significant even at a 1 % level. The difference in recognition perceptions exhibits the presence of TPE. This yields that the fourth hypothesis was **empirically supported**.

*H4: Non-advertising brands are perceived as having lower recognition among the average Swede, compared to advertising brands.*

To further characterize and clarify the TPE in the study, the fifth hypothesis tested whether consumers had more positive attitudes towards the average customer of non-advertising brands. If consumers expressed more positive attitudes towards non-advertising brands' customers, this would certify that the TPE were accurately aligned. The results can be seen in *Table 1*.

The respondents' attitudes towards customers of non-advertising brands (4.933) were more positive than their attitudes towards customers of advertising brands (3.805). The difference of 1.127 was of notable size. The results confirmed the hypothesis stating that non-advertising brands' customers attains more positive attitudes, and the fifth hypothesis is thus **empirically supported** at a 1 % significance level.

*H5: Consumers have a more positive attitude towards customers of non-advertising brands, compared to advertising brands.*

### **Creativity effects**

It has been proven that advertising with a more creative content delivers a higher value to customers compared to advertising with a less creative content (Dahlén, Rosengren, and Törn, 2008). It has been noted that this enhanced value creation is manifested by higher perceived product quality, higher buying intentions and more positive brand attitudes among consumers. This thesis has emphasized that a brand that applies a non-advertising strategy provokes perceptions of higher quality, more positive brand attitudes and higher buying intentions among consumers than brands that use an advertising strategy. Part of the thesis' aim is to investigate if creativity is a factor that could explain this phenomenon. The sixth hypothesis is formulated in order to investigate the presence of creativity perceptions. The result of the analysis is presented in *Table 1*.

Non-advertising brands were perceived as much more creative (4.674) than advertising brands (3.951). The difference between perceived creativity furthermore has a very high significance level of 1 %. Thus it can be concluded that brands applying a non-advertising strategy are perceived as more creative than brands applying a non-advertising strategy. The sixth hypothesis is **empirically supported**.

*H6: Non-advertising brands are perceived as being more creative than advertising brands.*

### **Correlation between TPE and signaling effects**

The description of the previous analysis claims TPE to be present in consumers' evaluation of a non-advertising strategy. The analysis also indicated that these effects were correctly aligned. Theory states TPE to affect consumers' perceptions and reactions to convincing mass communication. Previous research has also shown the presence of TPE in consumers' evaluation of non-advertising brands to causally affect their brand attitudes, their perceptions of product quality, and their buying intentions. TPE can thus correlate with brands' signaling effects. This motivates the authors' interest in reviewing it. To be able to investigate this causality, three regression analyses were run, and the results are exhibited in *Table 2*.



Variable	Unstandardized	R <sup>2</sup>	t	Significance
Brand attitude	0.010	0.000	0.202	0.840
Product quality	-0.175	0.048	-4.456	0.000
Buying intention	-0.053	0.003	-1.118	0.264

Table 2: Correlation between TPE and signaling effects

The results cannot confirm the causality between TPE and non-advertising brands' stronger signaling effects. The t-values in the regressions regarding brand attitude and buying intentions (0.202 and -1.118) are both far from an acceptable level. The same applies for the significance levels, which both are intolerable (84 % and 27 % respectively). The beta coefficients for these factors, being 0.010 and -0.053 respectively, could also be considered insignificant. This indicates that the sample analysis cannot confirm causality between neither TPE and consumers' brand attitudes nor TPE and consumers' buying intentions. However the regression regarding the third measurement for signaling effects, product quality, has a t-value of -4.456, which is slightly superior to the general acceptance absolute level of 4. The beta coefficient is significant at a 1 % level and takes on a value of -0.175. The low beta, as well as the low R<sup>2</sup>, implies that TPE is a very weak determinant to the signaling effects measured through product quality, why it is condemned that it cannot be concluded that TPE generates higher perceived product quality. The previous reasoning results in that hypotheses 7a, 7b, and 7c cannot be empirically supported.

*H7a: TPE generates higher perceived product quality.*

*H7b: TPE generates more positive brand attitudes.*

*H7c: TPE generates higher buying intentions.*

### **Correlation between creativity and signaling effects**

In the previous analysis it is stated that, in the study, non-advertising strategies gain more positive signaling effects than advertising strategies. The performed analysis of data also showed that brands applying a non-advertising strategy are perceived as more creative than advertising brands. Earlier research and theories claim that more

creative advertising correlates with signaling effects. A non-advertising strategy is perceived as creative and provokes more positive attitudes, perceptions, and intentions among consumers. The authors find it therefore highly significant to investigate if the factor yields more positive signaling effects. Therefore three regression analyses were executed, that determined the factor creativity's role for the three signaling effects: brand attitude, product quality and buying intention. The results can be seen in the *Table 3*.

Variable	Unstandardized	R <sup>2</sup>	t	Significance
Brand attitude	0.555	0.367	15.131	0.000
Product quality	0.389	0.257	11.683	0.000
Buying intention	0.460	0.254	11.543	0.000

Table 3: Correlation between creativity and signaling effects

The t-values in all of the regressions are greater than 10, and well above an acceptance level. The t-value for brand attitude is especially high, 15.131, which indicates that this result is highly significant and almost free from random errors. The beta coefficient for the same factor is highly relevant being 0.555 and is significant even at a 1 % level. This suggests a causal relationship between perceived creativity and consumers' brand attitudes. The other two measurements for signaling effects, product quality and buying intention, also exhibits substantial beta coefficients (0.389 and 0.460 respectively) both significant at a 1 % level. This leads to that creativity is considered to have a causal relation to signaling effects. Following, the hypotheses 8a, 8b, and 8c are all **empirically supported**.

*H8a: Higher perceived creativity generates higher perceived product quality.*

*H8b: Higher perceived creativity generates more positive brand attitudes.*

*H8c: Higher perceived creativity generates higher buying intentions.*

## 5. Discussion and conclusions

*This section processes the results and stresses the most important parts of these. This analysis is done in a critical manner accentuating strengths as well as weaknesses in the validity and consequences of the results. Furthermore and subsequently, these conclusions give rise to several implications, both of managerial and academic character, which are presented and discussed.*

The thesis' assault approach has formed the base for its analysis and results. It was examined whether or not, and to what extent, a non-advertising strategy was associated to stronger signaling effects. These signaling effects were measured through three proxies: brand attitude, product quality, and buying intention. The results exhibited a strong correlation between a non-advertising strategy and stronger signaling effects.

Following, it was studied if the two chosen potential factors explaining the differences in signaling effects, TPE and creativity, were present in consumers' evaluation of non-advertising brands. Both factors were confirmed to be present in these evaluations. Furthermore the thesis aimed to investigate these factors' potential causal relation to non-advertising brands' stronger signaling effects. The results of the study proved creativity to be an explanatory factor to the stronger signaling effects. However, TPE could not be confirmed as an explanatory factor to the more positive brand attitude, higher product quality perception, and increased buying intention non-advertising brands gained.

*Figure 2* below clarifies the thesis' assault approach and provides the reader with a quick retrospect before being introduced to the further discussion. If all stated hypotheses were to hold, the relations between the investigated elements would have the form illustrated by *Figure 2*. Since all hypotheses except from the causality between the present TPE and the stronger signaling effects have been confirmed *Figure 2* shows each relation correct except from the one between the TPE and the stronger signaling effects.

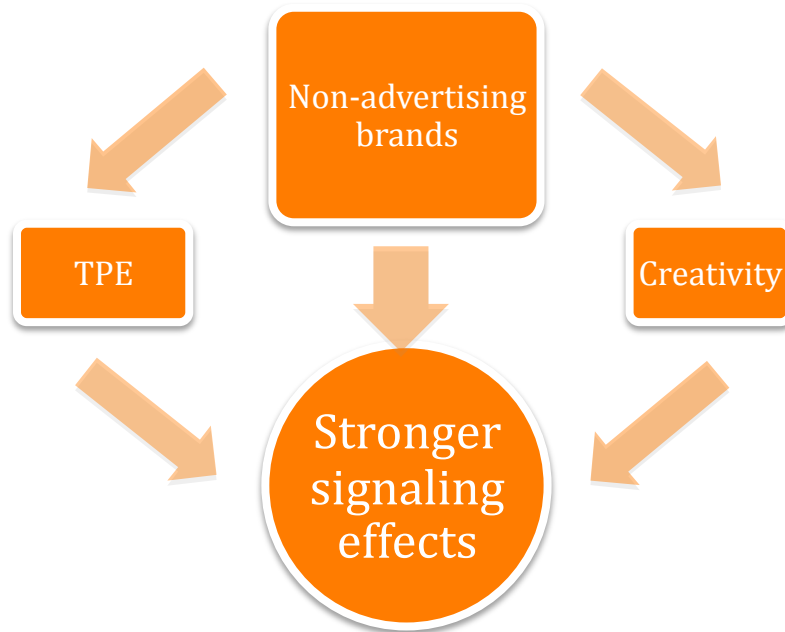


Figure 2: Hypothesized relations between non-advertising brands and stronger signaling effects

## 5.1 A non-advertising strategy is associated to stronger signaling effects

### 5.1.1 Quality

The results exhibited that product quality is perceived as significantly higher for brands applying a non-advertising strategy than for brands using an advertising-strategy.

The economic signal theory claims that the more money and effort an advertiser spends on advertising, the more the advertiser believes in his products (Kirmani and Wright, 1989). This is a way to signal product quality.

The thesis' investigation has shown that by choosing a non-advertising strategy the same effects of quality perceptions can be reached. A possible explanation could be that a non-advertising strategy may be perceived as resource demanding since the strategy is differentiated from the competition and involves a high risk that the brand will be unable to reach consumers. The risky non-advertising strategy can indicate that the brand's products are of such high quality that they do not require advertising.

These results revealed that spending more money on advertising is not the only way to reach higher quality perceptions. An interesting alternative is to apply a non-

advertising strategy that in contrast to the traditional theories demands very low costs.

### **5.1.2 Brand attitude**

The results revealed that consumers' attitudes towards brands that apply a non-advertising strategy are more positive than their attitudes towards advertising brands.

Earlier results has exhibited that an important factor impacting on the brand attitude and the perception forming among consumers is the consumers' attitudes towards the advertising (Mitchell and Olson, 1981). This has its explanation in the fact that the advertising's popularity transfers to also apply to the brand itself (Mitchell and Olson, 1981; MacKenzie, Lutz, and Belch, 1986).

As demonstrated in the results, another way to generate positive brand attitudes is to apply a non-advertising strategy. The non-advertising strategy seems to have a similar, although more positive, impact on perception forming among consumers as the actual advertising. The non-advertising strategy, just as the advertising, seems to impact the brand attitude, but consequently in a positive direction. The impact of non-advertising brands does however seem to be stronger than of advertising brands. This result reveals that advertising is not the only way to impact consumers' brand attitudes.

### **5.1.3 Buying intention**

The results showed that a non-advertising strategy leads to higher buying intentions than an advertising strategy does. This means that consumers rather are willing to become customers to a brand using a non-advertising strategy than to an advertising brand. The discrepancy, between consumers' buying intentions to both types of brands, was the largest of the three signaling effects examined (1.000). According to earlier research higher marketing expenses and a broader variety in marketing are factors that can generate increased sales (Aaker and Carman, 1982).

Following, the results exhibited that the appliance of a non-advertising strategy has the same effects on consumers' buying intentions as high marketing expenses. The authors' conclusion is therefore that a brand can do monetary profits by choosing a non-advertising strategy, which demands a very low amount of resources. Since the aim of marketing is to engender buying intentions and generate sales, a non-advertising strategy could be seen as an effective marketing strategy.

*The analysis exhibited a significant correlation between a non-advertising strategy and stronger signaling effects. Product quality, brand attitude and buying intention are all perceived as higher for non-advertising brands than for advertising brands. The three hypotheses treating the above mentioned signaling effects were all accepted at a 1 % significance level and are therefore very significant. The first purpose of the thesis is thus answered. Non-advertising brands gain stronger signaling effects compared to advertising brands, which is illustrated by Figure 3.*

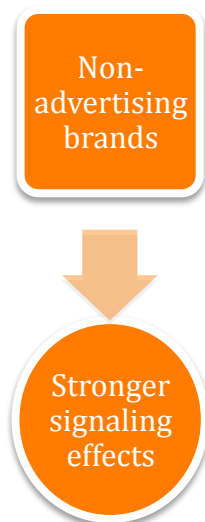


Figure 3: Supported relation between non-advertising brands and stronger signaling effects

## 5.2 A non-advertising strategy gives rise to TPE

The results exhibited the presence of TPE in consumers' evaluations of non-advertising brands compared to advertising brands. The occurrence of TPE suggests that advertising brands would be perceived, among consumers, as attracting a third group of people since this group is more affected by persuading mass communication. According to theory, a first group of people finds a third group of people as less appealing than their own group. Following, this would imply that advertising brands would be less attractive to a first group of people, the respondents themselves.

The experiment's results confirmed the theory's suggestions of TPE and the characteristics of these effects. The respondents thought of advertising brands as being more recognized among the average Swede, a third group of people, compared to non-advertising brands' recognition level among the same clientele. The analysis also exhibited that consumers perceived the probability of the average

Swede being a customer to advertising brands as larger compared to the chance that the average Swede belonged to the customers of non-advertising brands. This implies that the respondents perceived it as more probable that a third group of people recognizes brands that apply an advertising strategy, which confirms the theory of TPE. The present TPE, which is illustrated by *Figure 4*, was also correctly aligned since consumers expressed more negative attitudes towards expected customers of advertising brands compared to the attitudes they expressed towards expected customers of non-advertising brands.

The presence of TPE affects consumers' perceptions of brands' customer base. A brand's clientele can be seen as part of its attributes and ways in which it can attract its target customers. This strongly implies that TPE is correlated to a brand's gained signaling effects. The results and analysis indicate that brands can gain stronger signaling effects by applying a non-advertising strategy and thus take advantage of TPE.

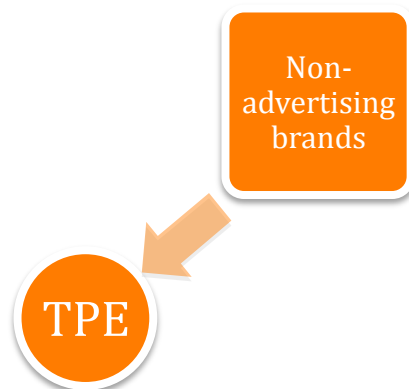


Figure 4: Supported relation between non-advertising brands and TPE

### 5.3 A non-advertising strategy is perceived as creative

The results has emphasized that a brand that applies a non-advertising strategy is perceived as more creative among consumers than an advertising brand. This means that a brand that applies a non-advertising strategy, and consequently does not use any mass-media communication, is perceived as more creative than an advertising brand.

Advertising expenses have constantly increased during the last decade. Consumers are exposed to about 1,500 brand related messages every day (Lucas and Dorrian, 2006) and since it is impossible for each of these messages to make an impact, consumers have developed a mental barrier to the increased advertising noise (Dahlen and Edenius, 2007; Friestad and Wright, 1994). The huge amount of advertising consumers continuously are exposed to could be the reason to why a brand that applies a non-advertising strategy is perceived as creative. Probably this strategy would not be perceived as creative if other brands would not advertise to the same extent.

Earlier research has stated that advertising with a more creative content delivers a higher value to customers compared to advertising with a less creative content (Dahlén, Rosengren, and Törn, 2008). Since a non-advertising strategy is perceived as more creative than an advertising strategy, a non-advertising brand would be able to deliver a higher value to consumers by being perceived as more creative. A non-advertising brand could achieve this without any efforts put into being creative, contrasting to a brand that applies an advertising strategy.

A non-advertising strategy is perceived as creative, which is illustrated by *Figure 5*, and delivers a higher value to consumers than an advertising strategy. This implies that the found creativity could be correlated to non-advertising brands' stronger signaling effects. The results indicate that brands can gain stronger signaling effects by applying a non-advertising strategy and thus take advantage of the perceived creativity.

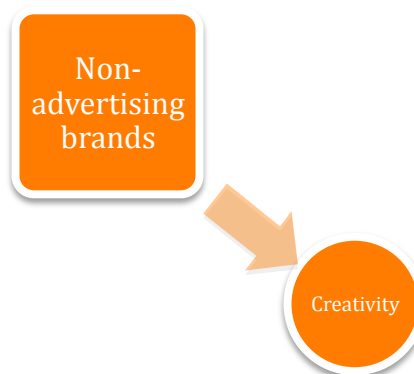


Figure 5: Supported relation between non-advertising brands and creativity



#### 5.4 TPE and creativity as explaining factors to signaling effects

Part of the thesis' purpose is to investigate whether or not TPE and creativity can be recognized as possessing explanatory power to explain the differences in signaling effects between non-advertising and advertising brands. The analysis exhibited creativity as having significant strength to explain the stronger signaling effects non-advertising brands gained. Higher perceived creativity among consumers' had a causal effect on the strength of brands' gained signaling effects. This was confirmed, and valid, for all three elements used as proxies for signaling effects: brand attitude, perceived product quality, and buying intention.

Non-advertising brands are therefore perceived as more creative compared to advertising brands, which in turn yields stronger signaling effects. The relation between consumers' perceptions of a non-advertising strategy as creative and the stronger signaling effects gained by non-advertising brands can thus be condemned as causal. Therefore it is concluded that creativity is an explanatory factor to the stronger signaling effects gained by non-advertising brands. This confirms theory regarding creativity, which claims that a higher degree of creativity, in for instance the content and media channel choice, enhances the value delivered to customers.

However, the analysis regarding the explanatory significance of the factor TPE was unable to confirm the suggested outcome of TPE – stronger signaling effects. The results had generally very low reliability and thus also quality. The only proxy for signaling effects attaining somewhat acceptable reliability values was product quality. It was showed that TPE had a very small causal effect on increased perceived product quality among consumers. Due to the minimal effect that was confirmed, the explanatory power of TPE for stronger signaling effects is condemned as negligible. Previous research exhibits that consumers' evaluations of advertising can be affected by the presence of TPE. The presence of TPE in consumers' evaluations of non-advertising brands has been confirmed, however causality between the present TPE and the stronger signaling effects gained by non-advertising brands cannot be proven. It can therefore not be concluded that TPE is an explanatory factor to non-advertising brands' stronger signaling effects.

*The analysis exhibited a significant causality between creativity perceptions among consumers and non-advertising brands' stronger signaling effects. This causality was confirmed using each of the three tested proxy variables: brand attitude, product quality, and buying intention. Since these confirmations were significant even at a 1 % level, the conclusion is drawn that creativity is an explanatory factor to the stronger signaling effects gained by non-advertising brands. It was also shown in the analysis that TPE cannot be proven to have a causal relation to non-advertising brands stronger signaling effects. Following, the conclusion cannot not be drawn that TPE is an explanatory factor to the stronger signaling effects gained by non-advertising brands. Figure 6 illustrates these conclusions.*



Figure 6: Supported relations between stronger signaling effects, creativity and TPE

## 5.5 Implications

The results and conclusions of the thesis give rise to several managerial implications for brand strategists and brand strategy. This contribution is expected to be of significance to practitioners, both in the business world and in the communication sphere, by potentially illuminating advertising strategies that are correlated with revenues. Since common academic theory states that a non-advertising strategy is not revenue maximizing, the expected contribution explaining other advertising factors' impact on revenues, is highly important. One of the most essential implications is that the results of the thesis exhibited and reminded that there are different aspects of brand building and that traditional marketing strategies not

always must be the most effective ones. It could therefore be strongly beneficial for companies to critically review their marketing strategies.

The results exhibited revealed that spending more money on advertising is not the only way to gain positive signaling effects. As demonstrated in the results, another way to generate higher perceived product quality, more positive brand attitude and higher buying intention, is to apply a non-advertising strategy. A brand that applies a non-advertising strategy can furthermore be perceived as creative; still the brand does not need to struggle for creating and developing a creative brand strategy and advertising. The authors' conclusion is therefore that a brand can do monetary profits by choosing a non-advertising strategy, which demands a low amount of resources. A non-advertising strategy can therefore be a perfect match with brands who want to achieve a creative appearance without possessing all the necessary resources.

However, applying a non-advertising strategy is also related to the risk that consumers will not pay attention to the brand since it will not communicate to them through advertising. But the risky non-advertising strategy could on the other hand indicate that the brand's products are of such high quality that they do not require advertising. When applying a non-advertising strategy it is therefore crucial for the brand to be consistent so that the creative perceptions in consumers' minds remain.

Since the non-advertising strategy is associated with low costs but in the same time needs to be consistent, this strategy could be highly beneficial for start-ups. Others that could benefit from applying this strategy are smaller companies with unfamiliar brands. These types of companies have the ability to focus on this specific brand advertising strategy already from the beginning and could therefore be more consistent in their communication with the customers.

Overall, a non-advertising strategy is a resource saving communication strategy that is cost effective and enables companies to focus on their core competences. This can create value both for the companies and for their customers.

## **5.6 Critique of the study**

Some critique can be raised regarding the study, concerning the experiment. A few respondents perceived the experiment as confusing due to the anonymous description of the brands. Respondents who found the situation unclear expressed

for instance that “it is impossible to answer the experiment when the brand is unknown”, and “I cannot have an attitude towards an anonymous brand”.

This confusion a few consumers met may have affected and biased these persons’ responses, which in turn may have had minor effects on the results of the study. In order to correct for this misinterpretation among some respondents, a new version of the experiment would have included a further clarification of the described brand’s anonymity. Such a modification may have corrected for any caused misperception.

## 5.7 Further research

There is scarce previous research in the field of, as well as related to, brands that apply a non-advertising strategy. The thesis aims to investigate and analyze different aspects of this advertising strategy, primarily if non-advertising brands gain stronger signaling effects. Part of the thesis’ purpose is also to examine the role of TPE and creativity in consumers’ evaluations of non-advertising brands.

The thesis’ purpose, limited to two potentially explaining factors, can be viewed upon as an initialization of the development of a conceptual model explaining the prevalence of non-advertising brands. The authors propose and encourage further research to take part in the development of such a conceptual model, since further understanding for this unexplored area of advertising research is highly valuable.

The authors find some factors especially intriguing, for a conceptual model development. One of these factors regards the product category. How would the results from the thesis change if the product category changes? Another factor concerns the anonymity of the brands applying a non-advertising strategy. The thesis handles unknown brands, however the authors find it relevant to further study whether or not consumers’ perceptions change if the brands considered are not anonymous.

Furthermore the authors find the investigation of TPE and its potential causal relation to signaling effects insufficient. The presence of TPE in consumers’ evaluation of non-advertising brands is confirmed in the thesis; however any causal relation between TPE and stronger signaling effects could not be affirmed. The authors find the incidence of TPE exciting and that it motivates further research to more closely focus on its effects on consumers’ evaluation of non-advertising brands.

**“If I loved you less, I might be able to talk about it more.”**

*- Jane Austen*

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## 7. Appendix

### 7.1 Appendix 1: Manipulations

#### 7.1.1 Manipulation 1

En restaurang och bar öppnade för några år sen upp dörrarna i kärnan av en känd storstad. Restaurangen har ett för storstaden bra, spännande utbud och ett trendigt, genomgående koncept. Sedan restaurangen öppnade har den medvetet inte använt sig av reklam på något sätt trots att de har resurser till det.

*Translation:*

A restaurant and bar opened a few years ago in the heart of a famous city. The restaurant has a, for the city, good, exciting menu and a trendy, consistent concept. Since the restaurant opened, it has deliberately not applied advertising in any way even though they have the resources.

#### 7.1.2 Manipulation 2

En restaurang och bar öppnade för några år sen upp dörrarna i kärnan av en känd storstad. Restaurangen har ett för storstaden bra, spännande utbud och ett trendigt, genomgående koncept. Sedan restaurangen startade har den använt sig av reklam på flera olika sätt för att väcka uppmärksamhet och locka till sig kunder. Bland annat har den annonserat i stora tidningar, den har även gjort reklamutskick till potentiella kunder och har drivit återkommande reklamkampanjer.

*Translation:*

A restaurant and bar opened a few years ago in the heart of a famous city. The restaurant has a, for the city, good, exciting menu and a trendy, consistent concept. Since the restaurant opened, it has applied advertising in several different ways to attract attention and customers. Among other things, it has advertised in

major newspapers, it has also done commercial mailings to potential customers, and has been running regular promotion campaigns.

### 7.1.3 Manipulation 3

Ett klädmärke startade för några år sen i en känd storstad. Klädmärket har ett bra, spännande utbud och ett trendigt, genomgående koncept. Sedan klädmärket startade har det medvetet inte använt sig av reklam på något sätt trots att det har resurser till det.

*Translation:*

A clothing brand started a few years ago in a famous city. The clothing brand has a good, exciting variety and a trendy, consistent concept. Since the clothing brand started, it has deliberately not applied advertising in any way even though they have the resources.

### 7.1.4 Manipulation 4

Ett klädmärke startade för några år sen i en känd storstad. Klädmärket har ett bra, spännande utbud och ett trendigt, genomgående koncept. Sedan klädmärket startade har det använt sig av reklam på flera olika sätt för att väcka uppmärksamhet och locka till sig kunder. Bland annat har det annonserat i stora tidningar, det har även gjort reklamutskick till potentiella kunder och har drivit återkommande reklamkampanjer.

*Translation:*

A clothing brand started a few years ago in a famous city. The clothing brand has a good, exciting variety and a trendy, consistent concept. Since the clothing brand was launched, it has applied advertising in several different ways to attract attention and customers. Among other things, it has advertised in major newspapers, it has also done commercial mailings to potential customers and has been running regular promotion campaigns.

