

Creativity and Price Uncovered

A study about the effectiveness of advertising creativity and its connection to product price

In the cluttered media landscape of today, marketers are finding it increasingly difficult to reach out and establish a meaningful connection with consumers. Extensive research has been conducted in this regard, and creativity has often been indicated as the most powerful tool to break the clutter. However, many skeptics still question the superiority of creative communication and, particularly within the FMCG industry, a newfound focus on product prices is relegating creativity to a second place. Critics argue that when product price is included in the ad, a creative execution might not always yield the best results. The lack of research is leaving these questions unanswered and further clarity is needed.

Based on a quantitative experiment involving a representative sample of 388 respondents, this study provides FMCG marketers with relevant clarifications as to how advertising creativity should be used in communication involving product price. Strong support is found in favor of creativity in advertising. Empirical evidence shows that consumers develop stronger positive attitude if the ad is creative, and they are more prone to recommend the brand. However, perception of product price is found to strongly influence the effectiveness of creativity. For instance, a product price far above expectations will cancel the positive effects of creativity on purchase intention. Also, including pricing information that is in line with consumer expectations is found to fully eliminate the positive effects of creativity on all dimensions. Current theory is therefore complemented with insightful considerations about price.

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Existent abbreviations

FMCG Fast Moving Consumer Goods

HOE Hierarchy-of-Effects

WOM Word-of-mouth

NCC Need for cognitive closure

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1 Introduction

1.1 Background

Marketing communication is more important than ever before, but in a media landscape that is becoming increasingly saturated marketers are finding it hard to get through to consumers (Rosengren, 2008). Only in one regular magazine there can be up to 70 ads (Malaviya et al., 1999) and it is estimated that people are exposed to between 254 and 5000 advertising messages every day (Creamer and Klaassen, 2007). However, limited attention is devoted to these ads (e.g., Dahlén and Edenius, 2007; Pham and Johar, 1997) and even less of those are remembered. Kumar (2000) estimates that consumers remember less than 25 percent of all ads they have been exposed to each day, and Rosengren (2008) believes this figure to be even lower. Successful processing of advertising is further complicated by the fact that brands usually are advertised alongside other brands. A representative magazine, for instance, will display up to six different brands within the same category (Malaviya et al., 1999) and studies show that consumers very often get confused as to which brand is actually being advertised (Pham and Johar, 1997). Recent studies have pointed at creativity as a means to stand out in this cluttered media landscape (Smith and Yang, 2004). It has been shown that a creative execution significantly contributes to advertising effectiveness, establishing a meaningful connection with consumers and strengthening the impact of communication through all stages of the “Hierarchy-of-Effects” (HOE) (Smith et al., 2008).

Whether advertising creativity always pays off can however be questioned, especially if considering the increased importance of communicating a clear price position. Since the end of the 1990’s the growth of the average income of middle class consumers has slowed down (Wiglaf Journal, 2010), and consumers have been pushed to switch to lower price-tiers for many areas of consumption. The Fast Moving Consumer Goods (FMCG) industry has taken great part of the hit of this trading-down trend (Market Research World, 2009). As Ellen Byron from the Wall Street Journal observes, “Consumers might be willing to shell out for iPads, but their day-to-day spending reflects an entrenched frugality” that FMCG companies need to deal with (WSJ, 2010). At the same time emerging markets have been developing, with rising middle classes attracting global competition. Companies such as Procter&Gamble

have responded to these new market dynamics by broadening their product portfolios and moving into lower-tier segments (CNN Money, 2010), slashing prices while at the same time entering new markets such as Brazil, India and parts of Africa (WSJ, 2010).

This newfound focus on prices poses new challenges to communication. It will not, however, translate in reduced marketing spending (Ad Age, 2012). The communication industry grew by 1.3 percent in 2008, in the midst of a global financial crisis (Sveriges Annonserer, 2009), and in 2010 it boosted by stunning 9 percent (IRM, 2011). Total investments in marketing communication surpassed 66 billion SEK in 2011 (IRM, 2012) and, even if predictions of future market growth are very conservative due to an uncertain global economy, it is estimated that investments will continue to steadily grow (ibid). We have no reason to believe this positive trend will stop anytime soon and this is particularly true for the FMCG industry. In fact, of the top ten marketing spenders in the Swedish market in 2010, five are related to FMCG either as retailers or as producers (Resume, 2011). The importance of FMCG keeps growing, surpassing 220 billion SEK in sales in 2010 (SCB, 2011), and marketers need to adapt to the industry's new communication needs.

Advertising is more important than ever and creativity could be one way to break through the clutter, but there is a strong need to better understand how to deal with marketing communication in a reality that is increasingly dominated by pricing considerations. Marketers need to understand how communicating certain prices will affect consumer behavior and how to best deliver their message taking their pricing positioning into account. Specifically, clarity is needed as to how creativity should be used with regards to different pricing.

1.2 Problem area

On one hand, extensive research has documented that creative advertising execution is to prefer, as a means to break through the clutter and establish a meaningful relation with the consumer. Creative communication stands out, it grasps the viewer's attention and "pushes the message into the viewer's mind" (Kover et al., 1995, p. 29). On the other hand, the FMCG industry is today being shaped by new low-tier entrants and increasingly being dominated by a focus on prices. The lack of research investigating the relationship between the effectiveness of creativity and different price levels, however, is making it very difficult for marketing practitioners to know how to best integrate creativity in their communicative efforts.

Intuitively, one might imagine that a high degree of creativity could distract consumers' attention away from the pricing message, making creative ad executions less suitable for price-focused low-tier players. Intuition would also suggest that a marketer that wishes to establish a low-cost image, should not fool consumers with creative ads since these might be associated with more expensive products. These intuitions find their empirical testimony in recent low-tier companies such as Lidl, which successfully convey a low-cost positioning without distinguishing themselves as particularly creative advertisers.

“(Even) clients that wish to focus on price in their communication, have very much to gain from being creative in a relevant way. I wish more of them would understand this - it would help them sell more”

(Hans Sydow - Executive Chairman, Saatchi & Saatchi Sweden)

This lack of understanding for the relation between ad creativity and product price levels, may translate into difficult relations amongst different parties within the industry. Advertising agencies are often strong believers in the merits of creativity. Clients, on the other hand, are mostly concerned about how to successfully position their brand in the minds of consumers in the most effective possible way, and creativity might not always be a part of that equation. Such diverging beliefs might stress the relations between agencies and clients. Better understanding the true dynamics of creative communication could help solve these tensions.

1.3 Purpose

With this study we aim at providing FMCG marketers with relevant clarifications as to how consumers respond to different pricing information, and how advertising creativity should be used in communication involving price. In particular, we believe there is need for clarifying whether creativity always pays off, as current creativity research seems to suggest, or if there are some cases when a less creative execution is to prefer. This way, we hope to help marketers face the changing dynamics of the FMCG industry as well as alleviate some of the current tensions between agencies and clients.

Our main research question will be:

Is advertising creativity always better, assuming product prices are included in the ad?

In order to answer the main question, we will approach these following research questions:

- Will a creative ad execution positively affect consumer evaluations and intentions, and will these effects vary for different price levels?
- Will a low product price positively affect consumer evaluations and intentions, and will the level of advertising creativity have an impact on these effects?
- Which combination of creativity and price will have the largest positive effects on consumer evaluations and intentions?

1.4 Delimitations

The scope of this study is limited to the FMCG industry. The purpose of this study particularly relevant for market players within this industry, since an increased focus on prices is reshaping the market and high advertising clutter is challenging practitioners to find new ways to reach consumers. Also, we expect advertisers within this category to be particularly keen on including price in their communication, since that is most likely an important element consumers use to assess the quality of FMCG products before purchase. This makes sense considering the low-involvement nature of the category, and considering that FMCG are experience goods that cannot be tried before purchase (Nelson, 1974; Rao and Bergen, 1992). We have therefore focused exclusively on advertising with product price included in the execution. Though, by including different product prices in the ads corresponding to a low, normal and high price, we do not intend to test promotion theory. The prices are displayed in the same way and are meant to represent actors at different price levels rather than temporary promotions.

As for the assessment of whether an ad is to be considered creative or not, we have chosen to rely on the consumers' perception of creativity. This is in contrast to most previous studies, which have defined ads as creative to the extent they have been winning creativity awards. As noted by Haberland and Dacin (1992), relying exclusively on awards creates a dichotomous view of advertising as creative yes/no. We strongly believe that advertising can have different degrees of creativity (Dahlén et al., 2008) and that, by only defining award-winning ads as

creative, we would fail to capture the great majority of moderately creative ads. Also, eventually it is the consumers that are going to buy the products, and their evaluation of the creativity is what in the end will determine whether the ad will reach the desired effects. We also believe that by testing for reasonably creative ads, our results will be much more valuable to market practitioners. After all, only a fraction of all advertising can win awards and be outstandingly creative.

We have chosen to focus on consumer marketing and our results might not be generalizable to the business-to-business realities. Also, we have chosen to limit our tests to print media. Our findings may therefore not be directly applicable on other media formats, such as web or television advertising.

When it comes to the statistical method for analysis of the results, we could have used multivariate analysis of variance (MANOVA) tests instead of several analysis of variance (ANOVA) tests. The advantage of MANOVA over the performed ANOVA is that it simultaneously tests the effects of all independent variables (in our case creativity level and price level) as well as the dependent variables (ad attitude, brand WOM intention and purchase intention in this study) and accounts for possible interactions when generating the results (Malhotra, 2010, p.551). Also, using a MANOVA decreases the risk of Type 1 statistical errors, which means that you would reject a null hypothesis that was in fact true (Malhotra, p.491). This might be good to have in mind when evaluating the results.

Finally, our study is limited to the Swedish advertising scene, which we consider to be a representative market. Sweden is characterized by a vibrant advertising environment where most major global consumer goods are represented, and marketing campaigns are often local adaptations of international ads (Lethagen and Modig, 2008). Choosing to focus exclusively on FMCG further strengthens these observations, since this is a category dominated by international players that often adapt global communication strategies to local markets.

1.5 Expected knowledge contribution

The relationship between advertising creativity and product price has never been investigated before. This study will fill this very important gap in existing research.

For academia, this study will deepen existing knowledge about advertising creativity. Current research clearly shows that creativity positively influences communication effectiveness, but

no study has examined the role of product price in this regard. Also, focusing on consumer perceptions for defining creativity, this study will complement existing research. In fact, consumers' perceptions of creativity have not received extensive attention in previous literature, which has instead defined creativity as award winning advertising. Finally, this study will clarify whether low prices are always to prefer, or if higher prices are preferable given certain degrees of advertising creativity.

For marketing practitioners, this study will provide relevant insights into the true dynamics of advertising creativity with relation to product price level. Increasing competition from low-cost emerging markets and an unstable global economy have increased the focus on price in many industries. Pricing messages are becoming increasingly important and, particularly practitioners within the FMCG industry, need to understand how to talk about price while maximizing communication effectiveness. This study will clarify whether advertising creativity always is preferable, regardless of what price is to be communicated in the ad. Also, providing clarity on the true effectiveness of creative advertising, this study will help ease the current tensions between ad agencies and their clients.

1.6 Disposition

This thesis is divided into five chapters - introduction, theory and hypotheses generation, methodology, results and analysis, and discussion. Following chapter 1, *Introduction*, the second chapter *Theory and Hypotheses Generation* reviews the existing research on advertising creativity and also present the theory of reference price. The hypotheses are also developed throughout the theory chapter. Chapter 3, *Methodology*, guides the reader through the research design and scientific approach of our study. We will describe the preparatory work, as well as the main study. The chapter also includes a description of the analytical tools used for the analysis and concludes with a discussion about reliability and validity of the study. In Chapter 4, *Results and Analysis*, the hypotheses are tested. We also perform an additional analysis outside the scope of the hypotheses, which are used in the discussion as possible explanations for the results of the hypotheses. In the fifth and last chapter, *Discussion*, we will discuss the results, draw relevant conclusions and provide managerial implications. We will end the study by stressing potential areas of critique to the study and suggesting interesting subjects for future research.

2 Theory and Hypotheses Generation

This chapter will go through the existing theoretical pillars of creativity and price at the same time as the hypotheses are developed. First, we will go through existing creativity research and explain the Hierarchy-of-effects model. We will then hypothesize about the effects of creativity, and if these effects might vary with different price levels of the advertised product. Secondly, we introduce the concept of reference price followed by hypothesis generation about the effects of a low price and if these effects vary between different degrees of advertising creativity. The chapter will end with a hypothesis of which combination of advertising creativity and price level that generates the highest consumer evaluations and intentions.

2.1 Creativity in Advertising

2.1.1 Importance of creativity

Creativity is often regarded as one of the most central aspects of advertising. In fact, Reid et al. (1998) indicate creativity as the most important element of advertising (El-Murad and West, 2004), and a quick glance at the advertising industry is enough to understand why. It is certainly not a coincidence that the most important figure in any advertising agency is called a “creative” (Till and Baak, 2005), nor is it a case that many of the greatest advertising awards are focused on creativity rather than on any other performance measure. Advertising agencies pride themselves with creativity awards, and they are often compared with one another based on how many of these trophies they are able to showcase in their lobby. El-Murad and West (2004) observe that many studies have shown that a winning creative idea will very often determine the hiring and firing of advertising agencies, even affect their remuneration (e.g. Michell and Cataquet, 1992; Wackman et al., 1986/1987).

A creative execution stands out and is more memorable, it “pushes the message into viewers’ minds” and it is therefore considered to be necessary for advertising effectiveness (Kover et al., 1995, p. 29). El-Murad and West (2004) notice how the importance of creativity has been acknowledged by a large amount of research in a myriad of diverse fields, ranging from art (e.g. Brower, 2000; Kris, 1952) to music (e.g. Hickey, 2001), science (e.g. Innamorato, 1998) to education (e.g. Freeman, 1983; Naglieri, 1999) and management (e.g. De Bono, 1971; King and Anderson, 1990; Sethi et al., 2001), business and advertising.

Within business literature, early research such as that of Kneller (1965) and Parnes (1975) concentrated on simple discussions and definitions of creativity (Till et al., 2005). Ever since these first studies, researchers have struggled to truly grasp the meaning and implications of creativity, which has often been described as the most complex of all human behaviors (El-Murad and West, 2004). Much research still needs to be conducted, but today we can rely on decades of studies on the subject and clear definitions of creativity.

2.1.2 Definitions of creativity

Ang and Low (2000) observe that, in the fine arts, creative work has often been described as that which is incongruent (Albert, 1991), irregular (Barron, 1963), and having a cathartic originality (Csikszentmihalyi, 1988). These are certainly characteristics that should define creative advertising, but most academics agree that is not enough. Leo Burnett (1968), one of the forefathers of advertising as we know it today, once defined creativity as "the art of establishing new and meaningful relationships between previously unrelated things in a manner that is relevant, believable, and in good taste, but which somehow presents the product in a fresh new light" (El-Murad and West, 2004, p.190). What is clear from this crisp definition is that besides from being original, creativity in an advertising context shall also be relevant and meaningful. Reid, King and DeLorme (1998, p. 3) clearly state that "originality and imagination must operate within a goal-directed and problem-solving context", and Parnes (1975) realized that for the "aha" experience to occur, the fresh association of thoughts need not only to please but also provide a meaning beyond the sum of the parts. In other words, in advertising "pleasing the viewer" is only one side of the coin: the advertiser needs also to convey a given message in a meaningful way (El-Murad and West, 2004).

In advertising literature, this duality is reflected by the combination of two central aspects in any definition of creativity: divergence – the extent to which an ad contains elements that are novel, different and unusual (Smith and Yang, 2004), and relevance – the extent to which ad elements are meaningful, useful or valuable to the consumer (Smith et al., 2008). In their extensive literature review, Lethagen and Modig (2008, p. 14) find ample evidence of this dual reality of advertising creativity. They refer to the words of one creativity judge from a Swedish advertising award show, stating that an ad needs to be "playful but relevant" (The Association of Swedish Advertisers 2005, p. 30), and to Tellis (1998), talking about "productive divergence". They further cite Amabile (1996), defining something to be creative to the extent that it is a "novel and appropriate, useful, correct, or valuable response to the

task at hand”, Holtzman (1984) speaking of "divergent thinking that yields some kind of highly valued product or idea", and Marra (1990) defining creativity as “being new and relevant with your ideas”. What all these definitions have in common is the intuition that creativity must not only be original and disruptive, but also provide added value to a set objective (Ang and Low, 2000).

Other variables, such as well-craftiness and humor, have also been identified as important determinants of advertising creativity. Hereafter we will examine these essential aspects of creativity, one by one.

Divergence

Smith and Yang (2004) define divergence as the degree to which an ad is novel, different and unusual (Smith et al., 2008). It is the degree to which an ad deviates from the norm (Ang and Low, 2000) and the level of inconsistency from the expected schema of things (Stoltman, 1991). This implies that an ad does not need to be rare, infrequent or bizarre to classify as novel, as long as it breaks from the predetermined structure evoked by the ad theme (Heckler and Childers, 1992).

Research has found that when facing an unexpected stimulus, individuals are motivated to engage in more profound cognitive elaboration (Berlyne, 1971). A divergent advertisement, which by nature is incongruent and unexpected, will therefore result in more detailed processing (Goodstein, 1993). Ang and Low (2000) point at extensive research showing that this more elaborate processing results in more favorable evaluations (Mandler, 1982; Meyers-Levy and Tybout, 1989; Taylor et al., 1994, Meyers-Levy and Sternthal, 1992), more favorable attitudes towards the brand and even higher purchase intention (Taylor et al., 1994). With this in mind, it is understandable that many researchers (e.g. Jackson and Messick, 1967) regard divergence as being the most important criterion when evaluating the degree of creativity of an ad (Ang and Low, 2000).

Relevance

Smith et al. (2008) points out that even if divergence is one crucial element of creativity, an ad also needs to be relevant in order to achieve its primary communication objectives. Also Heckler and Childers (1992) identify relevance as one major cornerstone of truly creative advertising, and Sternberg and Lubart (1999) bluntly state that divergence is not sufficient in its own right to define an ad as creative (Lethagen and Modig, 2008).

Only if the viewer is able to easily understand the link between the ad content and its purpose, will the message come across. A relevant execution facilitates sense-making, and it will result in positive emotional reactions to the ad (Lee and Mason, 1998). Törn (2009) suggests that a personally relevant execution generates higher involvement, which will induce consumers to devote more cognitive effort to process the information (Petty et al., 1983). Contradictory and irrelevant content will simply induce effortful but fruitless elaboration, and thus negative evaluative responses (Mandler, 1982).

On the same note, El-Murad and West (2004) note how the importance of "appropriateness" or "usefulness" has met with widespread acceptance within both traditional and modern views on creativity (e.g., Amabile, 1983; Gruber and Wallace, 1999; Lumsden, 1999; Martindale, 1999; Mumford and Gustafson, 1988; Unsworth, 2001; Sternberg and Lubart, 1999).

Well-craftiness

In addition to the broadly recognized divergence and relevance elements described above, Modig (2012) proposes "well-craftiness" as one other significant aspect of advertising creativity. Modig connects craftsmanship to previous studies that indicate such concepts as "execution" (White and Smith, 2001) and "artistry" (Koslow et al., 2003) as factors contributing to advertising creativity. An earlier study by Lethagen and Modig (2008) also refers to previous authors that talk about the importance of "attractiveness" (Besemer and Treffinger, 1981) and "elaboration and synthesis" (Besemer and O'Quinn, 1986) for the purposes of successful creative advertising. Also, the fact that Guldägget, one of the most prestigious creative awards in Sweden, includes well-craftiness as one of the main criteria for evaluating advertising, is considered as one further demonstration of this element's importance with regards to creativity (Guldägget, 2012).

Humor

Humor is a fairly new facet of creativity. This might have to do with the fact, as Modig (2012) observes, that most earlier studies have focused on advertising professionals' assessments of creativity rather than on consumers' perceptions. Contrary to advertising professionals, consumers have no personal interest in watching advertising. Humor might therefore be appreciated by consumers as a means to add value to the process of watching the ad, and thus considered to be an important element of creativity (Modig, 2012). The idea of humor as one

aspect of advertising creativity has also been previously discussed by e.g. West et al. (2008), Smith and Yang (2004) as well as Lee and Mason (1999).

2.1.3 Creativity as a signal of quality

In the cluttered media landscape of today, consumers are exposed to an overwhelming amount of advertising, very often with no or very little informational content (Milgrom and Roberts, 1986). Since it is impossible for consumers to process all these inputs in detail, marketing signals are instead used to assess the relevance of the advertised claims and make purchase decisions (Kirmani and Rao, 2000). Studies have suggested that advertising creativity is one of these quality signals.

An early study by Kirmani and Wright (1989) shows that there is a link between perceived advertising costs and perceived quality of the product. In fact, such link has also been found to hold true for actual advertising expenditures and real product quality as well (e.g. Federal Trade Commission, 1933; Marquardt and McGann, 1975). Considering that creativity in advertising has been found to signal high advertising costs (Modig et al., 2012), creative ads would imply greater quality than less creative ads. This is in line with findings of Dahlén et al. (2008), which indicate that companies with a more creative communication convey higher effort and a greater confidence in the validity of the advertised product. High advertising creativity is therefore said to positively impact perceived brand ability, brand fitness and brand quality.



Figure 1. Advertising creativity signals higher effort and ad costs, leading to higher perceived brand quality, brand ability and brand fitness (see e.g. Dahlén et al. (2008) and Modig et al. (2012).

Along the same line, Ambler and Hollier (2004) speak of extravagant advertising as of the most effective. They compare the “perceived waste” of such advertising to the “handicap principle” of biology, a concept according to which animals use wasteful characteristics to impress. The beautiful feathers of peacocks, for instance, or the excessively high jumps of gazelles are a very effective way to signal their superior physique, thus indicating to potential partners they are a good choice for mating or to predators that they are a bad choice of quarry.

Similarly, advertising creativity is considered to be a signal of superior brand ability and brand fitness.

2.1.4 Impact of creativity on Hierarchy-of-Effects

The Hierarchy-of-effects (HOE) is a widely known model that describes all phases consumers go through when exposed to a commercial message, mapping how brand attitude and purchase intention are formed (Smith et al., 2008). The model was first applied to advertising by Lavdige and Steiner (1961), and it has helped a wide range of scholars understand the logics of consumers' behavior ever since.

According to Smith et al. (2008), the model takes the consumer through three phases: cognitive, affective and conative phases. The cognitive phase consists of awareness, learning and acceptance. First, the consumer is made aware of the brand (*awareness*). Then, the ad claims will be learned and stored in memory (*learning*). To achieve persuasion, however, it is not enough to understanding and remember the message. The last stage within the cognitive phase is acceptance of the message (*acceptance*). Further, in the affective phase the consumer develops positive attitudes towards the ad and the brand (*liking*), before reaching the final conative phase where positive intentions are developed (*intentions*), such as word-of-mouth (WOM) and purchase intention. At this point, it is likely to assume that the consumer will take action and eventually purchase the product.

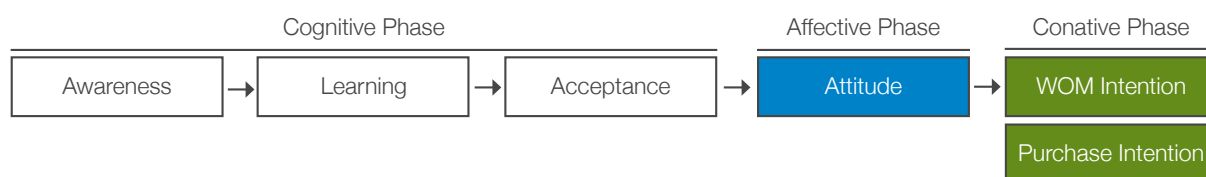


Figure 2. The Hierarchy-of-Effects model (Smith et al., 2008)

The importance of creativity in advertising has been investigated through all stages of the HOE. In line with the signaling theory, evidence has shown that a creative execution does pay off.

Cognitive Phase. The positive influence of creativity has been shown to start from the first stages of the HOE. By breaking the ordinary patterns of things, creative executions create a “contrast effect” (Smith and Yang, 2004) that has a positive impact on consumer attention and interest (Pieters et al., 2002; Smith et al., 2007) and contributes to generate brand awareness

(Smith et al., 2008). Also, inducing consumers to process the message at a more profound and meaningful level, creative ads positively affect the learning and memorability of the advertised claim (MacInnis and Jaworski, 1989). Creativity has also been found to positively impact message acceptance. Smith et al. (2008) find creative ads to make consumers more curious about the brand, more open-minded and less resistant to persuasion, and Yang and Smith (2009) reach a similar conclusion by looking at the impact of creativity on consumers' "need for cognitive closure (NCC)". NCC refers to consumers' desire for clear and firm answers, a lower NCC being associated with greater open-mindedness, increased understanding of ambiguity (Kruglanski and Webster, 1996) and weaker resistance to persuasion (Kruglanski and Ajzen, 1983; Kruglanski and Webster, 1996). Creative executions are more likely to trigger consumer curiosity, thus decreasing NCC (Berlyne, 1971; Hecklers and Childers, 1992; Lee and Mason, 1999; McQuarrie and Mick, 1992) and making consumers more receptive to persuasion. However, we have chosen not to focus on these first steps of the HOE in our study. Instead we choose to look into the role played by creativity in the final phases of the HOE, the affective and conative stages, since these are the more interesting for advertisers seeking to make an actionable impact on consumers.

Affective Phase. Positive brand attitude is a major prerequisite for developing favourable purchase or consumption intentions (Blackwell et al., 2005) and research has demonstrated that ad attitude has a mediating effect on brand attitude. Brown and Stayman (1992), for instance, show that ad attitude has direct effects on brand attitude (see also e.g. Mitchell and Olson 1981; MacKenzie et al., 1986), meaning that a positive attitude towards an ad will translate into favorable brand attitudes and consequently into positive intentions.

Studies suggest that creativity plays a relevant role in this regards, positively affecting ad attitude and thereby brand attitude. In fact, consumers have an internal disposition to appreciate divergent stimuli and find it intrinsically more pleasing to process creative ads (Smith and Yang, 2004; Yang and Smith, 2009). Advertising research indicates that unexpected and relevant ads are more favorably evaluated than expected ones (Lee and Mason, 1999) and that consumers find it satisfying to successfully resolve the incongruity of a creative ad (Peracchio and Meyers-Levy, 1994). Also evidence from social psychology suggests that consumers do appreciate creative ideas (Guilford, 1967). We therefore hypothesize that:

H1a) Higher advertising creativity increases ad attitude

Conative Phase. Word-of-mouth (WOM) has a significant impact on consumer behavior (Reichheld, 1996) as it helps drive consumers' purchase decisions (McIlroy, 2008), thereby positively influencing firm performance (Dichter, 1966; Gremler and Brown, 1999; Söderlund, 2001; Reichheld, 2003). Clear evidence indicates that consumers' decision making is strongly influenced by WOM. For instance, over 40 percent of the Americans actively seek the advice of family and friends when shopping for services (Walker, 1995). Considering that divergent and humorous experiences are intuitively more interesting to talk about, we expect creative advertising to positively affect brand WOM intention. This should come as no surprise, having already been demonstrated to hold true both directly (Modig, 2012; Modig et al., 2012), and indirectly through ad attitude (Dichter, 1966). We therefore hypothesize that:

H1b) Higher advertising creativity increases brand WOM intention

As for purchase intention, research has documented a positive relationship between ad creativity and purchase intentions (Kover et al., 1995; Ang and Low, 2000; Smith et al., 2008). Also, considering our previous assumption about a positive relation between creativity and ad attitude, it has been shown that ad and brand attitudes significantly impact purchase intention (Notani, 1998; Dahlén and Lange, 2003). We therefore assume ad creativity to positively impact purchase intention. We hypothesize that:

H1c) Higher advertising creativity increases purchase intention

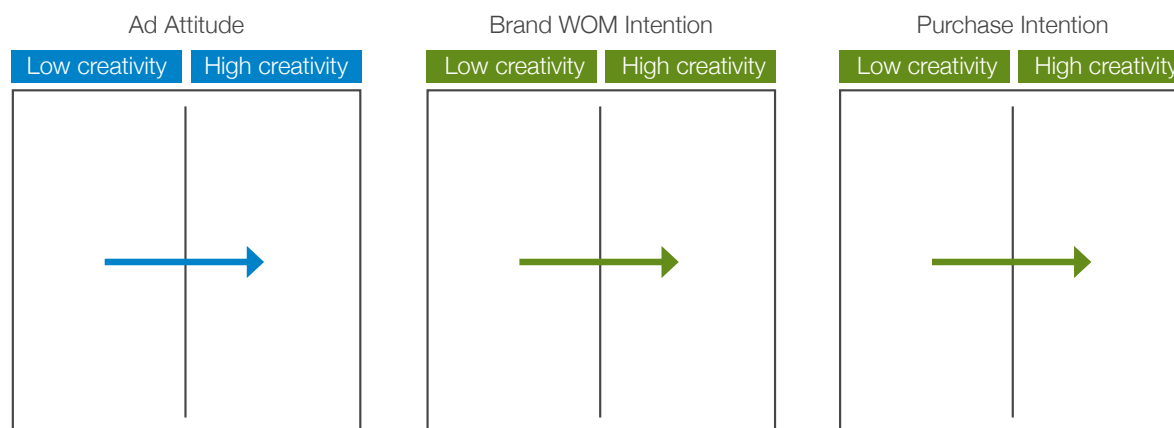


Figure 3. Summary of H1 which states that a higher advertising creativity will increase ad attitude, brand WOM intention and purchase intention

2.2 Effect of creativity at different price levels

Existing studies clearly indicate that creativity positively influences advertising effectiveness. However, no research has investigated whether this relation holds regardless of the price charged for the advertised product. Intuition would suggest that brands positioned within the high-tier segment are in great need of creativity in their advertising, as a means to justify their higher price. As for cheaper brands, one way of thinking could be that less creative ad executions are to prefer, in order to match the low-tier positioning. Alternatively, one could argue that a creative execution might lead consumers to expect a higher priced product, which would result in an amplified positive response when the price is revealed as being much lower than expected. The lack of theoretical pillars, however, makes it impossible to sustain these intuitions. We therefore need to rely on existing theory on creativity, and assume the positive effects of creativity to hold for all price levels. We therefore hypothesize that:

H2.1 At a low product price, creativity increases a) ad attitude, b) brand WOM intention and c) purchase intention

H2.2 At a high product price, creativity increases a) ad attitude, b) brand WOM intention and c) purchase intention

H2.3 At a normal product price, creativity increases a) ad attitude, b) brand WOM intention and c) purchase intention

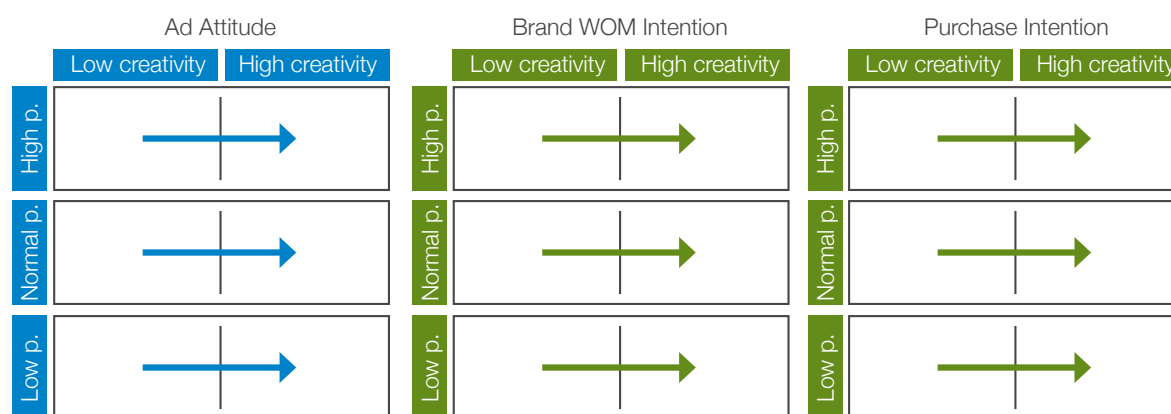


Figure 4. Summary of H2 which states that a higher advertising creativity will increase ad attitude, brand WOM intention and purchase intention on all price levels.

2.3 Price in Advertising

2.3.1 Importance of price

Extensive research has been devoted to better understand the different dimensions of price, and an overwhelming number of pricing principles and strategies have been developed over the years, trying to clarify how to make pricing decisions. This comes as no surprise, considering that price is the one variable that has the most direct and significant impact on revenues. A small change in price has the potential of dramatically affecting a company's profitability, and it is therefore crucial to fully comprehend how it might affect consumer behavior (Gijbrecchts, 1993).

2.3.2 Definitions of price

Extensive pricing research comes with an equally encompassing number of definitions of price. Some researchers, for instance, have talked about price as of a constraint (Erickson and Johansson, 1985) or as of a carrier of information about product attributes and quality (Rao and Monroe, 1989). Others have simply defined price as being the representation of channel costs (e.g. financing, inventory, storage, transportation etc.) that ultimately need to be covered (Funkhauser and Parker, 1986). Yet others have advocated a broader definition, describing price as the monetary and non-monetary sacrifice that consumers need to make in order to obtain a product or service (Zeithaml, 1988), or as the risk associated with the possibility of making the wrong purchase decision (Murphy and Enis, 1986). In this paper we will consider price both as the representation of the monetary sacrifice consumers need to make in order to obtain a product, as well as a carrier of product-quality information.

2.3.3 Reference price construct

A widely accepted construct for understanding purchase behavior is the reference price theory, according to which consumers use an internal ‘reference price’ to assess whether the monetary sacrifice necessary to make a purchase is worth pursuing. This reference price – also referred to as reservation price (Scherer, 1980), perceived price (Della Bitta and Monroe, 1974; Emery, 1970; Monroe, 1973), or evoked price (Rao and Gautschi, 1982) – is used as a benchmark for making price judgments, the final purchase being dependent on how it compares with the retail price (Kalwani, 1990).

Extensive research has been devoted to understand the nature of reference price, and several different explanatory factors have emerged. Uhl (1970) suggests that the price last paid should be the main factor determining the reference price and Emery (1970) talks about the average prices of similar products, Nwokoye (1975) suggests that the end prices (i.e. highest and lowest price) might be the main determinants and Della Bitta and Monroe (1974) speak of price trends as an important element. The truth might be found in a combination of these factors, as findings from Kalwani (1990) seem to indicate, also depending on the intended use or purpose of the purchase (Monroe, Della Bitta and Downey, 1977). In other words, reference price is a multifaceted reality and it needs to be understood in its complexity of past experiences and future expectations.

The notion of reference price as means to assess viability of actual price levels is an example of a framing effect (Kahneman and Tversky, 1979; Tversky and Kahneman, 1981), which was first suggested in a pricing context by Thaler (1985) with the introduction of the “transaction utility” concept. Transaction utility is defined as the gap between the consumer’s reference price and the retail price. A negative transaction utility – when retail price compares unfavorably with expected price – will result in a perceived loss and thus reduce the probability of purchasing the product; a positive transaction utility, on the other hand, will enhance the purchase probability (Putler, 1992).

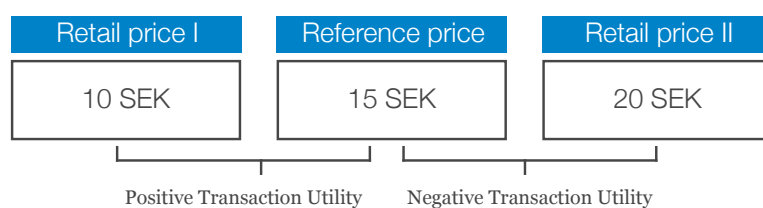


Figure 5. The reference price construct. A retail price above the reference price creates a negative transaction utility, while a retail price below the reference price creates a positive transaction utility.

Kalyanaram and Little (1994) empirically demonstrate the existence of a “latitude of acceptance” around the reference price (i.e. a potential zone of indifference to small deviations of the observed price from the reference price). If the observed price lies outside of this latitude of acceptance, ample of evidence indicates that consumers use reference prices when making brand choices (Kalyanaram and Winer, 1995). This means that, if we understand whether the transaction utility is positive or negative for a given retail price, we can determine whether consumers’ attitudes and intentions will be favorable or unfavorable.

In general, for the reference price construct to hold, consumers need to have a proper understanding of products’ price levels. Some studies have shed doubt over the validity of the reference price theory by demonstrating that consumers’ knowledge of specific item prices is far from perfect (Zeithaml, 1982; Conover, 1986). Dickson and Sawyer (1990), asking consumers the moment after having selected an item from shelf about price, found that 20 percent had no idea about price and only 55 percent gave an accurate estimation of price. However, other studies have shown that consumers do have an understanding of price for regularly purchased items such as FMCG (McGoldrick and Marks, 1987; Dickson and Sawyer, 1990). With our chosen delimitation to the FMCG industry in mind, we believe the reference price construct to still be relevant for the purposes of this study.

2.3.4 Price as signal

What the reference price construct fails to incorporate is the signaling effects of price. Kalman (1968) and Rao and Gautschi (1982) observe that for reference price to fully work as a predictor of behavior, price cannot be used as a quality indicator (Putler, 1992).

In fact, if used as a signal of quality, price will have the opposite effects on consumer behavior than those predicted by the reference price theory. Rao and Monroe (1989) claim that if the price of a certain product differs a lot from the reference price in the product category, the higher priced product will be perceived as being of higher quality. This because high relative price is often associated with high ad costs, as was empirically tested for by Farris and Reibstein (1979) and Buzzell and Farris (1976), and higher ad costs will in turn affect consumers’ perception of quality (Kirmani, 1990). If this is true and price does serve as a signal, offering the lowest possible price as suggested by the reference price theory might not always be preferable.

2.3.5 Impact of product price on the Hierarchy-of-effects

Whether price is used as indicated by the reference price theory or as a signal of quality, will determine its effect on consumer behavior. Specifically, reference price theory suggests that consumers aim at maximizing transaction utility by bargaining for the lowest possible price. Signal theory, on the other hand, indicates that consumers might prefer higher prices as they are associated with higher quality. We look into the effects of these opposite forces through the final stages of the HOE.

Affective Phase. At first sight, one might imagine FMCG to be highly subjectable to price as a quality signal. This since FMCG is generally characterized by low consumer involvement and limited information search (Silayoi and Speece, 2004), and the need for a way to effortlessly take a stand towards the product might therefore be particularly strong. Also, since FMCG companies need to stimulate repeat purchase to achieve profitability, cheating with confusing pricing signals will undermine their sustainability. Consumers should therefore have learned to trust price as a signal of quality (Rao and Monroe, 1996).

A large amount of studies, however, conclude that quality-price relations are product-specific and in general very weak (Oxenfeldt, 1950; Morris and Bronson, 1969; Sproles, 1977; Riesz, 1978, 1979; Geistfeld, 1982), particularly for products pertaining to the FMCG category. Gerstner (1985) suggests that frequently purchased items (i.e. FMCG) display weaker relations than non-frequently purchased items because they are usually less expensive and the financial commitment of customers is irrelevant. Because the risk associated with making a wrong purchase decision is fairly insignificant, the degree of involvement is often very low. Rather than considering their purchase too much in detail and using price as a quality signal, consumers might prefer to take the easy way out and shape their attitudes as to aim for the best possible deal.

In line with these empirical findings, we assume reference price theory to be a stronger indicator of consumer behavior within FMCG than signal theory. In other words, consumers will shape their attitudes as to maximize the transaction utility by seeking the lowest possible price. We will investigate these assumptions by comparing the effects of a low product price (i.e. reference price theory) with those of a high product price (i.e. signal theory) on consumer behavior. We hypothesize that:

H3a) A low price in the advertisement increases ad attitude

Conative Phase. Nusair et al. (2009) suggest that discount level significantly impacts consumer WOM intention. Intuitively this is because consumers who feel proud about the price they pay are more likely than other consumers to brag, and thus spread information about the purchase (Folkes, 1988; Schindler, 1988). A similar behavior was documented by Price et al. (1988), who found that some shoppers respond to coupon promotions by clipping the coupons and giving them to friends and relatives. With this in mind, we suggest that a price below expected price will induce consumers to positively talk about the brand. We hypothesize that:

H3b) A low price in the advertisement increases brand WOM intention

As for purchase intention, extensive research has found that low price often does have significant influence on stimulating purchase. Using laundry detergent scanner data, for instance, Winer (1989) found negative transaction utility to have a significant negative impact on brand choice. Kalwani et al. (1990) tested the reference price construct using coffee data and found it to be significant and Rajendran and Tellis (1994) found reference price to significantly predict the brand choice of saltine crackers. Considering these strong empirical findings we assume the reference price construct to play an important role in stimulating trial. We therefore hypothesize that:

H3c) A low price in the advertisement increases purchase intention

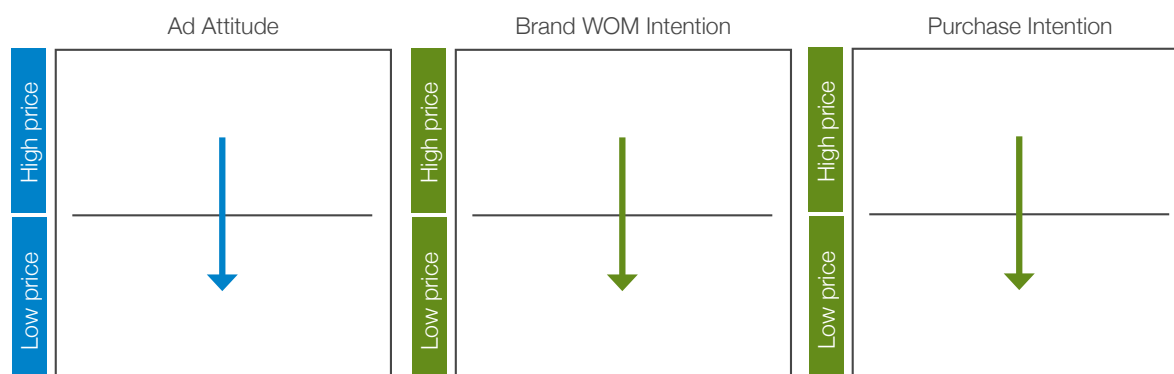


Figure 6. Summary of H3 which states that a low price in the advertisement will increase ad attitude, brand WOM intention and purchase intention.

2.4 Effects of a low price at different creativity levels

The existing research states that a price below the reference price generates positive consumer evaluations and behaviors. However, no previous studies have investigated whether consumers' reaction to price differences is affected by the level of creativity of the advertising. Reference price theory implies that consumers seek the lowest possible price, regardless of whether the advertising is creative or not. Intuition, however, suggests that if the ad is creative, pricing differences might not translate into clear effects on consumer attitudes and intentions. This because creative ads might distract focus away from price towards other characteristics which makes price a less salient element by shifting attention towards other signals and emotions. Given the lack of existing research in support of the intuition that creativity distorts the effect of price differences on consumer behavior, however, we must rely on current theory and assume that reference price theory holds for all creativity levels. We hypothesize that:

H4.1 At a low creativity level, a low price in the advertisement increases a) ad attitude b) brand WOM intention and c) purchase intention

H4.2 At a high creativity level, a low price in the advertisement increases a) ad attitude, b) brand WOM intention and c) purchase intention

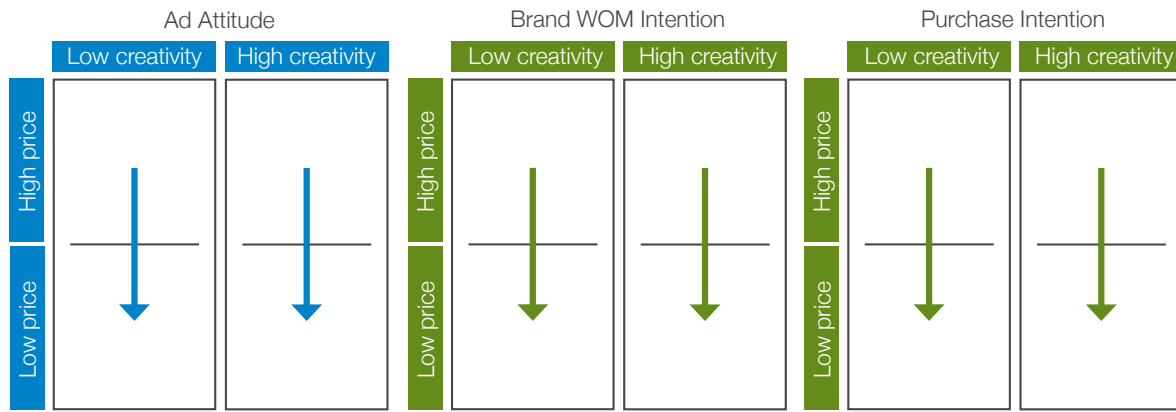


Figure 7. Summary of H4 which states that a low price in the advertisement will increase ad attitude, brand WOM intention and purchase intention for both the low and the high creativity level.

2.5 The winning combination

According to the above hypotheses, creative advertising is always more effective than non-creative advertising and relatively low prices are always to prefer. We might therefore assume that a combination of high creativity and low price will grant the best consumer responses. With this in mind, we hypothesize that:

H5 The combination of high creativity and low price generates the highest consumer evaluations and intentions

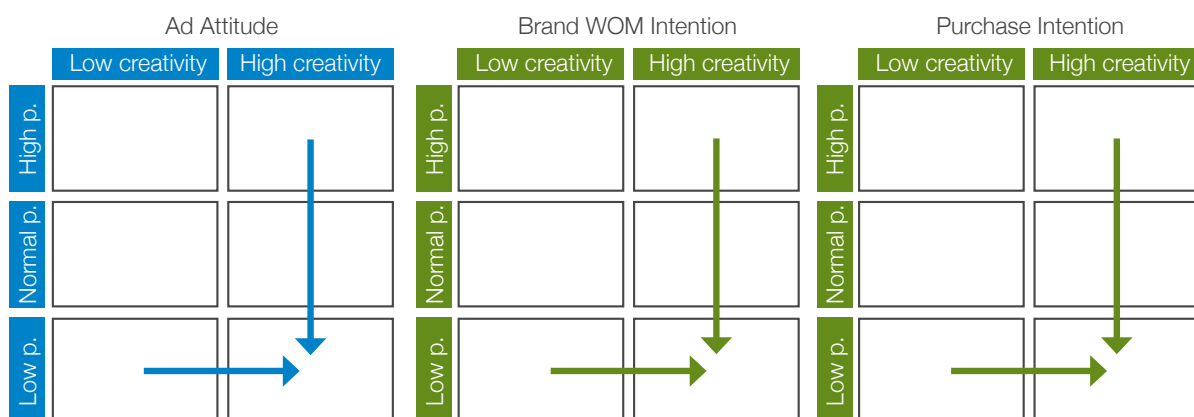


Figure 8. Summary of H5 which states that the combination of high creativity and low price generates the highest consumer evaluations and intentions.

Research question	Hypothesis
<i>Is advertising creativity always better, assuming product prices are included in the ad?</i>	
<i>Will a creative ad execution positively affect consumer evaluations and intentions, and will these effects vary for different price levels?</i>	H1a) Higher advertising creativity increases ad attitude
	H1b) Higher advertising creativity increases brand word-of-mouth intention
	H1c) Higher advertising creativity increases purchase intention
<i>Will a low product price positively affect consumer evaluations and intentions, and will the level of advertising creativity have an impact on these effects?</i>	H2.1 At a low product price, creativity increases a) ad attitude b) brand word-of-mouth intention c) purchase intention
	H2.2 At a high product price, creativity increases a) ad attitude b) brand word-of-mouth intention c) purchase intention
	H2.3 At a normal product price, creativity increases a) ad attitude b) brand word-of-mouth intention c) purchase intention
<i>Which combination of creativity and price will have the largest positive effects on consumer evaluations and intentions?</i>	H3a) A low price in the advertisement increases ad attitude
	H3b) A low price in the advertisement increases brand word-of-mouth intention
	H3c) A low price will result in increased purchase intention
<i>Which combination of creativity and price will have the largest positive effects on consumer evaluations and intentions?</i>	H4.1 At a low creativity level, a low price in the advertisement increases a) ad attitude b) brand word-of-mouth intention c) purchase intention
	H4.2 At a high creativity level, a low price in the advertisement increases a) ad attitude b) brand word-of-mouth intention c) purchase intention
<i>Which combination of creativity and price will have the largest positive effects on consumer evaluations and intentions?</i>	H5 The combination of high creativity and low price generates the highest consumer evaluations and intentions

Table 1. Summary of the hypotheses

3 Methodology

This chapter will walk the reader through the method applied in this thesis. First, we go through the research design, the scientific approach and the preparatory work performed. The chosen measures are then presented and the process of the main study is described. The chapter ends with a discussion about reliability and validity as well as a presentation of the statistical tools used for the analysis.

3.1 Initial work

We first held start-up discussions with PhD Erik Modig, who operates at the Marketing and Strategy Department at the Stockholm School of Economics and has focused on creativity in his research. These meetings led us to focus on the still unexplored link between advertising creativity and product price.

The lack of academic research, and the strong interest from marketing practitioners, suggested that this was an interesting area to investigate further. We therefore began to explore related theory, such as creativity theory, reference price theory and signal theory. An extensive review of existing research helped us better define our problem area and set a clear purpose for the study.

3.2 Overall research design

Since we focus on consumers' responses to creativity we should engage a large sample of respondents. A quantitative approach is best suited for this task (Bryman and Bell, 2011, p. 26). Also, a quantitative method is recommended in order to best generalize the results of the study (Malhotra, 2010, p.170). We therefore chose to follow a quantitative approach, applying a deductive research method where the research was conducted with reference to hypothesis and ideas inferred from theory (Bryman and Bell, 2011, p.11).

Different versions of the same ad were created and presented to different consumer samples, in order to compare the effects of creativity and price on consumer responses. This qualifies as an experimental design where the independent variables (creativity and price) are manipulated to see their effects on the chosen measures (Bryman and Bell, 2011, p.45). One advantage with experiments is that they are a good way to test causal relations between variables, which lie in the interest for this study (Söderlund, 2010, p.30). All taken together,

we found our study to be well suited for an experimental approach and the experiment was structured according to the recommended guidelines by Söderlund (2010).

3.3 Preparatory work

Before executing our main study we performed the following preparatory work, we i) decided what product categories to use in the study, ii) defined which retailer would sell the products, iii) chose what brands to use, iv) created ads for the chosen brands, v) defined prices for the chosen brands through Pre-study 1, vi) tested consumers' perceived creativity of the ads through Pre-study 2 and vii) performed a pilot-study of the questionnaire to ensure high quality.

3.3.1 Choice of product categories for the study

According to Rao and Monroe (1989) there is a statistically significant relationship between product price and perceived quality, but the strength of this relationship is highly dependent on the product itself. To minimize product-specific bias we chose to include three different FMCG-products in our study; coffee, chewing gum and carbonated water. Using more than one good increases the generalizability and neutralizes some of the product specific effects that might occur. This is particularly true considering that the chosen categories represent slightly different types of FMCG products. The results will be analyzed for the products altogether, meaning that we will not draw product specific conclusions.

Since we are testing for different price levels, it is important that all respondents are familiar with the prices of the chosen product categories (Söderlund, 2005, p.63). In other words, consumers must have a clear reference price. It is also preferable that these products pertain to mature markets, characterized by a large number of competing brands and easily accessible market information, where consumers can shop around for a good price (Sethuraman and Tellis, 1991). In such market conditions, consumers tend to have high advertising as well as price elasticity. This means they are responsive to both advertising and price (ibid), which are important conditions for the purpose of our study.

Coffee, chewing gum and carbonated water fit all the above criteria very well. They were therefore evaluated to be eligible products for the study.

3.3.2 Choice of retailer for the study

Since the prices of the chosen products can differ significantly between retailers, we also had to decide which retailer would be the sender of our advertisements. A carbonated water might cost 12 SEK at a supermarket, but up to about 20 SEK at a convenience store. By telling the respondents where the product is to be sold, we would adjust their reference price to converge at the same level. We identified Pressbyrån as our retailer, a convenience store where it is common to purchase the chosen product categories. Also, at convenience stores it is more probable that solitary products are bought, which means that consumers may have a better knowledge about their pricing.

3.3.3 Choice of brands for the study

Wanting to measure the effects of advertising on consumer perceptions, it is crucial to carefully choose which brands to use in our experiment. Using existing brands already known to the respondents would not be a good option. These brands would already have sent out extensive marketing signals, which would make it hard for us to isolate the effects of creativity and price levels (Dahlén et al., 2008). Instead, we would risk to mirror the respondents' already existing perceptions about these brands.

For the purpose of our study, we therefore chose to use brands unknown to the Swedish market. To simplify the making of the advertisements, however, we opted for existing brands not sold nor advertised in Sweden. Due to the anonymity of these products to the Swedish market, we still assessed them to be congruent with our purpose of using unknown brands. For the chewing gum category we chose Airwaves, a brand sold outside of Sweden. For the carbonated water we chose a Norwegian brand called Isklar, also unknown to the Swedish market. As for the coffee category, we invented a to-go coffee brand called "Coffee" to be sold at Pressbyrån.

3.3.4 Development of ads for the study

We chose to create ads specifically for the purpose of this study, thereby excluding the risk of respondents having already seen the ads and developed opinions about them. Also, creating fictive ads specifically for this study made it easier to highlight the variables of interest. Real ads might have included many different messages, which would have made it difficult to isolate the effects of creativity and price (Dahlén et al., 2008). This decision is also consistent with our choice not to rely on award winning ads as representative examples of creative

advertising. By developing a series of moderately creative ads, and letting consumers be the judges of whether these can classify as creative or not, we believe our results will be much more relevant for marketing practitioners.

Experts at the marketing department at the Stockholm School of Economics recommended to limit the differences between the creative and the less-creative versions of the ads either to the picture or to the copy. Doing so would help us have better control over what stimuli would affect our results. We therefore chose to keep the same copy for all ads, while changing the pictures between the different creativity levels. All ads had a price for the advertised product clearly displayed, as well as the logo of Pressbyrå. In total, six versions of the ads were created (3 products x 2 creativity levels) with the help of an experienced advertiser (see Appendix 1).

One important factor was that all ads for the same product needed to have the same “feeling”, both for high creativity and for low creativity. Otherwise we might have risked testing the wrong variables. Three experts from the marketing department at Stockholm School of Economics examined the ads and confirmed that they did, indeed, have the same feeling. They also confirmed that all ads could be perceived as real advertisements for the brands in question.

3.3.5 Pre-study 1: Pricing

In order to i) check whether consumers’ reference prices corresponded to the retail prices, and ii) define what prices to set for the low, normal and high price levels, we conducted a pre-study.

First, we observed the retail prices at several convenience stores. The prices for the chosen product categories at Pressbyrå and 7Eleven were; small coffee 17 SEK, chewing gum 19-20 SEK and carbonated water 20 SEK.

With those prices as a starting point, we conducted an online survey where respondents were asked to answer 14 questions about the pricing of each product, resulting in a survey of 42 questions. The questions in the survey were structured, since unstructured questions are not suited for an online questionnaire (Malhotra, 2010, p.344). First, the respondents chose what they thought was a normal price for the product category sold at Pressbyrå. This was to check that their reference price was about the same as the retail prices. After this question, a picture of the product was shown on a new page with the instruction that this was a product

that was going to be launched on the Swedish market in 2013 and sold at Pressbyrån. Consumers' willingness to pay can depend a lot on the brand, and since the chosen brands are all unknown to the Swedish market we found it important to include an image of the product in this pre-study. After viewing the picture, the respondents were asked to judge a series of 12 different prices for each brand, with 2 SEK difference (small coffee 6-28 SEK, chewing gum 8-30 SEK and carbonated water 8-30 SEK). The prices were judged on a 7-point Likert scale with numerically equal distances with bipolar labels, "1 Very cheap – 7 Very expensive". Following the recommendations from Söderlund (2005, p.116), the label Very cheap coded as 1 was placed to the left and Very expensive coded to 7 was placed to the right. The question was, e.g. for the carbonated water, "What do you think about that a bottle of Isklar would cost XX crowns at Pressbyrån?". We also included a question which controlled for what price respondents thought the product was price worthy. If reference price theory holds, this should be a price beneath the reference price. We applied a within-subjects design (Söderlund, 2010, p. 76) in the pre-study where all respondents judged the prices of all three products. We considered the dissimilarities between the products to be large enough for this approach to be acceptable. The questionnaire was sent out as an online-questionnaire during 12-14 October through email and Facebook, creating a convenience sample (Malhotra, 2010, p.377). The survey received 31 responses, which was considered to be sufficient for this pre-study.

Regarding reference price, consumers' expected prices seemed to be in line with the actual prices in-store, even if a bit low for coffee (see Table 2). Also, price-worthiness was found to be beneath the reference prices, which is in line with the reference price construct.

Product	Actual price	Reference price		Price worthiness	
		Mean	Translates to	Mean	Translates to
Coffee	17 SEK	4.94	14 SEK	4.32	12 SEK
Carbonated water	20 SEK	6.77	20 SEK	4.87	16 SEK
Chewing gum	19-20 SEK	6.48	19 SEK	4.97	16 SEK

Table 2. Test if consumer's reference prices correspond to retail prices, and if the price where they believe it is price worthy lies below the reference price.

Explanations of mean values: Coffee Mean 1=6 SEK, 2=8 SEK ... 12=28 SEK
Carbonated water and chewing gum Mean 1=8 SEK, 2=10 SEK... 12=30 SEK

To define what price levels to use in the main study, we compared the means of the different prices that were evaluated by the consumers (see Table 3). On the scale 1 Very cheap – 7 Very expensive we evaluated a mean of 2 to correspond to a low price, 4 to be a normal price

and 6 to be a high price. The chosen prices were those which were closest to these limits and were also tested by a Paired samples t-test to be significantly different ($p=0.000$).

Product	Low price			Normal price			High price		
	Price	Mean	Std. Dev.	Price	Mean	Std. Dev.	Price	Mean	Std. Dev.
Coffee	8 SEK	1.74	0.89	14 SEK	3.87	0.85	22 SEK	6.16	0.82
Carbonated water	12 SEK	1.97	1.22	20 SEK	4.32	1.22	28 SEK	6.0	1.21
Chewing gum	12 SEK	2.10	1.04	18 SEK	4.19	1.35	26 SEK	6.23	1.06

Table 3. Chosen prices for the products.

3.3.6 Pre-study 2: Creativity and price check

In this second pre-study we wanted to test i) that the ads were perceived as significantly different in terms of creativity, and ii) that the price levels chosen for the products were perceived as in Pre-study 1 also when the ads were included in the test.

Since the aim of this second pre-study was to test both creativity and price levels, we needed three versions (i.e. one version for each of the three price levels) for each of the six different ads (i.e. one creative and one less-creative version for each of the three products). This resulted in a total of 18 different versions of the ads. In order to test the actual perception of creativity rather than relative creativity, respondents could only be exposed to one version per brand. Since the ads for the chosen products were very different from one another, we deemed it still to be possible for respondent to evaluate one ad for each product. The pre-study was thereby created in two different versions: the same respondent saw two products at one creativity level (low/high) and one product at the other creativity level (high/low).

	Pre-study 2(a)	Pre-study 2(b)
Low creativity	Coffee	Carbonated water; chewing gum
High creativity	Carbonated water; chewing gum	Coffee

Table 4. Structure of pre-study 2.

The pre-study was designed as a structured online questionnaire (Malhotra, 2010, p.211) consisting of 33 questions. Respondents were first asked to evaluate the creativity level of each of the three chosen ads in terms of creativity, originality, relevance, humor and well-craftiness. The questions were formulated in the same way for all measures, e.g. in the case of creativity, “How creative is this advertisement?” and the answer alternatives were “1 Not at

all creative – 7 Very creative” on a 1-7 point Likert scale. As shown by Smith et al. (2008), creativity in advertising should be both divergent as well as relevant. By testing for several important creativity variables, we avoid the risk of consumers just defining creativity as something original. We added one question about ad attitude, as for the purpose of the study not to be too obvious since that could affect the results negatively (Söderlund, 2010, p.76). Respondents were then asked to assess each proposed price level by answering to the question “What do you think about the price of the product?”. As before the price perception was measured on a 1-7 Likert scale with the answer alternatives 1 Very cheap – 7 Very expensive.

The answers were collected through email and Facebook during 16-17 October, creating a convenience sample (Malhotra, 2010, p.377). We used a randomizer tool in the survey system Qualtrics, meaning that the system randomly chose what version of the survey the respondent would get. We received a total of 67 answers, 33 answers for version a) and 34 for version b) of the survey. To see whether there was a significant difference between the different creativity levels, we performed an Independent samples t-test for the different products.

	Coffee				Carbonated water				Chewing gum			
	Mean LC	Mean HC	Diff	Sig	Mean LC	Mean HC	Diff	Sig	Mean LC	Mean HC	Diff	Sig
Creativity	2.42	3.09	0.67	0.05	2.21	3.70	1.49	0.00	2.48	4.78	2.30	0.00
Originality	2.39	3.09	0.70	0.06	1.97	3.36	1.39	0.00	1.62	4.81	3.19	0.00
Relevance	4.18	4.56	0.38	0.32	3.97	5.18	1.21	0.00	1.68	4.89	3.21	0.00
Humor	2.61	3.03	0.42	0.26	1.79	2.39	0.60	0.08	3.26	4.70	1.44	0.00
Craftmanship	2.67	3.24	0.57	0.14	3.35	4.58	1.23	0.00	1.38	3.60	2.22	0.00

Table 5. Results of Pre-study 2 – Comparing creativity.

Explanations: LC=Low creativity, HC=High creativity

Coffee N=33 (LC), N=34 (HC), Carbonated Water N=34 (LC), N=33 (HC), Chewing gum N=34 (LC), N=33 (HC)

As shown in Table 5, only perceived creativity and originality were significantly different at a 10%-level for coffee. Regarding chewing gum and carbonated water, on the other hand, all variables had a significant mean difference on a 10%-level, indicating that the advertisements had the requested differences in creativity. These results, together with the fact that the reference price in pre-study 1 for coffee was a bit low compared to the actual price, led us to the decision to exclude coffee from the main study.

Furthermore, we tested all the different price levels again to see if they corresponded to the ones in pre-study 1 when exposed in the ads. As shown in Table 6, some prices were perceived a bit different in Pre-study 2 than in Pre-study 1. In order to try to keep the price levels at a mean of 2 (low), 4 (normal) and 6 (high), we adjusted some prices slightly for the

main study. The level of these adjustments varied between 1 and 2 SEK, depending on the evaluated size of the adjustment.

	Low price				Normal price				High price			
	OP	Mean 1	Mean 2	NP	OP	Mean 1	Mean 2	NP	OP	Mean 1	Mean 2	NP
Carbonated water	12 SEK	1.97	2.49	12 SEK	20 SEK	4.32	4.74	18 SEK	28 SEK	6.00	6.44	27 SEK
Chewing gum	12 SEK	2.10	2.39	12 SEK	18 SEK	4.19	4.31	17 SEK	26 SEK	6.23	6.15	26 SEK

Table 6. Results Pre-study 2 – Comparing price levels.

Explanations: OP = Old price (price pre-study 1), Mean 1=Mean pre-study1, Mean 2= Mean pre-study 2, NP = New price (price after potential adjustments after pre-study 2). N(Old price) = 31, N (New price) = 67.

For low price, the results are similar between the two products, with a mean quite close to 2. For normal price, we decided to lower the price for carbonated water with 2 SEK to 18 SEK and with 1 SEK for chewing gum to 17 SEK, to get closer to the mean of 4. Since this price level is supposed to equal the reference price, it is important that it is as close to the mean 4 as possible. Finally, for the high price level we lowered the price of carbonated water with 1 SEK to 27 SEK, to meet the mean of 6.

3.3.7 Pre-test the questionnaire

In order to lower the risk of misunderstandings due to language difficulties, we chose to translate the questionnaire into Swedish. Also, to make the survey as distinct as possible, we avoided specialist terminology and too advanced academic words (Söderlund, 2005, p.64). Knowing that surveys should not be used in the field without being pretested on a small sample of respondents (Malhotra, 2010, p.354), we performed a thorough review of the study on two respondents. This way we were able to ensure the quality of the questionnaire and discover possible misinterpretations or misunderstandings. This test resulted in a few reformulations. As a last check, we also confirmed the survey with Magnus Söderlund, professor at Stockholm School of Economics with extensive experience within the field of experiment design, who did not have any objections.

3.4 Survey design

The survey consisted of 36 questions divided into three blocks: perception of the product, evaluation of the ad and respondent information. Since respondents didn't get any reward for taking our survey, we wanted to increase the probability that they would answer the survey by making it short and understandable (Söderlund, 2005, p. 179). The length of the survey was also important considering our chosen method for collecting the answers. To get a sample as

random as possible, reaching consumers of different ages, genders and backgrounds, we decided to collect answers on the commuter trains. A too long survey would increase the risk of getting non-completed surveys due to people getting off the train.

When using a structured research design, the questions may be multiple choices, dichotomous or a scale (Malhotra, 2010, p. 344). The survey consisted of questions with nominal or interval scale since they are best suited for the purpose of our study (Söderlund, 2005, p.89-95). To gain consistency in the survey, most of the questions are measured on a 1-7 point Likert scale with numerically equal distances (Söderlund, 2005, p.92.) This scale was also chosen not to force the respondents to “choose side”, but use the well-established scale with an odd number of alternatives where 4 becomes neutral (Söderlund, 2005, p.121). Interval scales allow you to compare differences between the objects, which is of interest in this study (Malhotra 2010, p. 286). The seven-point scale had two bipolar adjectives in each end, such as “good” or “bad”. The value to the left (1) represented a low degree (e.g. “negative” or “definitely not”) while the value to the right (7) represented a high degree (e.g. “positive” or “definitely”) (Söderlund, 2005, p.116).

When possible, the questions were taken from previous research to increase international comparability and reliability. We have chosen to focus on measuring ad attitude, brand word-of-mouth intention and purchase intention. These measures are particularly relevant for advertisers, since they represent the latter end of the HOE and are therefore closer to action. We also chose to include a number of other measurements, which might provide relevant insights and a deeper understanding of our results. These other variables consist of the remaining steps of the HOE (awareness, learning and acceptance), dimensions of signal theory (perceived effort and perceived ad cost) as well as price worthiness. HOE includes several measures for each step, and we have chosen the ones that fit with our study in a natural way. Some of the measures were re-formulated as questions compared to the original versions found in literature, as to maintain a good flow in the survey.

Measures chosen for hypotheses

Ad attitude. We measured ad attitude by asking: “What do you think about the ad?”. To increase the reliability of the attitude measure, we used a multi-item scale with the bipolar alternatives “Dislike vs. Like”, “Good vs. Bad” and “Negative vs. Positive” (Brown and Stayman, 1992). An index was created with a Cronbach’s alpha of 0.933.

Brand word-of-mouth intention. Word-of-mouth for the product was measured through Reichheld's well-known formulation: "How likely is it that you would recommend Isklar/Airwaves to a friend or a colleague?" (Reichheld, 2003). To keep consistency in the survey and to avoid confusion, we used a 1-7 point Likert scale for the answers instead of the usual 0-10 scale recommended by Reichheld. The scale was bipolar with the alternatives "Not at all likely" vs. "Very likely".

Purchase intention. To measure purchase intention we asked: "How probable is it that you would buy Isklar/Airwaves?" (Smith and Swinyard, 1983). The respondents answered via the bipolar labels "Not at all probable" vs. "Very probable".

Explaining variables

Attention. Attention is one aspect of the first step "Awareness" in the HOE. We measured attention by letting the respondents consider the following statement: "The ad would stand out in a group of ads". The bipolar answer alternatives ranged from "Disagree" to "Agree" (Smith et al., 2008).

Interest. Interest is also one aspect of the first step "Awareness" in the HOE. To measure interest respondents replied to "I found the ad to be interesting" by choosing an alternative on the bipolar scale "Disagree" vs. "Agree" (Smith et al., 2008).

Depth of processing. This is an aspect of the second step "Learning" in the HOE. To capture depth of processing, the respondents ranked the statement "I was able to imagine using the advertised product" on a bipolar scale from "Disagree" to "Agree" (Smith et al., 2008).

Memorability. This is also one aspect of the "Learning" step in the HOE. To find out how memorable the ad was, the respondents graded "The ad message was easy to learn and remember" on a bipolar scale from "Disagree" to "Agree" (Smith et al., 2008).

Curiosity. Curiosity is an aspect of the third step "Acceptance" in the HOE. To better fit within the flow of the survey, the statement "I would like more information about the product" was instead formulated as a question: "Are you interested in more information about Isklar/Airwaves?". The respondents answered via bipolar labels "Definitely not" vs. "Definitely" (Smith et al., 2008).

Perceived effort. This measure derives from signal theory. We used the question from Dahlén et al. (2008), combined with the recommendation from Kirmani et al. (1990) to add a

comparing element to other market actors in the question. This led to the question “Compared with other advertisements for water/chewing gum, how much time do you think has been devoted to the development of the advertisement?”. The respondents answered via bipolar labels “Very little time” vs. “Very much time”.

Perceived ad cost. This measure also derives from signal theory. As for perceived effort, we formulated this question based on Dahlén et al. (2008) and Kirmani et al. (1990). This led to the question “Compared to other advertisements of water, how much do you think the development of this advertisement cost?”. The scale was bipolar with the alternatives “Very little” vs. “Very much”.

Price worthiness. Price worthiness was measured through the question “Do you think it is a price worthy offer?”. The respondents answered on the bipolar scale “Definitely not” to “Definitely”.

Perceived price level. In order to control that consumers’ perception of the price levels matched that of both pre-studies, we once again asked “What do you think about the price on Isklar/Airwaves?”. The respondents answered through bipolar labels “Very cheap” vs. “Very expensive”.

Perceived creativity level. To make sure the ads still are perceived as significantly different in terms of creativity, we let the respondents rank the measures creativity, originality, relevance, humor and craftsmanship on the bipolar scale, e.g. “Not at all creative” vs. “Very creative”.

3.5 Main study

To be able to generalize the results, the sample must be representative of the population (Bryman and Bell, 2011, p.185). To get a sample as random and representative as possible, we decided to collect the answers at Stockholm’s commuter trains. We thereby targeted respondents of varying ages, gender and backgrounds. Also, since printed advertising is commonly present in this type of environment, we found commuter trains to be particularly suited for our study. To eliminate as much demographic bias as possible we collected answers on all commuter train lines (train towards Märsta, Bålsta, Nynäshamn and Södertälje). It is also important that the groups of respondents exposed to different ads do not differ from each other in ways not accounted for within the frame of the experiment (Söderlund, 2010, p. 49). The surveys were therefore mixed both in terms of product,

creativity and price before handing them out, as to gain a random distribution (Söderlund, 2010, p.51).

The answers were collected during 24-26 and 29th of October. A convenience sample method was used (Malhotra, 2010, p.377) where we went through the carriages and asked the travelers that seemed to be old enough to handle their own money. Otherwise they wouldn't have a reference price and would have been excluded later anyway. We tried to make sure they would have enough time to answer the whole survey before they getting off the train, as to not get semi-finished surveys we had to exclude later. Since the answers were collected both before and after payday (25th), we eliminated potential differences in price sensitivity that respondents might have perceived due to closeness of the payday.

The main study included 12 different versions of the questionnaire. For each of the two chosen products there were two ads with varying creativity degree, and for each of those there were three price levels ($2 \times 2 \times 3 = 12$). It is a statistical rule of thumb to have at least 30 respondents in each group. We therefore printed 35 versions of each survey, thus accounting for some of the responses to be eliminated for quality reasons. For the 12 groups, this sums up to 420 surveys. Each respondent was exposed to one of the ads and then answered all questions based on the ad.

After collecting the 420 answers we manually filled them in to the statistical computer program SPSS. Since we did the transfer of data manually, we could at the same time make a quality check of the answers. We excluded the surveys that were just partly filled in, or those which barely had any variation in the answers. We also chose to exclude those who had made a comment that they "hated the product category and would never buy it", since they didn't even consider the ad but just answered 1 on almost everything. Due to the importance of reference price in our study, we also decided to exclude those who answered "never" on our category usage question "How often do you buy carbonated water/chewing gum?". After this quality check we had 299 valid answers unevenly spread through our groups. We therefore had to complement the study with 61 more answers, to get at least 30 in each of our 12 groups. We collected 105 more answers, thus allowing for some surveys to be eliminated due to quality reasons and still meet the required 30 answers per respondent group.

Having collected 525 answers in total, 388 were judged to be of satisfying quality and the requirement of 30 valid answers for each group of respondents was met. As mentioned earlier

in chapter 3.3.1, the products would be analyzed together. This means that there would be at least 60 answers for each combination of ad creativity and product price level.

	Low creativity			High creativity		
	Carbonated water	Chewing gum	Total	Carbonated water	Chewing gum	Total
High price	32	30	62	32	36	68
Normal price	33	32	65	32	36	68
Low price	30	35	65	30	30	60

Table 7. Number of respondents in each group. The products will be analyzed together as a whole.

The respondents were between 13-74 years old and were on average 33 years old. 67 percent were women and 33 percent were men. This was not an intentional preference but women were more prone to respond, which had some effects on the sample. An Independent samples t-test shows that there is no significant difference on our chosen measures between men and women on a 5%-level, why we argue that the gender distribution does not negatively affect the result of this study.

To make sure we had collected reliable stimuli, we controlled whether price perception and perceived creativity were consistent with the values defined in our pre-studies. Looking at the results of price perception, we see that the normal and high product price land on the desired level (close to a mean of 4 and 6). For the low price, though, price perception is a bit higher than expected (3.43 instead of around 2). However, there is still a significant difference between low price (mean 3.43) and normal price (mean 3.71) ($p=0.017$) and looking at price worthiness, we can see that there are significant differences between all price levels (mean low price 4.77, normal price 3.79, high price 2.68; $p=0.000$). This means that, even though the low price is not perceived to be as cheap as it was in the pre-studies, there is still a large difference in perceived price worthiness that enhances the function of the price planned for this study.

	N	Low price			Normal price			High price		
	PS1 / PS2 / MS	PS1	PS2	MS	PS1	PS2	MS	PS1	PS2	MS
Total	31 / 67 / 388	2.03	2.44	3.43	4.26	4.52*	3.95	6.11	6.30*	5.54
Carbonated water	31 / 67 / 189	1.97	2.49	3.71	4.32	4.74*	4.11	6.00	6.44*	5.98
Chewing gum	31 / 67 / 199	2.10	2.39	3.17	4.19	4.31*	3.81	6.23	6.15	5.11

Table 8. Price level check in both of the pre-studies as well as in the main study.

Explanations: PS1=Pre-study 1, PS2=Pre-study 2, MS=Main study. *=The prices were adjusted after this finding, see Table 6.

We also tested for consumers' perception of creativity, both in pre-study 2 and in the main study. The aim of these tests was to control that the two versions of the ad were perceived as significantly different in terms of creativity. Both times the test was performed, creativity level was perceived to be significantly higher for the ad we had classified as the more creative.

	Pre-study 2				Main study			
	Mean LC	Mean HC	Diff	Sig	Mean LC	Mean HC	Diff	Sig
Creativity	1.91	4.26	2.35	0.00	2.73	3.88	1.15	0.00
Originality	1.82	4.12	2.30	0.00	2.82	3.92	1.10	0.00
Relevance	3.61	4.94	1.32	0.00	3.79	4.46	0.67	0.00
Humor	1.59	3.00	1.41	0.00	2.29	3.34	1.05	0.00
Craftmanship	2.81	4.68	1.87	0.00	3.17	4.08	0.91	0.00

Table 9. Creativity check in pre-study 2 and main study, to see that the creativity is perceived significantly different for the less-creative and the creative ad.

Explanations: LC = Low creativity, HC = High creativity

3.6 Reliability and validity

3.6.1 Reliability

Reliability refers to the extent to which a scale produces consistent results, if the same measurement is conducted repeated times (Malhotra, 2010, p. 318). The more random errors the measures include, the lower the reliability. To increase the reliability of our study, we examined a lot of measures from previous research to find already established questions to use. We found several alternative formulations for the relevant measures, and we chose the ones that suited the purpose of our study best and which were easiest to understand for the respondents. Since we performed the experiment with a Swedish speaking sample we tried to find existing Swedish versions, and in the cases we couldn't find one we carefully translated the questions from English. Furthermore, to gain internal consistency we also used a multi-item scale for ad attitude by measuring Cronbach's alpha. To be accepted it should exceed 0.7 (Söderlund, 2005, p.145), which it did in our case (Cronbach's alpha = 0.933), indicating high internal consistency.

To increase reliability, we wanted to test if the results of perceived creativity and perceived price level were consistent between our studies. To do this, we measured the perceived price level three separate times (i.e. in two pre-tests and in the main study), and the perceived creativity two times (i.e. in one pre-test and in the main study). It is important for the results

of our study that we would obtain prices that were perceived as equally cheap/expensive and that the creativity levels were perceived as significantly different. Looking at the results from these repeated tests, we believe the reliability of our study to be high.

3.6.2 Validity

Validity indicates whether the study measures what it is actually intended to measure, i.e. the extent to which a measure is free from random and systematic measurement errors (Söderlund, 2005, p.149). Internal validity refers to whether the examined effects on consumers' responses are caused by the independent variables (creativity and price), rather than by other external factors. To decrease the risk of external factors affecting our results, we created a short questionnaire to lower the risk of interruptions. By using brands unknown to the Swedish market, we also tried to capture the true effects of creativity and not the respondents' already existing preferences about the brands. All the respondents were also asked in the same environment, which could decrease the risk of different treatments among respondents. Eliminating responses that did not hold up to certain quality requirements, where respondents never purchased products within the category or had an overall negative attitude towards the product category as a whole, further adds to the internal validity of our study.

External validity represents the extent to which the results of the study can be generalized to other situations and to other people. Generalizability across different situations refers to the degree to which the artificial experiment setting can be generalized to real-life settings. The fact that we conducted our study in Stockholm's commuter trains, using print ads to test for different creativity levels, aided the external validity of our study. This is because consumers are often exposed to print ads in commuter trains and the chosen experiment design closely resembled a real-life environment. Though, the differences between different media can be large and we do not know how the results will vary if including e.g. moving pictures. Therefore, the results of this study are probably not generalizable to other media than printed advertisements. Also, testing for two very different product categories, further improves the generalizability of the study to the chosen FMCG category. Though, the findings are specific for the FMCG market and cannot be generalized to other markets without further research. Furthermore, the study is performed in Sweden. Since Sweden is characterized by a vibrant advertising environment where most major global consumer goods are represented, we argue that Sweden is a representative market and that the results therefore might be generalizable to other geographical markets possessing similar conditions. Generalizability across people

refers to the degree to which generalizations can be made from the people who participated in the experiment to people in general. In this sense, we improved our external validity by choosing a large and representative sample.

3.7 Instruments and Methods of Analysis

After collecting the answers, we manually put them into the statistical computer program SPSS. At the same time, we performed the above mentioned quality check (see section 3.5 Main study) to ensure we had the requested level of the responses and excluded the bad answers from the analysis.

For the attitude metric, we performed the reliability test Cronbach's alpha to test whether we could create an index of the three questions. Cronbach's alpha was accepted on our metric and an index was thereby created.

To find the mean values and get an overview over the results, we ran descriptive tests as well as frequency tests. To test for significant mean differences, we used Independent samples t-test (when comparing the two creativity levels) and One Way ANOVA (when comparing the three different price levels). Also, in the pre-studies, when the same respondent answered several questions about prices, we used Paired samples t-test to compare the means of different questions. A significance level of 10 % was chosen for this study, which is an implicit agreement within the academia (Söderlund, 2010, p.184).

Besides the hypotheses testing, we will also perform certain additional analyses on the explaining variables presented in section 3.4. Beyond the tests mentioned above, we will also use mediation analysis as a tool to determine whether the effects that creativity and price have on ad attitude, brand WOM intention and purchase intention are explained by a third variable. The test is performed according to the well-established guidelines of Baron and Kenny (1986).

4 Results and Analysis

In this chapter, the results from the statistical testing of the hypotheses are presented. We will also alternate the hypotheses testing with additional analysis, which is performed on the explaining variables and has the aim to create a deeper understanding of the results. The chapter starts with a review of the results regarding the effects of creativity and continues with the results concerning price levels. The chapter ends with the determination of which combination of creativity and price that generated the best consumer evaluations and intentions.

4.1 Hypotheses testing

The results will be presented following the structure presented in the theory section; first we will go through the results related to the effects of creativity on consumer responses to advertising (H1 and H2), then we will understand how product price affects communication effectiveness (H3 and H4) and lastly we will identify the best combination of creativity and product price in advertising (H5). We will also perform certain additional analyses following the hypotheses. These additional analyses will provide some relevant insights and deepen our understanding for the results of the study. These results will be further elaborated in the discussion section.

4.1.1 Effects of creativity

Hypothesis 1 states that creativity in advertising increases ad attitude, brand WOM intention and purchase intention. All price levels are assembled and analyzed as one group in this analysis to only test for the effect of creativity. For attitude, the mean difference between the ad with low creativity (mean=3.95) and the one with high creativity (mean=4.48) reached a level of 0.53. This difference made the result significant on a 1% significance level ($p=0.003$).

H1a) Higher advertising creativity increases ad attitude

ACCEPTED

Brand word-of-mouth intention has a mean difference between low creativity (mean=2.84) and high creativity (mean=3.13) of 0.28. The difference is significant on a 10%-level indicating that creativity increases the willingness to recommend the brand ($p=0.080$).

H1b) Higher advertising creativity increases brand WOM intention

ACCEPTED

For purchase intention, the difference between the mean for low creativity (mean=3.53) and the mean for high creativity (mean=3.68) is only 0.15. Even though the result is pointing in the direction suggested by the hypothesis, this relatively small difference leads to a significance level that cannot be accepted at a 10%-level ($p=0.401$).

H1c) Higher advertising creativity increases purchase intention

REJECTED

The results show that consumers' attitude towards an ad, as well as their willingness to recommend the brand, increase when the ad is creative. This is in line with previous research on creativity. What differs from earlier studies, however, is that a creative ad does not significantly increase consumers' intention to purchase the brand. This will be further investigated in H2, by looking into the effect of creativity for different product price levels.

	Low creativity	High creativity	Diff	Sig	
	Mean	Mean			
Ad Attitude	3.95	4.48	0.53	0.003	ACCEPTED
Brand WOM Intention	2.85	3.13	0.28	0.080	ACCEPTED
Purchase Intention	3.53	3.68	0.15	0.401	REJECTED

Table 10. Results – H1 Effects of creativity.

Additional analysis

We complement the results above by taking a closer look at the signaling effects of creativity. According to signaling theory, a more creative communication is associated with higher perceived effort and perceived ad cost (Dahlén et al., 2008). We find support for this relation, having both those variables being significantly higher for the more creative ads on a 1%-level.

Signals	Low creativity	High creativity	Diff	Sig
	Mean	Mean		
Perceived effort	2.56	3.99	1.43	0.000
Perceived ad cost	2.50	3.37	0.87	0.000

Table 11. Results additional analysis – Perceived effort and perceived ad cost

To truly understand the signaling role of advertising creativity, we need to define whether a relation exist between its signals (i.e. effort and ad cost) and the chosen advertising effectiveness metrics. We therefore performed a mediation analysis following the guidelines of Baron and Kenny (1986). A mediation analysis tries to explain the relationship between an independent variable, in this case advertising creativity level, and a dependent variable; ad attitude, brand WOM intention and purchase intention, by including a third and/or a fourth variable. This will help us clarify whether advertising creativity affects consumer responses (ad attitude, brand WOM intention and purchase intention) through the mediating effect of perceived effort and ad cost, as found by Dahlén et al. (2008).

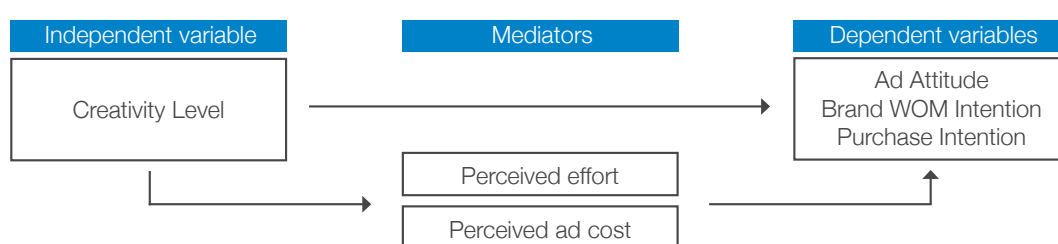


Figure 9. Mediation analysis of the relation between creativity level and ad attitude, brand WOM intention and purchase intention.

If creative advertising enhances ad attitude, brand WOM intention and purchase intention through signals of effort and ad cost, then 1) advertising creativity should have direct effects on ad attitude, brand WOM intention and purchase intention as the single independent variable in regressions, 2) perceived effort and perceived ad cost should have direct effects on ad attitude, brand WOM intention and purchase intention when added as independent variables in the same regression and 3) the effect of advertising creativity should decrease significantly as a result of this.

Independent variable	Dependent variable	B	Sig	t-Value	Durbin-Watson
Creativity level	Ad attitude	0.531	0.003	3.033	1.857
Perceived effort	Ad attitude	0.407	0.000	8.562	1.873
Perceived ad cost	Ad attitude	0.467	0.000	8.281	1.829
Creativity level	Ad attitude	0.168	0.302	1.034	1.875
Perceived effort	Ad attitude	0.250	0.000	3.901	
Perceived ad cost	Ad attitude	0.252	0.001	3.361	
Creativity level	Brand WOM Intention	0.284	0.080	1.756	1.952
Perceived effort	Brand WOM Intention	0.210	0.000	4.541	1.970
Perceived ad cost	Brand WOM Intention	0.316	0.000	5.842	1.987
Creativity level	Brand WOM Intention	0.093	0.564	0.578	2.007
Perceived effort	Brand WOM Intention	0.054	0.400	0.843	
Perceived ad cost	Brand WOM Intention	0.257	0.001	3.442	
Creativity level	Purchase Intention	0.152	0.401	0.840	1.898

Table 12. Results mediation analysis.

As Table 12 shows, these conditions hold for ad attitude and brand WOM intention, but not for purchase intention. For ad attitude and brand WOM intentions, advertising creativity is a significant single independent variable in both regressions. When perceived effort and perceived ad cost are included in the regressions, the effects of advertising creativity decrease substantially so that it does not significantly influence either ad attitude or brand WOM intention anymore. As shown in Table 12, these results reveal that perceived effort and perceived ad cost are mediators of creativity for ad attitude. This shows the importance of creativity as a signal tool of positive elements. Furthermore, the results show that for brand WOM intention it is only perceived ad cost that is mediating the effect of creativity while perceived effort turns insignificant when included together with advertising creativity in the regression.

Creativity level does not seem to significantly affect purchase intention. However, when looking into different product price levels, creativity level seems to actually have a significant effect on purchase intention for a low product price.

	Independent variable	Dependent variable	B	Sig	t-Value	Durbin-Watson
Low price	Creativity level	Purchase Intention	0.560	0.076	1.787	2.086
High price	Creativity level	Purchase Intention	0.063	0.836	0.208	2.021

Table 13. Results of the regression creativity level vs. purchase intention, divided on low and high price.

4.1.2 Effects of creativity on different price levels

Hypothesis 2 tests whether creativity theory holds regardless of product price. Investigating the effects of creativity on ad attitude, brand WOM intention and purchase intention for different price levels, we aim at better understanding whether price influences the effects of creativity, or if creative advertising is always better for all price levels.

Low price

For a low price, ad attitude increases when the ad goes from a low level of creativity (mean=4.11) to a high (mean=4.99). The result leads to a mean difference of 0.87, which is significant on the 1%-level ($p=0.004$).

H2.1a) At a low product price, creativity increases ad attitude

ACCEPTED

Creativity does not have as strong effect on brand word-of-mouth intention for low product price. The mean difference increases with 0.40 when it goes from low creativity (mean=3.23) to high creativity (mean=3.63). This indicates that the results follow the direction of previous creativity research, but not enough to be accepted at a 10% significance level ($p=0.172$).

H2.1b) At a low product price, creativity increases brand WOM intention

REJECTED

Furthermore, we hypothesized that purchase intention would increase for the creative ad. Since this hypothesis was rejected in H1 when all price levels were used, it was interesting to see whether the results would differ between the price levels. Purchase intention for low product price has a mean difference between low creativity (mean=3.72) and high creativity (mean=4.28) of 0.56. This result increases for the creative ad and makes the difference significant on a 10%-level ($p=0.076$).

H2.1c) At a low product price, creativity increases purchase intention

ACCEPTED

High price

For a high price, we hypothesized that creativity would have a positive effect on ad attitude, brand WOM intention and purchase intention. The mean difference of ad attitude for high price between low creativity (mean=3.47) and high creativity (mean=4.27) is 0.80. This makes the result significant on a 2%-level ($p=0.011$).

H2.2 a) At a high product price, creativity increases ad attitude

ACCEPTED

Continuing with brand WOM intention, we see the same phenomena as for low price. The mean increases from 2.44 for low creativity to 2.85 for high creativity, creating a mean difference of 0.41. This indicates that creative advertising has a better impact on brand WOM intentions, but the result is not significant at a 10%-level ($p=0.138$).

H2.2 b) At a high product price, creativity increases brand WOM intention

REJECTED

The result for purchase intention at the high price shows a different result than at the low price, with just a slight increase from low creativity (mean=3.29) to high creativity (mean=3.35). The mean difference is only 0.06 which creates a significance level that is not accepted at the 10%-level ($p=0.836$).

H2.2 c) At a high product price, creativity increases purchase intention

REJECTED

For ad attitude, the creativity theory holds for both high and low price levels; a creative ad impacts ad attitude positively. Concerning brand WOM intention, the mean difference is not significant either for high or for low price. However, the results point toward a positive impact of creativity. Since the mean differences are about the same (0.41 for high price, 0.40 for low price) for both the price levels and there is a significant difference when hypothesizing about them together (see H1b)), we find it reasonable to argue that brand WOM is positively affected by a higher creativity level regardless of price level.

When it comes to purchase intention, we can observe a clear difference for the effects of ad creativity between high and low product price levels. When the price of the advertised product is low, creativity significantly increases the purchase intention. When the product price is high, on the other hand, the mean difference is only 0.06 in favor of the creative ad ($p=0.836$). This indicates that the price of the advertised product strongly influences the effect of ad creativity on consumers' intention to purchase.

	Low creativity	High creativity			
Ad Attitude	Mean	Mean	Diff	Sig	
Low price	4.11	4.99	0.88	0.004	ACCEPTED
High price	3.47	4.27	0.80	0.011	ACCEPTED
Brand WOM Intention					
Low price	3.23	3.63	0.40	0.172	REJECTED
High price	2.44	2.85	0.41	0.381	REJECTED
Purchase Intention					
Low price	3.72	4.28	0.56	0.076	ACCEPTED
High price	3.29	3.35	0.06	0.836	REJECTED

Table 14. Results – H2.1 and H2.2. Effects of creativity on a low and high price level.

Additional analysis

An analysis of additional variables shows a significant increase in perceived effort and perceived ad costs for both high and low price. This suggests that consumers do apprehend the signals sent by creativity (Dahlén et al., 2008), indicating that creativity has nothing to do with the advertisement's failure to stimulate purchase intention for high price. Instead, we take a closer look at price. A creative ad significantly increases price worthiness at a high price level, while price worthiness does not increase significantly for low price. However, the absolute values for price worthiness are much higher at a low price. Since advertising creativity has been found to directly affect purchase intention for low price, but not for high price, we assume that price worthiness has to reach a certain level, in absolute terms, for purchase intention to be affected by creativity.

	Low creativity	High creativity		
Perceived effort	Mean	Mean	Diff	Sig
Low price	2.86	3.88	1.02	0.000
High price	2.56	3.99	1.43	0.000
Perceived ad cost				
Low price	2.86	3.82	0.96	0.000
High price	2.50	3.37	0.87	0.000
Price worthiness				
Low price	4.64	4.92	0.28	0.324
High price	2.44	2.91	0.47	0.050

Table 15. Results additional analysis – Perceived effort, perceived ad cost and price worthiness divided on low and high price.

It is also interesting to see whether ad creativity affects consumers' perceived price level. Better understanding these dynamics might help managers design their communication, without hampering consumers' perception of their brand's pricing position. We show that creativity does not have any effect on consumers' price perceptions, neither for high and low product price.

Perceived price	Low creativity	High creativity		
	Mean	Mean	Diff	Sig
Low price	3.42	3.44	0.02	0.932
High price	5.39	5.67	0.28	0.260

Table 16. Results additional analysis – The perceived price level does not change with level of creativity.

Normal price

Since previous creativity research has not accounted for price, we were expecting our sample of ads with a normal product price to follow existing creativity research the most. Our reasoning was that if price equaled consumers' reference price, it would not have been taken into consideration and respondents would have devoted all their attention to the creativity element of the ad. However, the results for normal price challenge this view.

Ad attitude decreases when moving from low creativity (mean=4.28) to high creativity (mean=4.22). The mean difference is -0.06, which makes the result insignificant (p=0.812). The effect of creativity is thereby non-existing for a normal price.

H2.3 a) At a normal product price, creativity increases ad attitude

REJECTED

As for brand WOM-intentions, high creativity (mean=2.97) has a higher mean than low creativity (mean=2.85). The difference is 0.12 which is not enough to create a significant result ($p=0.631$). Thus creativity does not significantly impact brand WOM intention either.

H2.3 b) At a normal product price, creativity increases brand WOM intention

REJECTED

The results for purchase intention for normal price follow the same path as ad attitude; it decreases marginally from low creativity (mean=3.57) to high creativity (mean=3.49). The mean difference of -0.09 is not enough to conclude a significant difference ($p=0.786$), but the unexpected result is still interesting to analyze further.

H2.3 c) At a normal product price, creativity increases purchase intention

REJECTED

The results show something that has not been captured by previous creativity research. Though insignificant, the results of both ad attitude and purchase intention are moving in the opposite direction as expected – creativity shows negative implications. However, the mean difference is very small and insignificant, why it is appropriate to view the results as if the positive effect of creativity has been eliminated by the existence of a price similar to the consumers' reference price in the advertisement.

One explanation to this phenomenon is found within the psychology literature among the effect of irrelevant stimuli. According to Goldstein and Allen (1971), irrelevant stimuli sabotage the receiver's ability to organize complex information. In their study they found that irrelevant stimuli increased response time and errors, also suggesting that including irrelevant cues in advertising would probably hinder message processing. This is further supported by MacInnis et al. (1991) who state that information that is perceived as non-relevant elicits less

voluntary attention and is processed less extensively than information that is self-relevant. Simonson et al. (1993) found a generally negative effect of trivial attributes on choice. This is because trivial attributes sometimes indicate that the product is inferior on other dimensions (Brown and Carpenter, 2000). Since the normal price equals the consumers' reference price, it could be valued as an irrelevant fact since it does not provide any new information. In both previous cases (high and low price), price is perceived as saying something new about the offer, providing unknown information that is somehow relevant to the consumers. The insipid product claim of the normal price in our study, on the other hand, signals that the company does not have anything better to say about the product. A neutral price, in line with consumers' reference price, could thereby be perceived as irrelevant and increase the response errors.

	Low creativity	High creativity			
Normal price	Mean	Mean	Diff	Sig	
Ad Attitude	4.28	4.22	-0.06	0.812	REJECTED
Brand WOM Intention	2.85	2.97	0.12	0.631	REJECTED
Purchase Intention	3.57	3.48	-0.09	0.786	REJECTED

Table 17. Results – H2.3 Effects of creativity on a normal price level

Additional analysis

We have measured all steps of the HOE in order to be able to identify and comment on interesting deviations. We will take a closer look at these earlier steps of the HOE, in order to determine whether the explanations for normal price as of an irrelevant signal hold true. Our empirical findings show that a creative ad with a normal price has a positive effect on awareness, the first step of HOE. This is in line with current theory about advertising creativity. According to Goldstein and Allen (1971), however, the positive effects of creativity shall be overpowered by the negative effects of irrelevant stimuli during the processing of the message, which is performed in the second step of the HOE, learning (Smith et al., 2008). Our empirical findings confirm this and we observe that a creative ad with a normal price has no effect on learning. This shows that message processing, which creativity normally enhances, is destroyed by the irrelevant information implicit of a normal price. Such negative effects are observed on all following steps of the HOE. It appears, then, that the positive effects of creativity are halted at the processing stage. The fact that these negative

effects are not present on any other price level, confirms that it is the normal price which is ruining the effects of creativity through the HOE.

HOE	Low creativity	High creativity		
Awareness	Mean	Mean	Diff	Sig
Attention	2.81	3.75	0.94	0.001
Interest	2.61	3.29	0.68	0.008
Learning				
Depth of processing	3.74	3.74	0.00	0.991
Memorability	4.86	4.74	-0.12	0.663
Acceptance				
Curiosity	2.97	2.72	-0.25	0.382
Liking				
Ad Attitude	4.28	4.22	-0.06	0.812
Intentions				
Brand WOM Intention	2.85	2.97	0.12	0.631
Purchase Intention	3.57	3.48	-0.09	0.786

Table 18. Results additional analysis – All stages of the HOE for the normal price

4.1.3 Effects of reference price

Hypothesis 3 states that a low price will increase consumers' ad attitude, brand WOM intention and purchase intention. Rather than taking different creativity levels into account, we first focus solely on the effects of product price.

The mean difference for ad attitude between high price (mean=3.90) and low price (mean=4.55) is 0.65. This result leads to a difference which is significant on the 2%-level ($p=0.01$) and shows that a lower price leads to a more favorable ad attitude.

H3a) A low price in the advertisement increases ad attitude

ACCEPTED

The low price leads to a higher brand WOM intention (mean=3.42) compared to the high price (mean=2.66). This is a mean difference of 0.77, which is significant on a 1%-level ($p=0.001$). Thereby it is more likely that consumers recommend the brand if it has a price below their reference price.

H3b) A low price in the advertisement increases brand WOM intention

ACCEPTED

When it comes to purchase intention, the hypothesis state that a lower price should lead to a higher purchase intention. The results show that the mean increases when you go from a high price (mean=3.32) to a low price (mean=3.99) and gives us a mean difference of 0.67. This result supports the hypothesis on a 2%-level ($p=0.011$).

H3c) A low price in the advertisement increases purchase intention

ACCEPTED

As hypothesized, the reference price theory overpowers price as a signal of quality and a low price thereby gives a significantly increased ad attitude, brand WOM intention and purchase intention. It is also interesting to note that in contrast to high creativity, a low price significantly increases purchase intention.

	High price	Low price			
	Mean	Mean	Diff	Sig	
Ad Attitude	3.90	4.55	0.65	0.010	ACCEPTED
Brand WOM Intention	2.66	3.42	0.77	0.001	ACCEPTED
Purchase Intention	3.32	3.99	0.67	0.011	ACCEPTED

Table 19. Results – H3 Effects of a low price.

Additional analysis

The same way as we wanted to understand the dynamics of how ad creativity affects ad attitude, brand WOM intention and purchase intention, we want to define how product price affects these measures. Price worthiness is a measure closely connected to price, which can be compared to the concept of transaction utility introduced by the reference price construct – a price beneath the consumer's reference price leads to a higher transaction utility, just as it leads to a higher price worthiness.

To understand whether it is the actual price level or the perceived price worthiness of the offer that has an effect on ad attitude, brand WOM intention and purchase intention, we performed a mediation analysis.

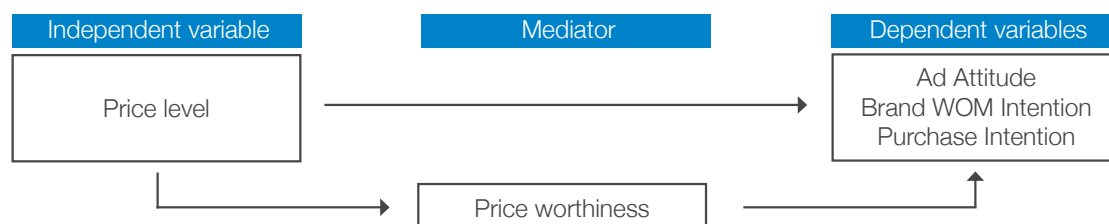


Figure 10. Mediation analysis of the relation between price and ad attitude, brand WOM intention and purchase intention.

If a low price level of an advertised product enhances ad attitude, brand WOM intention and purchase intention through price worthiness, then 1) price level should have direct effects on ad attitude, brand WOM intention and purchase intention as the single independent variable in regressions, 2) price worthiness should have direct effects on ad attitude, brand WOM intention and purchase intention when added as independent variable in the same regression and 3) the effect of price level should decrease significantly as a result of this.

Independent variable	Dependent variable	B	Sig	t-Value	Durbin-Watson
Price level	Ad attitude	-0.325	0.002	-3.057	1.849
Price worthiness	Ad attitude	0.318	0.000	5.769	1.730
Price level	Ad attitude	0.001	0.990	0.012	1.730
Price worthiness	Ad attitude	0.285	0.000	4.830	
Price level	Brand WOM Intention	-0.382	0.000	-3.878	2.028
Price worthiness	Brand WOM Intention	0.454	0.000	10.919	1.979
Price level	Brand WOM Intention	0.141	0.166	1.388	1.916
Price worthiness	Brand WOM Intention	0.488	0.000	10.154	
Price level	Purchase Intention	-0.334	0.003	-3.029	1.964
Price worthiness	Purchase Intention	0.465	0.000	9.837	1.854
Price level	Purchase Intention	0.214	0.063	1.867	1.859
Price worthiness	Purchase Intention	0.516	0.000	9.495	

Table 20. Results mediation analysis.

As Table 20 shows, these conditions hold in all three regressions. Price level of the advertised product is a significant single independent variable in all three regressions, and so is price worthiness when included as an independent variable in the same regressions. Also, when price worthiness is included in the regressions of ad attitude and brand WOM intention, the effects of the price level decrease substantially so that it does not significantly influence the dependent variable. Price worthiness thus fully mediates the relation between price level and ad attitude and WOM intention. As for purchase intention, price level is only partly mediated

through price worthiness since price level still has a significant impact on purchase intention also when price worthiness is included in the regression.

It is also evident from the results that price level has a greater effect on brand WOM intention and purchase intention than on ad attitude. This is in contrast to the correlations found for creativity, which was found to have stronger effect on ad attitude than on intention measures. We conclude that these findings complement the mediation analysis performed on creativity (H1), and confirms that ad attitude is more strongly affected by creativity while brand WOM intention and purchase intention are stronger influenced by price level.

4.1.4 Effects of price on different creativity levels

Hypothesis 4 concerns what happens with the effect of a low price on different creativity levels. As explained in the theory chapter (see section 2.3.5) we have focused on the differences between low and high price.

Low creativity

In accordance with reference price theory, ad attitude is expected to increase when the price lowers. The mean difference for ad attitude between high price (mean=3.47) and low price (mean=4.11) is 0.64 which makes the result significant on the 10%-level ($p=0.072$).

H4.1 a) At a low creativity level, a low price in the advertisement increases ad attitude

ACCEPTED

When it comes to brand WOM intention, the mean increases when moving from high price (mean=2.44) to low price (mean=3.23). The mean difference of 0.79 is significant at a 2%-level ($p=0.015$).

H4.1 b) At a low creativity level, a low price in the advertisement increases brand WOM intention

ACCEPTED

Even though the mean of the purchase intention increase with 0.43 when moving from a high price (mean=3.29) to a low price (mean=3.72), the difference is insignificant at a 10%-level ($p=0.389$). This indicates that at a low creativity level, lowering the price is not enough to stimulate purchase.

H4.1 c) At a low creativity level, a low price in the advertisement increases purchase intention **REJECTED**

High creativity

On a high creativity level, a low price is hypothesized to overpower signal theory once again and increase ad attitude, brand WOM intention as well as purchase intention. Starting with ad attitude, the results create a mean difference of 0.71 when moving from a high price (mean=4.27) to a low price (mean=4.99). This difference is supported on a 10% significance level ($p=0.074$).

H4.2 a) At a high creativity level, a low price in the advertisement increases ad attitude **ACCEPTED**

Brand WOM intention is also expected to increase as the price lowers. This is confirmed as the mean difference between high price (mean=2.85) and high price (mean=3.63) is 0.78, and thereby significant at the 5%-level ($p=0.026$).

H4.2 b) At a high creativity level, a low price in the advertisement increases brand WOM intention **ACCEPTED**

For the creative advertisement, purchase intention increases very much when the price is lowered. This is particularly interesting since a low price did not affect purchase intention significantly in the ad with low creativity. The mean for high price (mean=3.35) is much

lower than the mean for low price (mean=4.28) and gives a mean difference of 0.93. This results means that a low price generates a significantly higher purchase intention for the ad with high creativity at a 5%-level ($p=0.012$).

H4.2 c) At a high creativity level, a low price in the advertisement increases purchase intention ACCEPTED

The results show that for ad attitude and brand WOM intention, the low price has a significantly positive impact on both the low and the high creativity level. Considering purchase intention, we found a difference in the effects between the creativity levels. While a low price created a large increase in purchase intention for the ad with high creativity, it did not create a significant difference for the ad with low creativity.

We have already discussed that, at times, price can work as a signal of product quality. A low price would then be indicating low quality. Similarly, high creativity can be a signal of product quality. We argue that, in the absence of a creative ad execution, consumers might place greater value on price as a quality signal. When advertising creativity is low, then, the positive effects of a low price on purchase intention could be weakened by the opposite forces of high price as a quality signal. This might explain why low price aids significantly better outcomes on purchase intention only when ad creativity is high. This explanation will be further investigated in the discussion.

	High price	Low price			
Ad Attitude	Mean	Mean	Diff	Sig	
Low creativity	3.47	4.11	0.64	0.072	ACCEPTED
High creativity	4.27	4.99	0.72	0.074	ACCEPTED
Brand WOM Intention					
Low creativity	2.44	3.23	0.79	0.015	ACCEPTED
High creativity	2.85	3.63	0.78	0.026	ACCEPTED
Purchase Intention					
Low creativity	3.29	3.72	0.43	0.389	REJECTED
High creativity	3.35	4.28	0.93	0.012	ACCEPTED

Table 21. Results – H4.1 and H4.2, effects of a low price on different creativity levels

4.1.5 Best combination of price and creativity

Taking our findings altogether, it appears that the best effects on consumer responses are achieved when the ad is both creative and displays a low product price. This combination scores the highest on ad attitude, brand WOM intention and purchase intention.

This finding is in line with our results for H2, indicating that a creative ad significantly improves consumer responses at a low price level. It is also in line with what was demonstrated for H4, namely that a low price also performs significantly better given high ad creativity. The fact that these relations in H2 and H4 are significant at least at a 10% level, implies that the combination of low price and high creativity is also significant at a 10% level. There is, however, one exception: the effect of creativity given a low product price on brand WOM intention (H2.1 b)) was not significant at a satisfactory level ($p=0.172$). This means that, for WOM intention, even if the combination of high creativity and low price is better than any other combination, we cannot claim that it is significantly better. Considering ad attitude, brand WOM intention and purchase intention altogether, we can therefore only partially accept the hypothesis.

H5 The combination of high creativity and low price generates the highest consumer evaluations and intentions **PARTLY ACCEPTED**

Ad attitude	Low creativity	High creativity			
	Mean	Mean	Diff (H-L)	Sig	
High price	3.47	4.27	0.80	0.011	
Normal price	4.28	4.22	-0.06	0.812	
Low price	4.11	4.99	0.88	0.004	ACCEPTED
Diff (L-H)	0.64	0.72			
Sig	0.072	0.074			
					ACCEPTED

Brand WOM Intention	Low creativity	High creativity			
	Mean	Mean	Diff (H-L)	Sig	
High price	2.44	2.85	0.41	0.138	
Normal price	2.84	2.97	0.12	0.631	
Low price	3.23	3.63	0.40	0.172	REJECTED
Diff (L-H)	0.79	0.78			
Sig	0.015	0.026			
					ACCEPTED

Purchase Intention	Low creativity	High creativity			
	Mean	Mean	Diff (H-L)	Sig	
High price	3.29	3.35	0.06	0.836	
Normal price	3.57	3.48	0.09	0.786	
Low price	3.72	4.28	0.56	0.076	ACCEPTED
Diff (L-H)	0.43	0.93			
Sig	0.389	0.012			
					ACCEPTED

Table 22. Results – H5.

Explanations: Diff (L-H) = Mean low price – Mean high price

Diff (H-L) = Mean high creativity – Mean low creativity

Research question	Hypothesis	
<i>Is advertising creativity always better, assuming product prices are included in the ad?</i>		
<i>Will a creative ad execution positively affect consumer evaluations and intentions, and will these effects vary for different price levels?</i>	H1a) Higher advertising creativity increases ad attitude ACCEPTED	
	H1b) Higher advertising creativity increases brand word-of-mouth intention ACCEPTED	
	H1c) Higher advertising creativity increases purchase intention REJECTED	
	H2.1 At a low product price, creativity increases a) ad attitude ACCEPTED b) brand word-of-mouth intention REJECTED c) purchase intention ACCEPTED	
	H2.2 At a high product price, creativity increases a) ad attitude ACCEPTED b) brand word-of-mouth intention REJECTED c) purchase intention REJECTED	
	H2.3 At a normal product price, creativity increases a) ad attitude REJECTED b) brand word-of-mouth intention REJECTED c) purchase intention REJECTED	
	<i>Will a low product price positively affect consumer evaluations and intentions, and will the level of advertising creativity have an impact on these effects?</i>	H3a) A low price in the advertisement increases ad attitude ACCEPTED
		H3b) A low price in the advertisement increases brand word-of-mouth intention ACCEPTED
		H3c) A low price in the advertisement increases purchase intention ACCEPTED
		H4.1 At a low creativity level, a low price in the advertisement increases a) ad attitude ACCEPTED b) brand word-of-mouth intention ACCEPTED c) purchase intention REJECTED
		H4.2 At a high creativity level, a low price in the advertisement increases a) ad attitude ACCEPTED b) brand word-of-mouth intention ACCEPTED c) purchase intention ACCEPTED
		H5 The combination of high creativity and low price generates the highest consumer evaluations and intentions PARTLY ACCEPTED

Table 23 – Summary of main results.

5. Discussion

This chapter will first discuss the results of the study, and continue with a conclusion in which we also answer the research questions of this thesis. This will be followed by managerial implications and a discussion of potential criticism to the study. Finally, we will conclude the thesis by providing suggestions for future research.

5.1 The effects of creativity and product price in advertising

5.1.1 Creativity does matter

When looking at the effects of creativity as a whole, irrespective of price level, the empirical evidence in our study clearly demonstrates that creativity does matter. Our findings are generally in line with existing theory which indicates that creativity positively affects consumer evaluations and intentions through all stages of the HOE and point at very strong relations between creativity and measures of advertising effectiveness. Specifically, it is found that consumers develop stronger positive feelings and are more keen to recommend the brand, if the ad is creative. Respondents' intention to purchase the brand, on the other hand, is not significantly affected by the level of creativity of the ad, contrary to what is predicted by previous research. We do not argue that this finding fundamentally challenges existing theory about creativity. We do, however, suggest that some elements might be missing from the current creativity theory, and that it needs to be complemented with some insights about how pricing influences its effects.

Creativity as signal

The study shows clear empirical evidence for the notion of creativity as a marketing signal, in line with recent work on signaling theory (Dahlén et al., 2008). Perceived effort and perceived ad cost are found to mediate the interaction between advertising creativity and consumers' attitudes and readiness to recommend the brand. This means that a creative ad execution is interpreted by consumers as an indicator of the company's superior commitment to the brand. The very fact that management is willing to invest time and money into its brand, the logic goes, is a clear indication of its superiority and this quite naturally translates into higher attitude and willingness to recommend the product. By using a creative execution in the communication, the advertiser creates an impression among consumers that more money and time has been devoted to creating the advertisement, thus creating the same effects as a

campaign that otherwise would have required an enormous advertising investment. Creativity, however, does not correlate significantly with consumers' intention to purchase.

Adding a new lens to the equation and looking at the signaling effects of creativity for different product price levels, might help us gain a better understanding of the relation between advertising creativity and consumers' purchase intention. It is shown that the correlation between ad creativity and consumers' willingness to purchase the brand is practically inexistent when the advertised product has a high or normal price. This correlation is however significant at a lower product price level. Below, we will therefore further investigate the effects of creativity on different product price levels. Since the effects of normal price behaved quite unexpectedly, we will be discussing the effects of including a normal product price in communication further down in this section (5.1.4 Beware of irrelevant signals).

Creativity for different price levels

A creative execution significantly improves consumers' attitude towards the ad, with a strength that is roughly equal for both the high and the low product price level. Similarly, advertising creativity improves consumers' willingness to recommend the brand equally for the high and for the low product price level. We conclude that the effect of creative advertising on ad attitude and brand WOM intention is not bound to the price of the product advertised. This implicates that current creativity theory fully holds for these advertising effectiveness metrics (i.e. ad attitude and brand WOM intention), and there is no need to further develop creativity research with regards to product price.

For consumers' positive attitude and willingness to recommend the product to translate into purchase intention, however, product price level seems to be making a big difference. Creativity significantly affects purchase intention if product price is below expectations, while practically no effect is observed if the price charged for the advertised product is higher. The explanation is to be found in price worthiness, which we consider to be an expression of consumers' perceived transaction utility. Even if creativity significantly improves consumers' perception of price worthiness when the product price is high, these values are still very low in absolute terms. For the lower product price, price worthiness does not increase as much when the ad is creative, but its absolute values are very high. It seems that price worthiness needs to be greater than a certain threshold in order for the positive effects of creativity to convert into purchase intention. This means that it is not the increase of price worthiness per

se that matters. Instead, price worthiness is more of a hygiene factor that needs to be big enough in order for the benefits of a creative execution to drive purchase intention.

These results deviate from existing theory, since creativity is found to only enhance purchase intention when product price is low. These findings are an important complement to existing creativity research, showing that advertising creativity does not always yield positive effects on purchase intention. These findings also challenge the intuition that low-tier brands shall avoid creative advertising in order to focus on their low price. Creativity significantly increases consumers' willingness to purchase the marketed brand, when the advertised price is low.

5.1.2 Price does matter

We show that price has a strong impact on consumer behavioral and attitudinal responses to an ad. A low price is found to always translate into significantly more positive consumer feelings towards the ad, and a higher willingness to recommend and purchase the brand, regardless of creativity level. In other words, price does matter.

Price as signal

Finding that a low product price always increases measures of consumer evaluations and intentions, we conclude that positive effects of high price as quality signals are not very significant. Instead, the logics of reference price theory dictate the ground-rules for consumer responses to FMCG communication involving price information. This means that the lower the price is relative to consumers' expectations, the higher will the transaction utility be and the more positive will consumers' responses be. Since price worthiness can be considered to be an expression of consumers' experienced transaction utility, we test for this variable in a mediation test. We empirically demonstrate that price worthiness is a full mediator to ad attitude and brand WOM intention, and a partial mediator to purchase intention. This certainly demonstrates the relevance of the reference price construct.

In spite of these findings, we do not exclude the possibility that price also carries important quality signals for which a higher price would be preferable. Looking at the empirical evidence, however, we consider these quality signals to be much weaker than the opposing forces responding to the logics of the reference price. In other words, for FMCG products we assume that consumers have a stronger tendency to seek to maximize transaction utility, rather than relying on price for insuring quality. If price is a signal of quality, then, the impact

of these signals on consumer responses is offset by the more dominant reference price construct. Though, as creativity already is a carrier of quality information through marketing signals, it is interesting to observe whether the signaling role of price varies for different levels of creativity.

Price for different creativity levels

A low product price has a strong impact both on consumers' attitude towards the ad and on their willingness to recommend the brand. This holds with equal strength, regardless of the level of advertising creativity, fully supporting existing reference price theory stating that a low price will always yield better consumer responses. As for its effect on ad attitude and brand WOM intention, then, reference price theory does not need to be complemented with a new creativity dimension.

As for purchase intention, however, the effect of a low product price is significant only if the ad is creative. This conflicts the common intuition that a low priced product would be more effectively advertised with a less creative ad, since creativity might distract the viewer's attention away from price towards other more emotional elements. Also, by showing that creative communication does not affect consumers' perception of price, we oppose the common belief that low-tier players should not be creative as to convey their low-price positioning.

We might argue, then, that when there are no other available sources to ensure quality of the advertised product, the signaling effects of price become more distinct. In other words, if the ad fails to signal product quality through a creative execution, consumers will rely on price signals to a much greater degree. For an advertisement with low creativity, the positive effects of a low price will therefore be offset by consumers' need for high price as a means to ensure quality. Even though the purchase intention points towards the expected direction, the effects of a low product price are not strong enough to be significant.

These results add new knowledge to the existing reference price theory by suggesting that it is not enough to have a low product price in the communication - for the low price to stimulate purchase, the advertising execution shall also be creative. Once again the view that low-tier brands should avoid to be creative is challenged, since these results show that creativity enhances the effect of a low price. This insight complements existing reference price theory

by showing that, for some measures, the positive effect of low price are dependent on the creativity level of the advertisement.

5.1.3 What matters the most?

Our study shows that both a low product price and a creative ad execution positively affect consumer responses to communication. It is therefore fairly intuitive that the most effective type of communication is the one which expresses a low price in a creative way. However, the question arises as to which of these two elements (i.e. low price and ad creativity) contribute the most to these positive effects on consumers' attitudes and intentions. We argue that in some situations a low price might have the strongest impact on communication effectiveness, while in some other ad creativity is more important. This understanding might be important for practitioners, in order to set clear priorities when allocating marketing resources. We will bring some clarity to this issue by investigating the impact of ad creativity and product price through the HOE.

Creativity and Price through Hierarchy-of-Effects

Empirical evidence suggests that neither creativity nor price can be said at all times to be more important than the other. By investigating these elements' relative effectiveness through the HOE, however, there appears to be a pattern. The regression analyses performed both on advertising creativity and on product price level clearly show that creativity, through the mediating effects of perceived effort and ad cost, has a stronger impact on ad attitude than does price level. Price level, although having a significant impact on ad attitude as well, has a particularly strong correlation with measures of intentions. Through the mediating effect of price worthiness, price level significantly affects brand WOM and purchase intention. For these latter measures in the HOE, creativity is much weaker. In fact, the direct correlation between creativity and purchase intention is insignificant. It seems, therefore, that the choice as to whether give priority to price level or creativity in communication, shall be dependent on the purpose of the communication itself. If the paramount aim is to create a positive attitude and build a long-term relation with customers, then focus should lie on delivering the communication in a creative way. Instead, if the purpose is to quickly push consumers to action, it might be more effective to rely on communicating a price below expectations.

The above mentioned evidence is further emphasized if looking at the mean values for each combination of product price and ad creativity on every effectiveness measure (see Figure

11). The ranking shows that the combination of creativity and low price always yields the better outcomes, but the second best alternative is not the same across different stages of the HOE. Creativity scores higher than low price on attitude, while intention measures are more strongly affected by low price.

		Ad Attitude		Brand WOM Intention		Purchase Intention	
		Low creativity	High creativity	Low creativity	High creativity	Low creativity	High creativity
High p.	High p.	4	2	4	3	4	3
	Low p.	3	1	2	1	2	1

Figure 11. Ranking of the results in absolute numbers for ad attitude, brand WOM intention and purchase intention where 1 had the highest score and 4 scored the lowest .

It is evident and quite intuitive that communicating a good price is the most effective way to stimulate trial and create stronger intentions. But the prospects of exclusively focus on price as a means to boost sales might lure managers into potentially dangerous decisions.

Focusing exclusively on price in a non-creative way will undermine the future success of the brand, a positive consumer attitude being necessary in order to guarantee long-term sustainability of sales. Even promotion theory highlights the dangers of an unconditioned focus on low prices in communication, demonstrating that failing to complement price promotions with attitude-oriented activities will negatively affect consumers' reference price (Lattin and Bucklin, 1989; Kalwani et al., 1990; Kalwani and Yim, 1992; Mayhew and Winer, 1992). This will directly hamper brand equity and negatively impact consumers' willingness to pay, in the long run reducing the effectiveness of the price focused communication itself. Previous studies have shown that a positive attitude is an important prerequisite to stimulate consumers to purchase (Blackwell et al., 2005; Notani, 1998; Dahlén and Lange, 2003; Bagozzi, 1981). This is also evident from the HOE, where attitude is the step before intentions (Smith et al., 2008). This implies that, even if we did not find any direct correlation between ad creativity and consumers' purchase intention, purchase intention can be developed over time by nurturing a positive ad attitude through creative advertising.

5.1.4 Beware of irrelevant information

Surprisingly, our findings indicate that communicating price information which is in line with consumer expectations completely neutralizes the effects of creativity. This is in clear contrast with our initial intuitions based on existing research of creativity. Due to the neutrality of the price information, it was reasonable to believe that consumers simply would bypass that information and instead focus on other more relevant elements of the message, such as ad creativity. If that would have been the case, the outcome would not have been biased by price and creativity would have yielded high positive impact on consumer evaluations and intentions, in line with previous studies. Empirical evidence shows the opposite; creativity has zero impact on consumers' responses to communication when expected price is explicitly indicated in the ad.

This finding adds one very interesting dimension to our understanding of consumer response to advertising messages and shall not be overlooked. It seems as if insignificant information will not be ignored by consumers, instead it will induce them to halt the processing of the whole message. Looking at consumer responses to an ad with irrelevant price information through the HOE, it appears that creativity does its job in capturing attention and interest and raising awareness for the ad. However, the positive effects of creativity stop at the learning stage and they are clearly non-significant through the rest of the HOE. It appears as if consumers, facing irrelevant stimuli, refuse to further process the message.

Bringing some theories stemming from psychology into the picture help us explain the reason for these negative effects. We argue that expected price is perceived by consumers as an irrelevant stimuli, something that simply does not add anything new to their existing understanding of the offer. It has been found that irrelevant cues elicits less voluntary attention (MacInnis et al., 1991) and hinder consumers from successfully organizing and processing information (Goldstein and Allen, 1971). In connection to irrelevant stimuli, Meyvis and Janiszewski (2002) discuss a concept called the dilution effect, which means that irrelevant information can decrease the consumer perception of a product. This is further supported by Streufert (1973), who claims that information relevance strongly affects decision making. In an advertising context, consumers might interpret irrelevant signals as indications that there is nothing of interest to say about the brand. Including trivial information in an ad, therefore, could have greater negative consequences than one might imagine.

5.2 Conclusion

The main purpose of this study was to better understand whether creative communication always pays off, given that price is included in the execution. We investigate this by looking into our three specific research questions, and conclude with answering the main question.

Will a creative ad execution positively affect consumer evaluations and intentions, and will these effects vary for different price levels?

Overall, findings suggest that creative advertising improves consumers' evaluations and willingness to recommend the brand. The same cannot be said for stimulating purchase intention, however, unless only accounting for the cases when the price of the advertised product is below consumers' expectations. We also observe that the effects of advertising creativity are completely cancelled, when product price is aligned with consumers' already established expectations. We therefore find support for existing theory about creativity, but at the same time we note that price level might significantly influence its effectiveness.

Will a low product price positively affect consumer evaluations and intentions, and will the level of advertising creativity have an impact on these effects?

Lower prices translate into significantly higher consumer evaluations and willingness to recommend the brand, regardless of whether communication is creative or not. The same thing cannot be said for purchase intention, however. Respondents were significantly more inclined to purchase only when the lower price was also associated with a creative communication. In some sense then, creativity does influence the effectiveness of low price on consumer responses, at least when it comes to stimulating trial.

Which combination of creativity and price will have the largest positive effects on consumer evaluations and intentions?

Communicating a low product price in a creative way is found to yield the best outcomes on consumer evaluations and intentions. The relative weight of product price and creativity on advertising effectiveness, however, varies across different stages of the HOE. It appears that ad creativity is the most important variable to improve consumers' feelings towards the ad. A low price, on the other hand, is more important to positively influence consumers' intentions.

Is advertising creativity always better, assuming product prices are included in the ad?

With the above observations in mind, we conclude that generally speaking creativity is always to prefer, when unexpected product prices are included in the ad. If the advertised product has a price that is already in line with consumer expectations, the positive effects of creativity will be cancelled.

5.3 Implications

The FMCG industry is facing an increased focus on price in communication. Marketing practitioners therefore need to improve their understanding of the dynamics of advertising creativity, given that the price of the advertised product is included in the message. By broadening our current knowledge about the effectiveness of advertising creativity, taking into consideration the pricing of the advertised products, this study will be of great help for FMCG marketers. Defining whether advertising creativity is always to prefer, or if a less creative execution might be more beneficial for players within certain price segments, will help solve some of the current tensions between advertising agencies and clients.

5.3.1 High price players

As intuition would suggest, market players with relatively high prices should focus on creativity as a means to foster positive consumer feelings and legitimize their higher prices. We argue that consumers might find justification for the higher prices in the positive signals of creative communication, which is very often associated with high advertising costs and effort and superior brand fitness.

Since creativity alone might not be enough to push intentions in the short term, temporary price reductions could be used to stimulate trial. Interestingly enough, however, for these temporary lower prices to truly result in improved purchase intentions, a creative ad execution is a necessary complement. It appears obvious, then, that high-tier market players need to devote extensive effort to being creative in their approach to communication.

5.3.2 Normal price players

Quite counter intuitively, market actors with normally priced products should not include price in their communication. Price that is already aligned with expectations does not enrich consumers with any new information, and it is therefore irrelevant to the purpose of the

communication. Consumers often perceive irrelevant stimuli as an indication that there is nothing else of real interest to say about the brand. Including unnecessary price information will therefore elicit negative consumer responses, effectively hampering the success of the communicative effort as a whole. If price is not explicitly included in the message, the ad would most likely be the most effective if communicated creatively, as indicated by previous theory.

5.3.3 Low price players

Contrary to what our intuition first led us to believe, a creative approach to communication does pay off also for players within the low-tier segment. Since consumers often associate creative communication with higher advertising costs and effort, intuition would suggest such an approach not to be suited for establishing a low-price position. Critics might argue that a low-tier brand that is too creative in its communication, will fail to distinctively position itself as a low-price player in the minds of consumers. However, our findings clearly show that consumers' price perceptions are not affected by the degree of communication creativity, this being particularly true for low prices. This means that also low-tier players can take advantage of creativity, as a powerful means to break the clutter and improve consumer responses to its communication, without risking to damage their strategic position as low-price actors in the minds of consumers.

5.4 Critique to the study

The study has provided existing research with new insights about the effects of creativity and product price in advertising. However, some critique to the study can be raised. We will therefore reason about potential shortcomings and weaknesses of the performed study regarding price perception, product characteristics and the use of a convenience store as retailer.

To ensure the price perceptions to stay the same through our study, we tested the price perception in three different studies with different respondents. As shown in the results of the main study, the price perception of the low price was a bit higher than intended in the main study (3.43 instead of around 2). This could have affected our results since we wanted the respondents to perceive it as a very cheap product. Though, it was perceived as significantly cheaper than the product with a normal price and it also had much higher price worthiness than normal price. What these results thereby tell is that we might have gotten an even

stronger effect for the low price if it would have been perceived as cheap as we intended. It also shows that the price does not have to be extremely low to create high price worthiness, which can be an important insight for FMCG companies when considering using a low price.

Another factor that is important to be aware of is the choice of using carbonated water and chewing gum as products in the study. Earlier studies claim that price can be used as a signal of product quality (Rao and Monroe, 1989). The results of our study though show that price as a signal is overpowered by the reference price construct, and consumers' prefer a low price. Even though these products are representative for the purpose of our study, carbonated water and chewing gum as product categories can be assumed to not carry large quality differences between brands. This might have an affect on the signaling strength of price. If the product category would contain large quality differences between low-tier and high-tier actors, the price might be used more as an indicator of quality and thereby be a stronger force in the evaluation of the ad.

Finally, we also want to raise a concern about the choice of retailer. The choice of using a convenience store, Pressbyrån, as the retailer for our advertised products could potentially have affected the responses. Even though a convenience store is suitable for the purpose of our study, convenience stores generally have a higher price level than supermarkets which contingently could have affected the results in absolute numbers of our study. Though, we use the same retailer for all advertisements why this should not have mattered when measuring the relative differences between the ads. However, the absolute numbers in the study are generally fairly low which could also be a result of the use of products unknown to the Swedish market. Since the respondents haven't seen either the product or the ad before, it is reasonable that we receive lower scores than one could expect from a study with well-known brands.

5.5 Future research

The study has added new dimensions to existing research about creativity and pricing in advertising. Since no one has investigated the relation between creativity and different product price levels in advertising before, there is still a lot more to be examined.

The use of a low price in advertising could be further developed through studying the effects of creativity when using a more clear promotional execution. As stated in the delimitations, by using a low price in this study we do not intend to communicate it as a promotion but

rather take the perspective of a low-tier brand. By communicating the price in a way more alike the typical promotional communication with e.g. a red price label, you would learn how the effects of this vary with advertising creativity.

In this thesis, the product price is included in the advertisement. Since we have learnt that price does matter for the effect of creativity in advertising, it would be interesting to perform the same study with price excluded from the ad. This could mean that the survey is completely free from price information, but since this is very similar to previous creativity research, it would be even more interesting to still include price information in the survey but not expose it in the advertisement. This way, the respondent is still aware of the product price, but it is not used as a cue in the ad. It would be really interesting to see if information about for example a normal price in line with the consumers' reference price still would eliminate the effects of creativity, or if this only holds when this price is exposed in the advertisement.

Continuing on the path of irrelevant signals in advertising, as the normal price turned out to be in our study, it would be interesting to investigate whether there are other irrelevant stimuli than price that could destroy the positive effects of creativity. This is important for advertisers to know and consider when creating an advertisement, since this can ruin the potential benefits of using a creative execution.

Also, the performed study is limited to the FMCG industry. The FMCG market has certain characteristics which makes it suitable and relevant for this type of study, but it would be interesting to see whether the findings hold for other product categories as well.

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Interview

Hans Sydow, Exexutive chairman Saatchi and Saatchi, Sweden [2012-11-29]

Appendix 1 - The ads

Low creativity

Garanterat svalkande.



Nu hos  Pressbyrån

18: -

High creativity

Garanterat svalkande.



Nu hos  Pressbyrån

18: -

Skyddar dina tänder.



Nu hos  Pressbyrån

17: -

Skyddar dina tänder.



Nu hos  Pressbyrån

17: -