

Dynamic Characteristics of Intangible Design factors in New Product Development

PROJECT REPORT

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ABSTRACT

In an increasingly competitive global marketplace the need for effective differentiation of products and services that meaningfully connect with consumers is imperative. Commonly benchmarked visionary companies, such as Apple, seem to exhibit a preternatural understanding of the fact that a product or service is so much more than the utility or function it offers. We examine the categories of these intangible attributes that transcend function – knowledge, experience and emotion, in an attempt to demonstrate the dynamic nature of their interactions with customers and each of the other attributes. A thorough literature review in the relevant fields and studies surrounding branding, emotional signature, customer involvement and the psychology of attitude change theory is introduced to validate and strengthen this dynamic premise and construct a formative model in order to enable predictive measurement of consumer behavior as influenced by product intangibles. This proposed model, which is an expansion of the Theory of Planned Behavior, is introduced with the intention of encouraging greater dialogue and research regarding dynamic properties of intangibles and to provide product development teams and other practitioners with a framework by which to evaluate their comprehension product plans.

INTRODUCTION

Intangibles

A common method of defining the value of a product is to express it in units of currency (cost) or easily understood benefits; such that it performs a function that has value. This definition of value is easily measured and can be used to develop product pricing models, forecast market size and market share, and help to determine if a product is worth bringing to market. However, to an individual there is often a subjective source of value that is not as easily captured on a spreadsheet that has a strong influence on the perceived value of a product and its ultimate commercial success. These aggregated subjective sources of value are often referred to as intangible value. The impact of intangible value cannot be overstated and is important because it creates more enthusiastic customers that are more likely to repurchase the product and tell their friends about it. As Steiner and Harmon (Steiner & Harmon, 2009) offered, “These parts of a product are truly intangible, but obviously they are capable of adding enormous value for customers”.

Significantly, intangible attributes offer the opportunity for product differentiation, increased customer satisfaction, and greater market penetration. Looking past individual products, brands themselves can exhibit an intangible aspect that adds tremendous value. “Viewing brands as a complex compound of functional, symbolic and emotional values and benefits is now widely accepted” (Zambardino & Goodfellow, 2007).

Although intangibles present a challenging subject matter for practitioners in terms of measurement, application and predictive ability, there is a wealth of information in the product design and branding literature supporting the importance of intangible factors on the creation of customer value and the dynamic nature in which they influence customer behavior. Jane Fulton Suri (2002), creative director of world renowned design consultancy IDEO, sums it nicely, “There seems to be a mainstream acknowledgement, at long last, that the things we design do not exist in a vacuum. Rather, it is understood that they are in dynamic relationship with people, places and other things; that they carry personal, social and cultural connotations; and that the quality of people’s experience changes over time as it is influenced by multiple contextual factors”.

Man's skills are used to interact with products; cognitive skills, perceptual-motor skills and emotional skills, (Overbeeke, Djadjadiningrat, Hummels, & Wensveen, 2002). These skills all translate directly to intangibles as they have been categorized as knowledge, experience and emotion. There is growing momentum behind the 'New Human Factors' paradigm where products are no longer merely tools to accomplish tasks but are viewed as living objects with unique personalities that people have relationships with (Jordan, 2002). This ability to interact with products on a relational level requires much more than the form and function they offer on a basic level. It is the intangible design factors that supplement the product utility to create meaningful experiences and emotional reactions that allow people to personify products and interact with them in more meaningful ways. In evaluating our ability to have pleasurable experiences with products, Gestalt psychology is often mentioned as we try to understand how our mind organizes the information it receives through interaction with products. According to the Gestalt position the whole has many dynamic properties that cannot be reduced to the parts (Kalviainen, 2002). Popovic (2002) promotes a similar view of our interaction as he shares an artifact interface framework based on Popper's three worlds whereby we interact with artifacts in a physical environment, a social environment and a knowledge environment.

This paper identifies three significant intangible factors that influence perception and behavior: knowledge, experience and emotion, and relates the interactions of these factors to the buying experience to better understand their effect on the value consumers associate with a product or service. We suggest that tangibles along with intangibles are important in creating total customer value and strongly influence customer behaviors, and ultimately, satisfaction.

Dynamic Characteristics

One of the common definitions of the word dynamic is "Expressing action rather than a state of being". The combination and interplay of intangible factors (knowledge, emotion and experience) effect our perception of the product to a greater extent than can be accounted for individually. It is the combining of these individual intangible factors that define what we call the dynamic intangible characteristics of a product. Clearly any one of these factors can be examined individually; however the customer's response to a product or a service can only be determined by understanding contributions and interaction of all three factors.

Intangibles are not stand alone and are influencing in nature (e.g. experience with a particular product builds knowledge about that product and it influences the attitude towards the product). All products possess a number of tangible and intangible attributes that interact to create an evaluative response. It's also important to recognize that these responses can be both positive and negative.

Intangibles are non-static and change over time (e.g. emotional burnout – emotions gradually declines from strong to moderately felt experience if not refreshed). **Figure 1** demonstrates a simple representation of the dynamic inter-relationships of intangible factors.

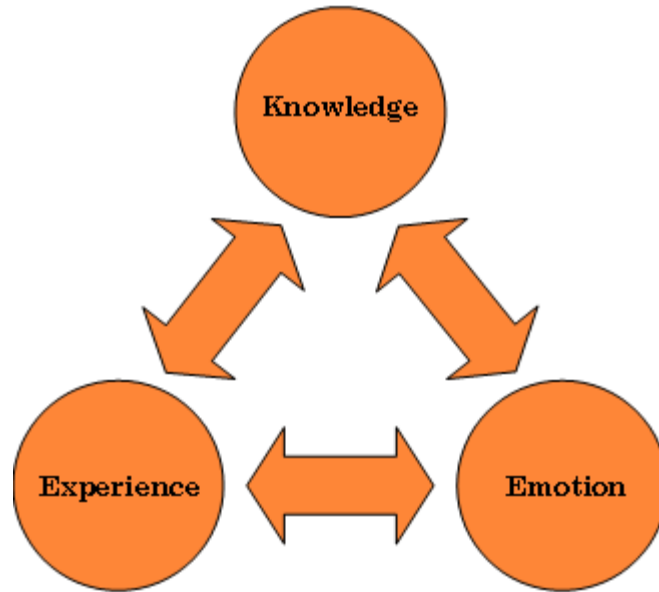


Figure 1 Dynamic Model

Our formulated research question is as follows:

“Relate the interactions of experience, knowledge and emotion (intangible design factors) to understand their impact on customer perceived value & purchase behavior.”

LITERATURE REVIEW

Decision Theory

Attitude Change Theory

Much of the practical significance of product intangibles and how people interact with products and services lies in the arena of attitude and attitude change. Although there are many competing definitions of attitude, most attitude theorists would agree that evaluation plays a predominant role in attitudes, that attitudes are represented in memory, and that there are affective, cognitive and behavior antecedents and consequences to attitudes that can be distinguished (Olson & Zanna, 1993). There are two preeminent definitions we feel warrant recognition as it pertains to the subject matter of dynamic intangibles. Eagly and Chaiken (1992) frame attitude as the precursor to evaluation; attitude is “a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor”. Attitude thus represents the emotional residue left by the cumulative experiences between an individual and an attitude object (that which is evaluated) and furthermore an attitude cannot be formed until individuals have an evaluative response to that entity. This is consistent with the findings of Breckler and Wiggins (1989) that emotional episodes can occur in response to specific stimulation and do not require past experience with that entity but that attitudinal representations do develop through a history of experience with that attitude

object. Kruglanski (1989) has a more cognitive conceptualization of attitude as “a special type of knowledge of which content is evaluative or affective”.

Under either definition of attitude there is a possibility of changing that attitude, for the better or worse, through experiences that stimulate affective responses capable of building that knowledge or reinforcing that tendency to feel a certain way about a given entity. Direct experience increases the accessibility of attitudes from memory, which can allow more opportunity for those attitudes to guide subsequent behavior (Fazio, Powell, & Williams, 1989). In a study of emotional responses and their relationship to the affective component of attitude amongst a group of blood donors, it was demonstrated that the correspondence between positive emotional responses and the affective component of attitude was greater for donors who had more prior experience with donating blood (Breckler & Wiggins, 1993).

There are contending opinions as to whether attitudes are based on, and subsequently changed by, affective or cognitive information as cognitive-based (knowledge) can be an effective means of altering one's attitudes. One study found that when attitudes were characterized as either affect-based or cognitive-based that for affect-based attitudes subjects showed the greatest level of change when persuaded by affective means, whereas cognitive-based attitudes were influenced equally by affective and cognitive means (Edwards, 1990). This tends to support the more widely-held line of thinking that emotions are more inextricably tied to the effective, or emotional, while knowledge is a circumstantially important variable in attitude change. A study by Millar and Millar (1990) using the same classification schema as Edwards found that persuasive appeals were most effective when they came from the opposite element as that which the attitude was based. This incongruity in findings was explained by the fact that the attitudes held in Millar and Millar's study were much more established so a person had a more significant amount of either affective or cognitive information with which to rebut those types of appeals aimed at the influences on which they based their attitudes on (Olson & Zanna, 1993).

Deeply rooted attitudes are associated with various psychological effects that impact the way individuals react to varying experiences, sources of information, and methods of persuasion. One such effect is selective interpretation, the tendency to infer moral guides from empirical information. In a study by Friedrich, Kierniesky, and Cardon (1989) they found that when subjects' attitudes were consistent with the findings of various empirical studies they were more likely to draw inferences about moral prescriptions. Another well developed theory in the attitude literature is that of selective memory. This concept theorizes that people have a tendency to find information that supports their existing attitudes easier to learn and remember than information that contradicts held attitudes (Olson & Zanna, 1993).

For the practitioner it is important to understand how attitudes are formed and the most effective means by which to change them in order to be able to try to create usage environments and branding messages which affect attitudes in a manner to lead to desired behaviors (purchase, recommendation, loyalty, etc.). See **Table 1** for a summary of key concepts and findings in the field of attitude change theory.

This connection between attitudes and behavior is at the core of the research stream surrounding the Theory of Reasoned Action and the Theory of Planned behavior.

Concept	Contribution/Theory	Author(s)	Year	Summary
Attitude	Definition	Eagly & Chaiken	1992	Attitude is "a psychological tendency that is expressed by evaluating a particular entity with some degree of favor or disfavor".
		Kruglanski	1989	Attitude is "a special type of knowledge of which content is evaluative or affective".
Attitude's effect on how we respond to persuasion	Selective Interpretation	Friedrich et al	1989	We have a tendency to infer moral guides from empirical information, particularly when attitudes are consistent with those findings
	Selective Memory	Olson & Zanna	1993	People typically find information that supports their existing attitudes easier to learn and remember than information that contradicts attitudes
Effectiveness of affect-based versus cognitive-based persuasion on attitudes	Research Findings	Edwards	1990	When attitudes were characterized as either affect-based or cognitive-based that for affect-based attitudes subjects showed the greatest level of change when persuaded by affective means, whereas cognitive-based attitudes were influenced equally by affective and cognitive means
		Millar & Millar		Persuasive appeals were most effective when they came from the opposite element as that which the attitude was based (finding based on more established attitudes than Edwards' research)
Influence of experience on attitudes	Research Findings	Fazio	1989	Direct experience increases the accessibility of attitudes from memory, which can allow more opportunity for those attitudes to guide subsequent behavior
		Breckler & Wiggins	1993	Demonstrated that the correspondence between positive emotional responses and the affective component of attitude was greater for donors who had more prior experience
What factors interact to influence our behaviors?	Theory of Reasoned Action	Fishbein & Ajzen	1975	Attitudes towards an act or behavior and subjective norms act jointly but independently to influence our behavioral intentions, which then cause volitional behaviors.
	Theory of Planned Behavior	Ajzen	1985	Theoretical framework is same as TRA, but adds perceived behavioral control as influence to behavioral intentions

Table 1 Attitude Change Theory Taxonomy

Theory of Reasoned Action

In the Theory of Reasoned Action (Fishbein & Ajzen) offered a framework where attitudes and subjective norms jointly, but independently, influence behavioral intentions, which then cause volitional behaviors (Fishbein & Ajzen). This theory is a vanguard in attitude-behavior literature and is the standard by which to benchmark any new proposed theories. There are several studies in a myriad of domains that have demonstrated the predictive capabilities of this framework. As shown in Error! Reference source not found., two major factors influence the intention: the attitude

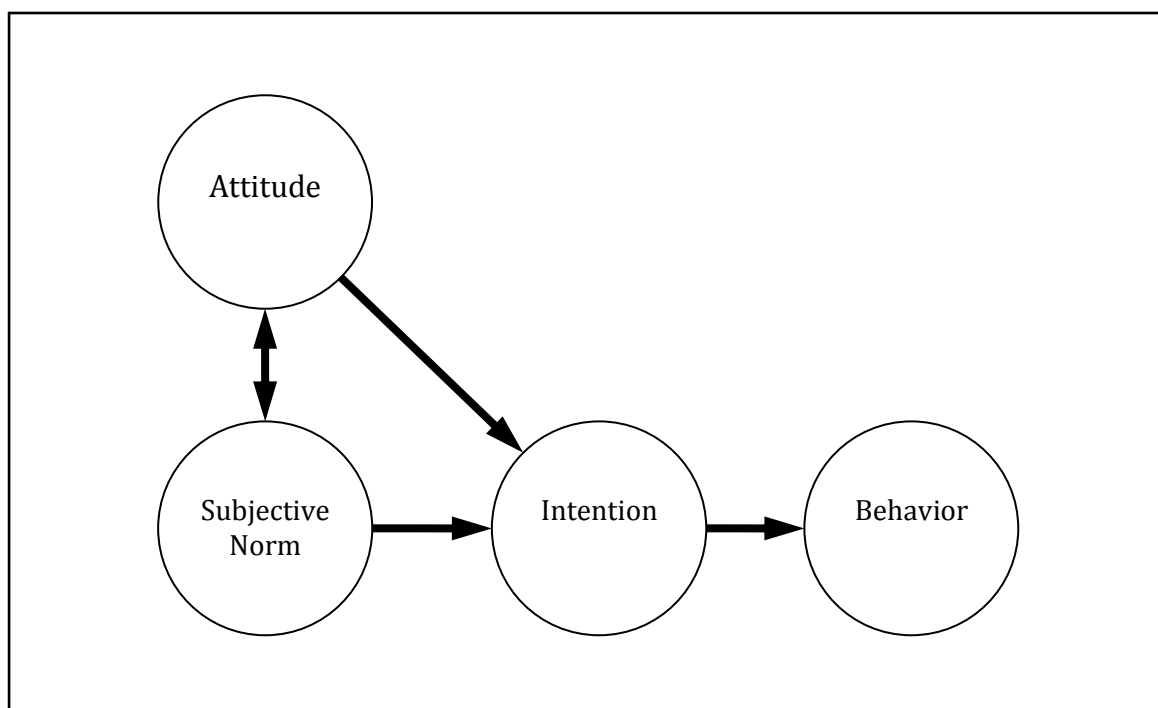


Figure 2 Theory of Reasoned Action

the person has towards the behavior and the influence that the social environment has on the person (subjective norm). The inclusion of subjective norms helps to account for factors that limit the influence of attitude on behavior, as our intentions can be heavily influenced by how we feel those around us will react to our behaviors. For all its acclaim the Theory of Reasoned Action is not without its criticisms. Most notably several researchers have drawn attention to the limited role of prior behaviors and external variables in shaping the attitudinal and normative components of the model (Olson & Zanna, 1993). Several theorists have hypothesized that one is better served using behavioral expectations to predict behavior than those using behavioral intention; expectations take into account probability of success of the intended action. The Theory of Reasoned Action is also criticized for a lack of detail surrounding the interaction and relative influence of attitudes and subjective norms. Fishbein and Ajzen treat them as independent, but this has been called to question by researchers such as Grube and Morgan (1990) who looked at possibility that attitudes will affect behavioral intention only if supported by their environment. Ajzen sought to address several of these shortcomings in his development of the Theory of Planned Behavior.

Theory of Planned Behavior

In the Theory of Planned Behavior Ajzen adds to the Theory of Reasoned Action the concept of perceived behavioral control; as demonstrated in **Figure 3** (I. Ajzen, 1985) This is a concept similar to self efficacy where a person has a perception about their ability to perform a behavior (as constrained by knowledge, physical or financial ability, etc.) that influences their intentions and subsequent behaviors. The inclusion of perceived behavioral control assists in mitigating the noted

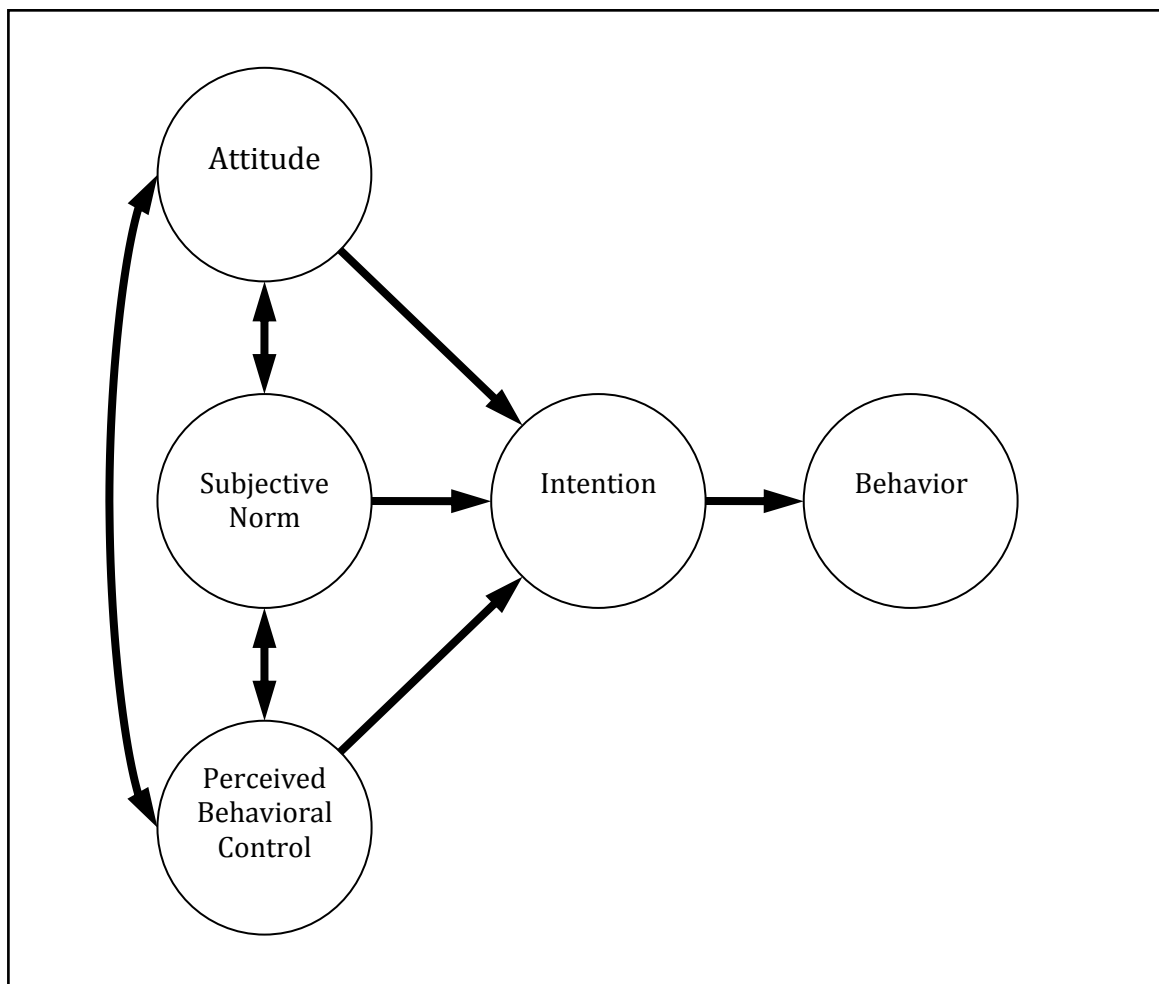


Figure 3 Theory of Planned Behavior

gap between intentions and expectations as identified by several critiques of Fishbein and Ajzen's original work. Most comparisons of the two theories find a predictive advantage for the Theory of Planned Behavior (Olson & Zanna, 1993). The Theory of Planned Behavior serves as the foundation for the formative model that we introduce in an attempt to further the body of research surrounding the impact of intangible product factors on the predictive behavior of consumers.

Experience

Experience as an intangible attribute would include the buying situation and buying experience of the customer, personal experience of the customer by using the product, experience of friends and family, and the status and prestige that the customer feel and experience by owning the product. All these intangibles make the customer become loyal to the product and its company (Steiner & Harmon, 2009)

Experience is a reflection of customer satisfaction and loyalty. It greatly affects the customer purchase behavior. The customer experience is a blend of company's physical performance and the emotions evoked, intuitively measured against customer expectations across all moments of contact (Shaw & Ivens, 2005). When entrants in many product categories become increasingly similar; a distinctive and valued customer experience becomes a major way of differentiating firm's product offerings in the global marketplace. Experience intangibles create high overall product value for consumers and can be engineered to foster enthusiastic repeat customers. For instance, ambient atmospheric conditions contributing to a positive affect help build customer share and ambient atmospheric conditions contributing to negative affect reduce customer share (Barry J. Babin & Attaway, 2000)

The body of literature reveals that experience as an intangible effects knowledge and emotion. Great customer experiences with a product can help a company in improving its brand value in the market by boosting perceived expertise and enticing personal recommendations. Shaw and Ivens (2005) state confidently that great customer experiences are an embodiment of the brand.

A great customer experience is about stimulating customer emotions. When we experience a product we have positive or negative emotions associated with it; "Great Customer Experiences create an emotional attachment to a company, and once that emotional bond is created it is difficult to break, and thus can become a long term differentiator"(Shaw & Ivens, 2005). Research shows that only 5 percent of companies are trying to evoke a specific emotion and it's a massive opportunity for companies to differentiate their products and services by facilitating specific emotions to be evoked by consumers (Shaw & Ivens).

Customer Involvement

Involvement plays an important role in dynamic interrelationship among intangibles. The relationship between knowledge (brand), emotion (brand attitude) and experience (behavior) may vary with involvement. Involvement has often been regarded as most important parameter that determines purchase decisions (Celsi & Olson, 1988).

In the literature, involvement has been defined as "a relation between consumer and product". Evrard and Aurier (1996) found involvement to be at the heart of the "person-object relationship" and the relational variable the most predictive in determining purchase behavior. In our work, we are referring to involvement as "customer involvement in product purchase decisions".

The level of involvement that customers have with respect to a product, brand, or purchase decision is an important determinant of their behavior. Involvement scores for some product categories, such as dresses, bras, television sets, washing machines, calculators and automobiles tend to command higher levels of involvement than products such as instant coffees, breakfast cereals, mouthwashes, and oils. This suggests that the characteristics of the products/brands themselves or their usage contexts may systematically act to arouse consumers' involvement. If so, it follows that the stimuli that arouse involvement may be engineered into the brand, or highlighted through promotional or other marketing efforts to raise involvement levels – i.e., to enhance brand meaning and strengthen customer-brand relationships (Martin, 1998).

Household products are typically functional and have little to no social significance. Moreover, their effectiveness is readily apparent from using them. To this extent, consumers are more likely to weigh their past experience fairly heavily in deciding whether to purchase them. Cosmetics, on the other hand, are purchased for social reasons (personal appearance), and their effectiveness is less easily determined. In this case, participants may rely more heavily on external indicators (e.g., brand image, ad content, etc.) of its social prestige value and so forth (Suh & Yi, 2006).

Customer satisfaction (experience) had greater effect on brand loyalty and brand attitudes (emotion) when product involvement was low. In contrast, corporate image and attitudes toward the ad (knowledge) had more effect on brand attitudes (emotion), and attitudes had more effect on loyalty (experience), when product involvement was high (Suh & Yi, 2006).

Emotion

An emotion is a mental and physiological state associated with a wide variety of feelings, thoughts, and behavior. Experiences evoke emotions as the human brain takes messages and signals from experience to create emotions. These are subjective experiences, often associated with mood, temperament, personality, and disposition. The set of emotions defines where we are emotionally situated regarding a product or brand. This set is called an emotional signature, each of these forms a cluster of emotions that determine a person's signature. The hierarchy of the emotional value is shown in the **Figure 4** (Shaw, 2007). Each cluster contains emotions that drive value, either negatively or positively.

Emotions created in the destroying cluster have negative effect on the product value. A customer can experience stress and negative emotions due to a myriad of reasons: an unsatisfying customer and product service experience, being neglected by sales personnel, product and services not living up to the expectations, inefficient long processes that are less important to the customers, and being overpromised to and not receiving value consistent with their expectations. These feelings can have a detrimental effect on the organization. Emotions associated with a specific atmosphere influence value perceptions (B. J. Babin, 1995). Customers can exhibit a tendency to be unreasonable and overreact to smaller mistakes. Evoking the emotions in the destroying cluster is directly linked to the reduction in the customer loyalty and spends. You can get back the loyal customers from destroying cluster if you handle service well (Shaw, 2007).

Emotions created in the attention cluster have impact on consumers' short term spends. This cluster is significant in gaining new customers. Hence introducing something new and creative, involving customer actively, creating interesting experiences, and even pampering customers' helps foster these emotions in customers. These emotions are short lived and will diminish if they are not reviewed. Product life cycle depends on the emotions created in this cluster. It is very essential to create a strong emotional engagement at their very first experience. Enhanced revenues can be

obtained launching new products with fewer gaps before reaching the inevitable burnout (Shaw, 2007).

The attracted customer needs to be retained to eventually change them to loyal customers. These emotions are created in the recommendation cluster which is a reactive phase. Based on the emotions created on the experience, a customer would recommend an organization which is a first phase of creating customer loyalty. The positive emotions are created in this cluster when customer feels safe – not sensing any danger or risk, cared, protective, trusted by the organization, gets focused attention and appreciation by the organization. These emotions are foundational for creating customer loyalty (Shaw, 2007).

The two statistically significant emotions created in the advocacy clusters are happy and pleased. A customer is happy after passing through the number of emotions like valued, cared, and stimulated and so on. Building a friendly relationship with the customer, evoking the attention and recommendation cluster of emotions builds a pleasant emotion in customers, keeping customers very satisfied (Shaw, 2007).

More and more science tells us that emotion, not rational thought is the gatekeeper to customer behavior, rendering the most emotionally engaging experiences (Price, 2007). Results suggest that retail atmosphere, in addition to effects on in-store shoppers, can help build a continuous consumer resource acquisition base as patrons experience them and maintain them cognitively in appropriate categories (Barry J. Babin & Attaway, 2000)

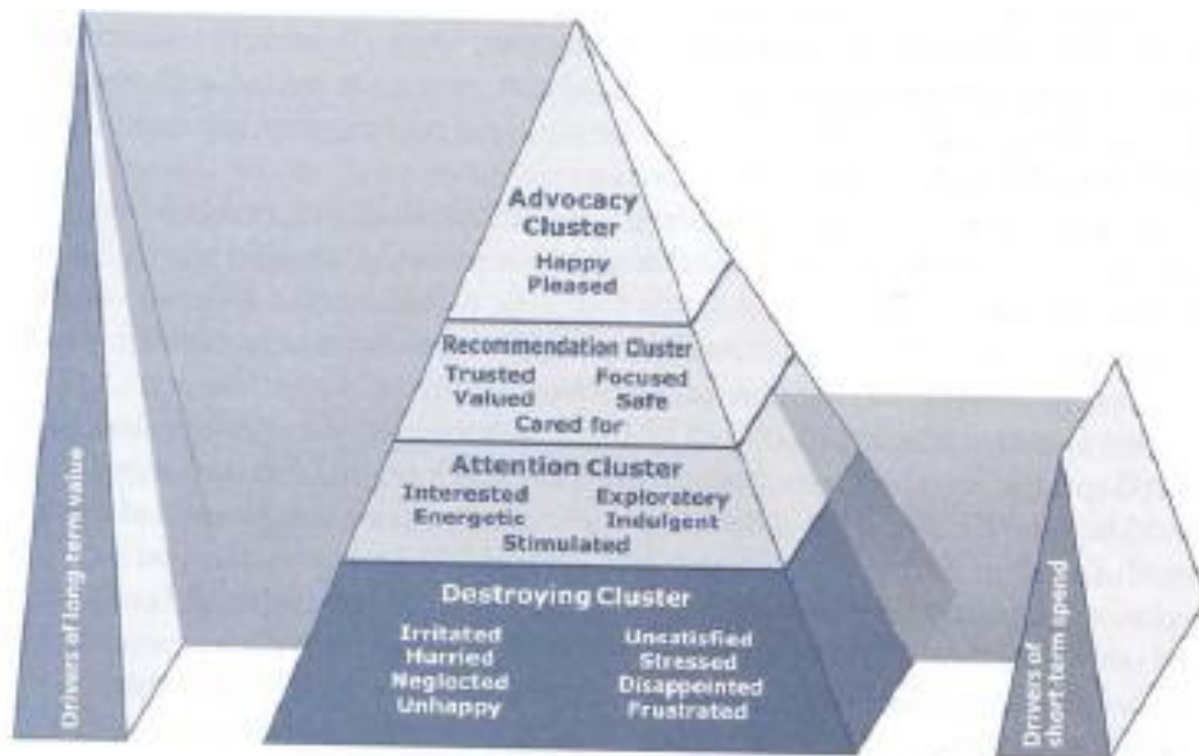


Figure 4 Hierarchy of Emotional value (Shaw, 2007)

Knowledge

Knowledge as an intangible attribute refers to the knowledge that the customers have of the company, its brand, credibility, and its perceived expertise. Knowledge includes aspects such as product brand, consumer awareness, trustworthiness of the company, recommendations, and word of mouth given and received by the customer (Steiner & Harmon, 2009). Review of the literature reveals that brand is an integral part of the knowledge intangible and it is explored further in detail in the following section.

While a customer's perceived value is determined by past experience(s) with the product and company, what happens when the customer does not have a past experience with the product or company? How can the customer obtain the required knowledge to make a decision? Literature research indicates that there are two main sources of obtaining knowledge externally. One source originates from the company itself in the form of customer awareness of brand messages. Companies conduct customer awareness programs in the form of advertisements, promotion tours, etc. to make customers aware of their existence which triggers some form of knowledge within the customer. Another source is the impact of recommendations and word-of-mouth of other customer's who have prior experience of using the product and dealing with the company. Studies support that recommendations and word-of-mouth has the potential to alter the customer's perception and can be detrimental to the purchase behavior of the customer (Söderlund & Rosengren, 2007). Studies show that subjects that read online recommendations selected the recommended products twice as often as others did without the recommendations (Senecal & Nantel, 2004).

In summary, it can be said that knowledge in the form of customer's perceived value of the company and its products is a key intangible product design factor that can alter a customer's perception of product value and hence the buying behavior both in positive or negative ways.

Brand

"Brands have become the preeminent site through which people experience and express the social world" (Feick, Coulter, & Price, 2003). Wendy Gordon and Roy Langmaid (2006) offered a new definition of the process of branding that is especially relevant to this subject matter, "Branding may be thought of as the process of creating the totality of meaning which consumers attribute to a brand – the unique and relevant bundle of values that are internalized and combined with past experience and/or current perceptions of the brand itself". This view of the process of branding associates this creation of totality of meaning to intangibles. It is the bundling of past experiences with perception and brand knowledge and the emotions through which these experiences are internalized that create a totality of meaning. Further to this, Gordon (2006) offers that brands are emotionally anchored and depending on how that brand is emotionally anchored we will process information about it and be receptive to its messages to varying degrees.

Customer's perceived value of company and its products can be considered as the most important factor of the knowledge intangible. The customer perceived value is driven by the customer's purchase and use experiences with the product. Past experiences are comprised of both buy and post-buy experiences of the customer which are directly related to customer's internal perception of the company, its brand, trustworthiness and authenticity. Customer's perception of the company and its brand is well positioned if he possesses a high level of satisfaction for the company's technical / functional product expertise. It is also well served when the company stands by their products at all times whether good or bad with superior after-sales support and reliability. The

company's commitment towards their products and customers directly relates to the customer's perceived value of trust and authenticity of the company.

Emotional branding refers to the use human brands to create emotional attachment with customers (Gobe, 2001). Studies have shown that the emotions developed create a bond to the products or brands that eventually leads to customer loyalty. Customers make decisions not based on facts or arguments but also based on emotional appeal (Abcarian). Once the customers are committed and become loyal they tend to be more critical of, or even ignore negative information about the brand. Emotional branding can be a very powerful marketing tool. Campaigning must be carefully orchestrated in order to create the desired effect in the customers (Chester & Montgomery, 2007)

Dynamic Inter-Relationship Taxonomy

Error! Reference source not found. below shows the dynamic inter-relationship taxonomy showing the dynamic inter-relationship between the intangible attributes. The taxonomy cites prominent quotes from literature to support the dynamic relationship between the intangibles (. i.e., how one intangible affects the other one?). For each of the main 3 intangibles knowledge, emotion and experience we are trying to review literature to find out how one leads to other. There are total 6 pairs for showing cause and effect. As an example, we demonstrate how experience leads to emotion and cite the related quotes from literature source.

Category	Quote1	Quote2	Quote3	Quote4	Quote5
Knowledge leading to Experience	"brands have become the preeminent site through which people experience and express the social world" (Feick, et al., 2003)	"New research by Braun (1999) demonstrated that '...Post-experience advertising could make consumers think that they had tasted a more flavorful juice by altering their memories of the tasting experience'." (Zambardino & Goodfellow, 2007)			
Knowledge leading to Emotion	"We also hypothesize that emotion-related variables contribute to the receiver's evaluation of the firm mentioned in the sender's word-of-mouth" (Söderlund & Rosengren, 2007)	"There is irrefutable proof of the presence in the consumer's mind of advertising messages linked to a brand that are inaccessible to conscious recall. Furthermore, the advertising associations remembered had an emotional meaning to the individual." (Gordon, 2006)	"Eleanor's marriage with Morton continues because no other brand of salt makes her feel just a bit special – or evokes so many happy kitchen memories." (McEwen, 2005)		
Experience leading to Knowledge	"Great Customer Experiences are an embodiment of the brand." (Shaw & Ivens, 2005)	"Tacit knowledge such as subjective pleasure and emergent meaning is based on direct experience and dialogue; it provides important value that can justify high margins" (Reinmoeller, 2002)	"Brand experimentation is intrinsically motivated switching that appears to be more grounded in the acquisition of product and brand knowledge (Ratchford 2001) than in boredom with a current brand or variety-seeking tendencies (Van Trijp, Hoyer 1996)." (Feick, et al., 2003)	"Finally, consumers can use feedback resulting from a purchase to reevaluate their decision, perhaps reversing it by returning a purchased product to the store. This information can also prove valuable for future purchase decisions." (Icek Ajzen, 2008)	

Experience leading to Emotion	<p>"The position adopted in this article is that retailers and marketing researchers should not only be concerned by aspects of the environment that make shopping a pleasurable experience but also, and perhaps more so, by those environmental stimuli that create irritations among shoppers." (d'Astous, 2000)</p>	<p>"Great Customer Experiences create an emotional attachment to a company, and once that emotional bond is created it is difficult to break, and thus can become a long term differentiator." (Shaw & Ivens, 2005)</p>	<p>"...emotions result from the inclination of people to anticipate future use or possession of a product once they have seen it" (Desmet & Hekkert, 2002)</p>	<p>"Reflective emotional design is about long term relations, about the feelings of satisfaction produced by owning, displaying, and using a product. A person's self-identity is located within the reflective interaction between the product and your identity is important as demonstrated in pride (or shame) of ownership of use." (Book: Emotional Design)</p>	<p>"This study assesses if the service worker's physical attractiveness has an impact on customer satisfaction in the moment of truth.. The results, for both experiments, show that a high level as opposed to a low level, and here is where the level of physical attractiveness of the service worker produced a higher level of customer satisfaction." (Söderlund & Julander, 2009)</p>
Emotion leading to Knowledge	<p>"Once customers have an emotional bond to that human brand they will be more favorable disposed towards the brands and products that their idols represent. Nike uses this technique very successfully to sell athletic shoes and sports apparel." (Steiner & Harmon, 2009)</p>	<p>"Brands are emotionally encoded in the brain. It is the emotional anchoring of the brain that determines how we process information about it, what we notice about it, and how open we are to its initiatives. The more positively the brand is anchored, the better its chances of achieving its ambitions." (Gordon, 2006)</p>	<p>"Likeability is the 'gatekeeper' to further processing. Consumers first form an overall impression of an advertisement on a visceral or 'gut' level. To the extent that this impression is positive they are likely to continue to process the advertising more fully'." (Gordon, 2006)</p>		
Emotion leading to Experience	<p>"Great customer experiences are differentiated by focusing on stimulating planned emotions." (Philosophy#3) S&I announce "big idea" to the effect that emotions play a role in shaping the consumption experience." (Shaw & Ivens, 2005)</p>	<p>"If I have been told I will be informed by the end of the day about a delivery date of a product, I get a feeling of confidence and trust when a supplier phones me, even if they don't have delivery date arranged. It sends me a message that they are professional and can be trusted to keep their promises. (Shaw & Ivens, 2005)</p>	<p>"country-of-origin" ... "influences buyer behavior through affective processes as in the case of the consumer's patriot feelings about their own country" (Yasin, Noor, & Mohamad, 2007)</p>	<p>"Environments evoking negative events leave a more vivid impression and are recalled more easily. Consistent with this finding, the relationship between negative mood and satisfaction from a shopping trip can be stronger than the relationship between positive mood and consumer satisfaction" (Barry J. Babin, Boles, & Darden, 1995)</p>	

Table 2 Dynamic Inter-relationship Taxonomy

The key learning from the dynamic-interrelationship taxonomy is that we were able to see and demonstrate the relation among knowledge, emotion and experience. In literature research, we were able to find a wealth of literature related to experience as shown in the taxonomy chart. This taxonomy also suggests that each of the intangibles is not equal and do vary in strength of influence on the other intangibles. We used the literature review and this framework as a starting point which led us to further examine key concepts in the field.

Key Concepts Taxonomy

<u>Key Concept</u>	<u>Author(s)</u>	<u>Key Points</u>	<u>References</u>
<u>Branding</u>	<u>McEwen</u>	<u>Brand creates a strong emotional and knowledge attachment to product.</u>	(McEwen, 2005)
<u>Emotional Signature</u>	<u>Colin</u>	<u>Groups of emotions have a strong impact on consumer behavior</u>	(Shaw, 2007),_(Shaw & Ivens)
<u>Customer Involvement</u>	<u>Artemis, Suh & Yi, Bennett</u>	<u>Moderator for knowledge & emotion impact on purchase decisions</u>	(Suh & Yi, 2006), (Bennett, Härtel, & McColl-Kennedy, 2005)
<u>Loyalty / Routine</u>	<u>Zineldin, Price</u>	<u>Past consumer experience (habit, loyalty, routine) is a strong predictor of future behavior.</u>	(Zineldin, 2006),_(Price, 2007)
<u>Emotional State</u>	<u>Bloemer</u>	<u>Experience's effect on attitudes is s mediated by emotional state</u>	(Bloemer & Ruyter, 1999)

[Table 3 Taxonomy of Key Concepts](#)

To clarify and summarize the key concepts that were researched, **Table 3** shows a Key Concept Taxonomy. As we researched the intangible factors and their dynamic relationships related we found a number of concepts and disciplines that were important in reinforcing how the intangible attributes were intertwined. In this taxonomy we will see what the main research is in that particular concept area, significant author and past/present research trends. We've listed the key concepts and summarized how the concept impacts the interactions of the intangibles. We've also listed some of the key references summarizing these topics that provide a broad overview of the topic. We are optimistic that this will be helpful in future studies. If someone wants to see customer experience related literature research, he or she would be able to figure out the main researchers in that area and their major contributions to the body of knowledge.

As in the dynamic inter-relationship taxonomy this taxonomy does give us some hints about the more common intangible interactions. Both branding and customer involvement influence the impact of knowledge and emotions on purchase behavior. Emotional state and loyalty focus on how customer experience impacts other parts of the model.

Analysis

Assumptions

In developing the model of how the intangible customer values interact with each other we have made some assumptions to narrow the scope of development. These assumptions simplify the complexity of the model and the development process.

Assumptions made are as follows:

- These efforts are focused on the customer experience with the product. There are many types of experiences a customer could have – seeing an advertisement, hearing a recommendation from a friend, and the purchase decision to name a few. This paper will focus only on the customer's experience using the product. The pre-buying or post-buying experiences were not evaluated at length.
- The focus of our analysis is on tangible products and not services. We do include the complete product including any incorporated services, but we did not analyze how the dynamic model of intangibles would translate to services. We are confident the model would be sufficiently applied to services if prompted.
- In examining customer involvement the project looked at customer involvement in the purchase decision and did not examine the role of customer involvement with the brand or product.
- The customer purchase decision was assumed to be a high involvement purchase decision which would put more weight on previous experience and less on knowledge. This may fit within the existing model by adjusting the relative weights on knowledge, experience and emotion depending on the consumer involvement in the purchase decision.
- The project examined the first purchase decision. It was assumed that this is the first time the customer purchased the product and didn't evaluate the repeat buying experience.

For our initial examination of the dynamic relationship of intangibles these were considered as a reasonable set of assumptions to narrow the field of exploration to ensure more meaningful findings could be evaluated with a greater degree of thoroughness.

Development of Model

Framework

To develop a model of the dynamic interaction of the intangibles the team required a theoretical model that included the customer decision to purchase the product to build upon. The existing body of research work was evaluated and it was decided to base the model upon the existing work in Attitude Change Theory. The team initially looked at using the Fishbein & Ajzen's Theory of Reasoned Action. Its simple examination of how a person's attitude results in his/her behavior would be straightforward to apply it to a consumer's purchase decision. Ajzen's Theory of Planned Behavior was determined to be a better foundation because it incorporated key concepts that would improve the predictive capability of modeling consumer decisions. The Theory of Planned Behavior adds the concept of perceived behavioral control that improves customer modeling in two

ways. First, it is important to consider if the consumer has the ability to purchase a product. If the customer doesn't have the financial ability to buy a product then they are not going to make a decision to purchase. It's also important to consider how a consumer may be influenced to believe they have the ability to purchase a product. For example advertising a Lexus and quoting a low monthly lease suggests that a consumer may be more likely to believe it is within their financial means to make the purchase. Secondly, incorporating perceived behavioral control adds the ability to model habitual decisions. Often times the best predictor of decisions is past behavior and adding to that one of the sub-elements of the experience intangible to be considered is habit or routine. Using this model as the basis for developing the conceptual dynamic model allows us to incorporate these additional concepts into our efforts.

The Theory of Planned Behavior has been used to analyze consumer purchase decisions, such as buying a cell phone (Mannetti, Pierro, & Livi, 2002). It has also been extended for consideration of consumer's ethical attitudes or for the "green consumer" (Kalafatis & Pollard, 1999). So there are many proven academic examples of successful application of the theory for predicting consumer decisions.

Once the framework was determined the next steps were to incorporate the intangible elements based on the research performed. The following sections outline the process followed that preceded our completed formative model (see **Figure 5**)

Experience

The first step towards the inclusion of the intangible factors is to include the consumer's experience with the product in the model. This experience can be incorporated into the concept of behavior as represented in the Theory of Planned Behavior as the behavior is synonymous with the experience. Hence the behavior section of the model is labeled as behavior and experience.

Emotion

The second step was to incorporate emotion into the model. The emotion is included with attitude, as expressed in the Theory of Planned Behavior. Attitudes are a mixture of cognitive, affective and emotional processes (Hendrickson & Chaiken, 1993). Because attitudes prominently include emotions, in the model the two cannot be separated. Emotions and attitudes are so interdependent that it makes the most sense to include emotions as part of attitudes. Hence, attitude in the model is relabeled to be attitude and emotion.

Knowledge

The third step was to include knowledge. Knowledge is not explicitly recognized as a variable in the Theory of Planned Behavior. Hence the model was revised to include it. Knowledge is strongly linked to attitudes, subjective norms and perceived behavioral control. Customer's attitude towards a product is strongly influenced by their knowledge of that product and the cognitive process influences the attitude from their knowledge. Likewise customer's understanding of social norms and cultural factors is influenced by their knowledge of others and the perceived behavioral control is influenced by knowledge of customers, and what they know about the product from past experiences. Accordingly, knowledge is added as a new element to the model with strong links to attitude / emotion, subjective norm and perceived behavioral control.

Linkage from Experience to Knowledge / Emotion

Customer's emotions and knowledge are strongly influenced by their experiences. Experience is the most prominent impact on emotions and knowledge, as demonstrated by the volume of literature in our foundational dynamic inter-relationships taxonomy. The feedback in our model starts from the experience with the product and connects it back to the consumer knowledge and attitudes / emotions.

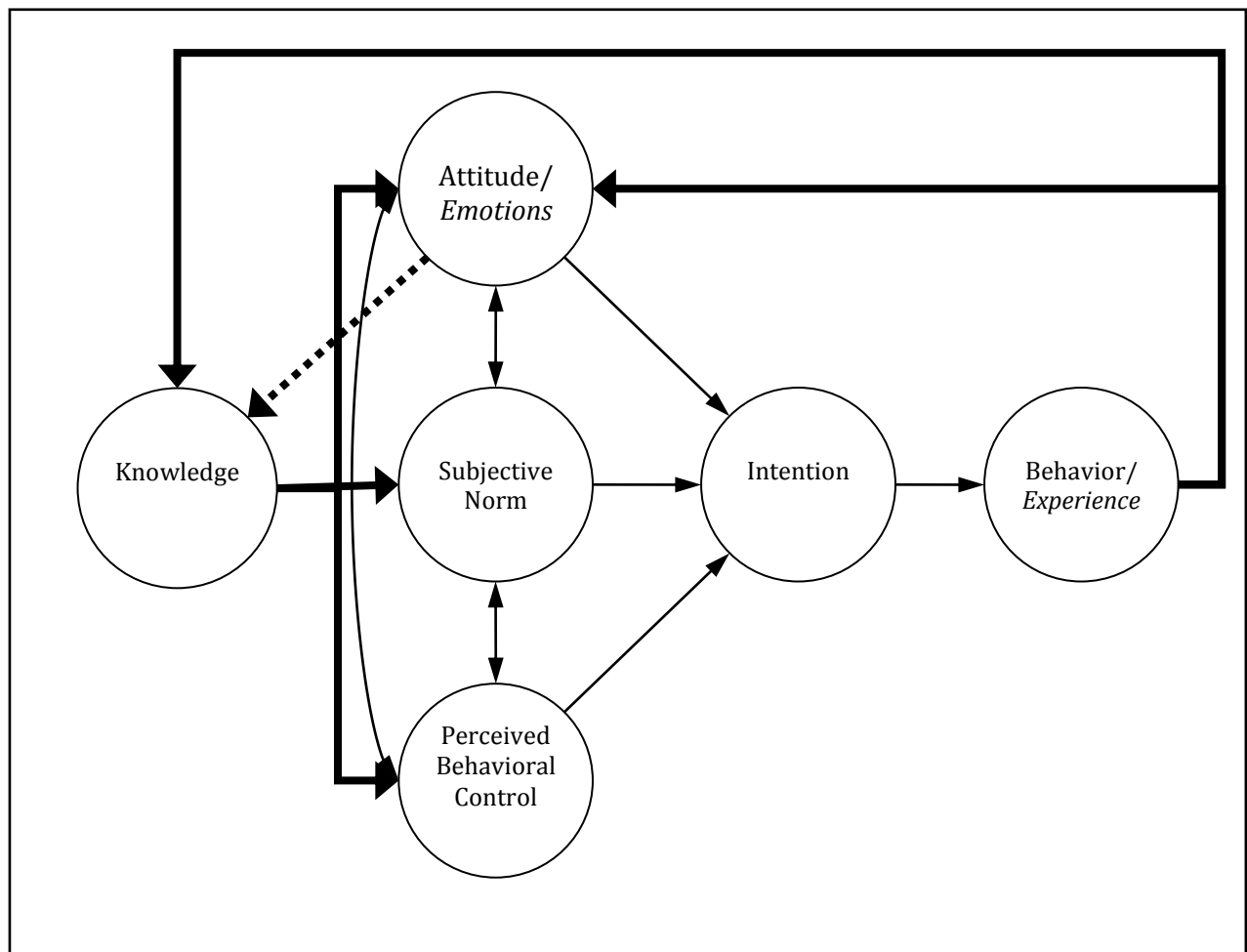
Emotion / Knowledge Interaction

There is a strong relationship that has already been established between knowledge and attitude / emotion. But there is also a weak relationship where emotions act on knowledge. As this will be examined when looking at each of the key concepts and how it fits into the model, a consumers emotional state mediates the impact of an experience on their knowledge.

Analysis of Key Concepts on Model

Now that the model is defined the following section examines how the different key concepts reviewed from the literature earlier in the paper fit into the model.

Figure 5 Conceptual Model



Branding

Brands create a strong bond between the customer and product with both knowledge and emotional bonds. Examining the model, the impact of brands and branding would be to increase the weights and thus increase the influence on a person of the brand. A positive, endearing brand would increase the emotional value and increase the knowledge value which would also positively change the attitude. This results in the consumer being more likely to make a favorable purchase decision.

A customer's experience with a product would then have a subsequent impact on their knowledge and emotion to the brand. An experience that meets or exceeds their brand expectations would iteratively increase those emotional and knowledge brand influences. This is part of the ongoing cycle of improving brand value by having repeated good experiences with the brand. If an experience with the brand did not meet expectations it would have a larger negative impact on the affective and cognitive impressions of the brand.

Emotional Signature

The impact of emotional signature in the model is on the weights between the customer attitudes / emotions and the intention to purchase. Shaw (2007) has defined groups of emotions as a cluster that in aggregate have a larger impact on the customer's decision-making process. The attention cluster has a large positive impact on the purchase decision. It includes the emotions: interesting, energetic, exploratory, indulgent and stimulated. These emotions would have higher weights to affect the intention to purchase. When these emotions exist, the customer would be more likely to decide yes and purchase the product. Similarly the destroying cluster has a large negative impact on the purchase decision. It contains the emotions: irritated, hurried, neglected, unhappy, unsatisfied, stressed, disappointed and frustrated.

It's not clear from the literature if the weights would be independent where each of these emotions in a cluster would have a particular weight or if these clusters interact and would have some combined effect that would have a multiplicative impact.

Customer Involvement

Involvement reflects the inherent interest consumers have in the product and/or services, and influences how a decision is reached. As mentioned earlier, customer involvement can be considered in two different ways. One is customer involvement with a brand and the other is the customer involvement in the purchase decision-making process (whether it is high or low). The model is built assuming a high involvement purchase – such as for an item that is expensive or where a bad choice will cause harm. In these cases where consumer involvement is high knowledge and attitudes (emotions) play a greater role.

When consumer involvement is low, customer satisfaction (experience) plays a greater role and knowledge plays a lesser role. The relative weights of knowledge, emotions and experience could be used adjusted based on the type of purchase decision but it's not clear how this would be applied to our existing model given experience does not directly impact the purchase intention, but does provide valuable feedback if the model were to be run on multiple iterations.

High levels of involvement strengthen the experience of emotions in general, and more specifically positive emotions. The moderating effect of positive emotions on the relationship between service

satisfaction and service loyalty will be stronger for high involvement services as opposed to low involvement services (Bloemer & Ruyter, 1999). As a result when there is a high level of involvement and emotions are positive the link from experience to attitude / emotion gets stronger.

Loyalty / Routine

Previous behavior has a large impact on future behavior (Hendrickson & Chaiken, 1993). A previous purchase decision adjusts the perceived behavior control. The more often a consumer has made a decision the stronger the weight the decision will place on the previous decision. If you have purchased popcorn the last three times you went to the movies then there will be a greater weight placed by the model on buying popcorn this time you're at the movies.

Other factors determine if the customer would reach the same decision that he or she reached in the past. When buying a car a customer may be predisposed to buy a Honda Civic again if he or she purchased one last time. On the other hand if their experiences with the car have been negative, that is going to decrease the attitude (emotional) weight towards buying the car. Likewise if a customer purchased a Honda Civic because it was inexpensive and he or she didn't have a strong positive attitude towards the brand – this time, now that they have more money, they may purchase a BMW – which they wanted before but because of their financial situation couldn't buy in the past.

Emotional State

A consumer's emotional state (mood) influences how they interpret customer experiences. When a customer is in a good mood negative customer experiences have less impact on their perception of a product (Swinyard, 1993). This is captured in the model by moderating the link from experience to knowledge and attitudes (emotion) by the emotional state.

Emotion is a passing feeling while mood is a sustained feeling. Purchasing environment – atmosphere, interior design within that, lighting can set the right mood and increase the buying intentions and shopping experience in customers. Research in social psychology indicates that ambient settings strongly influence perceptual processes. (Gardner & Siomkos, 1986). Environments evoking prior negative events leave a more vivid impression and are recalled more easily. The relationship between negative mood and satisfaction from a shopping trip can be stronger than the relationship between positive mood and consumer satisfaction (B. J. Babin, 1995).

Model Evaluation

Our Taxonomy develops a framework outlining the relative strength and interaction of our three key factors relating to intangible attributes (emotion, knowledge and experience). The effect of these factors and their relationships to purchase behavior is modeled using Ajzen's theory of Planned Behavior (TPB). In a structural equation model such as the TPB, several factors contribute to making a model useful.

- What is predicted by the model matches reality.
- The constructs match reality
- Linear Relationships between factors
- All causal relationships identified

The ideal model would accurately predict purchase behavior and require only information that improves accuracy. It's reasonable that constructs that do not improve accuracy should not be included and the contribution of each of these factors should be well understood. The corollary to this is that studies that are specific to the purchase behavior need to be undertaken to validate the accuracy of the model. In a study of purchasing behavior it is noted that "All three TPB constructs should be taken into account, as they all contribute to the explanatory power of the model" (De Cannière, De Pelsmacker, & Geuens). In the same article it was noted that the "predictive power of intentions was low" (De Cannière, et al.). This was attributed to a long time delay between the measurement of the intent to purchase and the scanning for that behavior. Similarly in The Ethical Consumer (Harrison, Newholm, & Shaw, 2005) it is noted that "The ability of this model to explain behavioral intention was poor ($R^2=0.28$)" (Shaw & Ivens). This was attributed to factors that are specific to ethical purchases. By adding constructs to account for these additional factors there was a significant improvement in predicting behavioral intention ($R^2=0.52$) (Shaw & Ivens). Other studies have shown that significant differences in perceived behavioral control in student vs. non student groups "Adult samples should provide better predictions of behavior from PBC compared to student samples" (Notani, 1998).

The results of these studies offers insight into the requirements to properly model the intention to purchase and outline the need to validate models through research.

Applications

Now that we have developed a model of the dynamic interaction between the intangibles we will examine how this model could guide us in product definition and development. We'll examine a couple of products and look at how the model can guide us in capturing intangible customer value.

Online Gaming

The first product example that we'll examine is a new online game. To get people interested in trying the product you'd want to ensure that the attention cluster of emotions is engaged by the game – for example that it is interesting and exploratory. To ensure the attention cluster the gaming company would require placing trial gaming kiosks in retail stores to make the customers aware of the product and give them an opportunity to explore the games. We also want to make sure users don't have a negative response so you want to ensure that the destroying cluster is not activated. To prevent the destroying cluster a lot of play testing is required before the product is released – to make certain the game is usable and the player is not introduced to frustration. Adequate computing power for the servers must be obtained so the player is not frustrated by slow responses. Over time the attention clusters of emotions decay – so continued efforts to add new content to the game after it's introduced is critical so that players remain stimulated and interested.

The link between experience and emotions is a very strong – so if you can create a game experience where the player is emotionally involved in the play it will provide strong feedback to the player's emotions and attitude towards the game. Ensuring that the online story line is interesting and contains plot elements that will engage the player emotionally is a key strategic initiative.

If you can make playing the game a habit for the player then they will be more likely to play it again. This can be fostered by inclusion of elements in the game design that influence the player to play on a regular basis, such as encouraging them with points or other compensation to get them to check in for a few minutes every day even if they don't actively play that day. Caution must be exercised to

avoid frustrating the player and engaging the destroying cluster of emotions. Providing some positive feedback to log on often is important but you don't want to provide a negative feedback that frustrates them if they don't log on often enough.

Electric Car

Our second example is a company developing an electric car. They understand that an important part of consumer's purchase decision for the product will be buying it because their friends will approve of it being environmentally conscious. From a design point of view you will want to clearly distinguish the car so people can tell it is an electric. Targeted marketing messages to reinforce public perception that the car is very environmental friendly is vital – to impact both the buyers attitudes towards the product and to change other's opinion of electric cars so they consumer has increased social norm pleasure to purchase, or at a minimum positive reinforcement of their decision.

In marketing and advertising the car the company will stress that even though the price of the car is higher than comparable models that when you look at the total price of owning the car it's less expensive because of the lower fuel cost. This will impact the consumer's perceived behavioral control and make them more likely to believe they can economically purchase it.

Many people have a negative attitude towards electric cars drivability – they believe they accelerate and handle poorly. The company will have a program to encourage test drives by targeting environmentally minded consumers with an offer to plant a tree in their name if they come in and test drive the car. Since actual experiences with the car will have a much bigger impact on their attitude then weakly held attitudes formed with little research the test drive will have a big positive impact on the consumer's attitudes towards purchasing.

FUTURE RESEARCH

Services

The focus of the project was on tangible products and services relative to a product. Due to time constraints service industry was not examined. Services are becoming an increasingly crucial part of business operations and intangibles can act as critical differentiators. It becomes critical to generalize the dynamic model to cover services. We are confident future research efforts would validate that the developed model is equally applicable for services as well.

Model Extension

The developed model is focused on the customer experience with the product and does not cover the complete purchase life cycle of a product. The intangibles could be examined through the different phases of the product purchase life cycle to include the pre-buy, buy and post-buy experiences.

Customer Involvement

The developed model is focused on high customer involvement with purchase decisions. The scenario here could be when a customer is attempting to make a decision between buying a Mercedes or BMW for his/her primary car which is a high-involvement purchase decision. How

does the model change with respect to the strength of linkages between the intangible attributes could be an interesting area to pursue for low-level customer involvement purchase decisions like decision making in buying a Pepsi or Coke for a drink. Another area to pursue is the customer involvement with the product / brand and to identify how the customer involvement varies between different brands and products and its effect on the dynamic inter-relationship of intangibles.

Analytical Approach

The developed theoretical model can be further solidified by developing an analytical model and performing the required research to prove its validity through experimental methods. The experiment results could modify the model resulting in a better-fit. Further, a structural equation can be developed using the variables as constructed for our formative model.

The developed model proposes a linear relationship among the three intangible attributes. The possibility of the relationship being non-linear could be explored. This requires an in-depth research and this can make the model more complex.

Other Factors

Another factor to consider is the network effect on the dynamic model. Network effect includes the direct and indirect effect of external factors like brand communities and social networking. The potential of network effects on the purchase behavior of a consumer cannot be ignored considering the growth of social networking sites and importance, and overwhelming success, of brand communities in recent days.

In the developed model, the intangible attributes interact with the behavioral elements of Theory of Planned Behavior model. Literature says Technology Acceptance Model (TAM) is one of the most influential extensions of Ajzen and Fishbein's Theory of Reasoned Action . TAM replaces many of TRA's attitude measures with two technology acceptance measures - *ease of use*, and *usefulness*. To research how the intangible attributes interact with the two technology acceptance measures of TAM model can be an interesting and useful area of study.

RECOMMENDATIONS

The developed model attributes experience to customer purchase behavior, emotion to attitude and introduces the knowledge intangible into the Theory of Planned Behavior model and shows how these three intangibles strongly or weakly link and interact with one another dynamically. Product managers can use the model to understand where the intangibles fit in the purchase behavior of the customer. The model can be a valuable tool for product managers to understand the dynamic inter-relationship of intangible attributes and not to consider these intangibles as separate, independent elements.

The paper proposes the dynamic model and highlights the key concepts under each intangible attribute. The key concepts highlighted under knowledge, emotion and experience are brand reinforcement, emotional signature and customer involvement, respectively. Literature suggests these key concepts possess a high degree of potential to influence product differentiation in the minds of the customer which the product managers can leverage on.

Product managers can use the proposed model framework to better relate the intangible elements to the new product development (NPD) process and identify methods to integrate them to the NPD

process. Concepts and methods like customer involvement in early product design, co-creation and co-development, and emotional branding have been researched and proposed for industrial application. However, identification of appropriate, tangible product elements that influence these intangible elements is the key to make the integration of intangibles a systematic design process.

CONCLUSION

It is amazing how Apple products are generally received positively by its customers and what is more amazing is how Apple manages to retain and sustain the customer involvement and enthusiasm over these years. The intangibles are the secret sauce here. It could be either Apple identifies the customer intangibles and incorporates them to its fuzzy front-end process of product development or it is doing it unknowingly. Either way it is hard to believe the differentiation in Apple products without the effect of intangibles. Hence intangibles and its importance to product design are gaining more and more importance. However not much of academic or industrial research exists at this point that is focused directly on the intangible attributes. The growing need for incorporating the intangibles up-front in the product design augurs for more seminal academic and industrial research in the area of intangible attributes.

The proposed model is a formative flow model depicting the dynamic inter-relationship of intangible attributes – knowledge, emotion and experience. While the work done by Harmon and Steiner introduces the intangible attributes to the academic world and identifies their value and impact on customer perceived value, this model further solidifies the fact. This paper can be considered as a crucial step towards accounting for intangible attributes in purchase behavior of customer and as a stepping stone to further identify the tangible design factors that influence these intangibles and the industrial methods that could be used to incorporate these intangibles into new product design and development.

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