The Pennsylvania State University

The Graduate School

The Smeal College of Business

SOCIAL CAPITAL IN THE MARKETPLACE:

THE IMPLICATIONS OF USING SOCIAL RELATIONSHIPS FOR CONSUMPTION PURPOSES

A Dissertation in

Business Administration

by

Bryan R. Johnson

Submitted in Partial Fulfillment
of the Requirements
for the Degree of

Doctor of Philosophy

August 2010

The dissertation of Bryan R. Johnson was reviewed and approved* by the following:

William T. Ross, Jr.
Smeal Research Fellow in Marketing & Professor of Marketing
Dissertation Advisor
Chair of Committee
Head of the Marketing Department

Margaret G. Meloy
Associate Professor of Marketing

Barbara Gray
Professor of Organizational Behavior
Director, Center for Research in Conflict and Negotiation

Wenpin Tsai
Professor of Business Administration

Susan Xu
Professor of Management Science and Supply Chain Management
Director of Ph.D. Program

*Signatures are on file in the Graduate School

Abstract

In this dissertation, I extend and refine social capital theory by examining consumers' use of social relationships to make purchases. The specific consequences of using social relationships in the marketplace have not been identified, classified, or elaborated in purchasing contexts. To accomplish this objective, I develop a typology of consumer social capital outcomes to represent and explicate the positive and negative consequences of using social relationships to make purchases. In so doing, I advance social capital theory in this context and link its outcomes to important marketing constructs, such as satisfaction and loyalty. Identifying these consequences and their impact on consumers' experiences provides scholars with a conceptual foundation for studying this phenomenon in the marketing domain, while also providing practitioners with an increased capacity to conceptualize and manage these important types of relationships.

Table of Contents

List of Figures

List of Tables

Acknowledgements

The long road to completing this dissertation has not been one that I have traveled alone. I would be extremely ungrateful if I didn't take the opportunity to thank those who have made this journey possible for me. Many people have had a tremendous impact on my education and professional development. Although I am unable to thank all of them here, there are several people that I wish to recognize for their meaningful contributions.

First, I want to thank Dr. Bill Ross for his guidance, support, and friendship during my time in the doctoral program at Penn State. I came to Penn State specifically to work with Bill and to learn all that I could from him. Looking back, I simply cannot imagine my life in academia without his guidance and influence. For an advisor and mentor, I couldn't have asked for more. He has been a tremendous asset to me and has made my Penn State experience much more meaningful than it would have ever been otherwise. I truly appreciate Bill's time, talents, and efforts on my behalf. I look forward to working with him for a long time to come.

I also want to acknowledge the other members of my dissertation committee, Dr. Meg Meloy, Dr. Barbara Gray, and Dr. Wenpin Tsai. Each one of them contributed in different ways to my professional development and to this dissertation. Meg provided me with a formal introduction to consumer behavior in my first marketing doctoral seminar and has been a great friend, advisor, and mentor ever since. I really appreciated her willingness to help in any and every way to make my experience in the doctoral program a great one. I have learned so much from her and I look forward to continuing our work together. Through her methods course and advice, Barbara provided me with a strong methodological foundation for tackling the qualitative component of this dissertation. Barbara also brought vast knowledge and experience to the committee, which has helped to strengthen my dissertation research tremendously. Finally, Wenpin not only provided methodological training and support through his course on social network analysis, but he also shared an amazing knowledge of social capital and social processes. His advice and guidance have been instrumental to my research and my professional development.

In addition, I also want to recognize several individuals who keep the marketing department running smoothly, yet who often receive little recognition. I want to formally thank Steph Ironside and Terra Ingram for making my time in the marketing department productive, interesting, and entertaining. I knew I could always count on Steph and Terra to understand and empathize with the intricacies of working in a department full of top marketing academics. Both of them contributed to my happiness and well-being in the department. I value their friendship and I will miss them when I leave.

I also want to thank Cardell Jacobson and John Hoffmann for the invaluable training and mentoring they offered to me while working on my undergraduate and master's degrees. Cardell officially introduced me to social scientific research when he hired me as an undergraduate research assistant. He later became my master's thesis advisor and provided me with years of hands-on training as we worked on various research projects and papers together. That experience has furnished me with a priceless foundation for conducting academic research. Additionally, John provided me with invaluable training in research methods and statistics through the methods courses he taught. To this day, I still reference notes and materials from his courses when conducting my own research. The knowledge and skills he instilled within me have been a tremendous asset in completing this dissertation. I'm very grateful that I've been able to learn so much from such a great statistician and scholar.

Beyond the academic community, I must also acknowledge the influence of my parents, who from a young age instilled within me the desire to obtain a top-notch education, and who also invested the time, effort, and support required to help me complete this long journey. Although I'm not sure a Ph.D. is what they initially had in mind, they have been a tremendous support to me and I thank them for all that they have done and sacrificed over the years to allow me to accomplish this ongoing endeavor.

In addition, I want to acknowledge my family. My sons, Russell and Brandon, have been a positive and beneficial distraction from the rigors and stresses of graduate school. I have enjoyed watching them grow up as analysts of the wonderful world of marketing in which we live. For a six-year-old and a three-year old, I find their identification of corporate logos, their critiques of television commercials, and their knowledge of consumerism both startling and gratifying. Apparently something rubbed off as I played with them during work breaks. I'll always cherish the time that I was able to spend with them, in between the various stages of designing studies, collecting and analyzing data, and writing. Just having them playing nearby as I worked on this dissertation over the years has been a special experience. I sincerely hope they remember it as fondly as I do.

I also need to recognize my wife, Shalece, for everything that she has done to support me in completing this dissertation and the degree that accompanies it. She has been an amazing strength to me and I know that I would not have been able to do this without her. With all of the challenges we've faced over the past few years, she has carried more than her share of the load, which she has met with so much strength and courage. She is a great mother and she has even

fulfilled my role as a father at times when I was unable to deal with all of life's demands. I will never forget the sacrifices she has made and her many efforts on behalf of our family. She is my best friend and I can't imagine life without her. I hope that someday I will be able to repay her for all that she has done to make this possible. I love you Shalece. Thank you.

Finally, I would feel ungrateful and disingenuous if I didn't acknowledge the hand of God in helping me complete this long journey. I am especially grateful to Him for blessing me with the skills, the abilities, the patience, the strength, and the help that I needed to accomplish this immense task. I am particularly thankful that He has placed all of the previously acknowledged people in my life to help and support me over the years. Without each and every one of them, my life and my work would not be the same. Thanks everyone. I appreciate all that you have done for me.

Dedication

To

Shalece, Russell, and Brandon

and

Loved Ones Who Passed Away Before Witnessing the Completion of this Long Journey

Chapter 1

Introduction

Imagine that you have recently made several visits to a physician in response to recurring headaches and changes in vision. After some preliminary testing, you are diagnosed with a serious brain tumor requiring specialized surgery. Your health care provider supplies you with a list of neurosurgeons in the area. Faced with this life-threatening condition, there are many important things to consider as you select a surgeon. The choice is yours. How would you decide? Would you select randomly from the list? Would you seek your doctor's opinion? Would you use your personal relationships with others to gather information about available surgeons?

While this scenario may seem contrived, it is not. It is the exact situation faced by Cord, a 64-year-old participant in our study, who decided to draw upon his social relationships to make this critical decision. Through his personal relationship with a "friend who happens to be a neurologist," Cord was able to obtain information to assist him in evaluating the caliber of the surgeon recommended by his primary care physician. Additionally, Cord was able to expedite his treatment options because his neurologist friend was socially connected to the neurosurgeon he wanted. After their initial conversation, she accompanied Cord to the surgeon's office and introduced him. Because of these influential social ties, Cord was seen that same day without an appointment and miraculously had surgery within a week, despite the fact that the next available opening in the surgeon's schedule "was about six months out."

This example demonstrates the capacity of social relationships to impact various aspects of human behavior, including those related to consumption. Interestingly, people like Cord are not alone when it comes to using social relationships for consumption purposes. The *General Social Survey*, which is a nationally representative survey of societal trends in the United States, conservatively estimates that approximately 1 in 4 consumers draw upon social (noncommercial) relationships to make purchases (DiMaggio and Louche 1998). The findings of the *General Social Survey* emphasize the prevalence of using social relationships for consumption purposes. When coupled with the potential impact of these relationships on consumption outcomes, the use of social capital to make purchases represents an important and influential aspect of consumer behavior.

Accordingly, the purpose of this dissertation is to investigate the specific consequences of consumers' use of social relationships to facilitate consumption experiences. Amazingly, the basic questions of whether and why consumers utilize social relationships to make purchases remain largely unaddressed in the marketing literature. However, addressing such questions is important if scholars are to more fully understand this meaningful social dimension of consumer behavior.

Social Capital Theory

To highlight the consequences of incorporating social relationships into consumption experiences, we[1] draw upon social capital theory. Social capital theory provides a promising

[1] Although I am the author of the dissertation, I use the plural "we" throughout the document, to acknowledge the support of my advisor, committee members, and others who have influenced my research in a variety of ways. In addition, I elected to use the term "we" to minimize revisions in preparation for the journal submission process.

theoretical framework for understanding the link between social relationships and individual behaviors. Interestingly, scholars have adopted various perspectives within social capital theory, as demonstrated in figure 1. These approaches typically range from collectivist perspectives on one side of the continuum (i.e., Putnam 1993, 1995) to individualistic perspectives on the other (i.e., Lin 2001). Generally speaking, the collectivist approach tends to focus on how social ties impact collectives and communities, whereas the individualistic approach focuses on the differential outcomes obtained by individuals as a result of their social relationships. Because this dissertation focuses on individual consumers and the outcomes they obtain from using specific social relationships to make purchases, we draw upon the individualistic notion of social capital theory, as it provides important details concerning the influence of the individual's distinct relationships on their purchase behaviors.

Insert figure 1 about here

From the individualistic viewpoint, social capital is conceptualized as the potential resources that are ingrained or embedded in an individual's portfolio of social relationships. Along these lines, the theory posits that individuals utilize these resources embedded in their social relationships to create benefits or returns (Lin 2001; Portes 1998). Similar to other forms of capital, substantial variation exists among individuals with respect to the amount of social capital they possess. This disparity is generated primarily by differences in the structure of social relationships along several key dimensions, including: (1) the number of personal relationships, (2) the strength of the relationships, and (3) the diversity of the relationships (Baker 2000; Burt 2000; Granovetter 1973, 1985; Lin 2001). Consequently, the composition of an individual's social relationships – with whom an individual interacts, the frequency of the interaction, and the type of interaction – exerts a major influence on the social capital available to the individual. Individuals with a favorable portfolio of relationships are likely to have access to greater resources, thus possessing higher levels of social capital.

Social Capital Outcomes for Individuals

Within the social sciences, individuals have been shown to obtain a variety of different benefits as a result of their social relationships with others. Such benefits can range from improvements in health and wellness (Cohen et al. 1997; House, Landis, and Umberson 1988) to finding a job (Granovetter 1973, 1983; Mouw 2003) and improving career outcomes (Gabbay and Zuckerman 1998; Lin and Huang 2005). Social relationships can also increase remuneration in the workplace (Boxman, De Graaf, and Hendrik 1991; Seidel, Polzer, and Stewart 2000) and help individuals to ascend social strata (Dominguez and Watkins 2003; Lin 1999; Ream 2005). Interestingly, as far reaching as these outcomes are, they represent only a fragment of the many benefits individuals derive from using their social relationships, as highlighted by the numerous studies undertaken by social scholars. Given the prevalence and expansiveness of these returns on social capital, it is somewhat surprising that the outcomes of using these social relationships have not been more thoroughly examined in the context of the marketplace.

Although social capital research in consumer domain is somewhat sparse, consumer scholars have recently begun to address issues related to the concept of social capital. Along these lines, scholars have highlighted concepts indirectly related to social capital, such as social class (Henry 2005; Hirschman 1990) and social status (Reilly 1982), both of which have the ability to influence the amount of social capital available to individuals. In addition, several marketing studies have examined how personal relationships form among product or service providers and consumers, finding that such relationships often involve mutual affection, social support, and reciprocity – all of which are integral elements of social capital usage (Beaty et al. 1996; Price and Arnould 1999). Additionally, upon examining buyer-seller relationships, consumer scholars have also found that tie strength between buyers and sellers increases the probability of consumers entering a market, while also positively influencing their likelihood of making purchases (Frenzen and Davis 1990). While the aforementioned studies do not specifically address outcomes for consumers resulting from their use of social capital to make purchases, they represent important social and relational components underlying social capital behaviors.

Social Capital and Its Relationship to Word of Mouth Behavior

Having discussed several factors from the marketing literature that are loosely or indirectly related to social capital usage among consumers, it is also important to distinguish social capital from an important marketing construct – word of mouth behavior. In general, WOM typically refers to informal information transmission among individuals pertaining to products (Herr, Kardes, and Kim 1991; Labay and Kinnear 1981; Mahajan, Muller, and Bass 1990), services (Money, Gilly, and Graham 1998; Wangerheim and Bayon 2004), or events (Bowman and Narayandas 2001; Liu 2006). Typically, traditional or “organic” WOM processes are those in which information about events diffuses naturally as individuals openly share their experiences with others. Alternatively, scholars have also examined WOM behavior that deviates from the organic variety (Bansal 2000; Brown and Reingen 1987; Duhan, Johnson, Wilcox, and Harrell 1997; Gershoff, Broniarczyk, and West 2001). Rather than being naturally transmitted from individual *to* individual, "sought after" WOM involves the solicitation of information from one actor *by* another. Interestingly, while both perspectives focus on information transmission, organic WOM is naturally occurring, whereas sought after WOM is driven by individuals intentionally seeking information from other individuals.

Generally speaking, social capital usage is loosely related to WOM behavior in the sense that both concepts represent a form of social exchange involving the flow of information (Frenzen and Nakamoto 1993). Nevertheless, the two concepts diverge in several important ways. By definition, organic WOM communication occurs subsequently to the event which propagates it – be it a rousing sales promotion, a failed service encounter, or an anticipated new product launch. Alternatively, social capital mobilization does not require such instigating events; similar to solicited WOM, the communication associated with social capital typically commences with the focal individual. As a result, the flow of information is deliberate and controlled; it is not freely diffused among individuals, as is typical of organic WOM behavior. In addition, while both processes rely on information transmission to operate effectively, social capital and WOM tend to spotlight different aspects of the communication process. WOM tends to focus on *what* is communicated, whereas social capital typically focuses on *what* is communicated and on *who* is doing the communicating, paying particular attention to the nature and the strength of the relationships between individuals. Given social capital's added focus on the relational elements of communication, the transfer of information between actors tends to be more structured and systematic than is typically seen with WOM processes.

A final distinction between social capital and WOM involves the specific role that relationships play. WOM tends to view relationships among individuals primarily as conduits through which information flows. Communications can occur either intentionally or unintentionally as individuals interact with one another. Alternatively, beyond simply acknowledging them as information channels, social capital theory views relationships as repositories in which resources are stored. These resources include, but are in no way limited to, information. Given the right connections and the ability to manage them, individuals can gain privileged access to a variety of resources embedded within these relationships. Therefore, a fundamental difference between WOM and social capital is that WOM focuses on the information passed *through* social relationships, whereas social capital adds the provision that resources are embedded *within* those relationships. As a result, social capital involves more than just receiving information, it entails capitalizing on relationships with others to access resources that are held within a network of social relations. In the end, the control of information, the structure of affiliations, and the leveraging of relationships to generate returns are what fundamentally distinguish social capital mobilization from WOM behavior.

Overview of Dissertation Essays

As indicated previously, the objective of this dissertation is to investigate and understand the consequences of consumers' use of social relationships to make purchases. These important outcomes and their impact on consumers' purchase experiences have not been identified or elaborated by marketing scholars. Consequently, the following 3 essays develop social capital theory by identifying new conceptual and methodological applications of the theoretical framework. Doing so helps to bolster knowledge in marketing and in the larger social science arena.

Essay 1: The Consequences of Consumers' Use of Social Capital

Essay 1 extends and refines social capital theory by examining consumers' use of social relationships to make purchases. This essay focuses specifically on the positive outcomes consumers obtain when they leverage pre-existing social (noncommercial) relationships with a firm's employees to make purchases. Depth interviews with 19 consumers in the United States are used as data to develop grounded theory to identify and explain these influential social capital behaviors in the marketplace. Our analysis of participants' experiences identifies 4 main categories of outcomes obtained by consumers using their social relationships for consumption purposes: *resource preservation*, *knowledge acquisition*, *favoritism*, and *affective reactions*. In addition, our analysis further reveals the important theoretical relationships among these 4 principal benefit categories, which exposes the impact of this behavior on participants' consumption experiences generally.

Ultimately, we link our typology and the theoretical structure among the typological categories to important marketing constructs, such as customer satisfaction and loyalty. Identifying these consequences, the speed at which they occur, and their impact on consumers' experiences provides scholars with a conceptual foundation for studying social capital behaviors in marketing contexts. In addition, our findings also provide practitioners with an increased capacity to conceptualize and manage these important types of relationships customers have with firms. Collectively, the findings from essay 1 make an important contribution to marketing by exposing the fundamental link between the *theory* of social capital and the *practice* of customer relationship management.

Essay 2: The Impact of Social Relationships on Consumers' Monetary Benefits

Essay 2 extends essay 1 by further examining the *resource preservation* achieved by consumers using social relationships to make purchases in the marketplace, as outlined in essay 1. Essay 2 builds upon essay 1 by empirically testing the theoretical relationships between using social capital to make purchases and monetary savings. Rather than relying on participants' self reports, as done in essay 1, we use archival data from an automotive firm in the United States to test several hypotheses related to consumers' use of social relationships to make purchases. As predicted by the theory, we find that customers using social relationships to make purchases, both directly and indirectly through intermediaries, obtain substantial benefits in terms of the discounts they receive. These findings corroborate the monetary benefits identified in essay 1.

Methodologically, the ability to quantify consumers' outcomes permits empirical comparisons among the various types of relationships used by consumers to make purchases, helping to reveal the power and influence of social relationships in this context. The ability to quantify these returns also allows other important elements of the social capital theory framework to be examined, such as specific comparisons between the direct and indirect ties consumers use to make purchases. Ultimately, the findings from essay 2 make important contributions to marketing relationships and social capital theory by empirically demonstrating the monetary returns obtained by consumers using different types of relationships to make purchases.

Essay 3: The Adverse Effects of Using Social Relationships to Make Purchases

While individualistic social capital research tends to focus on the positive benefits that result from using social relationships, as demonstrated in essays 1 and 2, essay 3 extends social capital theory by examining the negative outcomes obtained by consumers using their social relationships to make purchases. Although negative outcomes have been considered with regard to collectives and communities, they have not been identified from the perspective of individualistic social capital theory. Using interview data drawn from 16 consumers in the United States, essay 3 reveals that social capital behaviors do not incontrovertibly result in positive outcomes. Importantly, our grounded theory analysis reveals that consumers may potentially experience 3 different categories of negative outcomes when using their social relationships for consumption purposes, namely: *recourse bridling*, *trust decay*, and *relationship atrophy*.

Ironically, given consumers' expectations and focus on positive returns, these negative outcomes can sometimes be obscured by the benefits that are anticipated and the relationships used to obtain them. Importantly, the findings from essay 3 contribute to social capital theory by highlighting and investigating this overlooked dimension of individualistic social capital behavior. Identifying these negative outcomes, and their influence on consumers and the firms with whom they interact, provides marketers with an enhanced conceptual foundation for studying and managing these important marketing relationships by revealing how social capital can fall short of the panacea it is often portrayed to be.

Summary & Conclusion

Social capital theory offers a promising approach for understanding the interaction between social structure and consumer behavior. By tying social relationships to consumption outcomes, social capital theory enhances our understanding of the complicated social processes that are intricately tied to consumption. The purpose of this dissertation is to identify, examine, and explain the influence of the social relationships used by consumers to make purchases in the marketplace. Essay 1 accomplishes this objective by developing a typology of positive social capital outcomes in the marketplace, while also demonstrating their impact on consumers' purchase experiences. Essay 2 empirically documents the occurrence of the monetary benefits outlined in essay 1, while also examining new dimensions of social capital behavior. In addition, essay 2 develops a methodological approach that can be used to quantitatively assess the value of different types of relationships used by consumers to make purchases. Finally, essay 3 documents a new dimension of individual social capital, by identifying negative outcomes for consumers using social capital to make purchases. Ultimately, when considered collectively, these 3 essays make important contributions to extant knowledge by identifying new outcomes of social capital behavior, both positive and negative, and linking them to individuals' consumption experiences and their future interactions with firms.

References

Baker, Wayne (2000), Achieving Success through Social Capital. New York, NY: John Wiley & Sons.

Bansal, Harvir S. (2000), "Word-of-Mouth Processes within a Service Purchase Decision Context," Journal of Service Research, 3, 166-177.

Beaty, Sharon E., Morris Mayer, James E. Coleman, Kristy Ellis Reynolds, and Jungki Lee (1996), "Customer-Sales Associate Relationships," Journal of Retailing, 72 (3), 223-47.

Bourdieu, Pierre (1986), "The Forms of Capital" in Handbook of Theory and Research for the Sociology of Education, J.G Richardson, Ed. Westport, CT: Greenwood Press.

______ (2002), "The Sociological Theory of Pierre Bourdieu" in Contemporary Sociological Theory, Craig Calhoun, Joseph Gerteis, James Moody, Steven Pfaff, and Indermohan Virk, Eds. Malden, MA: Blackwell Publishing.

Bowman, Douglas and Das Narayandas (2001), "Managing Customer-initiated Contacts with Manufacturers: The Impact on Share of Category Requirements and Word-of-mouth Behavior," Journal of Marketing Research, 38 (3), 281-98.

Boxman, Ed, Paul M. De Graaf, and Hendrik D. Flap (1991), "The Impact of Social and Human Capital on the Income Attainment of Dutch Managers," Social Networks, 13 (1), 51-73.

Brown, Jacqueline Johnson and Peter H. Reingen (1987), "Social Ties and Word-of-Mouth Referral Behavior," Journal of Consumer Research, 14 (3), 350-63.

Burt, Ronald. S. (2000), "The Network Structure of Social Capital," Research in Organizational Behavior, 22, 345-423.

______ (2004), "Structural Holes and Good Ideas," The American journal of sociology, 110 (2), 349-99.

Cohen, Sheldon, William J. Doyle, David P. Skoner, Bruce S. Rabin, and Jack M. Gwaltney, Jr. (1997), "Social Ties and Susceptibility to the Common Cold," JAMA, 277 (24), 1940-44.

Coleman, James S. (1988), "Social Capital in the Creation of Human Capital," The American Journal of Sociology, 94, 95-120.

______(2002), "Social Capital in the Creation of Human Capital" in Contemporary Sociological Theory, Craig Calhoun, Joseph Gerteis, James Moody, Steven Pfaff, and Indermohan Virk, Eds. Malden, MA: Blackwell Publishing.

DiMaggio, Paul and Hugh Louch (1998), "Socially Embedded Consumer Transactions: For What Kinds of Purchases Do People Most Often Use Networks?" American Sociological Review, 63 (5), 619.

Dominguez, Silvia and Celeste Watkins (2003), "Creating Networks for Survival and Mobility: Social Capital among African-American and Latin-American Low-income Mothers," Social Problems, 50 (1), 111.

Duhan, Dale F., Scott D. Johnson, James B. Wilcox, and Gilbert Harrell (1997), "Influences of Consumer Word-of-Mouth Recommendation Sources," Journal of the Academy of Marketing Science, 25 (4), 283-295.

Frenzen, Jonathan and Harry L. Davis (1990), "Purchasing Behavior In Embedded Markets," Journal of Consumer Research, 17 (1), 1-12.

Frenzen, Jonathan and Kent Nakamoto (1993), "Structure, Cooperation, and the Flow of Market Information," Journal of Consumer Research, 20 (3), 360-375.

Gabbay, Shaul M. and Ezra W. Zuckerman (1998), "The Contingent Effect of Contact Density on Mobility Expectations," Social Science Research, 27, 189-217.

Gershoff, Andrew D., Susan M. Broniarczyk, and Patricia M. West (2001), “Recommendation or Evaluation? Task Sensitivity in Information Source Selection,” Journal of Consumer Research, 28 (3), 418-438.

Granovetter, Mark (1985), "Economic Action and Social Structure: The Problem of Embeddedness," American Journal of Sociology, 91 (3), 481-510.

______ (1983), "The Strength of Weak Ties: A Network Theory Revisited," Sociological Theory, 1, 201-33.

______ (1973), "The Strength of Weak Ties," American Journal of Sociology, 78 (6), 1360-80.

Henry, Paul C. (2005), "Social Class, Market Situation, and Consumers' Metaphors of (Dis)Empowerment," Journal of Consumer Research, 31 (4), 766-779.

Herr, Paul M., Frank R. Kardes, and John Kim (1991), "Effects of Word-of-Mouth and Product-Attribute Information on Persuasion: An Accessibility-Diagnosticity Perspective," Journal of Consumer Research, 17 (4), 454-63.

Hirschman, Elizabeth C. (1990), "Secular Immortality and the American Ideology of Affluence," Journal of Consumer Research, 17 (1), 31-43.

House, James S., Karl R. Landis, and Debra Umberson (1988), "Social Relationships and Health," Science, 241 (4865), 540-45.

Labay, Duncan G. and Thomas C. Kinnear (1981), "Exploring the Consumer Decision Process in the Adoption of Solar Energy Systems," Journal of Consumer Research, 8 (3), 271-79.

Lin, Nan (2001), Social Capital: A Theory of Social Structure and Action (1 ed.). Cambridge: Cambridge University Press.

_____(1999), "Social networks and status attainment," Annual Review of Sociology, 25, 467-88.

Lin, Shu-Chi and Yin-Mei Huang (2005), "The Role of Social Capital in the Relationship between Human Capital and Career Mobility: Moderator or Mediator?" Journal of Intellectual Capital, 6 (2), 191-216.

Liu, Yong (2006), "Word of Mouth for Movies: Its Dynamics and Impact on Box Office Revenue," Journal of Marketing, 70 (3), 74-89.

Mahajan, Vijay, Eitan Muller, and Frank M. Bass (1990), "New Product Diffusion Models In Marketing: A Review And Directions for Research," Journal of Marketing, 54 (1), 1-26.

Money, R. Bruce, Mary C. Gilly, and John L. Graham (1998), "Explorations of National Culture and Word-of-mouth Referral Behavior in the Purchase of Industrial Services in the United States and Japan," Journal of Marketing, 62 (4), 76-88.

Mouw, Ted (2003), "Social Capital and Finding a Job: Do Contacts Matter?" American Sociological Review, 68 (6), 868-98.

Portes, Alejandro (1998), "Social Capital: Its Origins and Applications in Modern Sociology," Annual Review of Sociology, 24, 1-24.

______ (2000), "The Two Meanings of Social Capital," Sociological Forum, 15 (1), 1-12.

Portes, Alejandro and Patricia Landolt (1996), "The Downside of Social Capital," The American Prospect, 26, 18-22.

Portes, Alejandro and Julia Sensenbrenner (1993), "Embeddedness and Immigration: Notes on the Social Determinants of Economic Action," The American Journal of Sociology, 98 (6), 1320-50.

Price, Linda L. and Eric J. Arnould (1999), "Commerical Friendships: Service Provider-Client Relationships in Context," Journal of Marketing, 63 (4), 38-56.

Putnam, Robert D. (1993), “The Prosperous Community: Social Capital and Public Life,” The American Prospect, 24, 34-48.

______ (1995), “Bowling Alone: America’s Declining Social Capital,” Journal of Democracy, 6, 65-78.

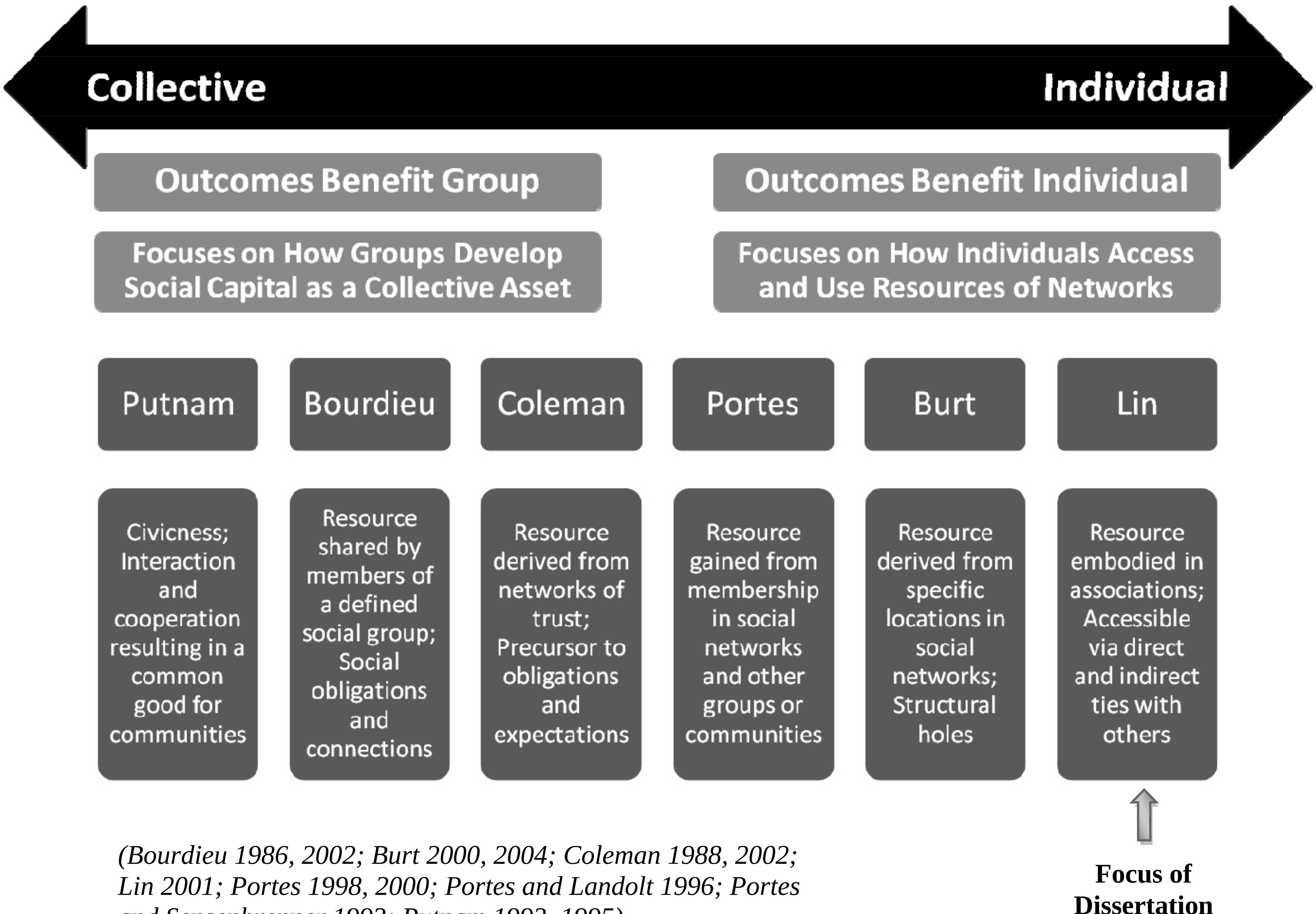
Ream, Robert K. (2005), "Toward Understanding How Social Capital Mediates the Impact of Mobility on Mexican American Achievement," Social Forces, 84 (1), 201-24.

Reilly, Michael D. (1982), "Working Wives and Convenience Consumption," Journal of Consumer Research, 8 (4), 407-419.

Seidel, Marc-David L., Jeffrey T. Polzer, and Katherine J. Stewart (2000), "Friends in High Places: The Effects of Social Networks on Discrimination in Salary Negotiations," Administrative Science Quarterly, 45 (1), 1-24.

Wangenheim, Florian V. and Tomas Bayon (2004), "The Effect of Word of Mouth on Services Switching: Measurement and Moderating Variables," European Journal of Marketing, 38 (9/10), 1173-85.

FIGURE 1
VARIOUS METHODS OF CONCEPTUALIZING SOCIAL CAPITAL IN THE SOCIAL SCIENCES



(Bourdieu 1986, 2002; Burt 2000, 2004; Coleman 1988, 2002; Lin 2001; Portes 1998, 2000; Portes and Landolt 1996; Portes and Sensenbrenner 1993; Putnam 1993, 1995)

Chapter 2

The Consequences of Consumers' Use of Social Capital to Make Purchases

Essay 1

The development of relationships between firms and their customers has received considerable attention in the marketing literature. Most of this research has emphasized the benefits obtained by firms as a result of building, maintaining, and managing relationships with customers. Some of these benefits include outcomes such as higher levels of customer satisfaction (Chen and Chiu 2009; Mithas, Krishnan, and Fornell 2005) increased customer loyalty (Paul et al. 2009; Yim, Tse, and Chan 2008), decreased customer attrition (Reichheld and Sasser 1990; Reichheld 1996; Verhoef 2003), and improvements in firm performance (Krasnikov, Jayachandran, and Kumar 2009; Srinivasan and Moorman 2005).

Scholars have also examined the benefits obtained by consumers who enter into and maintain long-term relationships with firms. When developed over time, these commercial relationships can result in benefits to consumers, such as financial savings (Gwinner, Gremler, and Bitner 1998), feelings of trust in firms (Bendapudi & Berry 1997), specialized treatment (Lacey, Suh, and Morgan 2007), simplified decision making (Sheth and Parvatiyar 1995), and sometimes even the development of friendships (Price and Arnould 1999), among others.

This research, as comprehensive as it has been, leaves a number of important questions unanswered, all of which revolve around what would happen if a consumer and a representative of the firm had a social relationship that existed before a single purchase was ever made. Would the benefits to the customer be the same as those derived from traditional commercial relationships with firms? Could these benefits alter consumers' purchase experiences and their perceptions of firms and their employees? What implications might this have, good or bad, for managing these customer relationships? Our study is among the first in marketing to address these questions by examining this special type of marketing relationship, in which consumers draw upon pre-existing social (noncommercial) ties with a firm's employees to make purchases.

Consider the following example depicting how individuals draw upon these pre-existing relationships to make purchases. Brendan, a 29 year-old male, recounts part of his experience purchasing a new car audio system from a personal friend, who was also a salesperson.

> When you want to buy something, you want to feel like you have some kind of connection with that person. More than anything, because you don't want to go into somewhere and just feel like they are sleazy or like they have a motive other than to give you what you are looking for . . . I knew my friend worked for a stereo company where they did stereo installations and sales. . . so we talked about it and he knew that I wanted a good stereo system in my car and he kind of hinted that he could maybe give me a good deal . . . I kind of told him what I wanted to spend and he told me what would be the best for that price . . . I knew I got a good deal. I got a stereo better than what I would have gotten if I had gone somewhere else. So I felt really good about that . . . I would for sure go back to him.

This example provides a brief glimpse into the processes and consequences that occur as consumers use social relationships to make purchases. But, how often do these types of transactions take place? Like Brendan, many consumers draw upon pre-existing social relationships to make purchases. Analyzing data from the General Social Survey, a nationally representative survey of societal trends in the U.S., DiMaggio and Louche (1998, 623) identified the frequency of these types of purchases made using social (noncommercial) relationships:

> Customers are socially linked to service providers in approximately one in four purchases of legal services (25.3 percent) and home-maintenance services (27.2 percent). Even when home-buyers use a realtor, 27.6 percent report a social or kinship tie to their agent or the owner of the agency. And 17.4 percent of people who purchase new cars cite similar ties to an owner or employee of the dealership.

These findings highlight the prevalence of the types of purchases examined in our study and indicate that this behavior represents an important aspect of consumption. By examining these social processes and their ramifications for the consumers who employ them, our study sheds new light on how firms can better understand and manage these types of customer relationships.

To investigate the consequences of consumers leveraging personal relationships with a firm's employees, we draw upon social capital theory, which posits that individuals utilize resources embedded in their social relationships to create benefits or returns (Lin 2001; Portes 1998). Our main objective is to identify the specific consequences of using social capital to make purchases. Although there has been a great deal of research on social capital across the social sciences, the specific consequences of using social relationships to make purchases have not been identified, classified, or elaborated in purchasing contexts. To accomplish this objective, we develop a typology of consumer social capital outcomes to represent and explicate the various consequences of leveraging social relationships in the marketplace. At the same time, we further develop social capital theory in this context and link its outcomes to important marketing constructs. We draw upon grounded theory methods (Glaser and Strauss 1967; Strauss and

Corbin 1998) to facilitate these objectives and to guide our research.

This study makes several important contributions. First, it is among the first in marketing to identify the occurrence and importance of social (noncommercial) relationships that exist between customers and firms. Second, it outlines the concept of social capital in consumption contexts and develops a typology of the specific outcomes resulting from consumers' use of social relationships to make purchases. Third, it compares the benefits of social capital usage in the marketplace with the relational benefits obtained by consumers who engage in traditional commercial relationships with firms. Fourth this study highlights the broader impact of social relationships on consumers' purchase experiences by identifying theoretical relationships among the typological categories outlined, the most notable being how these outcomes influence consumers' emotional responses. Fifth, it links the outcomes of social capital behaviors to important marketing constructs, such as customer satisfaction and loyalty, among others. Finally, this study provides a nuanced set of managerial considerations for firms contemplating whether and how to manage the types of behavior presented in this paper. Collectively, these findings have important implications for marketing, as they expose the fundamental link between the *theory* of social capital and the *practice* of managing important relationships with customers.

Literature Review

What is Social Capital?

Social capital theory offers a promising approach for studying the interaction between social relationships and individual behavior. In general, scholars have studied social capital from several perspectives, typically focusing either on individual actors (Coleman 1988; Lin 2001) or on the collective (Putnam 1993, 1995). The former approach addresses the differential outcomes obtained by individuals as a result of their personal relationships, whereas the latter approach focuses on the effects of social ties on groups as a whole. Because this study examines the implications of leveraging relationships among individual consumers, we draw upon the individualistic strain of social capital theory. This approach is appropriate because it ties individual behaviors and outcomes to the specific relationships utilized by the consumer.

From the individualistic perspective, social capital is defined as the potential resources that are ingrained or embodied within personal relationships. Social capital theory, therefore, focuses on these resources and how they can be used to yield returns for the individual. These resources are inherently social because they can only be accessed by individuals through ties with others. Such ties can be direct or indirect and can be weak or strong (Burt 2000; Granovetter 1973). Common forms of the social resources embedded in such relationships include advice, information, ideas, leads, opportunities, and support. Unlike economic capital (Marx 1933), which resides in an individual's bank account, or human capital (Smith 1937), which entails an individual's skill set and abilities, or even cultural capital (Bourdieu 2002), which encapsulates an individual's life experiences and cultural expectations, social capital is exclusively situated within and derived from an individual's interpersonal relationships. In the end, to possess social capital, an individual must have relationships with others; it is through these social interactions that social capital exists and provides benefits (Coleman 1988; Lin 2001; Portes 1998).

Ultimately, while there are various conceptualizations regarding what constitutes social capital, even within the individualistic point of view, the fundamental underlying notion among the different perspectives is that individuals derive benefits from their social relationships. From this perspective, any advantage or benefit accrued as a result of using one's relationships can be considered a return on social capital, whether that be derived from membership in a specific group (Bourdieu 1986), by filling a structural hole (Burt 2000), or from maintaining a direct connection with another individual (Lin 2001). Throughout the remainder of this paper, we adhere to this general conceptualization of social capital.

Social Capital in the Social Sciences

Research drawing upon social capital theory has made a substantial impact on social scientific research, likely because of the theory's unique ability to capture the external forces of social relations on individual decision making and behavior. Many studies have demonstrated the proclivity of individuals to draw upon social capital to facilitate action in numerous aspects of their lives. Although far from an exhaustive list, notable examples of using social capital for personal gains include: increasing social mobility (Ream 2005), improving social status (Lin 1999), generating human capital (Coleman 1988), obtaining employment (Granovetter 1973, 1983), evaluating health care options (Smoldt 1998), formulating creative ideas (Burt 2004), enhancing career outcomes (Gabbay and Zuckerman 1998), increasing earnings (Boxman, De Graaf, and Hendrik 1991), and improving health status (Cohen et al. 1997).

Given the eclectic set of circumstances in which individuals have been demonstrated to utilize social relationships across the social sciences, applying social capital theory in consumer contexts is a logical extension. Although the theory has not been explicitly used to identify or understand the personal gains obtained by consumers using their *social* relationships to make purchases, several tenets of the theoretical framework have been implicitly examined in the context of consumers' relationships with firms.

Consumers' Relationships with Firms

Scholars have highlighted the importance of commitment and trust for relationships taking place in marketing settings (Morgan and Hunt 1994). Consumers' motivations to engage in marketing relationships have also been examined, including important social elements such as group influences, the desire to be connected, and the need to develop relationships (Sheth and Parvatiyar 1995). Factors influencing the formation of friendships in commercial settings, such as structural opportunities for interaction, have also been addressed, as has the impact of such factors on outcomes important to marketers (Price and Arnould 1999).

In addition, scholars have examined the role that relational factors, such as tie strength (Brown and Reingen 1987; Reingen and Kernan 1987) and homophily (Brown and Reingen 1987), play in consumers' information search, as well as their likelihood of entering markets and making purchases based on such factors (Frenzen and Davis 1990). Marketers have also explored how relationships are enhanced as a result of personal interactions between customers and sales associates (Beaty et al. 1996). Additionally, scholars have examined other elements fundamental to such interactions, including gratitude (Morales 2005), reciprocity (Bagozzi 1995; Dahl, Honea, and Mancanda 2005), and relationship quality (Rindfleisch and Moorman 2001).

Many of these factors influence the development of relationships between consumers and firms. Over time, these ongoing *commercial* relationships can result in numerous benefits to consumers, such as monetary and time savings (Gwinner, Gremler, and Bitner 1998; Peterson 1995), confidence and trust in firms and in their employees (Bendapudi & Berry 1997; Berry 1995; Coulter and Coulter 2002; Gwinner et al. 1998; Sheth and Parvatiyar 1995), preferential or specialized treatment (Gwinner et al. 1998, Lacey, Suh, and Morgan 2007; Simonson 2005), simplification of decision making and choice processes (Bendapudi and Berry 1997; Sheth and

Parvatiyar 1995), and in some cases, even camaraderie resulting from positive interactions with firms (Bendapudi and Berry 1997; Berry 1995; Gwinner et al.1998; Price and Arnould 1999).

Ultimately, we build upon previous research by outlining the consequences obtained by consumers who leverage pre-existing social (noncommercial) relationships with firms to make purchases. In addition, we extend previous research on the benefits consumers obtain from ongoing commercial relationships with firms, by identifying and examining the consequences of using social relationships in consumption contexts. Identifying the consequences of this behavior and outlining the theoretical structure among these outcomes provides marketers with a theoretical framework to more effectively conceptualize, analyze, and manage important customer relationships.

Study Design, Data Collection, and Analysis

As indicated previously, we seek to understand the outcomes of consumers' use of social relationships to make purchases in order to refine social capital theory in marketing contexts and to understand the implications of this behavior for consumers and firms. Although there has been considerable research on social capital across disciplines in the social sciences, the specific outcomes for consumers have not been identified, classified, or elaborated in purchasing contexts. Because the consequences and implications of using pre-existing social relationships to make purchases cannot be identified *a priori* (Edmondson and McManus 2007), we selected grounded theory to glean these outcomes from participants' experiences (Charmaz 2006). Ultimately, grounded theory allows important constructs and relationships to emerge from the data without the authors' foreknowledge of them (Strauss and Corbin 1998).

To begin data collection, we purposively selected participants using established theoretical sampling techniques (Glaser and Strauss 1967; Strauss and Corbin 1998). We began by identifying individuals known to the authors to use social capital to make purchases. Next, we augmented our sample by leveraging the knowledge of our initial participants through snowball sampling techniques (Neuman 2000). Additionally, we recruited additional participants believed to use social capital by following a heterogeneity sampling procedure, to represent a wide array of demographic profiles (Patton 1990).

Following grounded methods, sampling and analysis took place concurrently. As we iterated between data collection and analysis, we developed, adapted, and refined our interview protocols to better solicit information related to social capital behaviors As a result, no two interviews were exactly the same; interviews were modified based on previous data and on the participant's unique experiences. Following this iterative, semi-structured approach, we discovered a variety of situations, outcomes, and implications linked to this behavior. We continued data collection and analysis until we reached saturation among concepts within the scope of our inquiry (Charmaz 2006; Glaser and Strauss 1967). This allowed us to gain a better understanding of participants' consumption experiences and how they were impacted by social capital usage. Also, it allowed us to adapt to the experiences of individual consumers and juxtapose their experiences with others, permitting conceptual density among our categories.

We conducted depth interviews with 26 U.S. consumers over a 2 year time span. The average time spent interviewing each participant was approximately 60 minutes. The interviews were recorded and transcribed to ensure the accuracy of participants' accounts. Participants' ages ranged from 23 to 83. Educational attainment varied from high school degrees to doctoral degrees, and disposable incomes ranged from $10,000 to over $100,000 a year. In addition, participants represented a variety of occupations and racial backgrounds.

In total, participants shared 111 experiences involving the use of relationships to make purchases. The relationships consisted of 3 types: (1) direct relationships that predated the transaction, (2) direct relationships that developed as a result of the transaction, and (3) indirect relationships in which an intermediary was used. Seventy-six of the 111 experiences involved a noncommercial relationship between the participant and an employee that existed before the transaction took place. Eleven involved relationships that developed between participants and employees as a result of economic transactions. Finally, 24 experiences involved indirect relationships between participants and employees. In these cases, participants reported a pre-existing relationship with an intermediary, but not directly with an employee of a firm.

Given the various methods consumers use to leverage social relationships to make purchases, we take the 76 experiences involving direct, pre-existing relationships as a starting point. We confine our analyses to these direct noncommercial relationships to provide a clear-cut depiction of the consequences resulting from this behavior. Doing so provides a clean and concise examination of social capital's outcomes, without introducing the confounding effects of additional actors and relationships. Further, focusing on these relationships also helps to distinguish social capital behavior from other related marketing phenomena, such as sought after word of mouth behavior (Bansal and Voyer 2000; Brown and Reingen 1987) and "commercial friendships" (Price and Arnould 1999). Ultimately, examining direct, pre-existing relationships establishes a baseline against which other modes and types of relationships can be analyzed.

The 76 experiences in which participants directly leveraged pre-existing personal relationships with firm representatives to make purchases were reported by 22 participants. The background characteristics of these participants are summarized in table 1. Of the 76 experiences, 44 were related to products and 32 were related to services. Examples of products purchased using social capital included major items, such as homes and automobiles, as well as more modest items, such as appliances and tools. Services purchased using relationships included items such as auto repairs, legal services, and medical procedures.

Insert table 1 about here

To ensure trustworthiness of the data, we conducted member checks with participants, as advocated in previous research (Belk, Sherry, and Wallendorf 1988; Lincoln and Guba 1985). First, to confirm the accuracy of the initial data, we mailed each participant his or her interview transcript and asked them whether the transcript accurately represented their experiences. All but two participants responded to the authors. As part of this process, several participants made additions, deletions, or clarifications to the transcripts. Second, we provided eight participants with our findings to check the viability of our interpretations. These individuals, who were selected based on the diversity of their demographic profiles and their experience with social capital, were asked to comment on the findings, including how well they felt their experiences were represented. In general, they agreed with our interpretations and concluded that the higher-order concepts and relationships outlined in the study tended to "make sense."

Our analysis began with *open coding* (Strauss and Corbin 1998), in which we examined each idea in the data, line by line, to identify important ideas, properties, and concepts of social capital usage in this context. Once these codes began to emerge, we also employed *axial coding* (Strauss and Corbin 1998) to determine how these concepts and ideas related to one another to form higher-order categories. We followed the "constant comparative approach" (Glaser and Strauss 1967) to ensure that the emerging theory was well-grounded in the data. As new codes emerged, we returned to previously coded transcripts and reanalyzed them in light of the emerging concepts (Bergadaa 1990; Thompson, Locander, & Pollio 1990). This iterative process allowed us to refine and condense our code list, yielding a core set of four conceptual outcome categories. These categories, and the subcategories constituting them, are illustrated in table 2.

Findings: A Typology of Social Capital Outcomes

The fundamental premise of social capital theory is that individuals obtain returns as a result of their social relationships. As noted previously, however, the kinds of returns derived from using pre-existing social relationships to make purchases have not been identified. In the following sections, we present these outcomes using the typology that resulted from our analysis. Although our analysis actually occurred iteratively, we present our findings in a "top down" fashion to minimize redundancy. We begin with the major outcome categories derived using *axial coding* and then describe their component subcategories that emerged earlier during the *open coding* process. Given space constraints, we have selected representative cases to depict the breadth of experiences in the data. Additional examples are presented in table 2.

Insert table 2 about here

Resource Preservation

We used open coding to identify the consequences of drawing upon social relationships to make purchases. As shown in table 2, *monetary savings* and *time savings* emerged as important subcategories or dimensions of a major category called *resource preservation*. These subcategories are linked to the larger construct in the sense that they are methods of safeguarding assets that are important to consumers, as demonstrated in the following sections.

Monetary savings. Not surprisingly, participants reported financial gains as a clear outcome of using social relationships to make purchases. When talking about why he decided to purchase a new car audio system from a friend, Brendan said, "Our friendship might influence him in a way that I could get it cheaper . . . . he might give me a better deal than someone else that is just in it to make a buck . . . . I knew I would probably get a better price on the stereo." His expectation was correct; Brendan reported a 50 percent savings because of this relationship.

Josh, a 48-year-old amateur race car driver, provides another interesting example, as he talks about drawing on a relationship with a friend who runs an auto body paint shop.

> Because I don't have a sponsor, I was on a very strict budget, so these contacts became very valuable to me . . . The paint job probably could have cost as much as $2000, but because . . . I know his dad and I know Ricardo . . . a $2000 paint job only cost me for materials, which was $800. So I paid $800 for a $2000 paint job.

Finally, highly connected Melanie, 26, reported receiving discounts on a variety of items, including admission to theme parks, tennis lessons, clothing, and even a wedding reception, as a result of her extensive personal relationships with employees of firms.

Time savings. Just as our participants reported saving money, they also claimed to save time as they used their relationships to make purchases. Many of our participants suggested that going through someone they knew helped to save them time, in one form or another. Lydia, a 47-year-old woman with a substantial disposable income, stated:

> My time is more valuable than that. I didn't want to stand there and B.S. with the salesperson and fight over the product that I already know I want. That is

> probably the biggest benefit to me. That is the biggest benefit, right there, is my time – even over the monetary.

When asked about the reasons she continually uses her friend to make purchases at a national retailer, Brianna, 42, commented, “The quick service. If you know the person, you don’t putsy around. She’s not going to waste your time.” Finally, when recounting the reasons he decided to purchase appliances from a relative working at a national retailer, Vince, a 55-year-old university administrator with a considerable disposable income, suggested, “Boom! Bought it! It saved me a whole lot of time, effort, and grief – a whole lot of time.” Ultimately, many of our participants appeared to agree with Dave, who suggested, “It’s worth your time to find somebody you know.”

The identification of *resource preservation* as benefit of using social relationships provides insight into the motivations of consumers engaging in this behavior. Social capital theorists argue that individuals draw upon relationships for both *expressive* and *instrumental* purposes (Lin, 1999). *Expressive* actions are those engaged in to maintain existing resources, while *instrumental* actions are used to acquire additional resources. Interestingly, consumers who employ relationships to make purchases may actually accomplish both objectives, as saving time and money frees up resources that can then be invested in other areas.

Resource preservation also corresponds with previous research regarding the monetary or time savings that may also result from customers’ ongoing commercial relationships with firms (Gwinner et al. 1998; Peterson 1995). Although both social and commercial relationships can yield similar economic benefits, it is interesting to note that customers using pre-existing noncommercial relationships appear to get these benefits immediately, whereas consumers using commercial relationships may have to engage in multiple interactions with firms and demonstrate their loyalty before such benefits are fully realized. As a result, social relationships appear to expedite the process for consumers by allowing them to acquire economic benefits, without proving themselves as customers first.

Knowledge Acquisition

As shown in table 2, we identified *product information* and *purchase information* as key dimensions of a second major category called *knowledge acquisition*. *Product information* involves information about a product or service, whereas *purchase information* entails information about how to purchase the product or service. These subcategories are linked to the larger category in the sense that they represent two types of knowledge that empower the consumer as a decision maker, as shown below.

Product information. Uncertainty about products and services is an issue that many consumers face as they make purchases. Our data suggest that some consumers cope with this uncertainty by incorporating social relationships into the buying process. Brianna, for example, talked about how her friendship with a salesperson helped her gather important information.

> I went and I was going to buy a certain stove. She goes, “You don’t want that stove. Trust me. I have that stove. Buy this stove. You’ll like it a whole lot better.” Well, sure enough, she was right. She’d tell you what the flaw was to another item or what the other customers were complaining about. You wouldn’t get that with a regular salesperson who’s just out to sell you something. She treats you more like a friend. You know, “Buy this. I recommend it.” Or, “This comes back.” She’s told us, “Don’t buy this certain sweeper because they’ve had so many problems with it. It’ll be always in the shop or you’ll have to get it fixed. Buy this one.”

Ryan, a 57-year-old instructional designer, also talked about the informational benefits derived from using a mechanic who was a personal friend:

> I think when we took our cars there, we didn't know what the problem was . . . We could turn it over to him and say, "What's the problem? Would you fix it?" He would tell us the problem, tell us the approximate cost or the ramifications if it was or wasn't fixed, and then let us know what we should do with it.

Finally, Janet also commented on how having relationships with those in the right places, particularly a brother working for Microsoft, provides an informational benefit. "The advantage is I feel like he has this body of knowledge that I do not have. He knows about computers, electronics – computers specifically – that's his job . . . He has access to this extensive body of knowledge that I do not, so he can help me."

Purchase information. Closely related to the advantages of reliable product information are the benefits of *purchase information.* Having a "friend on the inside" can provide consumers with information that would otherwise be costly or difficult to obtain. Bryant shares a remarkable story of how his family's friendship with Roberto, an appliance salesman, opened up a vault of priceless information at a regional furniture and appliance store. His story begins with his experience at a store that competes with the store where Roberto works.

> When we were at this last store, there was actually some Maytag appliances that we liked most. We got talking to [a salesman] and he was like, "Have you considered an Amana, rather than a Maytag?" He was just very insistent on dropping the Maytag thing and moving to the Amana thing, because they are owned by the same company, I guess. I just thought that was interesting and I observed it and pointed it out to my wife, "He's talking a lot about Amana. I wonder why? Maybe he just thinks they're

better." When we get in and talk to this Roberto and he says, "A lot of times even we'll do this at this store. We'll point people to the Amana because they are only carried by independent stores, rather than big chains. So we like to point people to that because people can't go out and shop the Amanas around like they can a Maytag or a Whirlpool." So what's happening now is he's giving me information. I think, "He's ratting out these other guys, including his own, and some of the tactics they use to sell you something . . . ."

The identification of *knowledge acquisition* provides important insights into consumers' motivations for employing social relationships, as it highlights one way in which consumers' deal with uncertainty related to the buying process. As evidenced, in addition to the typical information that firms' representatives share with customers, many of our participants reported obtaining 'inside information' that regular customers would be unlikely to acquire. Obtaining this type of information about firms' obfuscated practices or problematic product offerings is advantageous, as it helps consumers learn to separate fact from hype when making purchases.

While all consumers are likely to obtain some type of standard information from a firm's representatives, it is not surprising that private information about firms' guarded sales tactics and trade secrets is more closely guarded. Revealing this information to consumers on a large scale could potentially hamper firms in accomplishing their objectives as product and service providers. Nevertheless, it is interesting to note how social relationships are able to unlock even sensitive information held by firms and their employees. The acquisition of this type of information suggests the potential reach and influence of social relationships, above and beyond the benefits available to consumers with ongoing commercial relationships with firms.

Favoritism

Our analysis revealed several additional outcomes of drawing on relationships to make purchases, which we coded as *consumer's interests represented* and *preferential treatment*. Together these outcomes constitute two dimensions of a third overarching category called *favoritism*, as shown in table 2. These subcategories are linked together in that they represent types of treatment that consumers perceive to be exclusive.

Consumer's interests represented. An important consequence of using social relationships to make purchases is the assurance that personal interests are being represented. Essentially, some consumers want firms and their employees to have the customer's best interest in mind. Dave, who had been living with a shoulder injury for years, recounted the impact of having his interests represented because of a social relationship. After three different experts told him that nothing could be done, Dave was prepared to live with the injury, until a friend suggested, "I think we can fix that and give you a better life." Dave described his experience:

> When he found out I had no feeling in my hands, he asked me why and I told him I tore up my arms. He did a preliminary exam . . . and he says, "Before I say anything, let's have you get an MRI." So I went and got an MRI on my shoulders and he studied it out for quite a while and then he came back and he said, "I think we can fix this." And he did. He was a friend first and my doctor second.

Also, Janet commented on why she used her brother to make several purchases, "I don't trust just going to the guy at the store and asking the worker, because they have their own best interests in mind and Jerry has my best interests in mind. He's not going to try to oversell me."

Finally, Stella, age 30, when talking about her experience choosing a pediatrician to help her oldest daughter with a weight problem, explains why she chose a friend. "That was the main reason I gravitated to his practice instead of just going to a general family practice – because I knew him, and he had an invested interest in her personally because we were friends."

Preferential treatment. Participants also described numerous experiences in which they received "preferential treatment," from using their friendships to make purchases. For example, Patty, a 55-year-old housewife, shares her experience using their mechanic, a family friend:

> I think [he] was very good about giving us preferential treatment, as far as getting us in and getting the car fixed if we were in a jam, just because of that relationship . . . . somehow he always made room for us to get our car fixed.

Joseph also reported receiving preferential treatment from his friend who was a property manager. Although there were numerous people ahead of him on the waitlist for a particular rental, Joseph said, "I told her that we wanted it and then the next Sunday she was like 'Oh yeah, you're at the top of the list.'" Finally, Tom, 36, detailed some of the preferential treatment that he received buying a brand new home from a friend working in the housing industry.

> He actually gave me the keys before we closed. . . there was a day or two delay between selling my old house and buying my new house . . . He gave me the keys and said "Yeah its fine, you can move in." They would never do that apparently with a typical customer, just with liability and damage issues and things like that.

The *favoritism* that results from using social relationships is somewhat similar to benefits identified by previous research related to long-term commercial relationships, such as preferential treatment resulting from customization, personalization, or other perks (Gwinner et al. 1998; Lacey, Suh, and Morgan 2007; Simonson 2005). However, in addition to preferential treatment, users of social relationships also report that their interests are internalized and represented by transaction partners. This outcome may be more likely to occur with social relationships, as there has been ample time outside of the context of the transaction to become familiar with the customer's wants, needs, and expectations. In addition, social norms impose additional pressure, not only to understand, but also to truly have friends' best interests at heart.

Affective Reactions

As noted in table 2, the fourth and final cluster of outcomes resulting from using social capital in the marketplace revolves around a category we identified as *affective reactions*. This category consists of two main subcategories: *confidence and comfort*, and *affective trust*. These subcategories are related to the larger category in that they represent feelings and emotions resulting from using relationships for consumption.

Confidence and comfort. An additional consequence of leveraging social relationships for consumption purposes is the way it makes people feel about the products and services they purchase, as well as how they feel about the interactions that occur with transaction partners. While some anxiety may inherently be associated with making purchases, individuals using their social relationships may worry substantially less. Participants in our study repeatedly expressed feelings of "confidence," "comfort," "peace of mind," and "security," related to their purchases.

Ryan, who drew upon his relationship with a "very close friend" who owned a construction company, described the way he felt about building a custom home.

> There was never a buyer's remorse on that home . . . We had no regrets . . . I had no questions or qualms about it. Whether it be the workmanship, or the price, or the location, or the neighbors, or the livability of the home. . . . I don't think I would have been as comfortable or had the rapport with any other home builder. . .

In addition, when talking about the benefits of using his friend at a local car dealership to purchase a new vehicle, Allen, 29, commented, ". . . just knowing that I wasn't going to get a bad deal. . . . I had confidence in him that he wasn't going to try and sell me a lemon to make a buck." Additionally, when recounting the various automobiles he had purchased from a friend who owned a dealership, Cord, 64, said that the relationship resulted in "confidence that I wasn't being ripped off because I knew what the dealers were paying for the cars."

Finally, Lydia, expressed how using a personal relationship with a friend at a national retailer helped to avoid some of the unpleasantries sometimes encountered by consumers.

> You sometimes deal with pushier salespeople. I just hate dealing with salespeople and pushy salespeople, so it was a benefit to me knowing him and not having to go through the whole rigmarole, "Well maam, you really need these extra 3 cycles for this and that." I don't want to deal with that.

Affective trust. Finally, participants overwhelmingly saw trust as an important component of using social connections in the marketplace. Marketing researchers have identified both cognitive and affective dimensions of trust (Johnson and Grayson 2005). *Cognitive trust* represents a customer's willingness to rely on another based upon knowledge of the other party's competence and reliability. Alternatively, *affective trust* entails confidence in another based on feelings derived from the other party's care and concern. Consequently, cognitive trust is knowledge-driven, while affective trust is emotion based. Interestingly, participants' experiences highlight *affective trust* as emerging from using social relationships to facilitate consumption.

When talking about his friend who worked as a salesman at large car dealership, Dirk, 32, stated, "It was so nice to have someone in the car selling business that I trusted, that I knew was shooting straight with me, and that I knew seriously had no agenda." As he reflected on the benefits of buying a used home, Wayne commented, "Yeah, I think the benefits were that he was somebody that we knew and he knew us, and so there was already kind of a trust factor there. Like it wasn't some random guy . . . we knew who he was so we trusted him." After her parents moved away, Brinley, 23, commented on how she felt using a mechanic, who was a family friend. "I always knew there was someone I could go to for help with a car . . . I knew he was honest and wouldn't say something was wrong if there wasn't." Finally, speaking of the many benefits he received because of his relationship with the salesman at the furniture and appliance store, Bryant concluded, "Most important for me, of all of them, even the fact that later on he mentioned that he could maybe get us some money off, is the fact that I could trust him."

The identification of *affective reactions* offers important insights regarding the consequences of this behavior. These outcomes are related to what previous scholars have referred to as psychological benefits, such as confidence and trust (Bendapudi and Berry 1997; Berry 1995; Coulter and Coulter 2002; Gwinner et al. 1998; Sheth and Parvatiyar 1995). While there is some obvious overlap among these outcome categories, there is also some nuance distinguishing them from one another, particularly regarding trust. Previous research in this context has not explicitly differentiated between the different types of trust. Interestingly, our data suggest that trust is an affective outcome. This distinction makes sense, particularly when characteristics of the different types of relationships used by consumers are considered.

The development of cognitive trust (Johnson & Grayson 2005), which is based on competence and reliability, makes sense for consumers engaged in long-term commercial relationships because they have had multiple opportunities to assess the firm's aptitude and dependability over time. Alternatively, *affective trust* (Johnson & Grayson 2005), which is derived from perceptions of the other party's care and concern, is more closely related to social relationships. Initially, these consumers are less likely to have first-hand knowledge of the firm's competence and reliability, yet the pre-existing social relationships allow them to more readily assess the other party's level of care and concern for them as an individual.

Interestingly, customers who come into the transaction with *affective trust* already in place, due to a pre-existing relationship, may have a head-start in developing cognitive trust. They are privy to the other party's motivations and concern for them, which could readily be extrapolated to predict firm or employee performance. Alternatively, when commercial relationships are first established, both parties must learn to trust each other from scratch, cognitively and affectively. The speed at which trust develops in consumption contexts appears to favor socially connected consumers, who typically begin with a distinct advantage.

Findings: Theoretical Structure of the Typological Categories

While we have dedicated considerable time to laying the groundwork for the four main conceptual outcome categories, these initial steps were necessary before we could delineate the relationships that exist among the higher-order categories. Understanding these underlying patterns is important because it reveals how the categories interact with one another to influence consumers' experiences. While each of the outcomes makes an individual contribution of its own, identifying the interrelationships among them paints a more complete picture of the impact of social capital. In addition, illuminating these higher-order trends extends previous research on the outcomes customers obtain from developing ongoing relationships with firms, by identifying the theoretical relationships among the types of benefits they receive, as well as their impact.

To identify these higher-order relationships, we utilized *selective coding* procedures (Strauss and Corbin 1998), which are used to determine relationships among the emergent higher-order categories. We illustrate these patterns by presenting specific examples taken from participants' accounts, which serve to illuminate affiliations among these core categories by highlighting how the underlying sub-dimensions of each of the 4 overarching outcome categories relate to one another (Spiggle 1994). These emic redundancies (Wallendorf and Brucks 1993), when combined and considered collectively, embody the overarching theoretical relationships that exist among the principal categories. Given space limitations, we present only a few examples to represent each of the higher order relationships among constructs.

Insert figure 1 about here

For completeness, figure 1 depicts the direct relationship between social capital mobilization and *resource preservation*, *knowledge acquisition*, *favoritism*, and *affective reactions*, as presented in the previous section. In addition, figure 1 also highlights the higher-order relationships among these important outcome categories.

As depicted, our analysis identified an important association between *favoritism* and *resource preservation*. Participants' accounts highlight the trend in which favoritism occurring during the mobilization process contributes to the preservation of key resources, such as time and money. As an illustration, Robinson reported saving approximately $20,000 on the purchase of his truck, in part because his friend Carlos had his best interest in mind and "went to bat" and "pled the case" for him as an advocate with management inside the car dealership. Similarly, Patty saved time having her car repaired as a result of the "preferential treatment" she received as she was moved ahead of other customers in the queue. Considering these and other accounts together, the theoretical connection between *favoritism* and *resource preservation* becomes apparent. While both outcomes are influential on their own, being a recipient of favoritism further enhances consumers' ability to safeguard assets by way of *resource preservation*.

We also identified a theoretical relationship between *knowledge acquisition* and *resource preservation*, as depicted in figure 1. Collectively, participants' experiences suggest that the different types of information gained from using social capital help to conserve important assets. The product information Brianna received from her salesperson friend while purchasing a stove and a vacuum saved her time and money by avoiding problems and not having to get them repaired. Janet reported saving money by only buying products with the features she needed, as a result of her brother's "extensive body of knowledge" that she was able to tap into to make purchases. Bryant obtained financial benefits by becoming privy to information regarding sales tactics and store policies, which were conveyed to him because of a personal relationship. As a group, these individual experiences coalesce to support the larger theoretical link between *knowledge acquisition* and *resource preservation*. Again, although each benefit alone is beneficial, combining the two outcomes yields even higher returns, as knowledge resulting from key relationships boosts consumers' capacity to protect and acquire resources.

While *favoritism* and *knowledge acquisition* influence *resource preservation*, all three of these categories impact *affective reactions*, as shown in figure 1. *Resource preservation* influences *affective reactions* because saving money or time typically leads to feelings of comfort and contentment. Brendan provides insight into this relationship by saying, "I knew I got a good deal . . . I got a stereo better than what I would have gotten if I had gone somewhere else. So I felt really good about that." Also, based on the time he saved closing quickly on his home using his friend in the construction company, Tom commented, "I didn't have any worries about that," further highlighting the theoretical link between these categories. Collectively, the experiences shared by consumers, when examined at a deeper level, reveal the theoretical connection between *resource preservation* and *affective reactions.*

In addition to *resource preservation*, *knowledge acquisition* is also linked to *affective reactions*, as shown in figure 1. The fact that consumers receive reliable information through their relationships tends to result in trust, confidence, and comfort. As he was receiving product and purchase information from a salesperson he was connected to, Bryant said, "I'm just feeling better and better about this guy as we're talking . . . . I felt like I could trust him very well." In addition, Dirk reported similar feelings, which resulted largely from the "expert knowledge without an agenda" acquired from drawing upon a family friend who owned a jewelry shop. According to Dirk's account, the acquisition of this knowledge led to both confidence and trust. These experiences, when analyzed with others shared by participants, highlight the theoretical association between *knowledge acquisition* and *affective reactions*. While affect is tied to many aspects of the purchase experience, receiving credible information as a result of personal relationships with firms and their employees augments consumers' affective responses.

Finally, the theoretical link between *favoritism* and *affective reactions* also emerged from participants' accounts, as demonstrated in figure 1. Speaking about using his lawyer friend to take care of some legal matters, Ryan said, "I think there was a reassurance that what he was doing was in our very best interest," indicating the link between having his interests represented and confidence and comfort. Also, speaking of the preferential treatment she receives from her pediatrician friend, Stella noted, "I don't have to worry about any of those things. . . . it's ease of mind for health issues and girls and adolescents and all of that stuff." Further, after several bad experiences with lawyers, Marissa turned to her social relationships to attain preferential treatment from a law firm. In reference to the lawyer, this treatment led her to say "I was comfortable with him. I trusted him enough. . . . I was very satisfied." Collectively, participants' experiences substantiate the higher-order relationship between *favoritism* and *affective reactions,* highlighting another way social capital outcomes enhance consumers' affective responses.

In sum, participants' individual experiences amalgamate to lend strong support to the theoretical structure among the 4 core outcome categories identified in this paper. Understanding the different ways that consequences of social capital mobilization interact with one another sheds light on *how* engaging in this behavior influences the purchase experience. Given the theoretical linkages among these outcomes, particularly the way in which they contribute to *affective reactions*, the greatest impact of using social capital in the marketplace may ultimately be the way it makes consumers feel about their purchase experiences and those with whom they interact. Given the influence of these feelings on factors related to customers' future interactions with firms, such as satisfaction and loyalty, the *affective reactions* identified in this study may ultimately be the most influential consequence of this behavior.

Discussion

As outlined previously, social capital theory suggests that individuals use social relationships to obtain resources that are embedded in social structures. Although scholars have studied social capital usage in many situations, research has not yet focused on social capital's effects in consumption settings. Our research highlights the importance of considering social capital in this domain by documenting the various benefits consumers receive from using pre-existing, social relationships to make purchases. Identifying these outcomes, and the theoretical relationships among them, provides scholars with a structure for studying social capital and its impact on other marketing phenomena, while also offering practitioners a way to evaluate policies aimed at consumers who use social capital in the consumption process. We discuss the implications of our findings for both scholars and practitioners in the following sections.

Consequences of Consumers' Use of Social Capital: Theoretical Implications

Relational benefits. The specific outcomes resulting from the use of pre-existing social relationship to make purchases were unknown at the start of this study. The benefits we identified emerged naturally from our data without the use of an *a priori* coding scheme. Given the parallels between some of these outcomes and those attained from ongoing commercial relationships, it is interesting to note some of the similarities and differences between them. Regarding the similarities, both types of relationships have the ability to save consumers time and money (Gwinner et al 1998; Peterson 1995). In addition, both social and ongoing commercial relationships can also lead to various forms of preferential treatment (Gwinner et al. 1998; Simonson 2005), as well as feelings of confidence and trust (Bendapudi and Berry 1997; Berry 1995; Gwinner et al. 1998; Sheth and Parvatyiar 1995).

Despite these similarities, there is a certain degree of nuance associated with distinguishing outcomes from social relationships and ongoing commercial relationships. For example, different forms of trust (Johnson and Grayson 2005) may exist or develop based on the kind of relationship involved. In addition, the type and extent of preferential treatment (Gwinner et al 1998; Lacey et al. 2007; Simonson 2005) may hinge on the type of relationship used, such as the degree to which transaction partners truly put consumer's interests first. Furthermore, there appear to be certain types of benefits that are not readily available to consumers with ongoing commercial relationships, such as access to private information about firms' products, services, and policies. Although consumers using both commercial and social relationships receive conventional information about products and services from the firm's representatives, our data suggest that the informational benefits obtained by customers using social connections can extend well beyond information that is publicly available. This aspect of *knowledge* *acquisition* can be an extensive advantage to consumers because it can level the playing field for consumers by providing them with more complete information.

However, the most important difference between social relationships and ongoing commercial relationships may not be in the benefits that are attained, but rather the speed with which they are obtained. Interestingly, our data demonstrate that consumers using social relationships to make purchases typically obtain benefits immediately. In contrast, customers using commercial relationships may have to invest more time, effort, and money, often over repeated interactions with firms, before they can begin to access these benefits (Gwinner et al. 1998; Price and Arnould 1999; Sheth and Parvatiyar 1995). Because socially connected consumers begin with a pre-existing relationship in place, access to these important benefits is expedited considerably, which in turn accelerates the rate at which they experience affective reactions. Speeding up this process has significant implications for consumers, their perceptions, and their subsequent interactions with firms. We highlight some of these implications below.

Satisfaction and loyalty. As suggested by the theoretical structure identified among the 4 core benefit categories (see figure 1), the greatest impact of using social capital for consumption may be the way it makes consumers feel about their experiences. Consumers' *affective reactions*, such as comfort, confidence, and trust, likely contribute to other factors important to marketers, such as customer satisfaction. Participants consistently reported positive affect from using their relationships to make purchases, and our analysis demonstrated the supplemental effects of receiving additional benefits on participants' *affective reactions*.

For these reasons, we posit that the affective reactions identified in this paper have important ties to participants' perceptions of satisfaction with their consumption experiences and, consequently, loyalty to the salespeople and the firms involved, as suggested by previous research (Fornell et al. 1996; Gwinner et al. 1998; Mittal, Ross, and Baldasere 1998; Oliver 1999; Reynolds and Beatty 1999). Interestingly, many of the experiences shared by participants led to repeat purchases or intentions to do so. Most notable was Brianna, who, when referring to her friend in sales, candidly declared, "I'll hunt her down as long as she's a salesperson." While such intentions to engage in additional exchanges are potentially very valuable to firms, it is also important to note that this type of loyalty may be mediated by the salesperson with whom the consumer interacts (Jones, Taylor, and Bansal 2008; Palmatier, Scheer, and Steenkamp 2007). Because many of the benefits consumers receive are derived from using a particular social relationship, their loyalty may also be tied to that specific relationship. Ultimately, these affective reactions and their connection to future interactions with firms merit further consideration by satisfaction and loyalty researchers.

Given the ability of the benefits derived from social relationships to influence satisfaction and loyalty, it is especially interesting to consider the speed with which these reactions take place. Whereas long-term commercial relationships must be developed and nurtured over time for benefits to fully materialize, our data suggest that consumers using social relationships may obtain these benefits much more quickly. As a result, the pace at which satisfaction and loyalty develop among these consumers also appears to be greatly accelerated. In fact, as suggested by some participants' accounts, the benefits derived from using social relationships have the potential to generate a form of 'instant loyalty' among consumers.

Expediting satisfaction and loyalty processes by piggybacking on existing social relationships is theoretically interesting because it opens up a range of new possibilities for thinking about these and other types of marketing relationships. The speed at which benefits occur for consumers using social relationships, and their potential impact on satisfaction and loyalty processes, is what truly distinguishes these relationships from other types of marketing relationships. Not only does this differentiate them from previous research, but changes the way marketers view such relationships, especially given their potential to expedite satisfaction, loyalty, and returns for firms. Ultimately, identifying the impact of these outcomes on consumers and the firms they patronize constitutes one of our main contributions.

Persuasion knowledge. Our analysis identified *purchase information*, a benefit in which consumers obtain insights into the processes and procedures used by marketers to promote products and services, as an important outcome. Interestingly, this dimension of *knowledge acquisition* may have implications for the persuasion knowledge literature (Friestad and Wright 1994), which examines the impact of consumers' knowledge of marketers' persuasion efforts. In this context, obtaining important purchase information directly from marketers, to whom they are socially tied, appears to inoculate some consumers against various kinds of persuasion efforts. This immunization protects consumers in the immediate situation and may continue to fortify them in other settings. Further examining the impact of 'leveling the playing field' for consumers would be an important extension of our work.

Personal involvement. An additional implication of our study is that it helps to draw some boundaries concerning the types of purchases for which social capital is used. It is important to recognize that the experiences we studied were primarily high involvement purchases (Zaichkowsky 1985), such as homes, cars, and appliances. One can only imagine the time and relational resources that would be needed to use relationships for all purchases. Our data suggest that consumers tend to reserve social capital usage for situations involving important purchases. Interestingly, what is important seems to vary substantially from individual to individual and is based on factors such as resources, needs, tastes, and other personal factors.

Fairness and ethics. Finally, given the numerous settings and contexts in which social capital behaviors might occur, it is somewhat difficult to make a universal theoretical claim regarding the fairness and ethicality of such behaviors. In fact, perceptions of fairness and ethicality are largely 'in the eye of the beholder,' depending on the ethical models consumers subscribe to (Trevino and Nelson 2003) and which communities they belong to (Dunfee, Smith, and Ross 1997). Consequently, rather than make a generalized statement about these issues here, we offer a more nuanced view of fairness and ethics in the managerial section below.

In summary, developing a typology of consumers' social capital outcomes and identifying the theoretical structure governing these categories is an important theoretical contribution because it advances understanding of the impact of social relationships on consumption. Identifying these categories and theoretical relationships allows scholars to more effectively study the impact of this behavior on important marketing phenomena, such as satisfaction, loyalty, persuasion knowledge, and relationship marketing. In addition, our findings have important implications for practitioners, who can use our theoretical framework to inform important decisions related to developing and managing similar types of relationships with their customers. We address these implications in the following section.

Consequences of Consumers' Use of Social Capital: Managerial Implications

Our interviews demonstrated that nearly every salesperson friend whom participants called upon to make purchases had the flexibility to make accommodations for the customer. Such flexibility seems to be fundamental to the use of social capital in this context. Given the ways that consumers respond to this treatment, particularly in terms of their *affective reactions*, firms might want to consider whether they should implement policies to capitalize on the friendship relationships between their employees and potential customers.

As suggested previously, capitalizing on existing social relationships with customers has the potential to generate satisfied and loyal customers for firms. Because these pre-existing relationships typically yield benefits to customers immediately, satisfaction and loyalty may occur substantially faster than if the relationship had to be started from scratch. As such, this expedited satisfaction and loyalty, may also have the ability to accelerate returns important to firms, such as sales and profitability, when policies are properly developed and implemented. Nevertheless, such policies may be more or less appropriate, depending on the specific industry, organization, and context in which the purchases take place. In the remainder of this section, we discuss possible elements of these policies, as well as specific choices and decisions that should be considered by firms when determining whether or not to institute such practices.

Policy elements. Based on our analysis of participants' experiences, firms wishing to target social capital users may want to consider policies that: (1) endow employees with discretion over pricing and discounts, (2) provide employees with the flexibility to allow preferential treatment to certain customers, and (3) encourage employees to be more vocal with their friends regarding the unique advantages of purchasing the firm's products and services from a "friend in the business." As suggested by participants' accounts, doing so could enhance satisfaction among these types of customers and increase their likelihood of making repeat purchases. In addition, endowing employees with the flexibility to grant such benefits might help to induce social capital behavior among additional friends of employees, ultimately attracting new customers to the firm.

Legal considerations. The most important consideration in determining whether or not to implement such policies involves assessing their legality. The differential treatment of customers, as in the case of price discrimination, for example, is a common marketing practice. In terms of anti-discrimination laws, such practices are legal inasmuch as they do not discriminate against a protected class of individuals (Kotler and Keller 2006). Under current U.S. laws, individuals must not be discriminated against based on characteristics such as gender, race, religion, age, disability, etc., which are all considered protected classes. As long as policies do not discriminate against such classes of individuals, they should not pose a legal problem.

Fairness considerations. Beyond the legality of such policies, customers' perceptions of fairness should also be considered by firms. Firms should examine the impact that awarding benefits to socially connected consumers has on customers who do not receive such treatment. When these customers are given discounts, do other customers pay higher prices to fund them, or are they ultimately deducted from the firm's bottom line? When socially connected customers are moved ahead in the queue, are other customers delayed, and by how much? The answers to questions such as these provide insights regarding the ethicality of these types of behaviors and how customers are likely to react to such practices. Making inferences about customers' conceptions of ethical behavior and fair business practices, however, is not trivial, given that perceptions of ethical behavior often differ based on individuals' worldviews and backgrounds. As a result, determining whether such policies will be perceived as unfair or unethical by customers, and identifying how likely these policies are to inconvenience or offend others, are important considerations that should be made from the perspective of the firm's many customers.

In making these decisions, firms should also take into account the norms of the industry. In settings where special benefits are commonplace and acceptable, issues of fairness might be negligible, even if socially connected consumers obtain more of a particular benefit than others. However, in areas where specialized treatment is unusual, customers who fail to receive such benefits may perceive these practices as unjust. Interestingly, there may be certain benefits that are perceived as unfair, whereas others are perceived as acceptable, depending on the context. In such cases, firms may want to reward socially connected customers with the types of benefits that are less likely to be perceived by other customers as inequitable. How ironic it would be for firms to build satisfaction and loyalty among socially connected customers, while unintentionally eroding satisfaction and loyalty among other customers who felt they were treated inappropriately. Ultimately, handling the issue of fairness is a delicate balancing act. Firms who achieve this balance may be able to maximize returns from socially connected customers, while at the same time retaining the equity they have invested in their traditional customer base.

Financial considerations. Firms must also consider their bottom lines when deriving policies targeting consumers drawing on social connections. Of the benefits examined in this study, the most likely to directly impact firms financially are *monetary savings* that result from discounts. Determining whether or not employees should be given flexibility to award discounts based on friendship, and if so, the extent of these discounts, is a major decision for firms. In making this determination, firms must not only consider the immediate reduction in revenue resulting from the discounts, but they must also consider the possible increases in future revenues that result from higher levels of satisfaction and loyalty. In addition, firms should also consider the speed and ease with which these individuals are converted into loyal customers.

In other words, firms need to think about these policies with both short-term and long-term perspectives in mind if they are to appropriately identify the true impact of these discounts on overall revenues. This determination likely depends on the size and extent of the discounts, the cost of monitoring the discounts that are given, the amount of time it takes to acquire and cultivate new customers, and the amount of time required to service customers purchasing through social connections, among other things. Firms should consider all of these different factors when deciding whether or not and how much to discount.

Alternatives to discounting. If discounting policies are not possible or are not appropriate, there are other strategies that may be implemented. Based on our analysis, *knowledge acquisition* and *favoritism* also possess the ability to generate the type of *affective reactions* that contribute to satisfaction and loyalty. As a result, firms might wish to consider strategies that allow employees the flexibility to engage in *favoritism* or information sharing with customers. In situations in which discounting is not a viable option, enacting these types of policies may still result in the *affective reactions* reported by participants. Additionally, facilitating *favoritism* and *knowledge acquisition* do not have the same immediate revenue reduction as do discounts, yet they have the potential to lead to similar emotional responses. In some contexts, these alternative approaches could form part of an effective strategy for firms.

Asset protection. Finally, there may be important considerations that need to be examined to safeguard the firm's assets when social capital behaviors are involved. Firms may need to implement policies and procedures to prevent employees from investing too much time with customers with whom they share social connections, if such interactions impede their ability to service other customers. In many cases, effective incentive structures could attenuate, if not eliminate, the occurrence of this problem. On the other hand, because employees already have social relationships with these customers, they may be more effective at understanding and meeting their needs. In addition, less time is likely to be spent developing rapport with these customers, which could ultimately result in greater efficiency servicing them.

Additionally, firms may need to structure policies for socially connected customers in ways that prevent employees from favoring the customer's needs above the needs of the firm. Given the strong influence of the social relationships used by consumers to make purchases, firms and managers would be wise to implement policies allowing employees latitude and flexibility, yet constrain them by imposing specific guidelines or boundaries. In the case of discounts, for example, employees could be empowered to offer discounts, but only up to a certain percentage determined beforehand by the firm.

Implementing such policies not only protects the firm financially, but it also protects its employees from potential conflicts of interest that could exist when they are forced to choose between the firm's interests and the interests of their customers with whom they share social ties. Boundaries set by management provide a safety valve for employees who might be persuaded or socially coerced to compromise the firm's interests. In such cases, employees can simply fall back on the policy, without the threat of harming their personal relationship with the customer. As demonstrated throughout this paper, social forces can be very strong. Protecting employees from such conflicts of interest by establishing solid boundaries helps both employees and firms, yet it still permits firms to capitalize on this type of social behavior among consumers.

To summarize, we highlight potential gains to be made by firms from harnessing social capital behaviors. We also propose various considerations related to whether or not firms should take advantage of social relationships, as well as some of the policies they might implement to do so. Deciding if and how to implement such policies is a delicate process requiring substantial thought and foresight. In the end, firms deciding to implement these types of policies should assure that they do not discriminate against protected classes of individuals and that they will not be perceived by other customers as disproportionately unfair practices. In addition, firms must also strive to understand the long term financial impact of these policies, while also making sure to safeguard their various assets. When these elements are managed properly, firms may be able to more quickly generate satisfaction and loyalty among their customers, which could ultimately lead to accelerated returns for the firm.

Limitations

Because we focus on the consequences of using social capital in the marketplace, we have not addressed the antecedents of social capital behavior. Nevertheless, in addition to the standard structural antecedents posited by social capital theory, we suspect that there are antecedents specific to consumption. Our data suggest that consumers' experiences with relationships and social capital influence how much they will use it in the future. Also, it may be a function of feedback and learning resulting from previous social capital encounters. Given our focus, we have not incorporated such feedback loops into our theoretical model, but we recognize their role as antecedents. Studying these and other factors driving social capital usage in consumption is an important extension. Additionally, because our main focus was on grounded theory development, to generate and develop social capital theory in a new domain, we have purposely stopped short of testing the theoretical relationships outlined in this paper. However, we offer our framework to facilitate research by those who wish to study social capital in the consumption domain.

Future Directions

As discussed earlier, scholars may wish to further investigate the differences between the outcomes resulting from social and commercial relationships. Although we have highlighted the different types of trust that can result from these relationships, future research may wish to consider the order in which cognitive and affective trust develop, as well as the impact that this ordering might have on consumption. In addition, in cases where social and commercial relationships potentially yield similar outcomes, scholars may wish to quantify and compare the extent to which consumers experience each type of benefit. Regarding trust, for example, it would be interesting to determine whether one class of customer enjoys greater levels of trust in the transaction partner than the other, and if so, to what extent? Making such comparisons for all of the benefits identified in this study could further illuminate the impact of these different types of relationships on the consequences and processes examined in this paper.

Additionally, as the focus of our study was on the relationships that customers have with individuals within firms, we have limited our examination of social capital to dyads. However, the theory can also be used to explain more complex relationships, such as triads and entire social networks. While this study focused on direct relationships, our data suggest that some of the outcomes identified may also result when individuals leverage indirect relationships with firms. Given the different ways consumers indirectly use their relationships for consumption, as in the case of sought after word of mouth behavior, further examining the indirect use of social capital may be important for scholars and practitioners alike.

Conclusion

Our research, grounded in data drawn from everyday consumers, highlights the impact of social relationships on consumption. Delineating the outcomes derived from social capital behavior provides scholars with a starting point for conducting research related to these important marketing relationships. Our study also underscores important implications related to using social relationships to make purchases, most notably their potential to impact satisfaction and loyalty. In addition, our findings emphasize the speed with which socially connected consumers obtain key benefits, which we suggest has the ability to accelerate satisfaction, loyalty, and returns for firms. These findings constitute the main contribution of this study and provide justification for managing and paying closer attention to social capital exchanges in the marketplace. When considered collectively, our findings shed new light on marketing relationships, while also providing fresh theoretical insights to the scholars who study them.

References

Adler, Paul S. and Seok-Woo Kwon (2002), "Social capital: Prospects for a New Concept," Academy of Management Review, 27 (1), 17-40.

Bagozzi, Richard P. (1995), "Reflections on Relationship Marketing in Consumer Markets," Academy of Marketing Science. Journal, 23 (4), 272.

Bansal, Harvir S. (2000), “Word-of-Mouth Processes within a Service Purchase Decision Context,” Journal of Service Research, 3, 166-177.

Beaty, Sharon E., Morris Mayer, James E. Coleman, Kristy Ellis Reynolds, and Jungki Lee (1996), "Customer-Sales Associate Relationships," Journal of Retailing, 72 (3), 223-47.

Belk, Russell W., John F. Sherry, and Melanie Wallendorf (1988), "A Naturalistic Inquiry Into Buyer and Seller Behavior At A Swap Meet," Journal of Consumer Research, 14 (4), 449-70.

Bendapudi, Neeli and Leonard L. Berry (1997), "Customers' Motivations for Maintaining Relationships with Service Providers," Journal of Retailing, 73 (1), 15-37.

Bergadaa, Michelle M. (1990), "The Role of Time in the Action of the Consumer," Journal of Consumer Research, 17 (3), 289-302.

Berry, Leonard L. (1995), "Relationship Marketing of Services - Growing Interest, Emerging Perspectives," Journal of the Academy of Marketing Science. 23 (4), 236-45.

Bourdieu, Pierre (1986), “The Forms of Capital” in Handbook of Theory and Research for the Sociology of Education, J.G Richardson, Ed. Westport, CT: Greenwood Press.

______ (2002), “The Sociological Theory of Pierre Bourdieu” in Contemporary Sociological Theory, Craig Calhoun, Joseph Gerteis, James Moody, Steven Pfaff, and Indermohan Virk, Eds. Malden, MA: Blackwell Publishing.

Boxman, Ed, Paul M. De Graaf, and Hendrik D. Flap (1991), "The Impact of Social and Human Capital on the Income Attainment of Dutch Managers," Social Networks, 13 (1), 51-73.

Brown, Jacqueline Johnson and Peter H. Reingen (1987), "Social Ties and Word-of-Mouth Referral Behavior," Journal of Consumer Research, 14 (3), 350-63.

Burt, Ronald. S. (2000), "The Network Structure of Social Capital," Research in Organizational Behavior, 22, 345-423.

______ (2004), "Structural Holes and Good Ideas," The American Journal of Sociology, 110 (2), 349-99.

Charmaz, Kathy (2006), Constructing Grounded Theory. Thousand Oaks, CA: Sage.

Chen, Yi Ling and Hung Chang Chiu (2009), "The Effects of Relational Bonds on Online Customer Satisfaction," Service Industries Journal, 29 (11), 1581-95.

Cohen, Sheldon, William J. Doyle, David P. Skoner, Bruce S. Rabin, and Jack M. Gwaltney, Jr. (1997), "Social Ties and Susceptibility to the Common Cold," JAMA, 277 (24), 1940-44.

Coleman, James S. (1988), "Social Capital in the Creation of Human Capital," The American Journal of Sociology, 94, 95-120.

Coulter, Keith S. and Robin A. Coulter (2002), "Determinants of Trust in a Service Provider: The Moderating Role of Length of Relationship," The Journal of Services Marketing, 16 (1), 35-51.

Dahl, Darren W., Heather Honea, and Rajesh V. Manchanda (2005), "Three Rs of Interpersonal Consumer Guilt: Relationship, Reciprocity, Reparation," Journal of Consumer Psychology, 15 (4), 307.

DiMaggio, Paul and Hugh Louch (1998), "Socially Embedded Consumer Transactions: For What Kinds of Purchases Do People Most Often Use Networks?" American Sociological Review, 63 (5), 619.

Dunfee, Thomas W., N. Craig Smith, and Jr. William T. Ross (1999), "Social Contracts and Marketing Ethics," Journal of Marketing, 63 (3), 14-33.

Edmondson, Amy C. and Stacy E. McManus (2007), "Methodological Fit in Management Field Research," Academy of Management Review, 32 (4), 1155.

Fornell, Claes, Michael D. Johnson, Eugene W. Anderson, Jaesung Cha, and Barbara Everitt Bryant (1996), "The American Customer Satisfaction Index: Nature, purpose, and findings," Journal of Marketing, 60 (4), 7-19.

Frenzen, Jonathan and Harry L. Davis (1990), "Purchasing Behavior In Embedded Markets," Journal of Consumer Research, 17 (1), 1-12.

Friestad, Marian and Peter Wright (1994), “The Persuasion Knowledge Model: How People Cope with Persuasion Attempts,” Journal of Consumer Research, 21 (1), 1-31.

Gabbay, Shaul M. and Ezra W. Zuckerman (1998), "The Contingent Effect of Contact Density on Mobility Expectations," Social Science Research, 27, 189-217.

Glaser, Barney G. and Anselm Strauss (1967), "The Constant Comparative Method of Qualitative Analysis," in The Discovery of Grounded Theory: Strategies for Qualitative Research. Chicago, IL: Aldine.

Granovetter, Mark (1985), "Economic Action and Social Structure: The Problem of Embeddedness," American Journal of Sociology, 91 (3), 481-510.

______ (1983), "The Strength of Weak Ties: A Network Theory Revisited," Sociological Theory, 1, 201-33.

______ (1973), "The Strength of Weak Ties," American Journal of Sociology, 78 (6), 1360-80.

Gwinner, Kevin P., Dwayne D. Gremler, and Mary Jo Bitner (1998), "Relational Benefits In Services Industries: The Customer's Perspective," Journal of the Academy of Marketing Science, 26 (2), 101-15.

Johnson, Devon and Kent Grayson (2005), "Cognitive and Affective Trust in Service Relationships," Journal of Business Research, 58 (4), 500.

Jones, Tim, Shirley F. Taylor, and Harvir S. Bansal (2008), "Commitment to a Friend, a Service Provider, or a Service Company: Are They Distinctions Worth Making?" Journal of the Academy Of Marketing Science, 36 (4), 473.

Kotler, Philip and Kevin Lane Keller (2006), Marketing Management (12th ed.). Upper Saddle River, NJ: Prentice Hall.

Krasnikov, Alexander, Satish Jayachandran, and V Kumar (2009), "The Impact of Customer Relationship Management Implementation on Cost and Profit Efficiencies: Evidence from the U.S. Commercial Banking Industry," Journal of Marketing, 73 (6), 61-76.

Lacey, Russell, Jaebeom Suh, and Robert M. Morgan (2007), "Differential Effects of Preferential Treatment Levels on Relational Outcomes," Journal of Service Research, 9 (3), 241-55.

Lin, Nan (2001), Social Capital: A Theory of Social Structure and Action (1 ed.). Cambridge: Cambridge University Press.

_____(1999), "Social Networks and Status Attainment," Annual Review of Sociology, 25, 467-88.

Lincoln, Yvonna S. and Egon G. Guba (1985), "Designing a Naturalistic Inquiry," in Naturalistic Inquiry, Yvonna S. Lincoln and Egon G. Guba, Eds. Beverly Hills, CA: Sage.

Marx, Karl (1933), Wage-Labour and Capital. New York, NY: International Publishers.

Mithas, Sunil, M. S. Krishnan, and Claes Fornell (2005), "Why Do Customer Relationship Management Applications Affect Customer Satisfaction?" Journal of Marketing, 69 (4), 201-09.

Mittal, Vikas, William T. Ross Jr., and Patrick M. Baldasare (1998), "The Asymmetric Impact of Negative and Positive Attribute-level Performance on Overall Satisfaction and Repurchase Intentions," Journal of Marketing, 62 (1), 33-48.

Morales, Andrea C. (2005), "Giving Firms an "E" for Effort: Consumer Responses to High-Effort Firms," The Journal of Consumer Research, 31 (4), 806.

Morgan, Robert M. and Shelby D. Hunt (1994), "The Commitment-Trust Theory of Relationship Marketing," The Journal of Marketing, 58 (3), 20.

Neuman, W. Lawrence (2000), Social Research Methods (4th ed.). Boston, MA: Allyn & Bacon.

Oliver, Richard L. (1999), "Whence Consumer Loyalty?" Journal of Marketing, 63, 33-44.

Palmatier, Robert W., Lisa K. Scheer, and Jan-Benedict E. M. Steenkamp (2007), "Customer Loyalty to Whom? Managing the Benefits and Risks of Salesperson-Owned Loyalty," JMR, Journal of Marketing Research, 44 (2), 185.

Patton, Michael Q. (1990), Qualitative Evaluation and Research Methods (2nd ed.). Newbury Park, CA: Sage Publications.

Paul, Michael, Torsten Hennig-Thurau, Dwayne D. Gremler, Kevin P. Gwinner, and Caroline Wiertz (2009), "Toward a Theory of Repeat Purchase Drivers for Consumer Services," Journal of The Academy Of Marketing Science, 37 (2), 215-37.

Peterson, Robert A. (1995), "Relationship Marketing and the Consumer," Journal of the Academy of Marketing Science, 23 (4), 278-81.

Portes, Alejandro (1998), "Social Capital: Its Origins and Applications in Modern Sociology," Annual Review of Sociology, 24, 1-24.

Price, Linda L. and Eric J. Arnould (1999), "Commerical Friendships: Service Provider-Client Relationships in Context," Journal of Marketing, 63 (4), 38-56.

Putnam, Robert D. (1993), “The Prosperous Community: Social Capital and Public Life,” The American Prospect, 24, 34-48.

______ (1995), “Bowling Alone: America’s Declining Social Capital,” Journal of Democracy, 6, 65-78.

Ream, Robert K. (2005), "Toward Understanding How Social Capital Mediates the Impact of Mobility on Mexican American Achievement," Social Forces, 84 (1), 201-24.

Reichheld, Frederick F. and W. Earl Sasser, Jr. (1990), "Zero Defections: Quality Comes to Services," Harvard Business Review, 68 (5), 105-12.

Reichheld, Frederick F. (1996), The Loyalty Effect (1st ed.). Boston, MA: Harvard Business School Press.

Reingen, Peter H. and Jerome B. Kernan (1986), "Analysis of Referral Networks in Marketing: Methods and Illustration," Journal of Marketing Research, 23 (4), 370.

Reynolds, Kristy and Sharon E. Beatty (1999), "Customer Benefits and Company Consequences of Customer-Salesperson Relationships in Retailing," Journal of Retailing, 75 (1), 11.

Rindfleisch, Aric and Christine Moorman (2001), "The Acquisition and Utilization of Information in New Product Alliances: A Strength-of-Ties Perspective," The Journal of Marketing, 65 (2), 1.

Sheth, Jagdish N. and Atul Parvatiyar (1995), "Relationship Marketing in Consumer Markets: Antecedents and Consequences," Journal of the Academy of Marketing Science, 23 (4), 255.

Simonson, Itamar (2005), "Determinants of Customers' Responses to Customized Offers: Conceptual Framework and Research Propositions," Journal of Marketing, 69 (1), 32-45.

Smith, Adam (1937), The Wealth of Nations. New York, NY: Modern Library.

Smoldt, Robert K. (1998), "Turn Word of Mouth into a Marketing Advantage," The Healthcare Forum Journal, 41 (5), 47-49.

Spiggle, Susan (1994), "Analysis and Interpretation of Qualitative Data in Consumer Research," Journal of Consumer Research, 21 (3), 491-503.

Srinivasan, Raji and Christine Moorman (2005), "Strategic Firm Commitments and Rewards for Customer Relationship Management in Online Retailing," Journal of Marketing, 69 (4), 193-200.

Strauss, Anselm and Juliet Corbin (1998), Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory (2nd ed.). Thousand Oaks, CA: Sage.

Thompson, Craig J., William B. Locander, and Howard R. Pollio (1990), "The Lived Meaning of Free Choice: An Existential-Phenomenological Description of Everyday Consumer Experiences of Contemporary Married Women," The Journal of Consumer Research, 17 (3), 346-361.

Trevino, Linda K. and Katherine A. Nelson (2003), Managing Business Ethics (3rd ed.) Hoboken, NJ: John Wiley and Sons.

Verhoef, Peter (2003), "Understanding the Effect of Customer Relationship Management Efforts on Customer Retention and Customer Share Development," Journal of Marketing, 67 (4), 30-45.

Wallendorf, Melanie and Merrie Brucks (1993), "Introspection in Consumer Research: Implementation and Implications," The Journal of Consumer Research, 20 (3), 339-59.

Yim, Chi Kin, David K. Tse, and Kimmy W. Chan (2008), "Strengthening Customer Loyalty Through Intimacy and Passion: Roles of Customer-Firm Affection and Customer-Staff Relationships in Services," JMR, Journal of Marketing Research, 45 (6), 741-56.

Zaichkowsky, Judith Lynne (1985), "Measuring the Involvement Construct," The Journal of Consumer Research, 12 (3), 341-52.

TABLE 1
BACKGROUND CHARACTERISTICS OF STUDY PARTICIPANTS

Name	Sex	Age	Race	Occupation	Education Level	Marital	Income
Allen	Male	29	Caucasian	PhD Student (Engineering)	Doctoral Degree	Married	$20,001 - $30,000
Brendan	Male	29	Caucasian	Landscape Architect	Bachelor’s Degree	Married	$90,001 - $100,000
Brianna	Female	42	Caucasian	Administrative Assistant	Some College	Married	Over $100,000
Brinley	Female	23	Caucasian	Full-time Student	Associates Degree	Married	$10,001 - $20,000
Bryant	Male	26	Caucasian	High School Teacher	Bachelor’s Degree	Married	$30,001 - $40,000
Cord	Male	64	Caucasian	Professor	Doctoral Degree	Married	Over $100,000
Dave	Male	53	Caucasian	Contractor	Some College	Married	$90,001 - $100,000
Dirk	Male	32	Caucasian	PhD Student (Humanities)	Master’s Degree	Married	$40,001 - $50,000
Janet	Female	33	Caucasian	None	Master’s Degree	Married	$40,001 - $50,000
Joseph	Male	24	Caucasian	Full-time Student	Bachelor’s Degree	Married	$10,001 - $20,000
Josh	Male	48	Caucasian	Plant Operator	Associates Degree	Single	$60,001 - $70,000
Lydia	Female	47	Caucasian	Staff Assistant	Some College	Married	$90,001 - $100,000
Marissa	Female	45	Native American	Head Secretary	Some College	Single	$30,001 - $40,000
Patty	Female	55	Caucasian	Housewife	Some College	Married	$70,001 - $80,000
Robinson	Male	56	Caucasian	Small Business Owner	Some College	Married	Over $100,000
Ryan	Male	57	Caucasian	Instructional Designer	Master’s Degree	Married	$70,001 - $80,000
Stella	Female	30	Caucasian	Administrative Assistant	High School Graduate	Married	$60,001 - $70,000
Tina	Female	28	Caucasian	Staff Assistant	Associates Degree	Single	$20,001 - $30,000
Tom	Male	36	Caucasian	PhD Student (Management)	Master’s Degree	Married	$50,001 - $60,000
Vince	Male	55	African American	University Administrator	Doctoral Degree	Single	Over $100,000
Melanie	Female	26	Caucasian	Housewife	Associates Degree	Married	$20,001 - $30,000
Wayne	Male	30	Caucasian	Mechanical Designer	Bachelor’s Degree	Married	Over $100,000

TABLE 2
CONSEQUENCES OF CONSUMERS' USE OF SOCIAL CAPITAL

	Subcategory	Examples
RESOURCE PRESERVATION	***MONETARY SAVINGS*** *(E=59, I=19)*	• "He's like 'I'll give it to you a couple thousand off if you want; no profit on me,' you know, because I knew him well." • "She offered, 'If you come out to Sears, come see me. I'll hook you up with the best deal,' which she did! No matter what it was." • "The fact that we have a relationship with the owner's brother, rather than just the salesman, [warranted] a greater discount." • "She was willing to give us a cheaper rate on a haircut, but we would still get the same service that you would at a high-end salon." • "Then finally he got me a sweet discount, because he can get an employee rate so he did that for me; so that was pretty much the best hook-up I've ever got."
	TIME SAVINGS *(E=20, I=13)*	• "The quick service. If you know the person you don't putsy around. She's not going to waste your time." • ". . . . and just no question, just done very quickly. A lot of times you have to wait around for things like that with cars." • "An hour later she calls me and she says, "I found somebody. They're on their way." So within 5 hours, we went from having to wait 4 days to having somebody there within hours because I knew somebody." • ". . . . they had them in within probably less than 10 days. For what was going on there, that was quick." • [It saved me] a couple hours, at least. Just in that store. Just knowing the sales manager. . . . saved me a couple of weekends because I would have gone to different stores every weekend to try to get the best price."

	Subcategory	Examples
KNOWLEDGE ACQUISITION	**PRODUCT INFORMATION** *(E=15, I=11)*	• "She'd tell you what the flaw was to another item or what the other customers were complaining about. You wouldn't get that with a regular salesperson who's just out to sell you something." • "He told us what he thought . . . we like him and thought he would probably give us the best information out there." • "[He] knows what he's talking about, but also isn't trying to just make money off of me. So, the information is the most valuable thing to me." • "So, it was mostly information to see which one was the most suitable for what I wanted, but also he could tell me which one's worked better or which ones where having problems, or not."
	PURCHASE INFORMATION *(E=13, I=7)*	• ". . . . or telling you, 'OK you can save $200 if you wait until next week to purchase it'." • "Well, if you come back next weekend it will be on sale for this and I can give you a coupon that they'll take your old refrigerator away and it will be free set up and delivery and . . . you can get the 0% financing." • "If Sears was running a sale but this week it might have been $499, but if we waited a week . . . next week it might have been $399. So she would let us know when it was coming up for sale." • "He says, 'That would be fine, however I might be able to get you a greater discount if we put it on your wife, Trisha's parents' account, because not only do you know me,' but my father-in-law, my wife's father, knows the brother of the owner of the store, the whole chain. And so he feels that maybe if he goes up and lets him know who we are, that he'll give me an even greater discount because my father-in-law knows his brother, that is, the owner's brother."

Note: (*E*, *I*) represent the number of unique experiences and individuals, respectively, contributing to the subcategories of interest

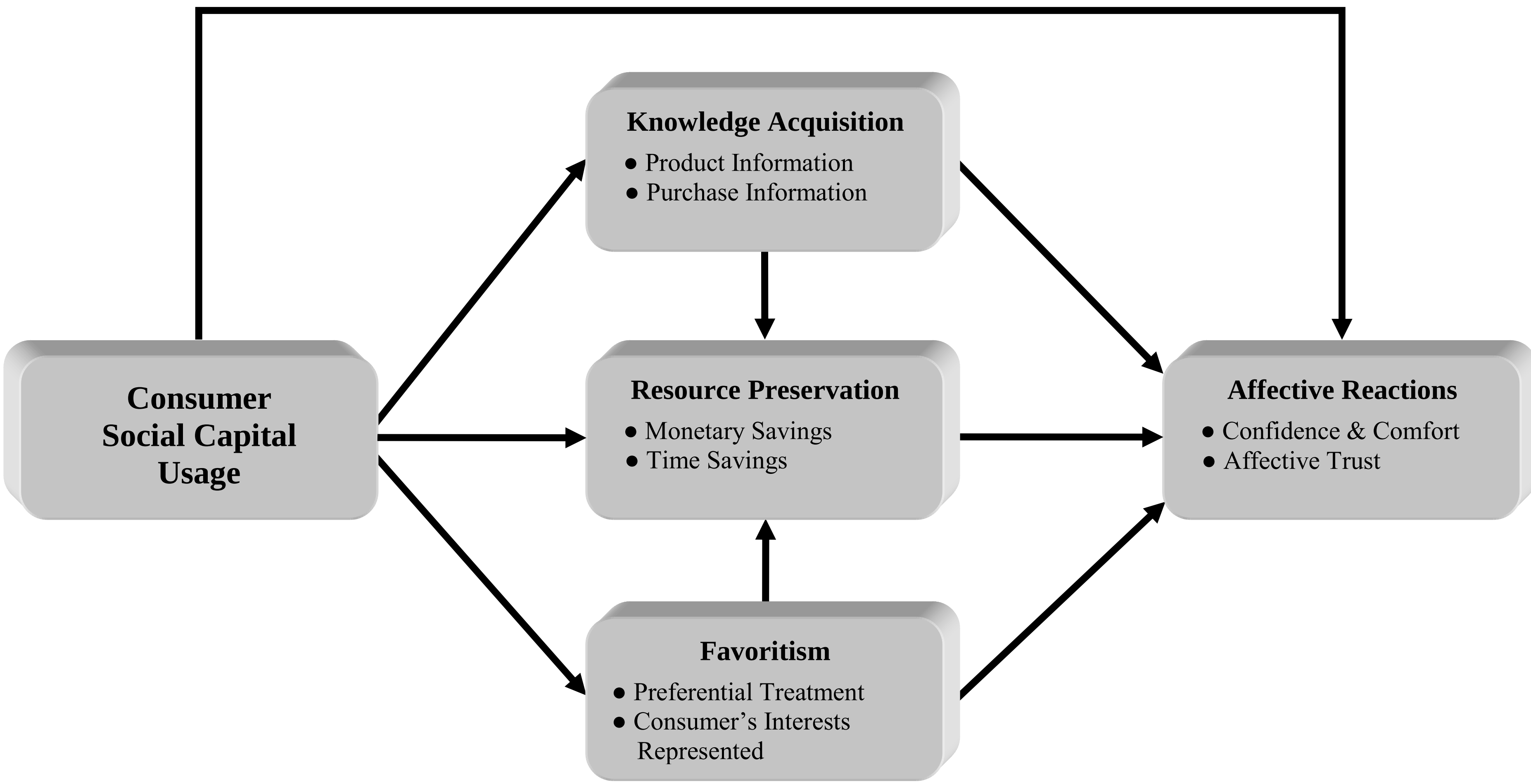
TABLE 2 (cont.)
CONSEQUENCES OF CONSUMERS' USE OF SOCIAL CAPITAL

	Subcategory	*Examples*
FAVORITISM	**CONSUMER'S INTERESTS REPRESENTED** *(E=22, I=13)*	• "I also know she's looking out after me, my best interests, my finances." • "Often times, he would say, 'No, this doesn't need repaired, you can go and fix this yourself'." • "Sandy went to bat for me and she got it through and hammered through the insurance company. It took her a long time, but she got it to where the insurance company paid for the Nexium. That's a big thing because it's really expensive." • "I think . . . . that what he was doing was in our very best interest." • "That was the main reason I gravitated to his practice, instead of just going to a general family practice, because I knew him and he had an invested interest in [my daughter] personally, because we were friends with their family."
	PREFERENTIAL TREATMENT *(E=28, I=17)*	• "Because we had been friends for so long, I felt like he gave us preferential treatment, where he could have been busy . . . ." • "I think [he] was very good about giving us preferential treatment, as far as getting us in and getting the car fixed if we were in a jam, just because of that relationship." • "I think there might have been some times when there might have been some preferential treatment that we might not have got otherwise." • "I knew that I could take it down to him on the weekend and he would actually work on Saturday if he had to or he would make special time for me to fix it so that I could get back up to school. I got special treatment because he was a friend of the family's." • "He'll work through his lunch hours to work me in – stay late at night. He has offered to go down on Sundays, weekends. If I'm hurting, he's been very, very accommodating."

	Subcategory	*Examples*
AFFECTIVE REACTIONS	**CONFIDENCE & COMFORT** *(E=20, I=17)*	• "So we felt confident and comfortable." • "If you've got a good relationship….there's no way in the world that a stranger's going to make you feel quite that comfortable." • "I had peace of mind . . . . That kind of secured any doubts that I had." • "Confidence that I wasn't being ripped off." • "I had confidence in him that he wasn't going to try and sell me a lemon to make a buck." • "There was always confidence that the job was done right." • "It puts my mind at ease that I have somebody so close to me on a personal level . . . .
	AFFECTIVE TRUST *(E=29, I=16)*	• "I found someone that I can trust that's going to try to get me a good deal." • "I could trust him. I knew he was honest and wouldn't say something was wrong if there wasn't." • "Trust for this particular service is big because what is the next best thing besides your kids and their health?" • "Yeah, definitely a trust element and I felt like I was receiving full disclosure as opposed to a sales pitch • "I knew he wasn't lying to me or trying to make a ton of money on me." • "I know that if I go to see this person, she's not going to steer me to the wrong product, just to sell me something."

Note: (*E*, *I*) represent the number of unique experiences and individuals, respectively, contributing to the subcategories of interest

FIGURE 1
THEORETICAL RELATIONSHIPS AMONG CONSUMERS' SOCIAL CAPITAL OUTCOMES



Chapter 3

The Impact of Social Relationships on Consumers' Monetary Benefits

Essay 2

Relationships are an important part of consumption, particularly because many purchases involve associations of one type or another. If a consumer purchases from a firm that he or she has transacted with previously, then the consumer has a relationship with the firm as a customer. If a consumer follows a peer firm's recommendation to make a purchase from another firm, then the consumer is using a business relationship to connect to that firm. Likewise, if a customer draws upon a noncommercial relationship to make a purchase from a personal friend within a firm, then the customer is using a social relationship to connect to the firm. Interestingly, many purchases have been demonstrated to involve this specific type of social (noncommercial) relationship between consumers and firms (DiMaggio and Louch 1998).

Surprisingly, the outcomes obtained by consumers using social relationships to make purchases have been overlooked in the marketing literature, despite the prevalence of such transactions. Although scholars have examined certain benefits obtained by consumers as a result of ongoing *commercial* relationships with firms (Bendapudi & Berry 1997; Gwinner, Gremler, and Bitner 1998; Sheth and Parvatiyar 1995), with the exception of Johnson and Ross (2009), the benefits to consumers of using *social* relationships to make purchases have not been examined in the marketing literature. Furthermore, these benefits have not been empirically verified, nor have they been quantitatively compared to the benefits derived from traditional *commercial* relationships.

Consequently, the purpose of this paper is to examine the benefits derived from using social relationships to make purchases and to compare them to the benefits obtained from traditional *commercial* relationships. As the first paper in marketing to empirically test the benefits of using social relationships to make purchases, this study focuses specifically on the monetary benefits (discounts) consumers obtain from their interactions with firms. To accomplish our objectives, we draw upon social capital theory (Portes 1998; Lin 2001) to test several hypotheses using archival data collected from an automotive business in the United States.

This study makes several important contributions. First, it lends empirical support to the notion that social relationships play a critical role in determining monetary benefits for consumers in the marketplace. Second, it demonstrates quantitative differences between outcomes obtained by consumers using *social* connections to make purchases and consumers using *commercial* connections. Third, it provides a method of estimating the value of relationships used to make purchases, from the consumer's perspective. Finally, this study advances social capital theory by empirically demonstrating the extent to which various modes and methods of social capital usage have the ability to produce similar positive returns, even in cases in which consumers lack a direct relationship with a firm's decision makers. Collectively, these contributions advance research on marketing relationships, while also contributing to social capital theory in the broader social science arena.

Literature Review

Social Capital Theory

Similar to other sociological theories, the social capital framework addresses the interaction between social structure and individual behavior. Generally speaking, scholars examine social capital theory from one of two main viewpoints – the individualistic perspective and the collective perspective. The individualistic perspective focuses on the differential outcomes obtained by individual actors as a consequence of the structure of their social relationships (Bourdieu 1986; Coleman 1988; Lin 2001). The collective perspective focuses on the effects of social ties on groups or communities as a whole (Kawachi, Kennedy, Lochner, and Prothrow-Stith 1997; Putnam 1993, 1995; Temkin and Rohe 1998). Because this study examines the outcomes obtained by individual consumers as a consequence of their specific relationships with a firm, we draw upon the individualistic perspective. This approach is appropriate because it connects individual behaviors and their consequences to the specific relationships employed.

From the individualistic perspective, scholars have defined social capital as the potential resources that are embodied or held within relationships between individuals. Common forms of these social resources include advice, information, ideas, leads, opportunities, cooperation, and support (Burt 2000; Lin 2001). In the presence of these resources, individual social capital theory addresses how these resources can be drawn upon to render returns for the individual user. This form of capital is deemed ‘social’ because it can only exist and be used when ties are present between individuals. These ties may be strong or weak, direct or indirect, frequent or infrequent. Nevertheless, without such ties, social capital would not remain, nor be accessible.

In sum, from the individualistic perspective, individuals must maintain relationships with others for social capital to exist and provide benefits (Coleman 1998; Lin 2001; Portes 1998). Generally speaking, any benefit or advantage resulting from an individual's relationships with others can be deemed a return on social capital (Lin 2001).

Several mechanisms motivate the use of social capital. First, possessors of social capital are motivated to protect existing resources and to gain additional resources[1] (Lin 2001). We refer to the act of protecting valued resources that are already at the individual's disposal as *resource preservation*, whereas we refer to the act of seeking and obtaining additional resources as *resource acquisition*. In order for social capital usage to operate effectively, preservation and acquisition motives are dependent upon a second mechanism – reciprocity. One of the implications of using social capital is the assumed obligation toward others who facilitate access to important social resources (Lin 2001). Reciprocity silently governs the use of social capital among individuals by linking current withdrawals from embedded resources to future deposits. In this way, individuals allow others to access their resources because doing so entitles them access to the borrower's resources in the future.

Interestingly, while calculated expectations of reciprocity can play a role in social capital behaviors, there are also powerful norms at work when individuals are socially connected. In such situations, individuals may help others not because they have thoughtfully calculated that such behavior is in their self interest, but because something tells them that they ought to – social norms (Horne 2009; Meyers 2010). When such interactions occur within social circles, group norms govern and enforce behaviors between individuals (Feldman 1984; Horne 2001).

---

[1] Sociologists often refer to these motives as *expressive* and *instrumental* actions. We use the terms *preservation* and *acquisition* to clarify the terminology and to connect with the marketing research tradition.

Consequently, another reason social capital behaviors operate effectively is because failing to abide by group norms, including norms of reciprocity, could result in sanctions by other group members toward offending individuals (Heckathorne 1990; Horne 2009). Ultimately, group norms subtly encourage individuals to assist other members of their social circle. In addition, these norms also govern and enforce reciprocity, which reassures group members that providing access to embedded resources will be reciprocated, thus facilitating social capital.

Social Capital Outcomes in the Social Sciences

Given social capital theory's ability to account for the impact of social structure on individual decision making and behavior, the theory has been influential across the social sciences. Various studies have highlighted the impact of social capital on numerous outcomes important to individuals. Although a comprehensive review of such studies is well beyond the scope of this paper, we highlight several representative examples. Dominguez and Watkins (2003) and Ream (2005) demonstrate how social capital contributes to increased social mobility. Lin (1999) illustrates the impact of social capital on improving social status, whereas Granovetter's (1973, 1983) seminal work highlights the effects of social capital on obtaining employment. In addition, others, such as Cohen, Doyle, Skoner, Rabin, and Gwaltney (1997) and House, Landis, and Umberson (1998) show how social capital contributes to enhanced levels of health and wellness. Further, Burt (2004) even identifies theoretical connections between social capital and the formulation of creative ideas.

Social Capital Outcomes in Marketing?

Despite the numerous studies in the social sciences identifying social capital outcomes for individuals, with the exception of Johnson and Ross (2009), marketing scholars have not explicitly examined the outcomes of drawing upon social relationships to make purchases, from the perspective of the consumer. Nevertheless, while the theory has not been used expressly to identify or analyze specific outcomes derived from consumers' use of social relationships for consumption, some of the ideas inherent in the social capital theory framework have been examined by marketing scholars, particularly in terms of consumers' relationships with firms.

Sheth and Parvatiyar (1995) examine how group influences and the desire to be connected impact consumers' motivations to engage in marketing relationships. Price and Arnould (1999) demonstrate the impact of structural opportunities for interaction on friendship formation in commercial service settings. Brown and Reingan (1987) and Reingan and Kernan (1987) reveal how other relational factors, such as tie strength and homophily, influence consumers' information search. In addition, others have highlighted important elements of consumers' interactions with firms, such as Morales' (2005) attention to gratitude, Bagozzi's (1995) treatment of reciprocity, Morgan and Hunt's (1994) focus on trust, and Reindfleisch and Moorman's (2001) examination of relationship quality. Additionally, Frenzen and Davis (1990) demonstrate how tie strength between buyers and sellers can influence consumers' likelihood of making purchases.

When considered together, these various elements have the ability to influence consumers' interactions and relationships with firms. When sufficiently developed, these customer relationships can result in important outcomes for consumers. Gwinner, Gremler, and

Bitner (1998) have shown that ongoing commercial relationships can lead to monetary savings and time savings for consumers. Bendapudi and Berry (1997) and Coulter and Coulter (2002) have highlighted the trust that commercial relationships can produce, whereas Lacey, Suh, and Morgan (2007) and Simonson (2005) have spoken to the specialized treatment that some consumers obtain from maintaining commercial relationships with firms. In addition, Price and Arnould (1998) have highlighted the positive emotions and friendships that can develop between buyers and sellers when commercial relationships are maintained and nurtured over time.

Although the aforementioned studies do not specifically examine the outcomes that individuals obtain from using social relationships to make purchases, they are loosely related in the sense that they point to benefits that can be obtained from traditional relationships with firms. As such, they provide a nice backdrop against which the outcomes of social capital usage can be compared. Extending this research by examining social capital usage among consumers, Johnson and Ross (2009) found that using social relationships to make purchases leads to various types of benefits for consumers, including resource preservation, knowledge acquisition, favoritism, and positive affective reactions. As opposed to previous studies in which commercial relationships were examined, Johnson and Ross (2009) specifically examined pre-existing social (noncommercial) relationships between customers and firms.

Several of the outcomes identified by Johnson and Ross (2009), such as monetary savings, have also been identified by previous research as outcomes of commercial relationships (Gwinner et al. 1998). Given the methodological approaches used to identify these outcomes, differences between the benefits derived from social and commercial relationships have not been empirically examined in the marketing literature, as the qualitative nature of the studies did not afford a quantitative assessment of the benefits. Consequently, whereas the methods and nature of the data used in previous studies have precluded a quantitative estimation of the value of the relationships used by consumers, the nature of our study provides a key opportunity to address this important issue. The ability to estimate the value of the relationships used by consumers to make purchases allows us to statistically model the impact of different types of relationships on the monetary benefits obtained by consumers in the marketplace. Identifying these differences allows us to further illuminate this important aspect of consumer behavior, while also contributing to individual social capital theory in marketing and in the larger social science arena.

Hypotheses

Direct Connections

Social capital theory posits that resources are embedded within social relationships and, as a result, individuals can obtain returns as a result of their social ties with others. Many times, these social ties involve *direct connections*, in which individuals obtain benefits based on direct relationships with one another. These returns are facilitated by *preservation* and *acquisition* mechanisms (Lin 2001), in which socially connected consumers and resource holders collaborate to maintain and extend their resources. In the context of making purchases, the decision maker[2] within the firm, acting as the resource holder, would be expected to grant larger discounts to individuals who connect to the firm socially because this action serves both *preservation* and *acquisition* purposes for the decision maker and the consumer. By facilitating this arrangement,

[2] In this context, 'decision maker' refers to the individual within the firm. This could be an employee, salesperson, manager, owner, etc. In our study, the decision maker is the owner of the company. The social capital hypotheses proposed assume that decision makers have some level of discretion and/or control over pricing.

the decision maker helps the socially connected customer to maintain, and possibly acquire, additional resources. However, in addition to helping the customer, the decision maker also helps himself or herself by preserving or extending the customer's portfolio of resources, to which the decision maker may later lay claim in future requests, due to reciprocity.

While reciprocity can also occur between decision makers and traditional commercial customers, when social connections are used, reciprocity is more enforceable because of the social norms that exist within social circles. As such, in addition to being a conscious calculation of self-interest, reciprocity is also an underlying behavioral expectation tied to the sense of obligation or duty associated with membership in the social group (Meyers 2010). Although norms also exist within commercial relationships, they are different in terms of their expectations for reciprocal behaviors and with respect to their enforceability. Given these differences, consumers using social relationships to make purchases are more likely to engage in reciprocal actions because defiance of these normative behaviors could lead to sanctioning of the individual by other members of the social circle (Feldman 1984; Heckathorne 1990; Horne 2009). This increased likelihood of reciprocity facilitates social capital behaviors, as decision makers are more likely to grant access to their resources because future reciprocal requests are underwritten and insured by group norms and their ability to enforce expected behaviors.

Because social relationships are more likely to encourage and assure reciprocity, decision makers may be more likely to assist members of their social circles with resource preservation and acquisition goals, than those who are not. As a result, for customers connecting directly to firms, we expect that those using social connections to make purchases will obtain larger discounts than those using traditional commercial connections. Formally, we predict:

H_1: For customers connecting directly to firms, social connections will be associated with larger discounts than commercial connections.

Indirect Connections

In addition to direct connections, social capital theory posits that returns can also be obtained by individuals via indirect connections to resource holders. *Indirect connections* are those in which individuals are not directly linked to the resource holders, but they can obtain access to resource holders through intermediaries to whom they are connected. In purchasing contexts, this implies that customers would be able to obtain benefits, not because of their own relationship with a decision maker within a firm, but because of their connection to an intermediary who has a relationship with the decision maker. The notion that consumers' direct connections to decision makers result in benefits is expected and fairly predictable. However, the idea that monetary benefits resulting from relational influences can be transferred from one customer to another is much less obvious, particularly in marketing contexts.

Given the ambiguity associated with predicting outcomes for indirect social connections in this context, testing social capital theory in purchasing situations represents a rigorous evaluation of the scope and influence of social connections in the marketplace. In purchasing contexts, decision makers would be expected to grant larger discounts to customers connecting socially than to those connecting commercially because this would enhance *preservation* and *acquisition* goals. In addition, access to discounts is more likely to be granted to socially connected customers due to the normative obligation and duty decision makers feel toward members of their social circle, and because of the social group's ability to enforce norms among its members through sanctioning. Interestingly, in this case, because indirect connections involve individuals outside of the focal relationship, the decision maker is ultimately granting benefits to the customer on behalf of an intermediary.

In these situations, although the intermediary, who is part of the social circle, is not making a purchase, favors granted to the consumer on the intermediary's behalf by the decision maker are still likely to accrue reciprocity credit with the intermediary. Furthermore, the decision maker may also build reciprocity with the end customer, which is more likely to be accessible if the customer becomes part of the social group. In other words, by helping to build or extend the socially connected customer's resources, the decision maker potentially expands the scope of future reciprocal claims from just the intermediary to the new customer as well, who has been brought into the social circle. As suggested previously, the underlying group norms that exist between these socially connected individuals govern and enforce this behavior (Lin, 2001; Feldman 1984; Horne 2001, 2009). In contrast, because norms that exist in commercial settings are less likely to enforce reciprocity in the same way, the extent and size of discounts is expected to be lower, as in the case of those using commercial connections to make purchases. In these situations, the normative rules and sanctions that enforce reciprocity are different, which is likely to decrease the degree to which decision makers award discounts to traditional commercial customers.

Based on these social processes, for customers connecting indirectly to firms through intermediaries, we expect that those using social connections to make purchases will obtain larger discounts than those using traditional commercial connections. Formally, we predict:

H_2: For customers connecting indirectly to firms through intermediaries, social connections will be associated with larger discounts than commercial connections.

Direct Versus Indirect Connections

Given the hypothesized differences mentioned previously, we suspect that discounts may also vary within commercial and social connection categories based on whether the customer connects directly or indirectly to the firm, which we refer to hereafter as c*onnection distance*.

Commercial Connections. In the context of this study, customers using direct commercial connections have engaged in previous interactions with the firm and have therefore established some type of commercial relationship. These direct commercial connections, resulting from previous exchanges, are expected to be more influential than indirect commercial connections, as direct customers have demonstrated their value to the firm through repeat purchase behavior. These ongoing commercial interactions between customers and firms have been demonstrated by scholars to yield important benefits for consumers, particularly with respect to monetary discounts (Gwinner et al. 1998). As a result, we expect customers using direct commercial connections to receive larger discounts than customers using indirect commercial connections, as those using indirect connections have not yet demonstrated their investment in the relationship and have not sufficiently proven themselves to the firm yet. Formally, we predict:

H_3: For customers connecting to firms using commercial connections, direct connections will be associated with larger discounts than indirect connections.

Social Connections. Interestingly, while social capital theory posits that individuals reap returns from both direct and indirect ties to others, it does not specify the extent to which the benefits yielded from direct connections compare to those yielded from indirect connections. Stated differently, the theory has not addressed whether returns derived from direct connections are less than, equivalent to, or greater than those garnered from indirect connections. This limitation has most likely occurred as a result of the difficulty quantifying and linking such benefits to social capital usage. Fortunately, given the nature of our data, we can begin to explore this interesting aspect of social capital usage by comparing returns received by individuals using both types of connections to make purchases.

Because social capital theory does not currently account for specific differences in *connection distance*, particularly in marketing situations, we extrapolate basic tenets of the theory to extend it into this context. However, doing so has the potential to produce contradictory predictions. As a result, we develop and present competing hypotheses to account for these possible differences.

Direct social connections could be expected to lead to larger discounts than indirect social connections. Customers using direct social connections may receive larger discounts than their indirect counterparts simply because indirect connections require less to accomplish *preservation* and *acquisition* purposes for those involved. For example, a friend of the decision maker, who refers a customer to the firm, likely expects the customer to be given special treatment. In this case, it is possible that any kind of discount would satisfy this expectation. As a result, the decision maker could award a smaller discount and still appease both the friend who made the recommendation and the new customer. Doing so would satisfy *preservation* and *acquisition* objectives of the individuals involved, while also potentially broadening the decision maker's future pool of available resources. In this case, we expect direct social connections to obtain larger discounts than indirect social connections. Formally, we hypothesize:

H_{4A}: For customers connecting to firms using social connections, direct connections will be associated with larger discounts than indirect connections.

Alternatively, perhaps indirect connections do not require less than direct connections to facilitate *preservation* and *acquisition* purposes; perhaps they require the same amount. For example, a friend of the decision maker who refers a customer to the firm may expect the customer to be given the same special treatment that they would receive. In this case, it is possible that only an equivalent discount would satisfy expectations. Awarding a smaller discount to the new customer may be insufficient, as it would not meet the expectation of the customer nor the intermediary, which could fail to facilitate *preservation* and *acquisition* actions for all of the parties involved. In this context, the decision maker may view the customer connecting indirectly in the same way he or she sees the individual through whom the customer connected. Therefore, in this case, we expect direct and indirect social connections to receive equivalent discounts. Formally, we predict:

> **H_{4B}**: For customers connecting to firms using social connections, direct connections will be associated with discounts of the same size as indirect connections.

Collectively, these hypotheses address important aspects of social capital theory in the context of consumption by examining differences between social and commercial connections, as well as direct and indirect connections within each of those categories. We now turn to the research context and the data used to test the hypotheses.

Research Context

The ability to quantitatively measure the impact of the different types of relationships used by consumers to obtain monetary benefits in the marketplace requires a research setting that satisfies a unique set of conditions. First, a setting must be identified in which the researcher can measure economic benefits, such as price discounts, for a firm's customers. Second, the setting must also provide the researcher with the ability to identify the mechanism by which customers connect to and interact with the firm. Third, the setting must allow the researcher to classify the types of relationships existing between customers and contact persons within the firm. Finally, and perhaps most difficult, privileged access to the firm's records and the research setting must be approved by decision makers in the participating organization.

While identifying an organization that meets these specific requirements is understandably difficult, acquiring access to such a setting is even more cumbersome.

Ultimately, access to the research site used in this study required several years of interactions, detailed discussions, and creative negotiations, between the researchers and the business owner, before data collection was approved. As part of the agreement, the researchers agreed to provide the business owner with consulting services[3] in exchange for access to the data. To preserve the integrity of the current study, the owner was not apprised of this particular study's hypotheses or objectives. All data used in the current study were simultaneously being collected to address other related issues and problems faced by the firm.

Car Concepts (a pseudonym), the firm selected as the research site, is an automotive business located in the Western United States. Car Concepts has been involved in the automotive industry for more than 25 years. The firm specializes in both basic and high-end products and services. The firm's basic offerings include routine maintenance and essential auto repairs, such as oil changes, tune-ups, brakes, transmission repairs, etc. Its higher-end offerings include high performance exhaust systems, computer performance chips, Nitrous Oxide Systems (NOS), custom engine work, and other performance enhancing services. Although it provides both basic and high end services, the majority of the firm's customers purchase basic offerings.

The research site selected for the current study is particularly appropriate to the examination of relationships because it is associated with an industry characterized by uncertainty and mistrust, which consequently leads many customers to rely heavily upon others to identify firms and establish relationships with them. These recommendations and referrals, when tracked by firms, provide critical information regarding the relationships used by customers to connect to the firm. The researchers helped Car Concepts to formalize its referral

[3] As part of the agreement, the lead researcher helped the firm to formalize its method of tracking the origins of its customers, with the goal of evaluating expenditures on different methods of customer acquisition and retention. In addition, the researcher also aided the firm in segmenting customers into groups relevant to the firm's objectives.

tracking system shortly before data collection for this project began, providing the researchers with essential information regarding how customers connected to the firm, while also providing the firm with critical information about its customers and their origins. In addition, given that the firm is owned and managed by a single individual[4], who is the firm's contact point with customers, identifying the different types of relationships between customers and the firm is relatively straightforward. Moreover, because pricing decisions, including discounts, are made by the owner, the theoretical link between how customers connect to the firm and the price they pay is relatively clean and ascertainable. Additional details concerning data collection and measures are discussed in the following section.

Data & Measures

Data for the study were drawn from the firm's archival records and from recurring interviews with the business owner during the data collection period. In addition, on two separate occasions, one of the researchers spent a total of 4 weeks at the research site, posing as a systems analyst working on the firm's software and computer system. During this time, additional observations and interviews were conducted. Data collection covered 15 months, from October 2007 to January 2009. The owner provided us with data for all 609 retail transactions taking place during the specified time period. Eighteen of these transactions had missing referral data, rendering them unusable for our study. In addition, 27 warranty transactions took place during the data collection period. In these cases, the original transaction,

[4] Decision making by a single individual is advantageous because it affords comparability across customers and allows pricing decisions to be tied to the specific relationships involved in the transaction. Nevertheless, we acknowledge that there are also limitations associated with a single decision maker, particularly in terms of the generalizability of the findings to contexts that differ substantially from the one used in our study.

which had taken place previously, was problematic for some reason, and the customer returned to have the firm rectify the problem with the original purchase. We excluded these cases, as customers were not charged for the warranty work that occurred on these ‘come back’ tickets. These changes yielded 564 usable transactions. Of these, new customers accounted for 30 percent (N=171) of the retail transactions, whereas returning customers accounted for the remaining 70 percent (N=393) of transactions.

Dependent Variable. The discount customers received served as the dependent variable for our analyses. We ascertained customer discounts using the firm’s archival records. The firm considers a discount as any reduction in the normal selling price of a product or service. The firm determines the normal selling price by (1) estimating the raw materials needed for the job and pricing them according to firm procedures, and (2) estimating the number of hours required to perform the job and then applying the hourly labor rate. Both of these processes utilize highly developed software to increase accuracy and to maintain consistency with industry standards. In our sample, discounts ranged from \$0 to \$1193, with a mean of \$33.40 (see table 1). Forty-five percent of customers in the sample (N=252) received a discount. For customers receiving discounts, the discount distribution is moderately positively skewed, with a mean of \$81 and a median of \$58. *Discount* is treated as a continuous variable in our analyses.

Insert table 1 about here

Independent Variables

Connection Type. As the transactions took place, the owner identified how customers found out about the firm. Typical responses included: phone book, Internet, signage, advertising, sponsorship, and referrals. When customers found out about the firm through other individuals, the owner identified the individuals involved. This information was recorded in the customer's file and archived by the firm. We use this data to link intermediaries to customers making purchases.

After linking intermediaries to customers, we next ascertained the type of connection existing between the intermediary and the owner, using a combination of archival records, observations, and contextual information drawn from our recurring interviews with the business owner. The different types of connections identified during the data collection period included both commercial and social connections. Commercial connections include referrals from other businesses, as well as referrals from the firm's existing customers. Alternatively, social connections include referrals from individuals with whom the owner maintains a social relationship, such as personal friends, relatives, and other social contacts.

Identifying which connection category customers belonged to was determined on a case by case basis using all of the information available to the researchers, including archival records, observations, and contextual information drawn from our interviews with the business owner. Each transaction was reviewed and discussed to determine the relationship between the owner and the customer or intermediary. Customers connecting to the firm through other businesses were coded as *commercial business connections*. Customers connecting to the firm as existing customers or through existing customers were coded as *commercial customer connections*.

Customers connecting to the firm as friends, relatives, or social contacts of the business owner or through friends, relatives, or social contacts of the business owner were coded as *social connections*. As might be expected, some customers fit into multiple categories, such as friends of the owner who were also customers. In these situations, we used all of the information available to us to classify the customer according to the central, prevailing relationship at the time of the transaction. For example, if the business owner viewed the individual (or the intermediary, in the case of indirect connections) as a more of a friend or social contact than a customer, we coded the relationship as a social connection. Alternatively, if the business owner viewed the individual (or the intermediary, in the case of indirect connections) as more of a customer than a friend or social contact, we coded the relationship as a commercial connection.

This coding approach uses the most current connection status to categorize the *connection type* associated with each transaction. For example, a returning customer who made an initial purchase before data collection began would simply be coded as a direct, commercial, customer connection. As an additional example, if a new customer was referred to the firm from another business, that customer would be coded as an indirect, commercial, business connection. However, if that same customer were to make a repeat[5] purchase, they would then be coded as a direct, commercial, customer connection. As a final example, if a new customer were referred to the firm by one of the business owner's personal friends, that customer would be coded as an indirect, social connection. However, if this individual were to make another purchase, they would then be coded as a direct, commercial, customer connection (unless the customer and the owner had developed a social relationship since the time of the initial purchase, in which case

---

[5] For customers making multiple purchases during the data collection window, we treat each one as a new case. Doing so allows us to classify and model the *connection type* as it existed at the time of each transaction, as described previously.

they would then be coded as a direct, social connection). Following the spirit of social capital theory, new customers are characterized by the *connection type* of the intermediary they use to connect to the firm initially. However, once they establish a relationship of their own with the firm, they draw upon that relationship in subsequent interactions[6]. Modeling the most current connection status allows us to accurately represent the connection status as it existed for each customer at the time of each transaction.

We treat *connection type* as a categorical variable with 4 classes: social connections, commercial business connections, commercial customer connections, and traditional marketing connections. We include traditional marketing activities in this variable to allow comparisons with the relational connection categories. Ten percent (N=55) of the sample connected to the firm using another business. Fifty-eight percent (N=328) connected to the firm as existing customers or through existing customers. Twenty-five percent (N=138) of the sample connected to the firm as social connections or through social connections. Interestingly, only 7 percent of customers in the sample reported connecting to the firm as a result of traditional marketing media, such as advertising, corporate sponsorship, and publications. We created the following dummy variables for each of the connection categories in the analyses that follow: *social connection*, *commercial business connection*, *commercial customer connection*, and *marketing connection*. In our analyses, *social connection* is the reference category to which the other categories are compared.

Connection Distance. Connection distance refers to the number of connections used by the customer to connect to the firm. In our sample, customers connect to the firm both

---

[6] There were several cases in which referrals continued to have a significant impact on the referred customer's subsequent transactions. Based on information drawn from our observations and interviews with the business owner, we coded these cases according to the relationship deemed to have the greatest influence.

directly and indirectly. Seventy percent (N=395) of the customers in the sample connected to the firm directly, whereas 23 percent (N=128) connected indirectly. Marketing connections, which were neither coded as direct nor indirect, accounted for the remaining 7 percent (N=41) of cases. We created a dummy variable for *connection distance* (coded as direct = 0, indirect = 1).

Control Variables

Given the potential of other factors to influence whether or not customers received discounts, including the size of those discounts, in the statistical models that follow, we control for the effects of the following variables:

Job Size. We include the size of the job in the analyses as a control variable because larger jobs have the potential to receive larger discounts. *Job size* is a continuous variable ranging from $17 to $9950 with a mean of $592.51 (see table 1). In the following analyses, we use a cube root transformation of *job size* to correct for heteroscedasticity in the statistical models.

Business Quarter. We also control for the business quarter in which the transaction takes place to account for *time* in the analyses. Business quarter is a categorical variable with 5 categories covering the data collection period. We create dummy variables for each quarter, beginning with the 4^{th} quarter of 2007 and continuing through the 4^{th} quarter of 2008. In our analyses, the 4^{th} business quarter of 2007 serves as the reference category to which the other categories are compared.

Meet Estimate. We also control for discounts that occurred as a result of inaccurate estimates given to customers. Given the nature of the industry, customers typically request bids before the transaction takes place. However, the bidding process is not perfect and, on occasion, the firm underbids jobs. In these cases, the firm feels compelled to ‘meet the bid’ by discounting the difference between the final price and the bid amount. As a result, we control for these types of discounts in the analyses. We created a dummy variable to indicate whether or not the firm provided a discount to ‘meet the bid’ provided to the customer.

Price Match. In addition, we control for discounts that occur as a result of matching the price of a competitor. We created a dummy variable to indicate whether or not the firm provided a discount as a result of price matching.

Customer Type. Finally, to account for potential differences that might exist between new and existing customers, we created a dummy variable to distinguish new customers from existing customers (*new* is coded as 0, *existing* is coded as 1). Interestingly, because existing customers are also coded as direct connections and very few new customers connected to the firm directly, there is an extremely high correlation between *customer type* and *connection type*. As a result, we were unable to include both variables in the analyses at the same time due to multicollinearity issues.

Analysis & Findings

We examined the effect of the different methods customers used to connect to the firm on the size of the discounts they received. Approximately 55 percent of the transactions used in the analysis were not awarded discounts. Of all of the customers using *commercial connections*, approximately 58 percent did not get a discount, whereas only 37 percent of all customers using *social connections* did not receive discounts. Thus, based on raw percentages, customers using social relationships were more likely to obtain discounts. In terms of *connection distance*, of customers who connected to the firm using *direct connections*, 49 percent did not receive a discount, versus 64 percent among those using *indirect connections* to make the purchase. Examining the data in this way reveals that customers using direct connections were more likely to obtain discounts.

These differences in terms of discounts created a mass point at zero for the dependent variable, representing customers who did not receive a discount. In such cases, the use of ordinary least squares regression leads to inconsistent estimates, as the regression slopes are biased and inconsistent (Long 1997). As a result, we used Tobit regression (Tobin 1958) to determine the impact of different connection methods on customer discounts. Tobit regression is appropriate because it produces consistent estimates of the parameters by accounting for the non-normal distribution of the dependent variable (Long 1997).

To minimize convergence issues related to the maximum likelihood estimation of the Tobit model, we carefully examined the data for multicollinearity using a full model[7] including the main variables of interest (Haab and McConnell 2003). Diagnostics revealed that all variance inflation factors were well within acceptable limits, the largest being 2.074 (Hoffmann 2004). In addition, diagnostics also indicated that all condition indices associated with the eigenvalues were well within range, with no variance proportions greater than 0.50 associated with eigenvalues larger than 30 (Hoffmann 2004).

In addition, because Tobit regression models can be influenced by heteroscedasticity (Long 1997), we performed residual diagnostics on the full model[7] including the main variables

[7] *Connection distance* (direct vs. indirect) was not included in the full model because we use this variable to split the data into subsets for subsequent analyses, due to multicollinearity, as discussed subsequently in the paper (cf. footnote 11). Diagnostics run on the full model apply to statistical models corresponding to hypotheses 1 through 4.

of interest, for customers receiving a discount. Each variable was subjected to Glesjer's test (Hoffmann 2004), and the variable *job size* was determined to contribute to heteroscedasticity in the full model. As a result, we performed a cube root transformation on this variable to correct for the non-constant variance. We re-estimated the full model using the transformed variable and again performed Glesjer's test using the residuals from the positive discount cases. After the correction, all variables passed Glesjer's test, indicating the absence of significant heteroscedasticity in the full model[8].

Direct Connections

To test whether direct social connections resulted in larger discounts than direct commercial connections (H_1), we estimated a Tobit model for all customers using direct connections, with *discount* as the dependent variable and *business quarter*, *job size*, *meet estimate*, *price match*, and *connection type* as explanatory variables (see table 2). As expected, the size of the job (β=14.81; $p<.01$), constraints to meet the estimated price (β=69.90; $p<.01$), and price matching (β=162.10; $p<.01$) all contribute significantly to the discounts obtained by customers who connect directly to the firm. More importantly, however, customers using social connections obtain significantly larger discounts than customers using commercial customer connections (β=-70.84; $p<.01$) or those using marketing connections (β=-102.99; $p<.01$)[9]. As

[8] We also carried out the same diagnostic procedure for each of the individual Tobit models estimated in the paper, using subsets of the data. In several cases, we identified different variables contributing to heteroscedasticity across the models. To maintain consistency and allow comparisons among models estimated on different subsets of the data, we adjusted for the non-constant variance using the default heteroscedasticity correction of the QLIM procedure in SAS 9.1. Although the coefficients naturally differed, the trends were the same for both methods of analyzing the data. Given the similarity of the statistical trends, we use the initial models for our analysis.
[9] Commercial business connections are not reflected in this analysis of direct connections, as customers connecting to the firm through other businesses are categorized as indirect connections.

predicted, holding all of the other variables constant, using social connections to make purchases increases the expected value of the discount by approximately $71 when compared to commercial connections and by nearly $103 when compared to marketing connections[10]. As hypothesized, these findings lend strong support to the notion that social connections contribute to significant monetary benefits for these types of consumers in the marketplace.

Insert table 2 about here

Indirect Connections

To determine whether indirect social connections resulted in larger discounts than indirect commercial connections (H_2), we estimated a Tobit model for all customers using indirect connections, with *discount* as the dependent variable and *business quarter*, *job size*, *meet estimate*, *price match*, and *connection type* as explanatory variables (see table 3). Again, the control variables measuring the size of the job (β=19.87; $p<.01$), the need to stay within the bid (β=83.73; $p<.01$), and price matching (β=119.09; $p<.05$) were statistically significant predictors of discounts, as was making a purchase in the 2nd (β=-71.55; $p<.05$) and the 4th (β=-69.50; $p<.05$) business quarter. Of greater theoretical interest, customers connecting to the firm using indirect social connections received significantly larger discounts than did those using indirect commercial business connections (β=-61.21; $p<.01$), indirect commercial customer connections (β=-65.98; $p<.01$), or marketing connections (β=-55.64; $p<.05$). Again, as predicted, holding all

[10] Technically, the regression coefficients correspond to expected changes in the latent variable y* that is estimated in the Tobit model to account for the issue of censoring. Rather than refer to this repeatedly throughout the paper as 'latent discount,' we simply refer to it as 'discount,' although we acknowledge that it differs from the observed dependent variable in terms of estimation.

other variables constant, using indirect social connections to make purchases increases the expected value of the discount by $61 when compared to commercial business connections and by $66 when compared to commercial customer connections. In addition, in reference to those using marketing connections, such as the phone book, using indirect social connections increases the expected value of the discount by nearly $56, when all other variables are held constant. Interestingly, these results demonstrate that indirect social connections are also highly influential in the marketplace, as hypothesized. When combined with the previous results, these findings demonstrate the powerful influence of social connections to yield returns for consumers.

Insert table 3 about here

Direct Versus Indirect Connections

To provide a baseline[11] for comparing different connection distances within social and commercial connection categories, we estimated a Tobit model for all commercial and social connections with *discount* as the dependent variable and *business quarter*, *job size*, *meet estimate*, *price match*, and *connection distance* as explanatory variables (see table 4). In addition to the effects of the control variables mentioned previously, when both social and commercial connections are considered, *connection distance* significantly influences discounts. Direct connections (coded 0) receive significantly larger discounts than do indirect connections

---

[11] We made an effort to model different connection distances within commercial and social connections using interaction terms within a single regression model; however, given the nature of the data, ultimately reflected in the categorical indicator variables, we were unable to estimate such a model due to multicollinearity among the interaction terms and explanatory variables used to compute them. As a result, we model the impact of *connection distance* on discounts on social and commercial subsets of the data independently.

(coded 1) (β=-37.74; p<.05). Holding the other variables in the model constant, using direct connections to make purchases increases the expected value of the discount by nearly $38, compared to those using indirect connections to make purchases. Having established this trend with all commercial and social customers, we now proceed to test it within commercial and social connection categories.

Insert table 4 about here

Commercial Connections. To assess the impact of direct commercial connections versus indirect commercial connections on discounts (H_3), we estimated a Tobit model for all customers using commercial connections, with *discount* as the dependent variable and *business quarter*, *job size*, *meet estimate*, *price match*, and *connection distance* as explanatory variables (see table 5). In addition to the impact of the control variables on discounts, *connection distance* plays a significant role in determining discounts for customers using commercial connections. As expected, this trend follows the hypothesized prediction, with direct connections (coded 0) obtaining larger discounts than indirect connections (coded 1) (β=-33.12; p<.05), coinciding with results from the aggregated model discussed previously. Controlling for the effects of the other variables, using direct commercial connections to make purchases increases the expected value of the discount by $33 when compared to using indirect commercial connections. These results lend support to (H_3) and serve as an appropriate comparison for the remaining hypotheses.

Insert table 5 about here

Social Connections. To evaluate the influence of direct social connections versus indirect social connections on discounts (H_{4A} and H_{4B}), we estimated a Tobit model for all customers using social connections to make purchases, with *discount* as the dependent variable and *business quarter*, *job size*, *meet estimate*, and *connection distance* as explanatory variables (see table 6). *Price match* was dropped from this particular analysis, as no customers using social connections received adjustments of this type. While the control variable *job size* is a significant predictor of the discount obtained by customers (β=17.67; p<.01), the variable of interest, *connection distance*, is not significantly related to discounts (β=-42.11; p=.22). This finding runs counter to H_{4A}, while supporting H_{4B}, which predicted that within social connections, direct and indirect connections would be associated with similar sized discounts.

Insert table 6 about here

***Post Hoc* Analysis**

Given the remarkable influence of both direct and indirect social relationships on the discounts received by consumers in our study, we decided to further explore these social relationships to shed additional light on social capital behaviors in this context. We were particularly interested in the impact that connectedness in the social network might make in terms of the discounts socially connected consumers receive.

As would be expected, the firm's archival records were insufficient to identify individual relationships between each one of the customers in the data set. As a result, we constructed a perceived friendship network using the owner's perception of the relationships that existed among those who used social connections to connect to the firm. Only individuals who had a social connection with the owner were included in this network[12]. To construct this network, we asked the owner to identify whether or not each of the 115 individuals in his social circle were friends with one another, as done in previous research (Kilduff and Krackhardt 1994; Krackhardt 1990). We then used these responses to map the perceived network among customers using social connections to make purchases, as displayed in figure 1.

Insert figure 1 about here

Centrality

With this perceptual network in place, we used UCINET 6 to estimate centrality for consumers using social connections to make purchases. We used degree centrality because it aligned conceptually with the way these relationships are likely to be viewed and assessed by decision makers[13]. We also chose degree centrality because it represented the most parsimonious method of estimating the consumer's connectedness in the network[14]. Centrality in the network

[12] Only social connections were used in this perceptual network because these individuals were part of the business owner's social circle, permitting him to identify connections among them, based on his observations and social interactions with these individuals. Identifying such connections among commercial customers was not possible because the owner was not aware of all of the relationships among them. The fact that the owner only identified relationships among his social connections limits our network analysis to social connections, which is a limitation of this study, as it does not permit the examination of connectedness within commercial connections.

[13] Based on our observations and interactions with the firm, assessing the number of connections a customer has with others (degree centrality) seemed much more plausible and ascertainable for the decision maker than estimating the extent to which a customer is connected to other central actors (eigenvector centrality) or inferring the degree to which the customer serves as a go between for other actors (betweenness centrality).

[14] Although we determined that degree centrality best represented the manner in which decision makers are likely to assess the connectedness of their customers, we nevertheless estimated eigenvector and betweenness centrality to determine if these alternate approaches would substantially change the results. We interchanged each of them in the initial model and the results were similar to those with degree centrality included. In the end, degree centrality proved to be the most parsimonious centrality measure conceptually and methodologically.

ranged from those with no connections to others in the owners social network (centrality =0) to those who were connected to a majority of individuals in the network (centrality =81). On average, individuals in the network were connected to approximately 33 different individuals. After creating the *centrality* variable, we linked the centrality of each of the customers (in the case of direct connections) or the referrers (in the case of indirect connections) back to the original transaction data.

Analysis & Findings

To test the impact of *centrality* in the social network on the size of the discounts received by customers, we estimated 2 additional models (see table 7). Because nearly 40 percent of the customers using social connections did not receive discounts, we again used Tobit regression (1958). We estimated the first model for all customers using social connections to make purchases, with *discount* as the dependent variable and *business quarter*, *job size*, *meet estimate*, *connection distance,* and *centrality* as explanatory variables. Again, we find job size to be a significant predictor of discounts (β=17.73; $p<.01$). However, even more interesting is the result for *centrality*, which is also a statistically significant predictor of discounts (β=1.85; $p<.01$). Interestingly, even after controlling for the effects of the other variables in the model, each additional member of the owner's social circle with whom the customer (direct connections) or the referrer (indirect connections) is friends increases the expected value of the discount by nearly $2, on average.

Given the impact of *centrality* on discounts for customers using social connections, we estimated a second Tobit model to determine whether *centrality* was affected by *connection* *distance*. In other words, this second model examines whether centrality has the same impact for customers using referrals as it does for customers connecting directly to the firm. In addition to the variables included in the previous model, the second model adds an interaction[15] term between *centrality* and *connection distance* to identify any potential differences (see table 7). Again, job size is a statistically significant predictor of discounts (β=18.77; p<.01). *Centrality* is also significant (β=5.46; p<.01), as is the interaction term *centrality* × *connection distance* (β=-2.86; p<.05).

The negative coefficient for the interaction term indicates that centrality has a smaller impact on discounts for consumers using indirect social connections than those using direct social connections. To provide a practical interpretation of this interaction between *connection distance* (a dummy variable) and *centrality* (a continuous variable) we estimated predicted discount values for both groups, at multiple centrality values, and charted them to graphically represent the data (Hoffmann 2004). The differential effect of centrality on discounts for direct and indirect social connections is demonstrated in figure 2.

Insert figure 2 about here

Figure 2 illustrates that as centrality increases, customers using direct social connections obtain larger returns than customers using indirect social connections to the firm, all else being equal. These results indicate that for each additional person with whom the customer is friends

[15] The addition of the interaction term between *centrality* and *connection distance* may potentially introduce multicollinearity into the model, given the interaction term's overlap with each of the variables used to create it. Diagnostics reveal that the variance inflation factor (VIF = 11.78) associated with the interaction term is slightly higher than the upper bound (VIF=10) where multicollinearity starts to become suspect (Hoffmann 2004). However, there are no variance proportions greater than 0.5 associated with eigenvalues greater than 30, indicating a lack of multicollinearity among variables in the model (Hoffmann 2004).

in the owner's social network, the expected value of the discount is about $3 higher for direct social connections than it is for indirect social connections, holding all of the other variables in the model constant. As a result, as centrality increases, so does the disparity between the two groups in terms of the discounts they receive, as demonstrated in figure 2.

Discussion

As discussed throughout this paper, social capital theory posits that individuals obtain returns as a result of their social connections with others. While various studies in the social sciences have confirmed the reception of benefits resulting from employing social capital, the size and extent of these returns has been ambiguous. The inability to systematically quantify the returns derived from using social relationships has prevented comparisons and tests of important elements of the theoretical framework used to study such phenomena. Fortunately, the context and the type of data collected for this study afford us the opportunity to empirically address new and important elements of the social capital theory framework. This advance, and the results derived from it, constitute an important contribution to social capital theory, both inside and outside of marketing. We delineate several of these contributions in the remainder of this paper.

We began by examining social capital theory's fundamental proposition in the context of the marketplace. For customers connecting directly to the firm, we find that customers using social connections receive significantly larger discounts, on average, than do customers using commercial connections or traditional marketing connections. These differences were substantial, representing additional savings of $71 and $103 respectively, over alternative connection methods. Although it is not unexpected that customers using social connections fare better than those using commercial connections, given the theory, the final difference between the two modes of connection is substantial and provides strong support for H_1.

As suggested previously, the ability to attach a quantitative value to the connections used to make the purchase is not trivial. Ultimately, after controlling for the effects of the other variables considered in the model, these estimates specifically depict the monetary value of the different types of connections used by customers. The capacity to demonstrate that social connections may not only be qualitatively more beneficial in terms of discounts than commercial connections, but to detail the specific extent to which they can be more beneficial is an important advance. Not only is it theoretically interesting, but it also opens the door to additional comparisons and empirical examinations. In addition, whereas other approaches relying on participants' reports of the benefits received from using social capital may potentially suffer from reactivity and response bias[16] (Neuman 2000), our approach is not constrained by these particular limitations, as we draw upon archival records, rather than consumers' self reports, to examine discount data.

We also examined the data to address whether or not social connections would produce similar benefits for customers connecting indirectly to the firm. In this case, while social capital theory predicts the same pattern, the outcome was less certain in consumption contexts. It was unclear as to whether connecting to a firm through an intermediary necessarily yields the same benefits the customer would receive if they possessed a direct connection of their own. Our analysis reveals that the predicted trend indeed holds for indirect connections. We find that customers connecting to the firm using indirect social connections obtain significantly larger

[16] Some scholars have argued that consumers may perceive, rather than actually receive discounts. This argument suggests that consumers erroneously report discounts because they assume that those to whom they are socially connected would obviously give them discounts because of the relationship. Reactivity and response bias are not issues for consumers here, given our use of archival records.

discounts than customers using indirect commercial business connections or indirect commercial customer connections.

Interestingly, customers connecting to the firm through an intermediary who is socially connected to the owner receive at least $60 more in discounts, on average, than do customers who connect through other businesses or through the firm's existing customers. In terms of comparison, customers using indirect social connections also outperform those finding the firm through traditional marketing connections, such as the phone book, by more than $55. These outcomes are particularly interesting as they constitute a rigorous test of the influence of social relationships on returns for individuals, particularly in the marketplace. In support of H_2, our findings suggest that customers may be able to borrow certain relational elements from those to whom they are socially tied and use them to their own benefit in the marketplace – a quintessential manifestation of social capital.

In addition to these findings, we also hypothesized outcomes related to customers' *connection distance* within different connection categories. We find that direct connections are associated with larger discounts than indirect connections, when both social connections and commercial connections are considered together. In this situation, customers using direct connections receive approximately $38 more in discounts than customers using indirect connections to make purchases. As predicted, in support of H_3, this trend also holds for customers using commercial connections to make purchases, although the difference between direct and indirect connections shrinks slightly to about $33. However, this trend did not hold when only social connections were considered. We find no difference between direct and indirect connections for this type of connection category. Contrary to H_{4A} and in support of H_{4B}, this suggests that, for social connections, using an intermediary to connect to the firm is effectively the same as possessing a direct connection to the firm, with respect to discounts.

This finding is particularly interesting, as it provides insight into the extent to which the benefits of social relationships can be transferred from one individual to another. Our data suggest that customers using indirect social connections receive essentially the same monetary benefits as those who refer them would receive themselves. This finding runs counter to studies that suggest that weak ties lead to more auspicious outcomes than do strong ties (i.e., Granovetter 1973). However, our findings for different types of commercial connections accord with existing research that suggests that strong ties can be more influential than weak ties in certain consumption contexts (Brown and Reingan 1987).

Our findings indicate that there are situations in which strong ties and weak ties have the potential to result in similar returns. In addition, there appear to be situations, such as commercial relationships, where strong ties, rather than weak ties, lead to superior benefits. In light of these findings, an important insight of this study is that the impact of tie strength may change for different types of relationships operating within the larger social structure. As demonstrated, weak ties lead to differential outcomes, depending on whether the relationship is social or commercial. We argue that this occurs mainly as a result of the enforceability of normative obligations governing social interactions among consumers using social connections to make purchases. Ultimately, in addition to tie strength, scholars may also wish to consider the nature of the relationships associated with the phenomena under investigations, particularly in purchasing contexts.

Given the interesting outcomes of our hypothesized results, we analyzed the data *post hoc* to further investigate the social connections used by consumers. Our results indicate that centrality in the owner's friendship network may play a critical role regarding the discounts customers receive, but perhaps only for those who know the owner directly. While indirect connections were shown to lead to similar benefits as direct connections for socially connected consumers in general, when examined more closely it appears that consumers who are central in the network themselves receive the added bonus of greater discounts within the friendship network. Interestingly, the centrality of the referrer appeared to have little or no effect for customers connecting indirectly to the firm.

These findings regarding centrality suggest that although social connections have the ability to yield similar returns for those who have direct connections with decision makers and those who use intermediaries, there may still be added benefits to using direct connections. It is likely that there are more forces at play here than the mere centrality of the customer or the referrer. When direct connections are involved, perhaps increased centrality is associated with greater normative pressure or influence, given the many other members of the in-group that the customer is connected to. It may be that this added influence does not fully transfer or extend to those outside the social circle who are drawing upon the connection to make purchases. Another explanation may be the number of points of comparison that are available to central customers. The knowledge of the benefits that others to whom the customer is connected have received, including discounts, may have an influence on both parties involved regarding discounts. Future research may wish to examine the underlying processes at work in these types of situations to further explicate the outcomes identified in this study.

Finally, given the significant findings identified throughout this paper, it is important to acknowledge that there may be boundaries for the behaviors and outcomes discussed in this study. The findings of our study suggest that the outcomes examined are likely to occur in cases in which product information and pricing is ambiguous and when decision makers have power over pricing. In such instances, social relationships are expected to have greater power in achieving returns than typical commercial relationships. However, in cases in which information about products and pricing is well-established and rigid, social capital may be less powerful, at least in terms of obtaining monetary benefits, such as discounts. Ultimately, establishing these types of boundary conditions is important to understanding, explicating, and extending research on the behaviors examined in this study.

Implications & Future Directions

The approach used to examine the use of social relationships in this study has important implications for social capital research, as it identifies a method of quantifying the returns of different types of relationships used to make purchases. Quantifying these returns allows the influence of different relationships to be determined, which makes empirical examinations of various social capital behaviors possible. Using this approach, this study provides empirical support for the monetary benefits resulting from relationships as outlined in previous research (Gwinner et al. 1998; Johnson and Ross 2009). However, in addition to empirically establishing the existence of such benefits, our study quantitatively demonstrated the differences in these benefits based on the type of relationship used to achieve them. Scholars may wish to adopt this approach to validate and compare other benefits known to result from using commercial or social relationships to make purchases.

By empirically documenting the occurrence of social capital benefits, the results of our study suggest that scholars may want to pay greater attention to the impact of these benefits on other marketing related phenomena. We validated that social connections were associated with substantially larger discounts than those received by customers using various types of commercial connections to make purchases. Such favorable outcomes may positively influence consumers' perceptions of the purchase experience, as suggested in previous research (Johnson and Ross 2009). In turn, these outcomes may lead to repeat purchases when consumers evaluate their satisfaction with the purchase experience (Fornell, Johnson, Anderson, Cha, and Bryant 1996; Mittal, Ross, and Baldasere 1998; Oliver 1999). Interestingly, the perceptions that lead to satisfaction and loyalty may be influenced by the timing and presentation of the discount. When discounts are discussed before the transaction takes place, pricing may simply meet expectations. However, in cases in which discounts are presented upon completion of the service, expectations may be surpassed, particularly if a discount was not anticipated. As a result, scholars may also wish to consider how the timing of the benefits obtained using social capital influence important marketing constructs such as customer satisfaction and loyalty, particularly now that social capital behaviors have been empirically documented in the marketplace.

In addition, now that differences between social and commercial connections have been established, scholars may wish to examine how the differential benefits received by each type of customer impact referral behavior. Do the benefits derived from using social connections to make purchases influence customers to engage in referral behavior? If so, are such recommendations of the 'organic' variety (Herr, Kardes, and Kim 1991; Labay and Kinnear 1981), in which they are openly offered to others, or are they the 'sought after' type (Bansal and Voyer 2000; Brown and Reingen 1987; Duhan, Johnson, Wilcox, and Harrell 1997), in which they are discussed when solicited by others, or are they reserved exclusively for close members of the customer's social circle? And, are there additional circumstances that affect which type of word of mouth will be used? Finally, does referral behavior differ for consumers using social and commercial connections? Addressing such questions may be an important avenue of future research if scholars are to better understand the indirect implications of using these different types of connections to make purchases in the marketplace.

Interestingly, the fact that some consumers obtain important monetary benefits from leveraging their social connections to make purchases may also impact other areas of decision making, such as consideration sets, choice sets, and eventual purchase decisions. In contexts in which consumers utilize social connections to make purchases, such as the one examined in this study, decision sets may be constrained to those products or services accessible through individuals to whom the consumer is socially tied. As a result, scholars may wish to examine if and how using social relationships to make purchases impacts consideration and choice sets beyond ways currently outlined by marketing scholars (Dhar and Sherman 1996; Bettman, Luce, and Payne 1998; Desai and Hoyer 2000; Chakravarti and Janiszewski 2003). Doing so might help to disentangle the interaction between cognitive decision making processes and subtle social forces.

In addition, our study raises several questions concerning the way firms might manage customers using social capital to make purchases. Although our data indicate that customers using social connections obtained larger discounts, the data do not contain information about other outcomes for customers, such as the time required to complete the job. One could imagine that firms might consider offsetting discounts to social customers by giving priority to customers paying full price. In this sense, customers may obtain monetary benefits, but they may come at the expense of timely service. Balancing socially connected customers' various expectations for benefits is an important avenue of future research. It may be that customers are willing to make sacrifices, such as longer wait times, to save money. Alternatively, consumers using social relationships may expect both discounts and faster service, which could create problems for firms if these expectations are not met. As a result, examining socially connected consumers' expectations for various benefits as a whole, as well as the accommodations they are willing to make to obtain them, would be a worthwhile extension of our work. Additionally, identifying and evaluating the impact of different policies geared toward prioritizing and simultaneously managing multiple benefits sought by customers using social connections would also be an important and practical extension of our research. Tackling these important questions would help to enhance social capital theory in consumer contexts and provide practitioners with valuable insights for managing these important types of marketing relationships.

Finally, the findings of our study also raise the issue of fairness for those who receive smaller discounts or no discounts at all. It is unclear whether or not a discount granted to one customer ultimately influences another customer. It may be that such discounts are absorbed by the firm, but it may also be possible that these types of discounts are paid for by the firm's other customers. Future research may wish to explore these processes in the context of price discrimination (Khan and Jain 2005; Dhar and Hoch 1996) and price fairness (Bolton and Alba 2006; Campbell 2007; Haws and Bearden 2006; Xia, Monroe, and Cox 2004). Addressing these issues could have important legal implications for firms (Kotler and Keller 2006), while also affecting perceptions of the customers who support them.

Limitations

The fact that all transactions used in the study came from a single firm is a limitation of this study, as it restricts the external validity of the findings. However, this limitation should be weighed against the contributions and theoretical advances that accrue from using such a setting. Given the nature of the phenomenon under investigation, the study required a network of consumers connecting to a single firm to accurately make comparisons across the different types of connections used by individuals to make purchases. In addition, the study mandated a reliable and consistent method of determining the types of connections used by consumers to interact with the firm. Using a single firm with a single decision maker afforded the control and consistency required to make this determination. Achieving this same level of regularity and comparability would have been infinitely more difficult with a random sample of customers across different firms.

Furthermore, access to the firm and the cooperation required for this type of data collection is extremely difficult to obtain and is only possible under the most unusual circumstances. The time spent at the research site observing and collecting data, the weekly meetings, and the in-depth interviews necessary to obtain this type of data would be extremely difficult to carry out on a larger scale. Similarly, the unfettered access to additional firms' decision makers, customer databases, and store fronts would also be particularly difficult to obtain in order to perform this study in accordance with 'random sampling' protocols. As mentioned previously, gaining access to this research site alone required several years of planning and negotiating, combined with a little luck, before the project finally came to fruition. We acknowledge this limitation, but at the same time we also recognize the advantages that could only be achieved using this type of design. Ultimately, as all research involves trade-offs (McGrath 1982), the limitations of this approach must be carefully weighed against the unique knowledge and contributions resulting from it.

Another limitation of this study is that it focuses exclusively on the benefits received by individual customers, while overlooking the larger implications and consequences for the firm and its clientele as a whole. As mentioned previously, our approach does not account for the financial impact of social capital behaviors on those customers who don't receive discounts or on the firm itself. As a result, our understanding of the global impact of this phenomenon on the firm and its customers is necessarily limited. Examining the potential repercussions of this type of behavior on all customers of a firm collectively may be an important and beneficial extension of our research. Doing so would help to identify the extent to which social capital mobilization universally helps or harms individuals operating within the larger social structure of firms.

Finally, because the discounts were awarded by the business owner, who also played a role in determining the nature of the relationships involved in the transactions, there is some potential for common method bias[17]. However, the temporal separation between the time the discounts were awarded and the time the relationships were determined by the business owner serves to attenuate and control potential variance that may result from using the same source, as doing so created a time lag between the measurement of the predictor and dependent variables (Podsakoff, MacKenzie, Lee, and Podsakoff 2003). In this case, the discounts were given at the

---

[17] We considered systematically addressing this by using a different source of data to identify the owner's social relationships with customers, such as contacting them directly, but the business owner was uncomfortable with us discussing these matters with his customers.

time of the transaction, but the determination of the relationships typically took place several weeks after the purchase took place[18].

In addition, we also created psychological separation by concealing the specific purposes and hypotheses of the study, which masked the connection between this predictor variable and the dependent variable, which helped to control for potential common method bias (Podsakoff et al. 2003). Because the firm was collecting relationship data in an attempt to better understand its customers and how they found out about the firm, the business owner was not apprised of the objectives and hypotheses of this particular study. Finally, given that the discounts were awarded to the customer as part of making a transaction and the determination of the types of relationships used was done in consultation with the researchers via interviews, the measures were proximally and methodologically separated, which further serves to control for potential common method bias (Podsakoff et al. 2003). In other words, having the owner complete the assessment of the predictor variable under conditions that were very different from those used to determine the dependent variable, helped to attenuate any bias that might have resulted. In the end, temporal, psychological, and proximal separation between the measurement of these particular independent and dependent variables helped to minimize the impact of common method variance.

[18] While temporal separation helps to attenuate the potential impact of common method bias, we also acknowledge that it could potentially be associated with problems involving the business owner's memory and recollection of the details surrounding the transactions used in the study.

Conclusion

In this paper we have examined the general assertion that individuals obtain benefits as a result of their social relationships with others. Using data from an automotive business, we demonstrated that social connections were associated with larger discounts than commercial connections, for both direct and indirect connections to the firm. In addition, we found that direct connections provided greater benefits than indirect connections for customers using commercial connections, whereas direct and indirect connections led to similar benefits for customers using social connections to make purchases. Interestingly, within social connections, network centrality played an important role for direct connections, but not for indirect connections. Ultimately, establishing a quantitative assessment of these outcomes is one of the main contributions of this paper, as it permits new elements of the social capital theory framework to be examined and tested. When considered collectively, the findings from our study illuminate an important dimension of consumer behavior by pushing social capital theory forward. By so doing, our findings extend the popular adage "It's not *what* you know, but *who* you know" to include "and it's not just *who* you know, but *how* you know them" that matters too.

References

Bagozzi, Richard P. (1995), "Reflections on Relationship Marketing in Consumer Markets," Academy of Marketing Science. Journal, 23 (4), 272.

Baker, Wayne (2000), Achieving Success through Social Capital. New York, NY: John Wiley & Sons.

Bansal, Harvis S. and Peter A. Voyer (2000), “Word-of-Mouth Processes within a Service Purchase Decision Context,” Journal of Service Research, 3, 166-177.

Bendapudi, Neeli and Leonard L. Berry (1997), "Customers' Motivations for Maintaining Relationships with Service Providers," Journal of Retailing, 73 (1), 15-37.

Bettman, James R., Mary Frances Luce, and John W. Payne (1998), "Constructive Consumer Choice Processes," Journal of Consumer Research, 25 (3), 187-217.

Bolton, Lisa E. and Joseph W. Alba (2006), "Price Fairness: Good and Service Differences and the Role of Vendor Costs," Journal of Consumer Research, 33 (2), 258.

Bourdieu, Pierre (1986), “The Forms of Capital” in Handbook of Theory and Research for the Sociology of Education, J.G Richardson, Ed. Westport, CT: Greenwood Press.

______ (2002), “The Sociological Theory of Pierre Bourdieu” in Contemporary Sociological Theory, Craig Calhoun, Joseph Gerteis, James Moody, Steven Pfaff, and Indermohan Virk, Eds. Malden, MA: Blackwell Publishing.

Brown, Jacqueline Johnson and Peter H. Reingen (1987), "Social Ties and Word-of-Mouth Referral Behavior," Journal of Consumer Research, 14 (3), 350-63.

Burt, Ronald. S. (2000), "The Network Structure of Social Capital," Research in Organizational Behavior, 22, 345-423.

______ (2004), "Structural Holes and Good Ideas," The American Journal of Sociology, 110 (2), 349-99.

Campbell, Margaret C. (2007), ""Says Who?" How the Source of Price Information and Affect Influence Perceived Price (Un)fairness," JMR, Journal of Marketing Research, 44 (2), 261.

Chakravarti, Amitav and Chris Janiszewski (2003), "The Influence of Macro-level Motives on Consideration Set Composition in Novel Purchase Situations," Journal of Consumer Research, 30 (2), 244-58.

Cohen, Sheldon, William J. Doyle, David P. Skoner, Bruce S. Rabin, and Jack M. Gwaltney, Jr. (1997), "Social Ties and Susceptibility to the Common Cold," JAMA, 277 (24), 1940-44.

Coleman, James S. (1988), "Social Capital in the Creation of Human Capital," The American Journal of Sociology, 94, 95-120.

Coulter, Keith S. and Robin A. Coulter (2002), "Determinants of Trust in a Service Provider: The Moderating Role of Length of Relationship," The Journal of Services Marketing, 16 (1), 35-51.

Degenne, Alaine and Michel Forse (1999), Introducing Social Networks. London: Sage Publications.

Desai, Kalpesh Kaushik and Wayne D. Hoyer (2000), "Descriptive Characteristics of Memory-based Consideration Sets: Influence of Usage Occasion Frequency and Usage Location Familiarity," Journal of Consumer Research, 27 (3), 309-24.

DiMaggio, Paul and Hugh Louch (1998), "Socially Embedded Consumer Transactions: For What Kinds of Purchases Do People Most Often Use Networks?" American Sociological Review, 63 (5), 619.

Dhar, Ravi and Steven J. Sherman (1996), "The Effect of Common and Unique Features in Consumer Choice," Journal of Consumer Research, 23 (3), 193-204.

Dhar, Sanjay K. and Stephen J. Hoch (1996), "Price Discrimination Using In-store Merchandising," Journal of Marketing, 60 (1), 17-31.

DiMaggio, Paul and Hugh Louch (1998), "Socially embedded consumer transactions: For what kinds of purchases do people most often use networks?" American Sociological Review, 63 (5), 619.

Dominguez, Silvia and Celeste Watkins (2003), "Creating Networks for Survival and Mobility: Social Capital among African-American and Latin-American Low-income Mothers," Social Problems, 50 (1), 111.

Duhan, Dale F., Scott D. Johnson, James B. Wilcox, and Gilbert Harrell (1997), "Influences of Consumer Word-of-Mouth Recommendation Sources," Journal of the Academy of Marketing Science, 25 (4), 283-295.

Feldman, Daniel C. (1984), "The Development and Enforcement of Group Norms," The Academy of Management Review, 9, 47-53.

Fornell, Claes, Michael D. Johnson, Eugene W. Anderson, Jaesung Cha, and Barbara Everitt Bryant (1996), "The American Customer Satisfaction Index: Nature, purpose, and findings," Journal of Marketing, 60 (4), 7-19.

Frenzen, Jonathan and Harry L. Davis (1990), "Purchasing Behavior In Embedded Markets," Journal of Consumer Research, 17 (1), 1-12.

Granovetter, Mark (1985), "Economic Action and Social Structure: The Problem of Embeddedness," American Journal of Sociology, 91 (3), 481-510.

______ (1983), "The Strength of Weak Ties: A Network Theory Revisited," Sociological Theory, 1, 201-33.

______ (1973), "The Strength of Weak Ties," American Journal of Sociology, 78 (6), 1360-80.

Gwinner, Kevin P., Dwayne D. Gremler, and Mary Jo Bitner (1998), "Relational Benefits In Services Industries: The Customer's Perspective," Journal of the Academy of Marketing Science, 26 (2), 101-15.

Haab, Timothy C. and Kenneth E. McConnell (2003), Valuing Environmental and Natural Resources: The Econometrics of Non-Market Valuation. Cheltenham, UK: Edward Elger Publishing.

Haws, Kelly L. and William O. Bearden (2006), "Dynamic Pricing and Consumer Fairness Perceptions," Journal of Consumer Research, 33 (3), 304.

Heckathorn, Douglas D. (1990), "Collective Sanctions and Compliance Norms: A Formal Theory of Group-Mediated Social Control," American Sociological Review, 55 (3), 366-84.

Herr, Paul M., Frank R. Kardes, and John Kim (1991), "Effects of Word-of-Mouth and Product-Attribute Information on Persuasion: An Accessibility-Diagnosticity Perspective," Journal of Consumer Research, 17 (4), 454-63.

Hoffmann, John P. (2004), Generalized Linear Models. Boston, MA: Pearson.

Horne, Christine (2001), "The Enforcement of Norms: Group Cohesion and Meta-Norms," Social Psychology Quarterly, 64 (3), 253-66.

______ (2009), "Social Norms," in Within the Social World, Jeffrey C. Chin and Cardell K. Jacobson, Eds. Boston, MA: Pearson.

House, James S., Karl R. Landis, and Debra Umberson (1988), "Social Relationships and Health," Science, 241 (4865), 540-45.

Johnson, Bryan R. and William T. Ross, Jr. (2009), “I Know a Guy: The Consequences of Using Social Capital to Facilitate Consumption Experiences,” unpublished manuscript presented at the annual meetings of the Association of Consumer Research, Memphis TN, October 2007.

Kawachi, Ichiro, Bruce P. Kennedy, Kimberly Lochner, and Deborah Prothrow-Stith (1997), "Social Capital, Income Inequality, and Mortality," American Journal of Public Health, 87 (9), 1491-500.

Khan, Romana J. and Dipak C. Jain (2005), "An Empirical Analysis of Price Discrimination Mechanisms and Retailer Profitability," JMR, Journal of Marketing Research, 42 (4), 516.

Killduff, Martin and David Krackhardt (1994), “Bringing the Individual Back In: A Structural Analysis of the Internal Market for Reputation in Organizations,” Academy of Management Journal, 37, 87-108.

Kilduff, Martin and Wenpin Tsai (2003), Social Networks and Organizations. Thousand Oaks, CA: Sage Publications.

Krackhardt, David (1990), “Assessing the Political Landscape: Structure, Cognition, and Power in Organizations,” Administrative Science Quarterly, 35, 342-369.

Kotler, Philip and Kevin Lane Keller (2006), Marketing Management (12th ed.). Upper Saddle River, NJ: Prentice Hall.

Labay, Duncan G. and Thomas C. Kinnear (1981), "Exploring the Consumer Decision Process in the Adoption of Solar Energy Systems," Journal of Consumer Research, 8 (3), 271-79.

Lacey, Russell, Jaebeom Suh, and Robert M. Morgan (2007), "Differential Effects of Preferential Treatment Levels on Relational Outcomes," Journal of Service Research, 9 (3), 241-55.

Lin, Nan (2001), Social Capital: A Theory of Social Structure and Action (1 ed.). Cambridge: Cambridge University Press.

_____(1999), "Social Networks and Status Attainment," Annual Review of Sociology, 25, 467-88.

Long, J. Scott (1997), Regression Models for Categorical and Limited Dependent Variables. Thousand Oaks, CA: Sage Publications.

Marx, Karl (1933), Wage-Labour and Capital. New York, NY: International Publishers.

McGrath, Joseph E. (1982), "Dilemmatics: The Study of Research Choices and Dilemmas," in Judgment Calls in Research, J. E. McGrath and J. Martin and R. A. Kulka, Eds. Beverly Hills, CA: Sage.

Meyers, David G. (2010), Social Psychology. New York, NY: McGraw-Hill.

Mittal, Vikas, William T. Ross Jr., and Patrick M. Baldasare (1998), "The Asymmetric Impact of Negative and Positive Attribute-level Performance on Overall Satisfaction and Repurchase Intentions," Journal of Marketing, 62 (1), 33-48.

Morales, Andrea C. (2005), "Giving Firms an "E" for Effort: Consumer Responses to High-Effort Firms," The Journal of Consumer Research, 31 (4), 806.

Morgan, Robert M. and Shelby D. Hunt (1994), "The Commitment-Trust Theory of Relationship Marketing," The Journal of Marketing, 58 (3), 20.

Neuman, W. Lawrence (2000), Social Research Methods (4th ed.). Boston, MA: Allyn & Bacon.

Oliver, Richard L. (1999), "Whence Consumer Loyalty?" Journal of Marketing, 63, 33-44.

Parsons, Talcott (1937), "The Unit of Action Systems," in Social Theory, Charles Lemert, Ed. Boulder, CO: Westview Press.

Podasakoff, Philip M., Scott B. MacKenzie, Jeong-Yeon Lee, and Nathan P. Podsakoff (2003), "Common Method Biases in Behavioral Research: A Critical Review of the Literature and Recommended Remedies," Journal of Applied Psychology, 88 (5), 879-903.

Portes, Alejandro (1998), "Social Capital: Its Origins and Applications in Modern Sociology," Annual Review of Sociology, 24, 1-24.

Price, Linda L. and Eric J. Arnould (1999), "Commerical Friendships: Service Provider-Client Relationships in Context," Journal of Marketing, 63 (4), 38-56.

Putnam, Robert D. (1993), “The Prosperous Community: Social Capital and Public Life,” The American Prospect, 24, 34-48.

______ (1995), “Bowling Alone: America’s Declining Social Capital,” Journal of Democracy, 6, 65-78.

Ream, Robert K. (2005), "Toward Understanding How Social Capital Mediates the Impact of Mobility on Mexican American Achievement," Social Forces, 84 (1), 201-24.

Reingen, Peter H. and Jerome B. Kernan (1986), "Analysis of Referral Networks in Marketing: Methods and Illustration," Journal of Marketing Research, 23 (4), 370.

Rindfleisch, Aric and Christine Moorman (2001), "The Acquisition and Utilization of Information in New Product Alliances: A Strength-of-Ties Perspective," The Journal of Marketing, 65 (2), 1.

Sheth, Jagdish N. and Atul Parvatiyar (1995), "Relationship Marketing in Consumer Markets: Antecedents and Consequences," Journal of the Academy of Marketing Science, 23 (4), 255.

Simonson, Itamar (2005), "Determinants of Customers' Responses to Customized Offers: Conceptual Framework and Research Propositions," Journal of Marketing, 69 (1), 32-45.

Smith, Adam (1937), The Wealth of Nations. New York, NY: Modern Library.

Temkin, Kenneth and William M. Rohe (1998), "Social Capital and Neighborhood Stability: An Empirical Investigation," Housing Policy Debate, 9 (1), 61-89.

Tobin, James (1958), "Estimation of Relationships for Limited Dependent Variables," Econometrica, 26 (1), 24-37.

Xia, Lan, Kent B. Monroe, and Jennifer L. Cox (2004), "The Price Is Unfair! A Conceptual Framework of Price Fairness Perceptions," Journal of Marketing, 68 (4), 1.

Table 1. Means, Standard Deviations, and Correlations

	Variable	Mean	S.D	Min	Max	1	2	3	4	5	6	7	8	9	10
1	Discount	33.40	70.09	0	1193										
2	Job Size	592.51	876	17	9950	.413**									
3	Customer Type	0.70	0.46	0	1	.006	-.107*								
4	Business Quarter	2.18	1.35	0	4	-.018	.068	.153**							
5	Meet Estimate	0.08	0.27	0	1	.118**	.103*	-.082	-.010						
6	Price Match	0.01	0.09	0	1	.149**	.140**	-.061	.001	-.028					
7	Connection Distance	0.24	0.43	0	1	-.001	.098*	-.990**	-.134**	.065	.053				
8	Commercial Connection (Other Business)	0.10	0.30	0	1	-.060	-.008	-.500**	-.036	-.029	-.031	.605**			
9	Commercial Connection (Existing Customer)	0.58	0.49	0	1	-.108*	-.025	.505**	.016	.004	.042	-.416**	-.390**		
10	Social Connection	0.25	0.43	0	1	.167**	-.009	.025	.048	-.028	-.054	.034	-.188**	-.675**	
11	Marketing Connection	0.07	0.26	0	1	-.004	.072	-.426**	-.068	.071	.046	N/A	-.092*	-.332**	-.160**

** Correlation is significant at the $p \leq 0.01$ level (2-tailed)
* Correlation is significant at the $p \leq 0.05$ level (2-tailed)
N = 564

Table 2. Total Discount Based On 'Direct Connections' to the Firm

	Model 1	Model 2
Control Variables		
4th Business Quarter 2007 (Reference Category)		
1st Business Quarter 2008	-3.18 (22.37)	-1.47 (21.81)
2nd Business Quarter 2008	2.43 (22.05)	-.81 (21.48)
3rd Business Quarter 2008	-18.62 (21.91)	-23.85 (21.42)
4th Business Quarter 2008	-21.26 (21.97)	-27.47 (21.44)
Job Size (Cube Root Transformation)	13.35** (2.36)	14.81** (2.32)
Price Lowered to Meet Estimate	58.55** (21.99)	69.90** (21.46)
Price Lowered to Match Competitor	146.33* (66.48)	162.10* (64.25)
Independent Variables		
Social Connection to the Firm (Reference Category)		
Commercial Connection to the Firm: Existing Customer		-70.84** (13.99)
Marketing Connection to the Firm		-102.99** (24.85)
Model Statistics		
Standard Error of Estimate (Sigma)	111.66	107.60
Log Likelihood	-1388.56	-1372.68
Change in Log Likelihood from Null Model	29.39**	44.73**
Pseudo R^2 (Cox-Snell)	0.126	0.186
N	436	435

Standard errors are displayed in parentheses below coefficients.
Significance is based on 2-tailed tests: * $p \leq 0.05$; ** $p \leq 0.01$.
Beta coefficients shown are non-standardized.

Table 3. Total Discount Based On 'Indirect Connections' to the Firm

	Model 1	Model 2
Control Variables		
4^{th} Business Quarter 2007 (Reference Category)		
1^{st} Business Quarter 2008	-21.58 (25.09)	-27.78 (24.53)
2^{nd} Business Quarter 2008	-68.36* (29.95)	-71.55* (29.22)
3^{rd} Business Quarter 2008	-34.66 (24.63)	-39.78 (23.88)
4^{th} Business Quarter 2008	-68.22 (34.72)	-69.50* (34.26)
Job Size (Cube Root Transformation)	20.29** (2.66)	19.87** (2.55)
Price Lowered to Meet Estimate	88.65** (24.55)	83.73** (23.48)
Price Lowered to Match Competitor	103.13 (54.52)	119.09* (53.40)
Independent Variables		
Social Connection to the Firm (Reference Category)		
Commercial Connection to the Firm: Other Business		-61.21** (22.81)
Commercial Connection to the Firm: Existing Customer		-65.98** (24.37)
Marketing Connection to the Firm		-55.64* (23.17)
Model Statistics		
Standard Error of Estimate (Sigma)	89.12	84.70
Log Likelihood	-407.54	-402.11
Change in Log Likelihood from Null Model	37.82**	43.24**
Pseudo R^2 (Cox-Snell)	0.363	0.402
N	168	168

Standard errors are displayed in parentheses below coefficients.
Significance is based on 2-tailed tests: * $p \leq 0.05$; ** $p \leq 0.01$.
Beta coefficients shown are non-standardized.

Table 4. Total Discount Based On 'Connection Distance' to the Firm (All Commercial and Social Connections)

	Model 1	Model 2
Control Variables		
4th Business Quarter 2007 (Reference Category)		
1st Business Quarter 2008	-8.41 (19.57)	-14.11 (19.69)
2nd Business Quarter 2008	-6.14 (19.48)	-14.38 (19.75)
3rd Business Quarter 2008	-19.65 (18.69)	-23.46 (18.76)
4th Business Quarter 2008	-35.91 (19.52)	-46.21* (19.99)
Job Size (Cube Root Transformation)	14.51** (2.07)	14.98** (2.08)
Price Lowered to Meet Estimate	66.38** (20.03)	71.01** (20.12)
Price Lowered to Match Competitor	100.61 (57.52)	109.72 (57.52)
Independent Variables		
Connection Distance		-37.74** (14.30)
Model Statistics		
Standard Error of Estimate (Sigma)	112.70	112.43
Log Likelihood	-1608.69	-1605.10
Change in Log Likelihood from Null Model	39.41**	43.01**
Pseudo R^2 (Cox-Snell)	0.140	0.152
N	522	522

Standard errors are displayed in parentheses below coefficients.
Significance is based on 2-tailed tests: * $p \leq 0.05$; ** $p \leq 0.01$.
Beta coefficients shown are non-standardized.

Table 5. Total Discount Based On 'Connection Distance' to the Firm (Commercial Connections)

	Model 1	Model 2
Control Variables		
4th Business Quarter 2007 (Reference Category)		
1st Business Quarter 2008	-4.86 (14.82)	-11.29 (14.93)
2nd Business Quarter 2008	-7.53 (14.79)	-14.76 (14.96)
3rd Business Quarter 2008	-14.36 (14.34)	-17.59 (14.32)
4th Business Quarter 2008	-40.04** (15.04)	-49.02** (15.41)
Job Size (Cube Root Transformation)	12.47** (1.67)	12.69** (1.66)
Price Lowered to Meet Estimate	58.70** (15.21)	60.08** (15.13)
Price Lowered to Match Competitor	99.93** (37.57)	109.22** (37.45)
Independent Variables		
Connection Distance		-33.12** (11.50)
Model Statistics		
Standard Error of Estimate (Sigma)	72.87	72.25
Log Likelihood	-983.47	-979.09
Change in Log Likelihood from Null Model	50.96**	55.33**
Pseudo R^2 (Cox-Snell)	0.233	0.250
N	384	384

Standard errors are displayed in parentheses below coefficients.
Significance is based on 2-tailed tests: * $p \leq 0.05$; ** $p \leq 0.01$.
Beta coefficients shown are non-standardized.

Table 6. Total Discount Based On ‘Connection Distance’ to the Firm (Social Connections)

	Model 1	Model 2
Control Variables		
4th Business Quarter 2007 (Reference Category)		
1st Business Quarter 2008	-24.19 (49.59)	-26.24 (49.63)
2nd Business Quarter 2008	-12.46 (49.16)	-21.85 (49.80)
3rd Business Quarter 2008	-44.95 (46.46)	-50.86 (46.83)
4th Business Quarter 2008	-22.30 (48.96)	-34.87 (50.12)
Job Size (Cube Root Transformation)	16.35** (4.76)	17.67** (4.88)
Price Lowered to Meet Estimate	51.55 (52.26)	69.78 (54.44)
Independent Variables		
Connection Distance		-42.11 (34.40)
Model Statistics		
Standard Error of Estimate (Sigma)	148.41	148.18
Log Likelihood	-582.16	-581.42
Change in Log Likelihood from Null Model	6.50	7.26
Pseudo R^2 (Cox-Snell)	0.090	0.100
N	138	138

Standard errors are displayed in parentheses below coefficients.
Significance is based on 2-tailed tests: * $p \leq 0.05$; ** $p \leq 0.01$.
Beta coefficients shown are non-standardized.

Table 7. Total Discount Based On 'Centrality' In Cognitive Social Network (Social Connections)

	Model 1	Model 2
Control Variables		
4^{th} Business Quarter 2007 (Reference Category)		
1^{st} Business Quarter 2008	-1.69 (51.55)	-8.17 (51.09)
2^{nd} Business Quarter 2008	-20.78 (51.58)	-21.38 (51.17)
3^{rd} Business Quarter 2008	-26.67 (49.29)	-25.25 (49.01)
4^{th} Business Quarter 2008	-7.21 (52.18)	-12.49 (51.77)
Job Size (Cube Root Transformation)	17.73** (4.90)	18.77** (4.89)
Price Lowered to Meet Estimate	103.79 (54.81)	91.88 (54.34)
Independent Variables		
Connection Distance	-51.85 (34.69)	-44.50 (57.04)
Centrality	1.85** (0.64)	5.46** (1.86)
Centrality × Connection Distance		-2.86* (1.38)
Model Statistics		
Standard Error of Estimate (Sigma)	145.50	143.72
Log Likelihood	-558.49	-556.31
Change in Log Likelihood from Null Model	10.68	12.86
Pseudo R^2 (Cox-Snell)	0.146	0.173
N	135	135

Standard errors are displayed in parentheses below coefficients.
Significance is based on 2-tailed tests: * $p \leq 0.05$; ** $p \leq 0.01$.
Beta coefficients shown are non-standardized.

Figure 1. Representation of Business Owner's Perceived Social Network (Social Connections)

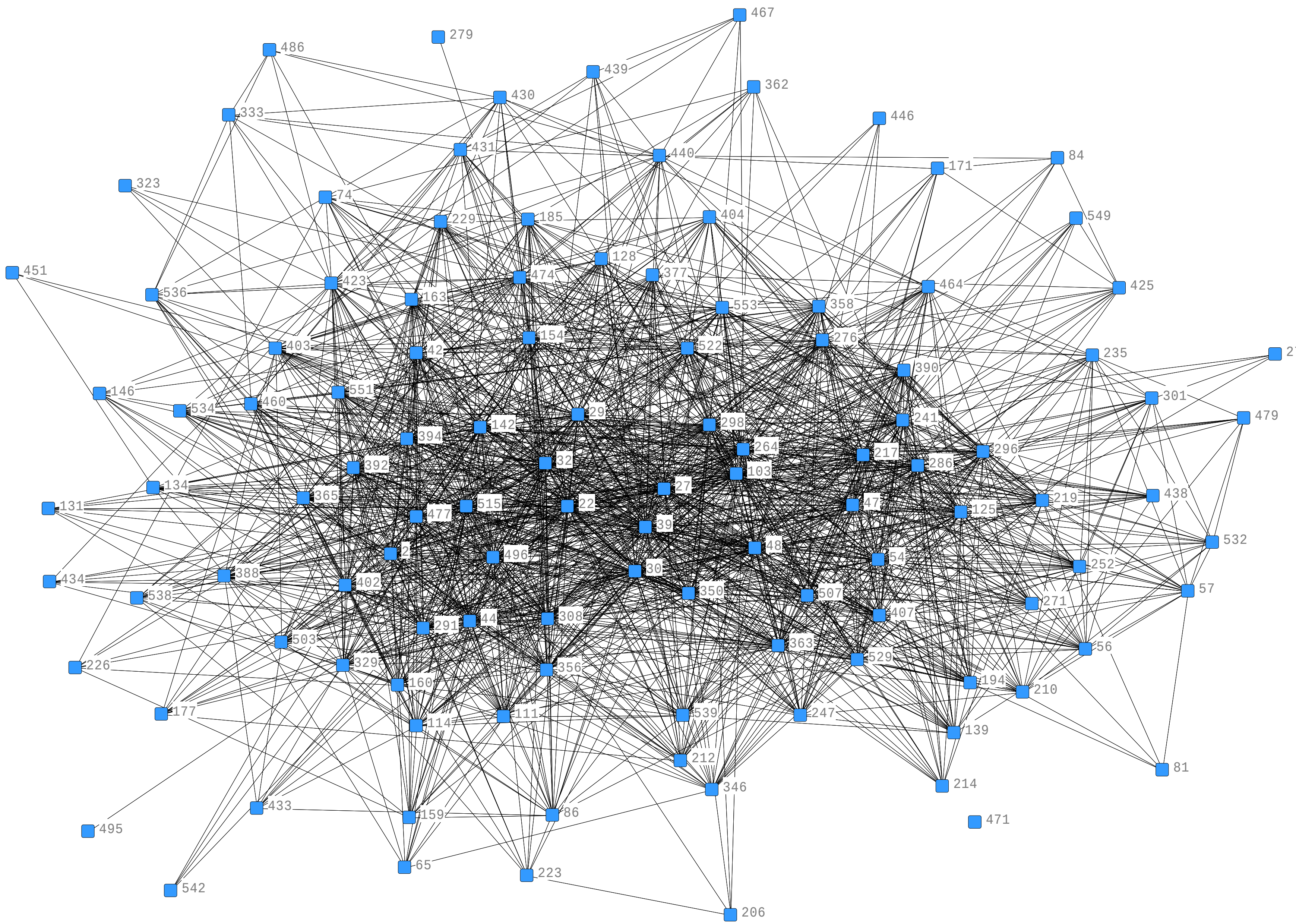
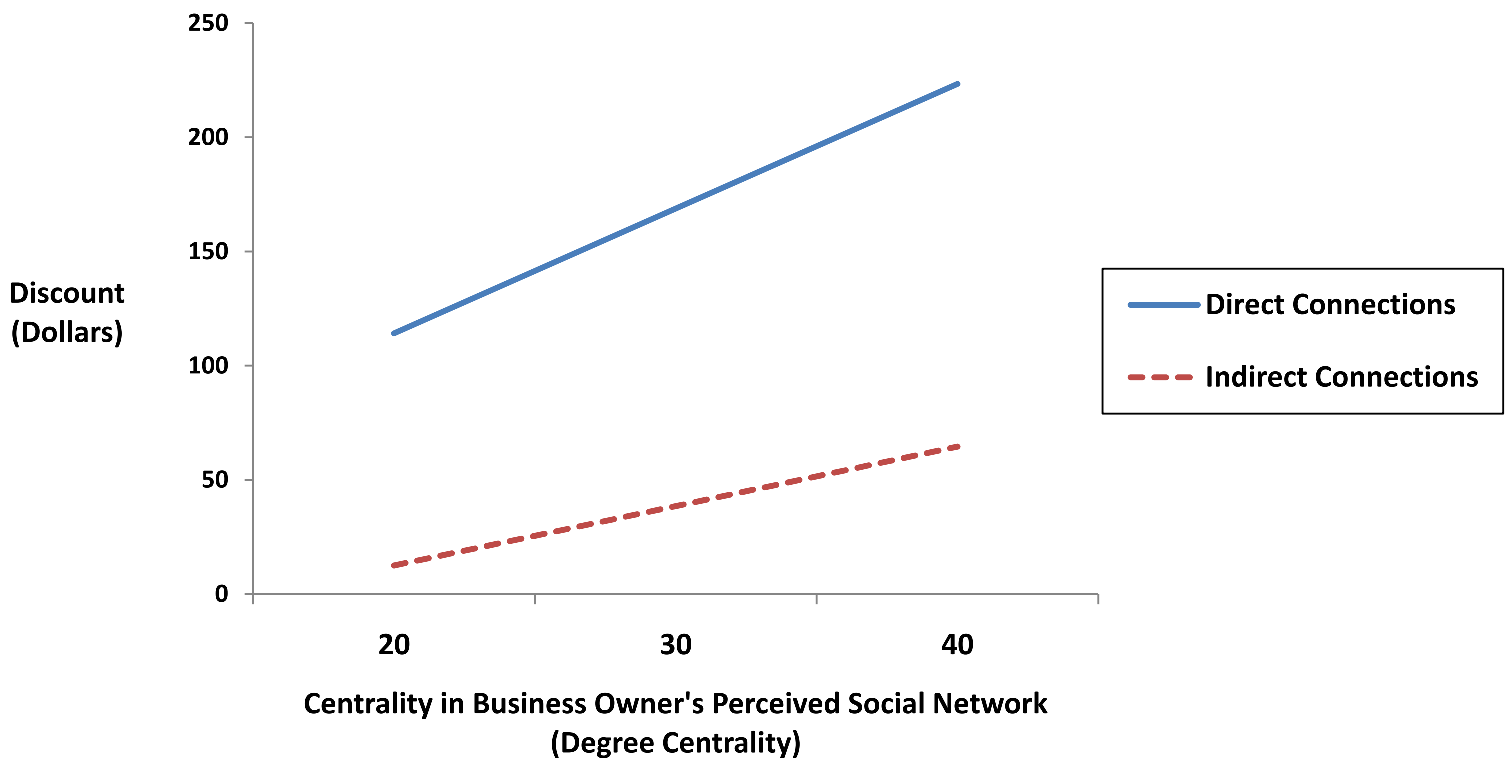


Figure 2. The Impact of Centrality on Discounts by Connection Distance (Social Connections)



Chapter 4

The Adverse Effects of Using Social Relationships to Make Purchases

Essay 3

As the fabric of civilization, social relationships play an important, yet sometimes subtle, role in society. Relationships bind individuals together by facilitating correspondence and collaboration among them. Because of their intrinsic function in social interactions, relationships have the capacity to impact numerous aspects of human behavior, including those related to consumption. Consequently, given the influence of these ties, many consumers draw upon social relationships to purchase everyday products and services (DiMaggio and Louch 1998; Frenzen and Davis 1990).

Accordingly, the purpose of this paper is to further examine the impact of using these social relationships to make purchases. While marketing scholars have recently begun to address the basic questions of whether and why consumers leverage personal relationships in the marketplace (cf. Johnson and Ross 2009), research is still needed to understand the many implications of such behaviors for consumers, particularly those involving negative outcomes, given their potential impact on consumption. To highlight the consequences of incorporating social relationships into consumption experiences, we draw upon social capital theory, which posits that individuals obtain benefits or returns as a result of their social relationships with others (Lin 2001; Portes 1998). Like most social capital research conducted in the social sciences, research on social capital in the consumer domain has focused on the positive benefits of this behavior, while ignoring the adverse consequences that may be associated with leveraging social relationships for personal gains. Consequently, our main objective is to identify the potential negative outcomes of social capital usage, for consumers enlisting their social relationships to make purchases in the marketplace. Ultimately, uncovering and explaining these negative outcomes is important if scholars are to more fully understand the influence of this behavior on consumers' experiences, as well as the impact that it has on consumers' interactions with firms.

This study makes several important contributions. First, it highlights the notion that social capital usage may not be the panacea it is often portrayed to be. Although social capital frequently results in positive outcomes for individuals, this may not always be the case. There may be situations in which social capital leads to negative outcomes, rather than positive returns, particularly in the context of the marketplace. Second, this study identifies that negative outcomes resulting from social capital usage occur for individuals, not just for the groups or communities in which they associate, as suggested by previous research. Third, this study extends previous research by identifying three specific types of negative outcomes experienced by consumers using social capital in the marketplace. Fourth, it highlights the potential impact of these negative outcomes on consumers' purchase experiences, particularly in terms of customer satisfaction and loyalty. Finally, this study outlines specific steps that firms can take to more effectively manage these types of customer relationships, particularly in terms of planning for and responding to problems that can sometimes occur with such purchases. When considered collectively, our findings have important implications for both theory and research in the area of consumer behavior.

Literature Review

Social Capital Theory

Social capital theory provides a unique perspective for investigating the interaction between social relationships and individual behaviors. Generally speaking, scholars tend to examine social capital from several perspectives (Portes 2000), typically focusing on individual actors and their social connections (Bourdieu 1986; Coleman 1988; Lin 2001) or on collectives (Kawachi et al. 1997; Putnam 1993, 1995; Temkin and Rohe, 1998). The first approach examines the differential outcomes obtained by individuals as a result of their social relationships, whereas the second approach looks at the effects of social ties on groups and communities. Because our study focuses on consumers as individuals, and on their specific ties to resource holders, our research emphasizes the individualistic strain of social capital theory.

From this perspective, social capital is conceptualized as the potential resources that are embedded in an individual's portfolio of personal relationships. As such, the theory focuses on these embedded resources and how they can be used to yield returns. These resources are considered to be social assets because they can only be accessed by individuals through direct and indirect ties with other individuals. These social resources can include things such as advice, information, or opportunities (Burt 2000; Lin 2001). Ultimately, social capital is exclusively housed within an individual's arrangement of interpersonal relationships. It is only through social interactions that social capital can exist and provide benefits to its users (Coleman 1988; Lin 2001; Portes 1998).

Similar to other forms of capital, substantial variation exists among individuals with respect to the amount of social capital they possess. This disparity is generated primarily by differences in the structure of social relationships along several key dimensions, including: (1) the number of personal relationships, (2) the strength of the relationships, and (3) the diversity of the relationships (Baker 2000; Burt 2000; Granovetter 1973, 1985; Lin 2001). Consequently, the composition of an individual's social relationships – with whom an individual interacts, the frequency of the interaction, and the type of interaction – exerts a major influence on the social capital available to the individual. Individuals with a favorable portfolio of relationships are likely to have access to greater resources, thus possessing higher levels of social capital.

Social Capital Outcomes

Many studies in the social sciences have demonstrated the positive returns obtained by individuals using social capital. While an exhaustive list of these favorable outcomes is well beyond the scope of this paper, some of the returns obtained by individual social capital users include: the generation of human capital (Coleman 1988; Teachman, Paasch, and Carver 1997), improved social status (Lin 1999), increased social mobility (Dominguez and Watkins 2003; Ream 2005), help in evaluating health care options (Smoldt 1998), the formulation of creative ideas (Burt 2004), the procurement of employment (Granovetter 1973, 1983; Mouw 2003), improved career outcomes (Gabbay and Zuckerman 1998; Lin and Huang 2005), augmented earnings and compensation (Boxman, De Graaf, and Hendrik 1991; Seidel, Polzer, and Stewart 2000), and even improved health status (Cohen et al. 1997; Folland 2006; House, Landis, and Umberson 1988).

In addition, scholars have also examined social capital and its outcomes in business environments. In these contexts, social capital has been demonstrated to generate positive returns for organizations and the individuals that work within them (Adler and Kwon 2002). Although only a snapshot of this vast area of research, scholars have identified various benefits resulting from social capital, such as: more prosperous recruiting (Fernandez, Castilla, and Moore 2000), lower turnover rates (Krackhardt and Hanson 1993), increased team effectiveness (Rosenthal 1997), improved interactions between business departments (Rouzies and Hulland 2010), enhanced managerial performance (Moran 2005), the creation of new intellectual capital (Nahapiet and Ghoshal 1998), improved product innovations (Tsai and Ghoshal 1998; Grewal, Lilien, Malapragada 2006), stronger business relationships (Uzzi 1997), enhanced access to financial capital (Uzzi 1999), augmented firm performance (Maurer and Ebers 2006), increased IPO valuations (Bharadwaj 2010), and even firm survival (Uzzi 1996).

In addition to organizations and their members, in business contexts individual consumers also achieve positive outcomes by using social capital. Given the eclectic set of circumstances in which social capital usage has been observed, marketing scholars have recently begun to examine this behavior in the consumer domain. Although research in this developing area is somewhat sparse, consumer scholars have recently identified several positive outcomes resulting from the use of social relationships by consumers to make purchases (Johnson and Ross 2009). These benefits can include resource preservation, in which consumers save time or money by purchasing from those with whom they maintain social relationships. Such benefits can also consist of knowledge acquisition gained from receiving information about products and services, or the processes involved in purchasing them. In addition, consumers can also experience favoritism when they receive exclusive benefits not available to other customers, such as preferential treatment. These various benefits have the potential to contribute to positive affective reactions, which can also be deemed a benefit of using social capital to make purchases

(Johnson and Ross 2009).

Negative Social Capital Outcomes?

Unsurprisingly, across various disciplines, scholars have tended to focus on the positive returns yielded by social capital to its users, portraying the phenomenon as a universal remedy for improving everything from obtaining employment to making purchases. While the positive benefits of this behavior are undeniable, given the complexity of social interaction and the idiosyncrasies involved in the personal relationships upon which social capital depends, it seems unlikely that the use of personal relationships incontrovertibly results in auspicious outcomes for individuals. In fact, there may be occasions in which drawing upon social relationships may actually hinder, rather than help, those trying to use their relationships for personal gains.

Interestingly, social capital scholars have recently started to note the negative impact of collective forms of social capital resulting from bounded solidarity (Portes 1998; Portes and Landolt 1996; Portes and Sensenbrenner 1993). In these cases, negative outcomes occur for the social groups or communities involved. Collective social capital can sometimes lead to conspiracies against the public when certain groups exclude outsiders, as in the case of particular ethnic groups dominating certain occupations or industries (Portes and Landolt 1996; Portes and Sensenbrenner 1993). In addition, collective forms of social capital can also create downward leveling pressures, in which “the same kinds of ties that sometimes yield ‘public goods’ also produce ‘public bads’: mafia families, prostitution rings, and youth gangs,” which ultimately keep members of oppressed social groups in the same situation as their peers (Portes and Landolt 1996, p. 22; Portes and Sensenbrenner 1993).

Interestingly, although these negative outcomes have been conceptualized from the perspective of the collective, communal forms of social capital may also have the ability to indirectly influence individuals within those collectives by restricting or constraining their freedom. Membership in collectives or communities can oftentimes impose demands for conformity by requiring adherence to community norms (Portes and Landolt 1996; Portes and Sensenbrenner 1993). Although social capital scholars have not specifically addressed or identified negative outcomes from the individualistic perspective, these constraints on individual behavior derived from collective forms of social capital suggests that negative outcomes may indeed be a possibility for individuals using individualistic forms of social capital for personal gains.

While research examining the downside of social capital usage is still developing, research in other cultures, such as the *guanxi*[1] literature, also points to unfavorable outcomes that may potentially result when culturally specific uses of relationships are extended beyond the social realm. Similar to collective social capital, *guanxi* can also hinder collectives and communities in certain cultures by causing negative externalities such as conflicts of interest (Chen and Chen 2008; Provis 2008), unfairness (Han and Altman 2008; Yang 1994; Warren, Dunfee, and Li 2004), and corruption (Hung 2007; Yang 1994; Warren, Dunfee, and Li 2004).

Additionally, the *guanxi* literature also supports the notion that certain inauspicious outcomes can potentially occur for individuals. Though culturally specific, a careful examination of *guanxi* reveals that engaging in such interactions has the potential to create

---

[1] For readers unfamiliar with the concept of guanxi, Yang (1994, p. 6) provides the following explanation: "Guanxixue involves the exchange of gifts, favors, and banquets; the cultivation of personal relationships and networks of mutual dependence; and the manufacturing of obligation and indebtedness." Guanxi is an important part of "meeting the needs and desires of everyday life" in Chinese culture. As such, guanxi "can be found as an underlying cultural assumption shared by Chinese everywhere . . ."

feelings of constraint among individuals, most notably after receiving a favor or a gift from another (Yang 1994; Yan 1996). Such feelings can cause individuals to set aside their own preferences, intentions, and desires (Provis 2007; Hung 2007; Warren, Dunfee, and Li 2004), which could potentially lead to uncharacteristic behaviors or adverse outcomes for individuals in such cultures. Given some of the relational similarities between social capital usage and *guanxi*, these constraints on individual behavior resulting from *guanxi* serve to highlight the possibility that negative outcomes may also occur for individuals using individualistic forms of social capital.

Given these possibilities, in the remainder of this paper, we seek to understand these potentially negative outcomes in order to extend previous social capital research. We do so by identifying and categorizing the negative outcomes obtained by consumers drawing upon social relationships to purchase products and services. Because the negative consequences of using social relationships to make purchases have not been examined in consumption contexts, we also discuss how they are likely to impact consumers' purchase experiences and subsequent interactions with firms. Ultimately, identifying these negative consequences represents a new dimension of social capital outcomes for individuals, thus helping to augment and extend social capital theory within marketing and also in the larger social science arena.

Study Design and Data Collection

As indicated, we seek to understand the outcomes of leveraging social relationships in the marketplace in order to refine social capital theory in consumption contexts and to understand the implications of this behavior for consumers and firms. Although there has been a substantial amount of research related to social capital across the social science disciplines, negative outcomes for individuals have been understudied, and they have not been identified or elaborated at all in purchasing contexts. Because these specific negative outcomes and their implications cannot be identified *a priori* (Edmondson and McManus 2007), we selected the grounded theory approach because of its ability to identify these outcomes by tapping into consumers' unique social capital consumption experiences. By incorporating these meaningful narratives, grounded theory is able to engender novel theoretical understanding that captures many of the nuances experienced by consumers in the marketplace. In the end, grounded theory allows important constructs and relationships to emerge from the data without the researchers' foreknowledge of them (Strauss and Corbin 1998).

We also selected grounded theory because of its ability to reveal discrepancies or points of contrast with existing theory. When compared to alternative modes of analysis, in which properties and dimensions of the data must be understood up front, grounded theory has the specific advantage of permitting unforeseen concepts and ideas to emerge from the data. At the start of this research, we did not know if consumers would experience negative outcomes from using social relationships to make purchases, nor did we understand what those outcomes would entail; however, grounded theory permitted novel concepts to emerge from participants' accounts. In this regard, grounded theory allowed us to uncover evidence which challenges the status quo regarding social capital theory, by highlighting departures from the theory's expected outcomes, which ultimately serves to advance and refine individualistic social capital theory in this context.

To begin data collection, we purposively selected participants using established theoretical sampling techniques, which call for seeking and collecting pertinent data to elaborate and refine categories in the emerging theory (Glaser and Strauss 1967; Strauss and Corbin 1998). We began theoretical sampling by identifying and selecting individuals who were known to the authors to use social capital to make purchases. Next, we augmented our sample by leveraging the ancillary knowledge of our initial participants through snowball sampling techniques (Neuman 2000). Several participants voluntarily suggested that we contact their friends or relatives because they were also known to engage in the behavior under investigation. In addition, we purposefully recruited additional participants, who were believed to employ social capital, using a heterogeneity sampling procedure, in order to represent a wide array of demographic profiles (Patton 1990). As we iterated between data collection and analysis, we discovered negative outcomes interwoven with consumers' experiences. We pursued and explored these outcomes to the point of saturation, where fresh data no longer sparked new theoretical insight, nor revealed new theoretical categories (Charmaz 2006; Glaser and Strauss 1967).

To facilitate data collection, we developed interview protocols to solicit information relating to consumers' use of social capital in consumption settings (see appendix). As we iterated between data collection and analysis, we adapted and refined our interview instrument to identify the negative consequences of using social capital to purchase products and services. Collecting data in narrative form allowed us to obtain the best data for understanding participants' consumption experiences and how they were impacted by social capital usage.

We conducted semi-structured depth interviews with 26 U.S. consumers. The interviews took place between July 2006 and May 2010. The average interview lasted approximately 63 minutes. The interviews were digitally recorded and later transcribed to ensure the accuracy of participants' accounts. Participants' ages ranged from 23 to 83. Educational attainment varied from high school degrees to doctoral degrees and disposable incomes ranged from $10,000 to over $100,000 a year. In addition, participants represented a variety of different occupations and racial backgrounds.

In total, participants shared 116 consumption experiences involving social capital. Interestingly, only 20 of the 116 experiences shared by participants involved negative outcomes. While slightly more than half of our participants shared negative experiences, these experiences as a whole represent a small proportion of participants' social capital encounters. Consequently, though not uncommon, these negative outcomes appear to occur much less frequently, in comparison to positive outcomes. Nevertheless, although less prevalent among our participants, they represent critical outcomes of social capital behaviors and possess the ability to dramatically impact consumers' purchase experiences. Given the goals and objectives of this paper, we take these 20 experiences as a starting point for understanding the downside, for individual consumers, of using social capital.

The 20 experiences in which participants experienced negative outcomes were reported by 16 participants. The background characteristics of these participants are summarized in table 1. Of these 20 experiences, 10 were related to products and 10 were related to services. Examples of products involved in purchases associated with negative outcomes included items such as carpet, appliances, and homes. Services associated with negative outcomes included items such as loans, rentals, and medical procedures.

Insert table 1 about here

To ensure trustworthiness of the data, we conducted member checks with study participants, as advocated in previous research (Belk, Sherry, and Wallendorf 1988; Lincoln and Guba 1985). To confirm the accuracy of the data, we mailed transcripts of the interviews to each participant and asked them whether the written record accurately represented their thoughts and experiences. All of the participants responded back to the authors, and several participants made additions, deletions, or clarifications to the transcripts.

Data Analysis

We used NVIVO 7 by QSR International to assist us in organizing and analyzing participants' consumption experiences. Our analysis of the data began with *open coding*, subsequently followed by *axial coding* (Strauss and Corbin 1998). We followed the "constant comparative approach" (Glaser and Strauss 1967) to ensure that the emerging theory was well-grounded in the data. As new codes emerged, we continually returned to previously coded transcripts and reanalyzed them in light of the emerging concepts (Bergadaa 1990; Thompson, Locander, & Pollio 1990). This iterative process led to rich conceptual density among our categories. During the coding process, we also engaged in extensive memo writing to "tap the initial freshness" of our thoughts, questions, and interpretations of participants' experiences (Glaser and Strauss 1967, 107; Strauss and Corbin 1998). Ultimately, the coding process allowed us to refine and condense our code list, yielding a core set of three conceptual negative outcome categories.

Findings: Categories of Negative Social Capital Outcomes

The fundamental premise of social capital theory is that individuals obtain returns from leveraging their social relationships. As noted previously, however, these returns may not always be positive. During the course of data collection and analysis, we discovered experiences in which negative outcomes occurred as a result of using social capital. As mentioned previously, these negative outcomes have largely been overlooked with respect to individual social capital theory, especially in consumer contexts. Fortunately, the grounded theory approach allowed these negative outcomes to emerge from the data, further illuminating this interesting dimension of social capital. Identifying these negative experiences allows us to further extend social capital theory, both within marketing and beyond, by portraying a more comprehensive picture of this behavior and its consequences.

In the sections that follow, we present these negative outcomes using the categories that resulted from our analysis. Although our analysis actually occurred iteratively, we present our findings from the top down to increase clarity and minimize redundancy. We have selected representative cases to depict the breadth of experiences found in the data. Additional examples and details for each of the categories are presented in table 2.

Insert table 2 about here

Recourse Bridling

As shown in table 2, *recourse bridling* emerged from our analysis as a category of negative outcomes resulting from the use of social relationships to make purchases. As illustrated by the following participant experiences, *recourse bridling* represents feelings or behaviors of constraint that consumers experience when they would like to address or rectify a problem related to the purchase, but social forces discourage them from doing so because of the social relationships involved.

Bryant, a 26-year-old teacher, shared an experience using an acquaintance, who was also his friend's uncle, to build a new home for his family. Bryant's reaction to unanticipated delays in the construction of his home reveal the *recourse bridling* that can result when social relationships are incorporated into purchases.

> The house got going with the construction – well, first of all, we closed on our loan in February. February 14, it was Valentine's Day. It wasn't until almost a month and a half later before construction actually began. This is a problem because once we buy the land we start accruing interest on our loan, at least on the land part. So, we are paying interest on land that nothing's happening to it. Once construction did begin, it was very slow – weeks in between anything happening. Finally, we got on him enough that he finally started framing the house up and we got a floor down and a couple walls up. Then again, it was another, probably 4 weeks go by and nothing's happening and some of the framing, with the wind, starts to blow in and things like that. It was a tough thing. At this point, I felt like the relationship was harmful because I think it was easier for him to tell us, "I'm sorry. I can't do it right now" . . . . For instance, he was building a store in another city called Family Dollar, a little dollar store. The penalties were higher. It was a more professional relationship and it wasn't easy for him to tell them, "I've got other things going on." At that point, it almost felt like I wish I didn't know Stewart so well because it made it hard to – because there was that relationship and we do know him, we

> didn't want to damage that. We were a little hesitant to be on his case too hard, when we would have liked to have been on it harder. . . . In this case, it may have hindered us, that relationship, in getting the results we wanted

Similarly, Joseph, a 24-year-old student shared his experience trying to find an apartment to rent before getting married. During a conversation with one of his coworkers, Joseph mentioned that he and his fiancé were looking for an apartment. Because of his personal relationship, his coworker, who was also a property manager, agreed to bump Joseph and his fiancé to the top of the waiting list so that they could move in immediately. However, once they moved in, they began to notice problems with the apartment. Joseph's reaction to these issues reveals the constraint that can be imposed from using social relationships in the marketplace.

> Because we are friends with them they didn't really try to fix things as quickly. We have a wall, there's a closet over there, and water just leaks down the wall whenever it rains. And, there's a pipe that water just shoots out of every once in a while. . . .When you are friends with someone, it's kind of chummy, "ha ha, whatever." And, we are less willing to harp on them sometimes because we don't want them to get offended. If you don't know whoever your landlord is then you would [say], "Get down here and fix this now, jerk!" I work with her all the time, so you don't want it to be awkward at work all the time, and then they are in our church, so you don't want them to always be worried whenever you see them.

Tom, 36, also shared an experience in which he called upon a friend from college, who was a home builder, to purchase a new home. After living in the house for a while, Tom discovered a radon gas problem in the basement. As he attempted to install a ventilation fan to remedy the problem, he realized that the electrical junction box required to power the fan had erroneously been omitted during construction, despite being part of the building code and also being included on the blue prints for the home. Tom's reaction to this unexpected situation further highlights the constraint that some consumers feel when using social relationships to make purchases.

> I thought that I could call and make an issue of this . . . . or, this Saturday morning, I can go out and buy a wire – I can do that – I'm handy and can do this stuff myself, and so I never brought it up. . . . I think that if I was just an anonymous customer I probably would have just called up and been all angry and belligerent about it, you know what I mean? I just didn't want it to get back to this guy, as my buddy, like "[Tom] called and he was an ass on the phone again."

As a final example, Wayne, a 30-year-old mechanical designer, shared an experience in which he purchased a home from someone he knew socially. The restraint Wayne demonstrated in dealing with a long string of problems related to the purchase is truly amazing, which is indicative of this key drawback to using social relationships in consumption contexts.

> So, anyway after we bought the house we lived there for 4 years, and in 4 years it flooded more times than I can even remember. It was just one after another; the basement seemed like it was always, always having a problem. I would fix the one problem and it would just move to the next and find a new way in. So, for 4 years it was just a constant battle to keep the water out of it. . . . I think [Rusty] knew there were more problems. I don't know how he couldn't have known, because the very first time it rained, water just poured into the basement. So, I don't know how he could have not known. . . . it was kind of uncomfortable. I didn't talk to him about it until, I don't know, probably the 7th or 8th flood when we had to replace all the carpet and do drywall, and a bunch of stuff for

> the 3rd time, and our savings was tapped out and it was just a mess. . . . I think it definitely would have been different if it was somebody we didn't know. . . . we probably would have taken some action the 1st or 2nd time.

All of these examples highlight a critical drawback of using social relationships for consumption purposes. When things do not work out as expected, participants reported feeling constrained from addressing the issues that troubled them. Interestingly, our data indicate that the same social forces that allow consumers to obtain benefits as they use their relationships to make purchases (Johnson and Ross 2009) also make it difficult for consumers to address and rectify problems, given the unfortunate chance that they occur during the consumption experience.

Although some of the processes and reasons may be different, this category of negative outcomes may be loosely related to the negative outcomes that occur for individuals under collective forms of social capital (Portes and Landolt 1996; Portes and Sensenbrenner 1993). However, while collective social capital can constrain individuals as a result of community norms and expectations, when things go wrong, individualistic social capital appears to constrain its users through the perceived social discomfort that might result when friends are confronted after granting favors or access to their resources. In this sense, it is understandable why individuals resist confronting issues head-on, as doing so may be perceived as the repayment of kindness with criticism and contempt, which could make future interactions very uncomfortable.

Additionally, although this is different than being constrained to engage in behaviors against one's will, as is sometimes seen in the repayment of a favor or gift in the *guanxi* literature (Hung 2007; Yang 1994; Provis 2007; Warren, Dunfee, and Li 2004; Yan 1996), the fact that individuals resist engaging in behaviors that they would prefer to engage in is an interesting parallel. Consequently, this category of negative outcomes exhibits some of the restraining characteristics found in other streams of research, yet *recourse bridling* is also unique because of the way it unfolds, and the context in which it occurs. In the end, *recourse bridling* represents an important and influential negative consequence of social capital use among consumers in the marketplace.

Trust Decay

As demonstrated in table 2, *trust decay* also emerged from our analysis as an influential category of negative outcomes related to the use of social relationships to make purchases. From the perspective of participants, *trust decay* represents the deterioration of trust between the consumer and the individual (or individuals) to whom the consumer is socially tied in the purchasing context. Because social capital, by necessity, produces benefits via social relationships, certain aspects of those relationships are put on the line each time it is accessed and used, as suggested in the following accounts.

Jack, 29, shared an experience in which he drew upon one of his good friends from school to arrange transportation for his many wedding guests. In this case, Jack used his personal friendship to connect to his friend's friend who dealt in transportation. Although the service was rendered without problems, there were some issues that arose afterwards. Jack reported, "We get good service. Everything is there. After that, this guy gives us a huge bill. 'You have to pay this much money'. . . . Even if we allow for some error, it is ridiculous." When talking about the impact of being taken advantage of by the friend of a friend, in reference to his good friend who acted as the intermediary, Jack said:

> What was affected – was the only thing – that I don't trust his judgment 100 percent. Our relationship is unaffected, but now when he tells me something that "This deal is good," then I ask him other questions (laughing). [I don't trust] his judgment, rather than him. I trust his intention. I know it is always good.

Brendan, 29, also revealed the impact that using social relationships can have on trust in those involved in the interaction. Calling upon a former roommate to assist him with a mortgage loan, Brendan discussed some of the issues that arose and how that impacted the trust he later had in his friend.

> The payment that he had said would be lower, and the kind of loan that he was going to structure actually was not what we had asked for, and not what we were expecting as far as price. We actually ended up paying a higher loan amount, a higher mortgage every month with the way he structured it . . . . that actually soured it a little bit, because here we were expecting one payment and then it ended up being $500 more a month than what he said it would be. . . . Not that I wouldn't say hi to him or try to keep in touch with him, but it wouldn't be a thing where I would trust him to do a loan for me again.

Cord also experienced the same type of deterioration in trust expressed by other participants. After being diagnosed with a brain tumor, he turned to one of his friends, who was a neurologist, for advice and a recommendation to a proficient neurosurgeon. After looking at the MRI films, she not only made a recommendation, but she introduced Cord to the surgeon personally. However, the surgery did not go as well as expected, which impacted trust with the neurosurgeon friend. Cord reported:

> He only got half the tumor out and so we had to wait just to watch it and two years later it started growing again. I could see it on the film itself. He said, "Well oh, this just

> happens sometimes. We can't see everything. It's in a very tight space." I had the follow up MRIs and went in and knew. I had looked at the film already and knew it was starting to grow because I could compare it to earlier ones. . . . It didn't affect my relationship with the referring physician. Since she's a personal friend, it didn't really affect that. . . . The trust might not be quite as high, but I would still respect her opinion because I think she is very good.

While most participants experienced a small, but noticeable, decline in trust as problems arose when using their social relationships to make purchases, there were several individuals who lost trust at a much faster rate. Patty shared a heartbreaking experience in which she lost tens of thousands of dollars after a friend of many years, who served as their financial advisor, lost her investment in an illegal Ponzi scheme. When talking about the experience, Patty described feeling "mad, violated, [and] sinking" knowing that all of the money they had invested was gone. Understandably, when talking about her friend, she said:

> Oh, I definitely wouldn't trust him again. You know, it's like, okay, you did what you did and I know you're—well, I'm not sure he's sorry, but, no I won't trust you again even if you had a really good deal. Even if he said, you know, "Oh, I am so sorry and I knew I was doing wrong," or whatever.

Interestingly, most of our participants who experienced trust decay initially suggested that the negative experiences had little impact on the trust they placed in their friends, as individuals. However, as their accounts unfolded, most of them later revealed that trust in their friends' judgment or decision making ability was affected. Additionally, in some cases, such as Patty's, the problems were substantial enough to deplete trust quickly, completely, and permanently. This consequence is particularly interesting because it provides insights concerning how individuals conceptualize trust.

There appear to be theoretical implications with respect to the way socially connected consumers deal with the impact of negative outcomes on trust. Marketing scholars have discussed both cognitive and affective dimensions of trust (Johnson & Grayson 2005). *Cognitive trust* is an individual's willingness to rely on others based of their own knowledge of the other party's competence and reliability. On the other hand, *affective trust* involves confidence in the other party based on feelings of the other party's care and concern for them as an individual. In this sense, cognitive trust is based on knowledge, whereas affective trust is based on emotion.

Based on participants' accounts, cognitive trust appears to decay first. In purchase contexts in which friendships are used, consumers may not be fully aware of the other party's abilities, as much as they are aware of the other party's care and concern for them. For this reason, consumers may be inclined to continue to trust the person, but not their judgment or decision making abilities, as evidenced by our participants. The compartmentalization of trust might also represent a coping strategy that allows the relationship to continue by letting the offender off the hook in terms of intentions, but holding them accountable in terms of performance. By viewing the breakdown as a problem with judgment, rather than a lack of concern, the other party's intentions can still be maintained in the mind of the consumer, thus allowing the relationship to continue. However, as suggested by participants' accounts, it appears that cognitive trust can only decay so far before it begins to impact affective trust. In this sense, there appears to be a threshold after which consumers realize that the other party no longer maintains their care and concern as a priority, resulting in a more comprehensive loss of trust.

The fact that trust is sometimes depleted, rather than enhanced, is ironic and interesting, particularly given that trust has been shown to be an important outcome of using social relationships to make purchases (Johnson & Ross 2009), as well as a key consequence of developing traditional commercial relationships with firms (Bendapudi & Berry 1997; Berry 1995; Coulter and Coulter 2002; Gwinner et al. 1998; Sheth and Parvatiyar 1995). Interestingly, because consumers using social connections to make purchases may begin with more trust than typical consumers, they may simply have more to lose, in the end, than those using regular commercial relationships. This notion, which has not been examined by consumer scholars, could prove to be useful in further understanding and managing this important and influential social dimension of consumer behavior.

Relationship Atrophy

Finally, feeling constrained and losing confidence in friends' and their judgments are not the only drawbacks of social capital usage gone amiss; there are also real life relationships at stake. As noted in table 2, *relationship atrophy* also emerged from our analysis as a category of negative outcomes resulting from participants' use of social capital to make purchases. *Relationship atrophy* represents a weakening or alteration of the relationship between the consumer and the individual (or individuals) to whom the consumer is socially tied in the purchasing context. Because social capital usage relies upon social relationships to operate, these very relationships can sometimes become victims, and even casualties, of the process when things don't work out as expected for consumers. Participants' experiences further illuminate this Achilles' heel of social capital.

In addition to the electrical wiring issue Tom faced with his new home, an agreement with his friend involving the landscaping of his property also fell through. As a result, Tom ended up doing all of the work himself. This and other expectations that went unmet influenced the way Tom perceived and interacted with his college buddy. When talking about how the negative aspect of the consumption experiences impacted the relationship, Tom said:

> It's definitely in the back of my mind every time I think about hooking up with the guy – grabbing lunch or a beer with him or something like that. To be honest with you, I probably haven't reached out – I mean I live in the same town as the guy now, and it's probably been 3 or 4 months since I've talked to him.

Importantly, there was also some collateral damage involved in Jack's encounter in which he was substantially overcharged for transportation for his wedding guests by the friend of a friend. Interestingly, while Jack lost trust in the friend, the most serious damage did not occur between Jack and his friend, but rather between Jack's friend and the transportation service provider. When talking about his good friend's reaction when Jack told him that they were overcharged, Jack said,

> When we found out, he was really angry and he tried his best to get some money back. I don't think I can blame him. . . . His relationship was affected. He was very angry and he really fought with this guy who was his friend's brother. He undermined his relationship with that guy because he was much closer to me.

Also, as might be expected, Patty's tremendous financial loss also transformed the course of her relationship with her friend, the financial advisor, who was eventually indicted and incarcerated on multiple counts of fraud. When talking about how her relationship changed, she commented:

> Well, obviously it would never be what it was before, because there's just some things

> you can't take back, you know. We knew we had to go through a process to forgive him and to, you know, get through that and to just go on . . . . It wouldn't be like it was before, and I think—yeah, it probably would be awkward, because you'd be careful about what you said and nothing would be out in the open, so you'd be kind of skirting maybe something that should be said, but to him it would probably never be said. . . . You know, you can cover up and shake hands and, "Oh, what are you doing now?" kind of thing, instead of, "Oh, what are you doing now after your prison sentence, you know?" (laughing).

As a final example, as the number of problems that Bryant and his wife encountered while building their home mounted, something had to give, and it turned out to be their relationship with Stewart, the builder. Despite all attempts to let things work themselves out, Bryant finally had to step in and change the course of events.

> After a while, I guess you get to a point, kind of like economics of emotions, where enough is enough. Suddenly, you don't care as much and so we did get on him and that's when things started to happen. . . . Once I came to the realization that he wasn't doing this for free, he's just doing it at a discount, that I finally said, "I'm going to have to take more of a business approach with him, rather than a friendship approach". . . . The relationship that we have with Stewart, now, feels different. It was more of a neighborly relationship earlier, now and as time has gone on, it feels more like a business type relationship. Particularly when things were going slow, there was a little tension. Not that we didn't like one another – it never went that far – (although comments made by Bryant's wife clearly suggested otherwise and foreshadowed things to come) but it just felt differently when he knew that he wasn't quite fulfilling what he'd promised to do and

> we knew it too. We still were wanting to be friends. . . . It was kind of interesting the way that changed the way we interacted with one another. [Our relationship] was changed. We took on different roles. Instead of being more of a neighborly – it was more of a professional – less personal is a good way to put it.

Interestingly, Bryant's and Stewart's relationship continued to slip and slide downward as time passed. In follow up conversations with Bryant and his wife, they revealed that the contention had escalated, ultimately culminating in a heated exchange in which Stewart confronted Bryant and accused him of ruining his business, by publicly vocalizing his displeasure with Stewart and his company. In this particular case, the relationship between Bryant and Stewart degenerated from social, to business, to one of animosity, highlighting one of the tremendous downsides to using social relationships to make purchases.

Based on our data, the deterioration of relationships is an advanced consequence of problems that arise during the consumption process. As problems go unaddressed and expected benefits fail to materialize, individuals are often put in a thorny position where they may have to make a choice between pursuing anticipated benefits and maintaining personal relationships. Based on participant's accounts, *relationship atrophy* typically occurs when individuals favor the anticipated benefits over the present value or anticipated future value of the relationships. Interestingly, the mounting loss of trust that sometimes accompanies these breakdowns may signal a decrease in the future value of the relationships, which appears to factor into consumers' decisions. Consequently, as decisions are made in favor of purchase outcomes, the relationships involved often change and evolve. Ironically, while these changes can be subtle, they sometimes adulterate and even destroy the personal relationships involved in the transaction.

An interesting way to think about the concept of *relationship atrophy* is in terms of the sacred and the profane, as characterized by Belk, Wallendorf, and Sherry (1989). A relationship with a friend may be inherently sacred, yet having it transform from a personal or neighborly relationship to a distant or contentious type of relationship represents a movement from the sacred toward the profane, given the sense of loss that accompanies the transaction. Ironically, in some cases, the act of introducing personal relationships into the marketplace can inadvertently lead to the profaning of the sacred, which is likely the exact opposite of what is intended by consumers drawing upon their relationships to make purchases.

In summary, we have demonstrated that negative experiences potentially lead to certain drawbacks when using social capital, mainly *recourse bridling*, *trust decay*, and *relationship atrophy*. Using social relationships to make purchases appears to induce consumers to refrain from complaining behavior, likely as a result of feelings of indebtedness to friends and fears of feeling uncomfortable in future social interactions. Negative experiences can also damage important aspects of personal relationships, such as trust in friends and their judgments and recommendations. Finally, adverse experiences using social capital also have the capacity to change the relationships involved in unintended ways. Relationships may evolve to become less personal and friendly, and in some cases, they may even degenerate to the point of animosity and contempt. Though previously overlooked by scholars, these negative outcomes obtained by individuals in the marketplace have important implications for marketing.

Findings: Interpretation of Theoretical Structure among Outcomes Categories

Having laid the foundation with the 3 conceptual categories of negative social capital outcomes, we can now delineate and examine the relationships among these important categories. Doing so reveals how the categories influence and build upon one another to impact consumers' experiences. Identifying these interconnections provides a more comprehensive understanding of how negative outcomes influence consumption and the relationships used to make purchases.

To reveal these higher-order theoretical relationships, we used *selective coding* procedures (Strauss and Corbin 1998). Such processes are used to uncover and interpret the theoretical structure among the conceptual categories emerging from the data. We interpret participants' experiences collectively to highlight the overarching relationships among these outcome categories. The theoretical structure pertaining to the typological categories is depicted in figure 1.

Insert figure 1 about here

As suggested previously, the outcomes delineated and presented in this paper result from negative purchase experiences using social capital. Based on our data, the outcome that appears to occur first and most often following negative experiences is *recourse bridling*. In our data, *recourse bridling* occurred as a sole outcome about 25 percent of the time, meaning that participants did not report other outcomes along with it. This trend suggests that consumers may respond in different ways to negative experiences when using their social relationships. For some consumers, such as Tina, who purchased a Nalgene water bottle that later cracked, the issue simply wasn't important enough to cause serious problems. Tina said, "It's 8 bucks. Like it's not going to break me or anything." Interestingly, Tina wasn't even going to address the issue because of the recourse bridling she experienced, but her friend at the store convinced her to take the bottle back and have it replaced. In the end, the problem was easily resolved and no apparent harm was done. Tina's experience represents how the relative importance of the issue to the consumer and the way it is addressed by the firm can influence consumers' reactions to negative experiences using social relationships.

Although *recourse bridling* can occur in isolation, as demonstrated by our participants, most of the time it leads to the other negative outcomes mentioned previously. As suggested in figure 1, when issues are important and they go unresolved as a consequence of *recourse bridling*, they can lead to *trust decay*. A prime example of this trend is illustrated by Tom's negative experiences with the home he purchased from a former classmate. Tom's unwillingness to confront issues related to the landscaping and electrical wiring problems of his new home allowed several important issues to go unresolved. Consequently he, like many others, experienced *trust decay* as a result of negative experiences related to the purchase.

While trust decay resulting from negative purchase experiences using social capital is a common outcome, there is some nuance involved in the way consumers react to the loss of trust. Interestingly, when participants' experiences are considered together, a pattern emerges concerning the effect of the attributions consumers make about the problems' source. As consumers experience and evaluate issues with trust, they appear to make inferences about the ultimate source of the problem, as suggested in figure 1. When problems are attributed to situational or external factors, either outside of the other party's control or beyond the other party's known abilities, consumers appear to give the other party the benefit of the doubt and allow the relationship to continue in much the same way it did before the infraction, by compartmentalizing trust. Both Jack and Cord demonstrated how trust is compartmentalized when they stated that they still trusted their friends and wanted the relationships to continue, despite the negative outcomes, although they would be less likely to trust their judgment related to such issues in the future. By isolating or quarantining elements of trust in this way, the relationships were allowed to continue in much the same way that they did before the problems occurred.

Alternatively, when the negative outcomes are attributed to the other party's intentions, as demonstrated in figure 1, trust decay is likely to result in *relationship atrophy*. In these cases, the final attribution is placed on the individual and his or her lack of care and concern for the consumer. When consumers perceive a decline in the intentions of the other party for their well-being, relationship atrophy most likely follows. A prime example of this is Patty's experience with the financial advisor who was imprisoned for illegally investing her money in a pyramid scheme. Not only did Patty experience a severe loss of trust, but her attribution (as well as the attribution of the legal system) of the negative experience to the motivations and intentions of her one-time friend forever changed the relationship in a negative way. As she suggested when talking about the relationship, ". . . it would never be what it was before." Consequently, our data suggest that once trust decay leads to relationship atrophy, the relationships rarely, if ever, return to their previous state.

Importantly, our data suggest that *trust decay* and *relationship atrophy* typically tend to occur together, highlighting the ability of *trust decay* to infect the relationships used to make purchases. Participants' accounts suggest that it is only when breaches of trust are sufficiently compartmentalized and squared away in the mind of the consumer that relationships appear to continue unharmed, as suggested in figure 1. Otherwise, trust decay can continue to spread, eventually contaminating, changing, and even destroying relationships that exist between consumers and their friends.

Finally, it is important to note that there appear to be factors, such as individual differences, that influence the way consumers respond to negative experiences using social capital, as noted in figure 1. One notable individual difference relevant to this particular context might be conflict resolution style. While many of our participants reported avoiding addressing problems due to *recourse bridling*, there may be alternative strategies in which consumers confront issues head-on despite the social constraints. Such differences could change the dynamic of the model presented in figure 1 by either addressing and resolving problems quickly or by expediting the cascade from *trust decay* into *relationship atrophy*. Additionally, one could imagine that differences in relationship strength between consumers and their friends could have an impact on the processes outlined in this paper. Although we do not specifically examine these factors in this study, we allow for their impact in the theoretical model.

To summarize, the categories of negative outcomes resulting from social capital usage have the ability to impact one another. When issues are unimportant or are sufficiently addressed and resolved, *recourse bridling* may have minimal impact on the purchase experience. However, when recourse bridling causes issues to go unresolved, *trust decay* can occur. The impact of *trust decay* appears to depend largely on the attributions made by consumers. When situational attributions are made for product or service problems, consumers appear to compartmentalize trust and move forward with the relationship. However, when problems are attributed to individuals, whose intentions have come under suspicion, *relationship atrophy* seems to be the result. Finally, individual differences are likely to impact the way consumers respond to problems with the purchase and their impact on relationships.

Discussion

Despite the countless number of positive outcomes resulting from the use of social capital, our findings suggest that this behavior, from the individual's perspective, may fall short of the panacea it is often proclaimed to be. Our analysis sheds light on this veiled dimension of social capital behavior by identifying several classes of negative consequences that may result when anticipated outcomes are not fully realized in the marketplace. Although these outcomes appear to occur substantially less frequently than positive outcomes, identifying and examining them provides a more comprehensive understanding of social capital theory, particularly in the context of consumption.

In conjunction with the negative outcomes we identified, it may also be important to briefly note something that did not emerge from our data. Interestingly, participants' experiences and reports did not point to *reciprocity* as a negative outcome of using social relationships to make purchases. While our participants seemed to be aware of possible opportunities to reciprocate in the future, they did not appear to view reciprocity in a negative light. When asked if they would reciprocate if the occasion arose, many of them reported having already engaged in reciprocal behaviors; and many of those who had not yet reciprocated suggested that they would do so without hesitation, if given the chance. Rather than seeing it as an obligation, participants appeared to view reciprocity as an opportunity to express gratitude to their friends and to enhance their relationships with them. Given participants' positive perceptions of reciprocity related to their purchases, we have not included it as a negative outcome of using social capital in the marketplace, as it did not emerge as such from our data.

However, we acknowledge that the reciprocal obligations incurred from using social relationships for personal gains could potentially be viewed as a negative consequence for some individuals, under certain conditions. Reciprocity is a key mechanism that permits social capital behaviors to operate effectively, as it encourages individuals to grant access to their valuable resources in exchange for future favors (Lin 2001). Because reciprocity is an integral component of social capital behavior, it may not be easily eluded by some individuals, particularly given the norms and sanctions that can govern social circles (Heckathorne 1990; Horne 2001). Under certain conditions, the reciprocal obligations associated with social capital behaviors could potentially be construed or perceived by some individuals as negative outcomes. Although we did not see evidence of this in our data, we acknowledge the possibility that reciprocity could be viewed as an adverse effect when social capital is accessed and used for personal gains. In such cases reciprocity may not only influence the consumption experience, but it could actually prevent social capital from being used altogether, should consumers opt out of using their relationships in order to avoid reciprocal behaviors. Although beyond the scope of our data, scholars may wish to pursue the influence of reciprocity on consumers' decisions to use social capital for consumption purposes.

Although reciprocity was not reported as a negative outcome of using social relationships by participants in our study, as suggested previously, we did identify several categories of negative consequences of this behavior in the marketplace. In the following sections, we discuss the implications of these negative outcomes for both scholars and practitioners.

Negative Social Capital Outcomes: Theoretical Implications

The fact that individuals experience negative consequences from using their relationships is important to marketing scholars because it further highlights consumers' expectations associated with this behavior. Our analysis of consumers' experiences suggests that while social capital is likely to yield many benefits, as suggested by previous research (Johnson and Ross 2009), there may be countervailing forces working against consumers and firms when social relationships are used to make purchases, such as overly optimistic expectations regarding purchase outcomes. Marketing scholars have demonstrated that consumers obtain benefits as a result of their ongoing commercial relationships with firms, such as discounts (Gwinner, Gremler, and Bitner 1998; Peterson 1995), specialized treatment (Gwinner et al. 1998, Lacey, Suh, and Morgan 2007; Simonson 2005), and feelings of confidence and trust (Bendapudi & Berry 1997; Berry 1995; Coulter and Coulter 2002; Gwinner et al. 1998; Sheth and Parvatiyar 1995).

Because consumers obtain these benefits from traditional commercial interactions with firms, our data suggest that they may not only look for these same benefits when using social connections, but that they might expect to experience more of these benefits than normal. Along these lines, consumers might also expect to receive these benefits faster, given their social relationships, than might otherwise be required using normal commercial relationships. However, such expectations for improved returns and faster benefits may be overly optimistic, and at times unrealistic, setting up consumers to be disappointed when their expectations are not met (Oliver 1980). As suggested by previous research, the disconfirmation of expectations can have important implications for customer satisfaction and loyalty (Fornell et al. 1996; Mittal, Ross, and Baldasere 1998; Oliver 1999). Additionally, because social relationships are also involved, dissatisfaction can also extend beyond the product or service and can infect the relationship itself, as demonstrated throughout this paper.

Given the aforementioned processes, and when considered in conjunction with the positive outcomes of social capital use (Johnson and Ross 2009), our data suggest that the purchase experience itself has a tremendous ability to impact consumers' outcomes, probably much more so than when commercial relationships are used. In other words, when the purchase experience turns out favorably, socially connected consumers are likely to experience especially high levels of positive affect (Johnson and Ross 2009). However, when purchase experiences are problematic, expectations are disconfirmed and consumers may experience even lower affective reactions than if they had no relationship with the firm and its employees, given the constraint, loss of trust, or relational toll brought about by negative experience. In this respect, positive experiences are likely to enhance relationships with the firm, as well as the personal relationship involved, whereas negative experiences are likely to have the opposite effect. This polarizing effect of product and service outcomes has both direct and indirect theoretical implications for customer satisfaction and loyalty processes, as discussed in the marketing literature (Fornell et al. 1996; Mittal, Ross, and Baldasere 1998; Oliver 1999). Ultimately, when social capital is involved, assuring a positive purchase experience may be more important than ever before, given the enhanced upside and the adverse downside of this double-edged sword wielded by consumers.

Given the impact of consumers' expectations using social relationships, it is also important to consider the forces that influence them. Our interviews with participants, and the outcomes of their experiences, suggest that consumers may not always be fully aware of some of the potential relational risks that are tied to using their social relationships to make purchases. As mentioned previously, our data suggest that consumers may consider the benefits that they could receive from normal commercial relationships, and then assume that using friendships to make purchases will yield similar, if not more beneficial outcomes. It appears to be this fixation on potential benefits, in their various forms, that obscures the true costs of using the relationships. Furthermore, we suspect that this myopia also occurs as a result of differences in the way costs and benefits of using relationships are perceived by consumers. Our data suggest that consumers sometimes focus extensively on the monetary or affective benefits they hope to achieve, while overlooking, misunderstanding, or discounting the relational risks associated with such transactions. These differences may mask potential costs and lead consumers to be overly optimistic regarding the positive outcomes of drawing upon their relationships in consumption contexts.

Interestingly, differences among our participants suggest that experience using social capital may enhance consumers' ability to foresee these potential relational costs. Consumers with greater experience using relationships for consumption purposes may be more likely to have encountered and learned from negative encounters in the past, leading them to be more cognizant of potential relational pitfalls. These negative experiences, however, in no way guarantee that consumers will accurately anticipate and avoid such hazards in the future. Interestingly, because of the strong relational ties involved, many of our participants tended to provide situational attributions for negative experiences in which their friends were involved, rather than attributing breakdowns to the friends responsible, which could be indicative of attribution errors (Ross 1977; Meyers 2010). This may also represent a coping mechanism that consumers employ to reduce friction with friends and keep social relationships intact, even when things don't work out as anticipated. While doing so may help to preserve and uphold the relationship, it may also have the unintended effect of inhibiting consumers from learning from their experiences and anticipating such hazards in the future.

The attributions that participants make and the way that they compartmentalize trust appears to signal that consumers are ready and willing to give their friends the benefit of the doubt, even when things go wrong, as long as they can assure that their friends' intentions are pure. Ironically, however, the restraint they feel in addressing problems limits their ability to make such assessments. As a result, they sometimes must ascertain the other party's intentions in other, less effective ways. Consequently, when the other party intentionally or unintentionally fails to sufficiently signal proper intentions, trust can begin to decay and relationships may ultimately be jeopardized. Unfortunately, the downward spiral often begins with a lack of communication resulting from feelings of constraint, as suggested in figure 1. Although beyond the scope of our data, based on participants' reports, we suspect that many of participants' friends that were called upon to make purchases were not even aware of some of the problems their customers faced, as they were never brought up or discussed. And, when problems were addressed, it was often much later, after frustration had built and damage had been done. In the end, being aware of the processes that consumers go through when experiencing negative outcomes can greatly inform the way social relationships are thought about, studied, and managed in marketing contexts.

In addition to the aforementioned implications, uncovering the negative outcomes experienced by consumers using their relationships is also important because it demonstrates that there may be occasions in which consumers might wish to avoid using their relationships, despite the vast array of promising benefits. When relationships have more long-term value than immediate benefits, consumers may wish to seriously consider alternative options. In some cases, our data suggest that there may be too much at stake and too little to gain to justify using an important relationship for personal gains in the marketplace. Importantly, for this type of decision making to occur, consumers must first be cognizant of the affective and relational costs involved.

Finally, in addition to the numerous implications for marketing, the identification of these drawbacks to the individual is also important to scholars outside of the consumer domain. As mentioned previously, scholars in other areas have recently started to note the negative impact of collective forms of social capital derived from bounded solidarity (Portes and Landolt 1996; Portes and Sensenbrenner 1993). However, because these studies have focused primarily on membership in cohesive groups and communities, rather than on ties to other actors, our discovery of negative outcomes at the individual level makes an important contribution to social capital theory outside of marketing. If such drawbacks occur when using social capital for consumption purposes, it is very likely that they could occur in other individualistic contexts as well. Given the details provided by our data, it is reasonable to assume that similar costs could also be incurred by using relationships for other purposes, such a finding a job or climbing the corporate ladder. As a result, individuals in other settings may also want to seriously contemplate the outcomes of using their relationships, both positive and negative. Although beyond the scope of this study, such considerations might be important for scholars in other fields to consider.

Negative Social Capital Outcomes: Managerial Implications

With the attention placed on relationship marketing in recent years, the challenge of finding new ways to develop, maintain, and manage relationships with customers has remained one of marketing’s central priorities. Capitalizing on consumers’ inclination to use social relationships to make purchases represents one way firms can work toward managing important marketing relationships. Consequently, the use of social relationships to make purchases has a tremendous upside for both firms and customers, as highlighted in previous research (Johnson and Ross 2009). However, when social relationships are involved, these benefits to firms and to customers do not always come without risk. Our analysis and findings highlight the importance of effectively implementing and enhancing standard customer service strategies. However, we argue that doing so is considerably more important with customers using social capital to make purchases, given the negative repercussions that can potentially occur when social relationships are involved. In the following paragraphs, we discuss several of these policies and their possible impact on consumers' experiences.

Because customers using social connections may come into the purchase with heightened expectations regarding the benefits they hope to obtain, firms may need to spend extra time identifying and understanding those expectations. When such expectations are unrealistic or overly optimistic, firms and their employees may need to carefully adjust customers' expectations by outlining what should and what should not be expected as part of the purchase experience. Understanding and being aware that consumers who engage in social capital behaviors may be inclined to overestimate the benefits they will receive is likely to provide valuable insights to firms who wish to manage these types of behaviors. Dealing with and managing these expectations effectively, may help to further improve satisfaction with the purchase experience, as suggested by previous research (Oliver 1980; Oliver 1999).

As part of dealing with customers' expectations, firms should continue to assure that expectations are met or exceeded, especially when dealing with customers using social connections. Nearly all of the negative consequences shared by participants occurred as a result of initial product or service failures. In the case of social relationships, firms may need to work harder and pay extra attention to detail, given the impact that the experience itself has to polarize outcomes. As mentioned previously, customers with favorable experiences are likely to experience particularly high levels of positive affect (Johnson and Ross 2009), whereas those with adverse experiences are likely to suffer the opposite effect, by possibly experiencing the negative outcomes outlined in this paper. When compared to regular customers, the highs may be higher and the lows may be lower for social capital users. Given the monumental effect that product and service outcomes can have on the relationships involved and the customer's level of satisfaction, firms should do all they can to ensure trouble free experiences.

While it is important for firms to engage in behaviors that improve the probability of positive product and service outcomes, the expectation that things will continually unfold smoothly is clearly unrealistic. Problems inevitably arise, despite the best of intentions and the most effective policies. In these cases, firms may be able to minimize the impact of product or service breakdowns by implementing strategies that take advantage of the knowledge outlined in this paper. As highlighted in our analysis, customers using social connections often feel constrained from vocalizing and addressing their problems because of the social discomfort they perceive or expect to feel in future interactions. Knowing this, firms can focus on and enhance, if necessary, their policies to facilitate problem resolution, helping to minimize the discomfort.

This would include reassuring customers up front that they are determined to deliver positive purchase experiences, and informing them that doing so requires the firm to be aware of any issues that might arise. In addition, firms and their employees can reassure social customers that vocalizing problems will not be perceived as a social *faux pas* or an expression of ingratitude, but rather as an opportunity to enhance the relationship and help the firm to exceed expectations. Finally, rather than relying on customers to come forward when they face problems, firms can focus on follow-up procedures to assure that their needs and expectations are being met, both during and after the purchase has been completed. In some cases, firms may wish to carry out follow-up practices using a third party, to help attenuate the potential constraint consumers could experience when using their social relationships to make purchases. Based on our findings, firms should not assume that ‘no news is good news,’ given the feelings of restraint some socially connected consumers feel against complaining or addressing problems. Instead, firms should continue to intentionally and strategically solicit feedback from customers in order to keep the channels of communication open. Doing so could help them to counteract the negative repercussions sometimes associated with customers using social relationships.

In the end, as suggested by Johnson and Ross (2009), effectively managing customers who use social relationships to make purchases can help to enhance customer satisfaction, motivate and inspire repeat purchase behavior, and even induce customers to engage in referral behavior with their friends. However, ineffectively managing these types of relationships could have a much more detrimental effect, given the possibility of problematic interactions to constrain behavior, erode trust, and possibly even alter the very nature of the relationship being used. When such things occur, satisfaction is likely to plummet, repeat purchases may become less likely, and word of mouth behavior could be used against firms, as exhibited by several of the extreme cases in our data. For these reasons, firms need to fully understand the impact of these relationships, both positive and negative, and strive to manage them effectively. Because standard customer service strategies may be even more important when social capital is involved, effectively managing socially connected customers could generate important returns for firms, while also providing benefits to the customers who keep them in business.

Limitations

Given that the goal of this study was to gain a deeper understanding of social capital behavior by identifying and understanding the negative outcomes obtained by consumers, we selected methods and techniques that were most amenable to this objective. The grounded theory approach satisfied this objective by providing rich contextual detail about consumers' experiences and their outcomes related to social capital use in the marketplace. Nevertheless, given the tradeoffs associated with all research techniques (McGrath 1982), the generalizeability of our results may be limited. Given these trade-offs, it is our hope that those wishing to study this phenomenon from different perspectives, in new contexts, or with different methods will be able to utilize our findings to contribute to theory in this area.

Furthermore, based on the purposive sampling associated with the research methodology used in our study, it is difficult to ascertain the extent to which the negative experiences and outcomes examined in this paper occur for everyday consumers. Although we found that more than half of the participants interviewed had experienced some type of negative outcomes related to social capital, the prevalence of these outcomes among all consumers using social capital may or may not be similar. Further, the number of negative experiences, relative to all social capital experiences shared by participants, as presented in our study could also be an artifact of the sampling procedure. Given these known limitations, future research may wish to use different methods and techniques to determine the extent to which negative social capital behaviors occur for the larger body of consumers engaging in this behavior. In so doing, researchers may also wish to examine the conflict resolution style and tendencies toward complaining for those experiencing negative outcomes.

Future Directions

Although this study focused on negative outcomes resulting from the use of social relationships to make purchases, the findings from our study may be able to inform other types of marketing relationships, such as commercial friendships (Price and Arnould 1999). Commercial friendships are relationships between customers and a firm's representatives that start out as commercial relationships, but through repeated interactions and purchase encounters, they evolve to become a type of friendship. It would be interesting to examine whether or not these commercial friendships exhibit the same negative outcomes, when problems are encountered during the purchase, as we find with pure social relationships. Examining how potential negative outcomes from both types of relationships compare in terms of magnitude and impact on the consumption experience would be an interesting and important extension of our work.

In addition, our analysis uncovered *trust decay* as an important outcome of social capital behaviors in the marketplace. Consequently, we discussed the loss of both affective and cognitive dimensions of trust (Johnson and Grayson 2005) and the way that participants tended to compartmentalize trust to salvage relationships. Further examining this compartmentalization process, including how the different dimensions of trust interact to influence one another would be an exciting outgrowth of our research. In addition, identifying how these dimensions work together could further highlight the impact of building and losing trust on consumers' commercial and social relationships with firms. Doing so may not only be helpful in managing these different types of relationships, but it might also be beneficial when rebuilding trust after recovering from product or service failures.

In this vein, our finding may also help to inform product or service recovery strategies when dealing with customers using social connections for their purchases. Given the differences between consumers using social and commercial relationships to make purchases, there may also be differences in the way they respond to product and service recoveries. Based on the negative outcomes identified in this paper, and their specific ties to the social relationships used, our study may help to inform the way that firms conceptualize consumers' recovery expectations, beyond those identified in previous research (Ringberg, Odekerken-Schroder, and Christensen 2007). As a result, scholars may wish to examine how the outcomes of our study factor into reestablishing and rebuilding relationships with customers, particularly in terms of the *relational* cultural models that consumers apply to product or service failures.

Finally, while this study examined negative outcomes for the individuals directly involved in the purchase experience, one can imagine that these negative experiences might also affect others outside of the focal individuals. Given the negative impact these experiences have on consumers and their friends, it seems plausible that the negative outcomes could also have repercussions for those who are indirectly associated with the purchase, such as spouses or significant others, particularly when outcomes impact them in similar ways. Future research may wish to examine how negative outcomes impact trust and relationships for those who are connected to those directly involved in the transaction.

Conclusion

Our study, based on interview data provided by everyday consumers, identifies and examines an overlooked dimension of individual social capital theory. While social capital theory predicts that individuals use their relationships to achieve benefits, our research uncovered three important categories of negative outcomes resulting from the use of social relationships to make purchases. These outcomes are particularly interesting because they are both paradoxical and insightful. While in the pursuit of benefits, consumers sometimes incur unforeseen costs. Ironically, the same social forces that facilitate access to resources can also restrain those who seek them. In an interesting twist, the connections that create opportunities can also be the ties that bind; the relationships that liberate can also bridle and constrain. From the individualistic perspective, these outcomes constitute a clear point of departure from existing theory and research. This discrepancy adds depth to our understanding of social capital processes among consumers and provides scholars with a better foundation for conducting social capital research in marketing. In addition, delineating these negative outcomes illuminates important considerations for firms striving to capitalize on these important types of marketing relationships. In the end, identifying these drawbacks of social capital provides fresh theoretical insight to scholars and practitioners, even beyond the field of marketing.

References

Adler, Paul S. and Seok-Woo Kwon (2002), "Social Capital: Prospects for a New Concept," Academy of Management Review, 27 (1), 17-40.

Bharadwaj, Sundar (2010), "Assessing the Value of Social Capital: Three Views from the Marketing Perspective," in 2010 Winter Marketing Educators' Conference. New Orleans, LA.

Baker, Wayne (2000), Achieving Success through Social Capital. New York, NY: John Wiley & Sons.

Belk, Russell W., John F. Sherry, and Melanie Wallendorf (1988), "A Naturalistic Inquiry Into Buyer And Seller Behavior at A Swap Meet," Journal Of Consumer Research, 14 (4), 449-70.

Belk, Russell W., Melanie Wallendorf, and John F. Sherry (1989), "The Sacred and The Profane In Consumer-Behavior - Theodicy on The Odyssey," Journal Of Consumer Research, 16 (1), 1-38.

Bendapudi, Neeli and Leonard L. Berry (1997), "Customers' Motivations for Maintaining Relationships with Service Providers," Journal of Retailing, 73 (1), 15-37.

Bergadaa, Michelle M. (1990), "The Role of Time in the Action of the Consumer," Journal of Consumer Research, 17 (3), 289-302.

Berry, Leonard L. (1995), "Relationship Marketing of Services: Growing Interest, Emerging Perspectives," Journal of the Academy of Marketing Science, 23 (4), 236-45.

Bourdieu, Pierre (1986), “The Forms of Capital” in Handbook of Theory and Research for the Sociology of Education, J.G Richardson, Ed. Westport, CT: Greenwood Press.

Boxman, Ed, Paul M. De Graaf, and Hendrik D. Flap (1991), "The Impact of Social and Human Capital on the Income Attainment of Dutch Managers," Social Networks, 13 (1), 51-73.

Burt, Ronald. S. (2000), "The Network Structure of Social Capital," Research in Organizational Behavior, 22, 345-423.

______ (2004), "Structural Holes and Good Ideas," The American Journal of Sociology, 110 (2), 349-99.

Charmaz, Kathy (2006), Constructing Grounded Theory. Thousand Oaks, CA: Sage.

Chen, Chou C. and Xiao Ping. Chen (2009), "Negative Externalities of Close Guanxi within Organizations," Asia Pacific Journal of Management, 26 (1), 37-54.

Cohen, Sheldon, William J. Doyle, David P. Skoner, Bruce S. Rabin, and Jack M. Gwaltney, Jr. (1997), "Social Ties and Susceptibility to the Common Cold," JAMA, 277 (24), 1940-44.

Coleman, James S. (1988), "Social Capital in the Creation of Human Capital," The American Journal of Sociology, 94, 95-120.

Coulter, Keith S. and Robin A. Coulter (2002), "Determinants of Trust in a Service Provider: The Moderating Role of Length of Relationship," The Journal of Services Marketing, 16 (1), 35-51.

DiMaggio, Paul and Hugh Louch (1998), "Socially Embedded Consumer Transactions: For What Kinds of Purchases Do People Most Often Use Networks?" American Sociological Review, 63 (5), 619.

Dominguez, Silvia and Celeste Watkins (2003), "Creating Networks for Survival and Mobility: Social Capital among African-American and Latin-American Low-income Mothers," Social Problems, 50 (1), 111.

Edmondson, Amy C. and Stacy E. McManus (2007), "Methodological Fit in Management Field Research," Academy of Management Review, 32 (4), 1155.

Fernandez, Roberto M., Emilio J. Castilla, and Paul Moore (2000), "Social Capital at Work: Networks and Employment at a Phone Center," The American Journal of Sociology, 105 (5), 1288-357.

Folland, Sherman (2006), "Value of Life and Behavior Toward Health Risks: An Interpretation of Social Ccapital," Health Economics, 15 (2), 159-71.

Fornell, Claes, Michael D. Johnson, Eugene W. Anderson, Jaesung Cha, and Barbara Everitt Bryant (1996), "The American Customer Satisfaction Index: Nature, purpose, and findings," Journal of Marketing, 60 (4), 7-19.

Frenzen, Jonathan and Harry L. Davis (1990), "Purchasing Behavior In Embedded Markets," Journal of Consumer Research, 17 (1), 1-12.

Gabbay, Shaul M. and Ezra W. Zuckerman (1998), "The Contingent Effect of Contact Density on Mobility Expectations," Social Science Research, 27, 189-217.

Glaser, Barney G. and Anselm Strauss (1967), "The Constant Comparative Method of Qualitative Analysis," in The Discovery of Grounded Theory: Strategies for Qualitative Research. Chicago, IL: Aldine.

Granovetter, Mark (1985), "Economic Action and Social Structure: The Problem of Embeddedness," American Journal of Sociology, 91 (3), 481-510.

______ (1983), "The Strength of Weak Ties: A Network Theory Revisited," Sociological Theory, 1, 201-33.

______ (1973), "The Strength of Weak Ties," American Journal of Sociology, 78 (6), 1360-80.

Grewal, Rajdeep, Gary L. Lilien, and Girish Mallapragada (2006), "Location, Location, Location: How Network Embeddedness Affects Project Success in Open Source Systems," Management Science, 52 (7), 1043-57.

Gwinner, Kevin P., Dwayne D. Gremler, and Mary Jo Bitner (1998), "Relational Benefits In Services Industries: The Customer's Perspective," Journal of the Academy of Marketing Science, 26 (2), 101-15.

Han, Yong and Yochanon Altman (2009), "Supervisor and Subordinate Guanxi: A Grounded Investigation in the People's Republic of China," Journal of Business Ethics, 88, 91-115.

Heckathorn, Douglas D. (1990), "Collective Sanctions and Compliance Norms: A Formal Theory of Group-Mediated Social Control," American Sociological Review, 55 (3), 366-84.

Horne, Christine (2001), "The Enforcement of Norms: Group Cohesion and Meta-Norms," Social Psychology Quarterly, 64 (3), 253-66.

House, James S., Karl R. Landis, and Debra Umberson (1988), "Social Relationships and Health," Science, 241 (4865), 540-45.

Hung, Humphry (2008), "Normalized Collective Corruption in a Transitional Economy: Small Treasuries in Large Chinese Enterprises," Journal of Business Ethics, 79-94 (1-2), 69.

Johnson, Bryan R. and William T. Ross, Jr. (2009), “I Know a Guy: The Consequences of Using Social Capital to Facilitate Consumption Experiences,” unpublished manuscript presented at the annual meetings of the Association of Consumer Research, Memphis TN, October 2007.

Johnson, Devon and Kent Grayson (2005), "Cognitive and Affective Trust in Service Relationships," Journal of Business Research, 58 (4), 500.

Kawachi, Ichiro, Bruce P. Kennedy, Kimberly Lochner, and Deborah Prothrow-Stith (1997), "Social Capital, Income Inequality, and Mortality," American Journal of Public Health, 87 (9), 1491-500.

Krackhardt, David and Jeffrey R. Hanson (1993), "Informal networks: The company behind the chart," Harvard Business Review, 71 (4), 104-12.

Lacey, Russell, Jaebeom Suh, and Robert M. Morgan (2007), "Differential Effects of Preferential Treatment Levels on Relational Outcomes," Journal of Service Research, 9 (3), 241-55.

Lin, Nan (2001), Social Capital: A Theory of Social Structure and Action (1 ed.). Cambridge: Cambridge University Press.

_____(1999), "Social Networks and Status Attainment," Annual Review of Sociology, 25, 467-88.

Lin, Shu-Chi and Yin-Mei Huang (2005), "The Role of Social Capital in the Relationship between Human Capital and Career Mobility: Moderator or Mediator?" Journal of Intellectual Capital, 6 (2), 191-216.

Lincoln, Yvonna S. and Egon G. Guba (1985), "Designing a Naturalistic Inquiry," in Naturalistic Inquiry, Yvonna S. Lincoln and Egon G. Guba, Eds. Beverly Hills, CA: Sage.

Maurer, Indre and Mark Ebers (2006), "Dynamics of Social Capital and Their Performance Implications: Lessons from Biotechnology Start-ups," Administrative Science Quarterly, 51 (2), 262-92.

McGrath, Joseph E. (1982), "Dilemmatics: The Study of Research Choices and Dilemmas," in Judgment Calls in Research, J. E. McGrath and J. Martin and R. A. Kulka, Eds. Beverly Hills, CA: Sage.

Meyers, David G. (2010), Social Psychology. New York, NY: McGraw-Hill.

Mittal, Vikas, William T. Ross Jr., and Patrick M. Baldasare (1998), "The Asymmetric Impact of Negative and Positive Attribute-level Performance on Overall Satisfaction and Repurchase Intentions," Journal of Marketing, 62 (1), 33-48.

Moran, Peter (2005), "Structural vs. Relational Embeddedness: Social Capital and Managerial Performance," Strategic Management Journal, 26 (12), 1129-51.

Mouw, Ted (2003), "Social Capital and Finding a Job: Do Contacts Matter?" American Sociological Review, 68 (6), 868-98.

Nahapiet, Janine and Sumantra Ghoshal (1998), "Social Capital, Intellectual Capital, and the Organizational Advantage," The Academy of Management Review, 23 (2), 242-67.

Neuman, W. Lawrence (2000), Social Research Methods (4th ed.). Boston, MA: Allyn & Bacon.

Oliver, Richard L. (1980), "A Cognitive Model of the Antecedents and Consequences of Satisfaction Decisions," Journal of Marketing Research, 17 (4), 460-69.

Oliver, Richard L. (1999), "Whence Consumer Loyalty?" Journal of Marketing, 63, 33-44.

Patton, Michael Q. (1990), Qualitative Evaluation and Research Methods (2nd ed.). Newbury Park, CA: Sage Publications.

Peterson, Robert A. (1995), "Relationship Marketing and the Consumer," Journal of the Academy of Marketing Science, 23 (4), 278-81.

Portes, Alejandro (1998), "Social Capital: Its Origins and Applications in Modern Sociology," Annual Review of Sociology, 24, 1-24.

______ (2000), "The Two Meanings of Social Capital," Sociological Forum, 15 (1), 1-12.

Portes, Alejandro and Patricia Landolt (1996), "The Downside of Social Capital," The American Prospect, 26, 18-22.

Portes, Alejandro and Julia Sensenbrenner (1993), "Embeddedness and Immigration: Notes on the Social Determinants of Economic Action," The American Journal of Sociology, 98 (6), 1320-50.

Price, Linda L. and Eric J. Arnould (1999), "Commerical Friendships: Service Provider-Client Relationships in Context," Journal of Marketing, 63 (4), 38-56.

Provis, Chris (2008), "Guanxi and Conflicts of Interest," Journal of Business Ethics, 79-91 (1-2), 57.

Putnam, Robert D. (1993), “The Prosperous Community: Social Capital and Public Life,” The American Prospect, 24, 34-48.

______ (1995), “Bowling Alone: America’s Declining Social Capital,” Journal of Democracy, 6, 65-78.

Ream, Robert K. (2005), "Toward Understanding How Social Capital Mediates the Impact of Mobility on Mexican American Achievement," Social Forces, 84 (1), 201-24.

Rosenthal, Elizabeth (1997), "Social Networks and Team Performance," Team Performance Management, 3 (4), 288.

Ross, Lee (1977), “The ‘Intuitive Psychologist’ and His Shortcomings: Distortions in the Attribution Process,” in Advances in Experimental Social Psychology, Leonard Berkowitz, Ed. New York, NY: Academic Press.

Rouzies, Dominique and John Hulland (2010), "The Marketing - Sales Interface: A Social Capital Perspective," in 2010 Winter Marketing Educators' Conference. New Orleans, LA.

Seidel, Marc-David L., Jeffrey T. Polzer, and Katherine J. Stewart (2000), "Friends in High Places: The Effects of Social Networks on Discrimination in Salary Negotiations," Administrative Science Quarterly, 45 (1), 1-24.

Sheth, Jagdish N. and Atul Parvatiyar (1995), "Relationship Marketing in Consumer Markets: Antecedents and Consequences," Journal of the Academy of Marketing Science, 23 (4), 255.

Simonson, Itamar (2005), "Determinants of Customers' Responses to Customized Offers: Conceptual Framework and Research Propositions," Journal of Marketing, 69 (1), 32-45.

Smoldt, Robert K. (1998), "Turn Word of Mouth into a Marketing Advantage," The Healthcare Forum Journal, 41 (5), 47-49.

Strauss, Anselm and Juliet Corbin (1998), Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory (2nd ed.). Thousand Oaks, CA: Sage.

Teachman, Jay D., Kathleen Paasch, and Karen Carver (1997), "Social Capital and the Generation of Human Capital," Social Forces, 75 (4), 1343-1359.

Temkin, Kenneth and William M. Rohe (1998), "Social Capital and Neighborhood Stability: An Empirical Investigation," Housing Policy Debate, 9 (1), 61-89.

Thompson, Craig J., William B. Locander, and Howard R. Pollio (1990), "The Lived Meaning of Free Choice: An Existential-Phenomenological Description of Everyday Consumer Experiences of Contemporary Married Women," The Journal of Consumer Research, 17 (3), 346-361.

Torsten, Ringberg, Odekerken-Schröder Gaby, and L. Christensen Glenn (2007), "A Cultural Models Approach to Service Recovery," Journal of Marketing, 71 (3), 194-214.

Tsai, Wenpin and Sumantra Ghoshal (1998), "Social Capital and Value Creation: The Role of Intrafirm Networks," Academy of Management Journal, 41 (4), 464-77.

Uzzi, Brian (1999), "Embeddedness in the Making of Financial Capital: How Social Relations and Networks Benefit Firms Seeking Financing," American Sociological Review, 64-89 (4), 481.

______ (1997), "Social Structure and Competition in Interfirm Networks: The Paradox of Embeddedness," Administrative Science Quarterly, 42 (1), 35-67.

______ (1996), "The Sources and Consequences of Embeddedness for the Economic Performance of Organizations: The Network Effect," American Sociological Review, 61 (4), 674-99.

Warren, Danielle E., Thomas W. Dunfee, and Naihe Li (2004), "Social Exchange in China: The Double-Edged Sword of Guanxi," Journal of Business Ethics, 55 (4), 353-72.

Yan, Yun-xiang (1996), The Flow of Gifts: Reciprocity and Social Networks in a Chinese Village. Palo Alto, CA: Stanford University Press.

Yang, Mayfair Me-hui (1994), Gifts, Favors, and Banquets: The Art of Social Relationships in China. Ithaca, NY: Cornell University Press.

TABLE 1
BACKGROUND CHARACTERISTICS OF STUDY PARTICIPANTS

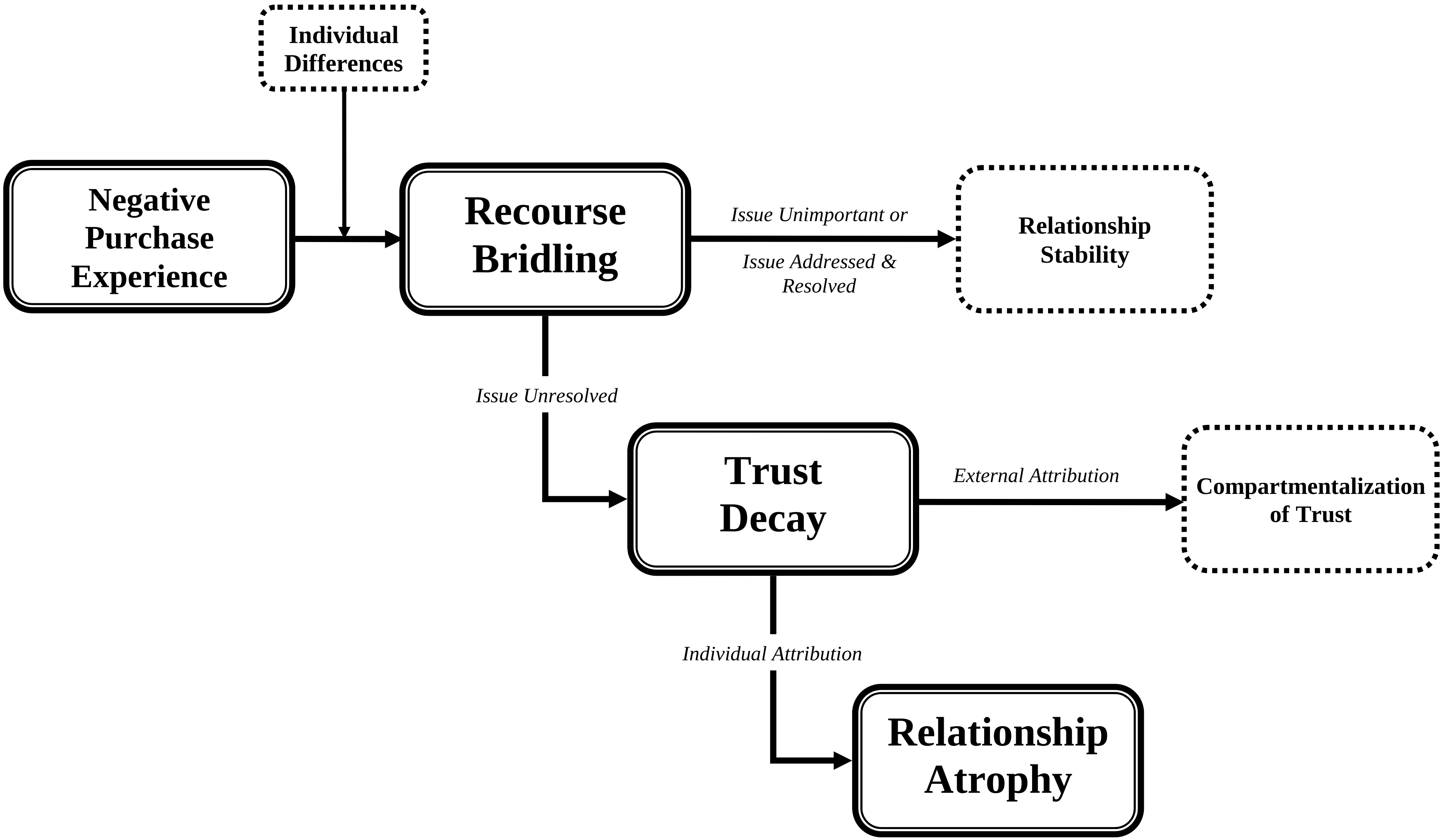
Name	Sex	Age	Race	Occupation	Education Level	Marital	Income
Allen	Male	29	Caucasian	PhD Student (Engineering)	Doctoral Degree	Married	$20,001 - $30,000
Brendan	Male	29	Caucasian	Landscape Architect	Bachelor's Degree	Married	$90,001 - $100,000
Brinley	Female	23	Caucasian	Full-time Student	Associates Degree	Married	$10,001 - $20,000
Bryant	Male	26	Caucasian	High School Teacher	Bachelor's Degree	Married	$30,001 - $40,000
Cord	Male	64	Caucasian	Professor	Doctoral Degree	Married	Over $100,000
Dirk	Male	32	Caucasian	PhD Student (Humanities)	Master's Degree	Married	$40,001 - $50,000
Dave	Male	53	Caucasian	Contractor	Some College	Married	$90,001 - $100,000
Jack	Male	29	Asian	Unemployed (Analyst)	Master's Degree	Married	$10,001 - $20,000
Joseph	Male	24	Caucasian	Full-time Student	Bachelor's Degree	Married	$10,001 - $20,000
Lydia	Female	47	Caucasian	Staff Assistant	Some College	Married	$90,001 - $100,000
Patty	Female	55	Caucasian	Housewife	Some College	Married	$70,001 - $80,000
Robinson	Male	56	Caucasian	Small Business Owner	Some College	Married	Over $100,000
Tina	Female	28	Caucasian	Staff Assistant	Associates Degree	Single	$20,001 - $30,000
Tom	Male	36	Caucasian	PhD Student (Business)	Master's Degree	Married	$50,001 - $60,000
Wayne	Male	30	Caucasian	Mechanical Designer	Bachelor's Degree	Married	Over $100,000
Walter	Male	40	Asian	Professor	Doctoral Degree	Married	Over $100,000

TABLE 2
POTENTIAL DRAWBACKS OF USING SOCIAL CAPITAL TO MAKE PURCHASES

Category	***Examples***
RECOURSE BRIDLING *(E=13, I=11)*	• "He's doing this for us and so maybe I better step back a little bit and not push him so hard….one of the reasons I wasn't so on his case and getting after him so much is I felt like I owed it to him not to, because of the deal…." • "And, we are less willing to harp on them sometimes because we don't want them to get offended….Maybe that would go along with the whole not talking to them about the problems, just because they helped us out . . . . so we didn't want to jump on them about stuff." • "After that, this guy gives us a huge bill . . . . Since he is somebody's friend we would not go to him and say, "Hey look. You did this thing wrong." • "I would say it would be a little awkward, and that's probably why I didn't actually get as mad as I probably would have normally if it would have been someone I didn't know." • "I think it affected the way that I was—and just that friendship, it's like, "Oh, if he doesn't call me back I don't want to"—because I felt like I was bugging him." • "So, that's why I kind of avoided certain things. We just kind of let things go after a while. . . ."
TRUST DECAY *(E=13, I=10)*	• "What was affected, was the only thing, that I don't trust his judgment 100 percent . . . . his judgment, rather than him….." • "The trust might not be quite as high, but I would still respect her opinion because I think she is very good." • "I've had friends and stuff that worked at certain places….I've had experiences in the past where people have said that they gave me a good deal, but then I saw it on sale somewhere else and it was cheaper that what they said it cost them at their cost and so I lost trust with them." • "I might be a little more hesitant to as quickly take his recommendation . . . . [In another situation like this], I might give him the friendly nod and smile and then not take it as literal as I had earlier. It's not like you're not friends anymore because the [recommendation] wasn't good, [but] I probably wouldn't go with him as much in big purchases." • "We got out of the whole thing . . . . without any trust left . . . ." • "And then I didn't trust him, either, because of that. I trusted him less."
RELATIONSHIP ATROPHY *(E=12, I=9)*	• "The relationship that we have with Stewart, now, feels different. It was more of a neighborly relationship earlier, now and as time has gone on, it feels more like a business type relationship. . . . It was kind of interesting the way that changed . . ." • "His relationship was affected. He was very angry and he really fought with this guy who was his friend's brother. He undermined his relationship with that guy because he was much closer to me." • "I think our relationship was good enough to where I don't think he would….[If he had sold me a bad product], I think it would have hurt our friendship. I think when you put your trust in someone, if that is broken, especially when you have a closer relationship, it can hurt it." • "Whatever [relationship] this person had with us was destroyed. It had basically turned [negative]." • "It's definitely in the back of my mind every time I think about hooking up with the guy –grabbing lunch or a beer with him or something like that. To be honest with you, I probably haven't reached out . . ." • "Well, obviously [the relationship] would never be what it was before, because there's just some things you can't take back, you know."

Note: *(E, I)* represents the number of unique experiences and unique individuals contributing to the categories, respectively

FIGURE 1
THE IMPACT OF NEGATIVE PURCHASE EXPERIENCES WHEN USING SOCIAL CAPITAL IN THE MARKETPLACE



Chapter 5

Conclusion

The ideas and findings presented in this dissertation converge to illuminate the influential impact of social capital usage among consumers in the marketplace. Using both qualitative and quantitative data, our analyses demonstrate that social relationships have the capacity to yield significant returns for the consumers who use them. Our findings underscore the importance of studying and managing these influential relationships used by consumers to make purchases.

The Big Picture: Interconnections among Essays

Although the essays presented in this dissertation address distinct elements of consumers' use of social capital in the marketplace, they are inherently interconnected with one another. When considered together, the 3 essays paint a more complete picture of the behaviors examined in this dissertation. Essay 1 introduces the idea of social capital in consumer contexts and documents its occurrence among everyday consumers, while also highlighting its impact on their consumption experiences. In so doing, this essay identifies the key outcomes obtained by consumers from employing their social relationships in the consumption process. By identifying and documenting these important outcomes, essay 1 lays a foundation for studying social capital behaviors in consumer contexts. In addition, by linking these behaviors and their outcomes to existing marketing constructs, such as customer satisfaction and loyalty, this essay highlights the importance of studying and managing these important types of relationships in marketing.

As essay 1 lays the groundwork for studying social capital usage among consumers, essay 2 builds upon it by validating and corroborating social capital outcomes for customers of an automotive business. These two essays are connected, as essay 2 empirically tests a portion of the framework outlined in essay 1, namely the theoretical relationship between social capital usage and *monetary savings*. Importantly, whereas essay 1 relies upon self reports shared by consumers during in-depth interviews to identify outcomes of social capital usage in the marketplace, essay 2 corroborates these findings using quantitative archival data on consumer purchases from an actual company. Using a different type of data and an alternative method of analysis, essay 2 provides additional support for the framework outlined in essay 1.

In addition to replicating the trends identified in essay 1, the second essay also advances social capital theory. Although social capital theory suggests that benefits can be achieved using both direct and indirect relationships with resource holders, comparisons among these two different types of connections have not been empirically examined. Importantly, essay 2 reveals that there are some situations in which indirect social relationships can yield returns similar to those achieved through direct social relationships. Stated differently, there are some contexts in which social capital users, who have no direct relationships with resource holders, may obtain the same benefits as those who know the resource holder directly. These findings highlight the amount of social influence that can potentially be transferred from one individual to another, which is something that has not been examined by social capital scholars. The ability to address and test this new dimension of social capital theory is the direct result of our ability to quantify the returns of using relationships in this context, which is also an important methodological advancement made in this dissertation.

Whereas essays 1 and 2 focus on the positive returns obtained by users of social capital in the marketplace, essay 3 takes a step back to reconsider whether the use of social capital necessarily results in positive outcomes. Essay 3 is related to the previous essays in the sense that it challenges the assumption that the returns of social capital are fundamentally positive or favorable. Whereas previous research on individual social capital theory has focused on and identified a myriad of positive returns, our data suggest that such outcomes may not always be positive in nature.

Delving into consumers' unique consumption experiences, we uncovered several categories of negative outcomes resulting from using social capital to make purchases. While the positive outcomes of using social capital are undeniable, particularly given the plethora of evidence identified in previous research across the social sciences, we view these negative outcomes as a new dimension of social capital behaviors. Similar to social capital theorists who have recently begun to identify inauspicious outcomes of collective forms of social capital, our findings highlight the possibility of such outcomes for individual users. Not only does this add depth and perspective to individualistic social capital theory in general, but it also has important implications for social capital behaviors in marketing. Just as essay 1 links these behaviors to the accelerated development of customer satisfaction and loyalty, the negative outcomes resulting from problems that arise during the purchase experience can potentially have the exact opposite effect. Rather than enhancing relationships and improving outcomes important to marketers, under certain situations, the use of social relationships can actually hinder consumers and deteriorate their relationships with firms. These negative outcomes have important implications for the consumers who use such relationships and the firms they frequent when doing so.

Bringing It All Together: General Learning

When considered together, the 3 essays combine to enhance and inform our understanding of social relationships in consumption contexts. Overall, we learn that some consumers actively use their social relationships to purchase a wide variety of products and services. We also discover the outcomes of using these social relationships for consumption purposes, which provides a foundation for further studying this phenomenon in marketing, while also highlighting some of the factors that motivate consumers to draw upon their relationships for consumption purposes. In addition, from this dissertation we learn how the returns of social capital can influence satisfaction and loyalty, including the speed with which they occur. Interestingly, when negative outcomes are considered, we also learn how the use of social relationships can have unintended effects for the customers who use them and the firms they frequent. These negative outcomes are ironic, but very insightful in terms of enhancing our understanding of the use of social relationships to facilitate consumption.

Additionally, we also learn more about general social capital theory from this dissertation. In addition to the new contexts in which social capital theory accurately explains the benefits of social relationships, we also discover negative outcomes for individuals, which is a novel finding from the individualistic perspective. The identification of these negative outcomes adds depth and nuance to social capital theory generally, by expanding the scope and range of relational consequences. The identification of these adverse consequences in consumption contexts, may suggest that such outcomes could potentially occur in other settings too, which is an important and expansive insight drawn from this dissertation.

Furthermore, the research design and methodology used in essay 2 to assess the value of social relationships provides a valuable framework for assessing the value of relationships in other settings, which is also a nice contribution to general social capital theory. This methodological approach allows new elements of social capital theory to be evaluated and tested, such as the returns obtained using different types of relationships and different methods of connecting to resource holders, as demonstrated previously. Using this approach, we learn that there are some situations in which social influence can be fully transferred from one individual to another. Our data suggest that in some cases, even those who do not have a direct social relationship with resource holders can achieve benefits similar to those who do. Together, this methodological advancement and the learning derived from it help to advance our understanding of social capital theory generally. This approach to studying social capital opens up numerous options for examining new elements of the phenomenon in a variety of settings.

Beyond what we learn about social capital theory generally and in marketing, the findings from this dissertation may also be able to inform our understanding of other marketing related constructs. The general findings from the essays suggest that social capital behavior in the marketplace may have the ability to influence and change the consideration sets and choice sets consumers use to narrow down product or service options, as well as the purchases they make. In some cases, decision sets may be constrained first by the options available in the channels in which consumers have social relationships with a firm's representatives, and second by the recommendations of friends within those channels. As demonstrated in this dissertation, some consumers select products based on accessibility through friends working for firms and based on the information gathered from them while in the process. As a result, scholars may wish to examine if and how using social capital impacts consideration and choice sets beyond ways currently outlined by marketing scholars (Bettman, Luce, and Payne 1998; Chakravarti and Janiszewski 2003; Desai and Hoyer 2000; Dhar and Sherman 1996). Doing so might help to disentangle the interaction between these complex cognitive decision making processes and the surreptitious social forces that govern them.

As another illustration of how social capital behaviors can enhance marketing thought, our analyses of both qualitative and quantitative data also suggest that social capital may be able to inform WOM behavior. While WOM may potentially be linked to some of the informational benefits discussed in this dissertation, these are only a portion of the benefits available to consumers who use social capital. By considering the additional benefits garnered from social relationships, social capital theory may expose new ways to think about and study WOM processes. The findings of this dissertation suggest that the reception of certain benefits motivates some consumers to talk to others about their purchase experiences, potentially increasing the occurrence of organic WOM (Herr, Kardes, and Kim 1991; Labay and Kinnear 1981). Alternatively, given the many positive outcomes of social capital mobilization, our findings also suggest that consumers who are less prone to spontaneously discuss their consumption experiences may be more likely to share information when solicited by others, possibly enhancing the frequency of sought after word of mouth behaviors (Bansal 2000; Brown and Reingen 1987; Duhan, Johnson, Wilcox, and Harrell 1997). Given such interactions, social capital theory may help to bolster and reinvigorate our understanding of WOM processes in marketing contexts.

Ultimately, the knowledge generated by this dissertation helps to enhance and extend the social dimension of consumer behavior, while at the same time shedding new light on the social capital theoretical framework in marketing and across the social sciences. Given the novelty of the findings outlined in this dissertation, there are many new inquiries to be addressed and much work to be done to more fully understand the various facets of social capital behavior among consumers. While this dissertation provides a strong foundation and a guiding framework for studying social capital behavior in consumer settings, it also reveals many new questions that need to be examined and explored.

Moving Forward: Future Directions

The next step in further expounding social capital behaviors in this context would most likely be to identify the extent to which consumers obtain the various outcomes highlighted in this dissertation, both positive and negative. Although we have identified these outcomes, our methodological choices do not permit us to determine with certainty the prevalence of each type of benefit obtained by consumers. Understanding the rate of occurrence of these positive benefits and negative outcomes would greatly improve our ability to assess the overall impact of this behavior on consumers and firms.

In addition, another step toward understanding this behavior may be to compare and contrast the outcomes of using social relationships with the outcomes of using traditional commercial relationships, on a larger scale. Now that the dimensions of social capital behavior are outlined and understood in consumer contexts, systematically comparing social and commercial relationships in a more generalizable way may help to further distinguish these two types of influential relationships that consumers maintain with firms. Doing so may also help to inform the ways that firms initiate, develop, and manage important marketing relationships with their customers.

Further, systematically comparing and contrasting commercial friendships (Price and Arnould 1998) and the social relationships used by consumers for consumption purposes could also shed light on the practice and process of converting traditional commercial relationships into other types of marketing relationships. Building upon the positive and negative outcomes identified in this dissertation, scholars and practitioners may be able to better determine the extent to which these relationships can and ought to approximate social relationships. Our findings identify and elaborate upon both positive and negative consequences associated with social relationships, which could help firms to identify the point up to which they should allow marketing relationships develop and progress. Identifying appropriate boundaries for marketing relationships may help both the customers who use them and firms who depend on them in accomplishing their distinct objectives.

Finally, consumers' use of social relationships to obtain benefits when making purchases may also have important implications for others involved, particularly in terms of fairness. An important step in advancing the research presented in this dissertation would be to thoroughly investigate and understand the impact that such behaviors have on others. It may be important to understand how these behaviors are perceived by others, particularly those customers who do not receive benefits from using their social relationships. Because these behaviors may have the capacity to harm others, scholars and firms need to do more to understand their direct and indirect influence on consumers and on the firms involved with such transactions. Making such assessments of consumers' perceptions of fairness and ethicality may not be easy, however, given the differing ethical models consumers may subscribe to (Trevino and Nelson 2003; Dunfee, Smith, and Ross 1997). Despite these difficulties, scholars and practitioners should keep issues of fairness in mind as they strive to understand the influence of these behaviors on consumers and firms.

Concluding Remarks

In conclusion, this dissertation highlights a prevalent and influential component of consumer behavior. The use of social relationships to make purchases has the ability to impact consumption in numerous ways. It can help consumers to conserve valuable resources, gather important information, benefit from favoritism, and experience positive affect toward the purchase experience. These outcomes have the ability to accelerate feelings of satisfaction toward employees and firms, which can ultimately result in repeat purchase behavior, creating an important and noticeable advantage for firms. However, these exact same relationships can also inadvertently lead to feelings of constraint, the loss of trust, and even the deterioration of relationships. Ironically, these negative outcomes can sabotage satisfaction and loyalty, having the exact opposite effect of that which was intended.

Interestingly, both types of outcomes constitute novel contributions to the marketing literature. As such, they not only lay the theoretical foundation for social capital in marketing, but they also illuminate numerous implications for marketing theory and practice. It is our hope that the ideas and findings derived from this dissertation will assist scholars and practitioners in conceptualizing, studying, understanding, and managing these important and influential social relationships used by consumers. We enthusiastically look forward to the continued development and application of social capital research in the consumer domain.

References

Bansal, Harvir S. (2000), “Word-of-Mouth Processes within a Service Purchase Decision Context,” Journal of Service Research, 3, 166-177.

Bettman, James R., Mary Frances Luce, and John W. Payne (1998), "Constructive Consumer Choice Processes," Journal of Consumer Research, 25 (3), 187-217.

Brown, Jacqueline Johnson and Peter H. Reingen (1987), "Social Ties and Word-of-Mouth Referral Behavior," Journal of Consumer Research, 14 (3), 350-63.

Chakravarti, Amitav and Chris Janiszewski (2003), "The Influence of Macro-level Motives on Consideration Set Composition in Novel Purchase Situations," Journal of Consumer Research, 30 (2), 244-58.

Desai, Kalpesh Kaushik and Wayne D. Hoyer (2000), "Descriptive Characteristics of Memory-based Consideration Sets: Influence of Usage Occasion Frequency and Usage Location Familiarity," Journal of Consumer Research, 27 (3), 309-24.

Dhar, Ravi and Steven J. Sherman (1996), "The Effect of Common and Unique Features in Consumer Choice," Journal of Consumer Research, 23 (3), 193-204.

Duhan, Dale F., Scott D. Johnson, James B. Wilcox, and Gilbert Harrell (1997), “Influences of Consumer Word-of-Mouth Recommendation Sources,” Journal of the Academy of Marketing Science, 25 (4), 283-295.

Dunfee, Thomas W., N. Craig Smith, and Jr. William T. Ross (1999), "Social Contracts and Marketing Ethics," Journal of Marketing, 63 (3), 14-33.

Herr, Paul M., Frank R. Kardes, and John Kim (1991), "Effects of Word-of-Mouth and Product-Attribute Information on Persuasion: An Accessibility-Diagnosticity Perspective," Journal of Consumer Research, 17 (4), 454-63.

Labay, Duncan G. and Thomas C. Kinnear (1981), "Exploring the Consumer Decision Process in the Adoption of Solar Energy Systems," Journal of Consumer Research, 8 (3), 271-79.

Price, Linda L. and Eric J. Arnould (1999), "Commerical Friendships: Service Provider-Client Relationships in Context," Journal of Marketing, 63 (4), 38-56.

Trevino, Linda K. and Katherine A. Nelson (2003), Managing Business Ethics (3rd ed.) Hoboken, NJ: John Wiley and Sons.

Appendix

Semi-Structured Interview Instrument

(Used for Essay 1 and Essay 3)

- Can you tell me about the approach you typically use when making a purchase?
- Have your relationships with others ever influenced the purchases decisions you've made? How?
- Have you recently drawn upon your relationships to purchase any products or services?
- Would you mind sharing the story with me regarding this purchase experience?
- What was your relationship to the person(s) who helped you?
- Did you know that this person(s) could help you before you talked to them? How?
- How often do you make this kind of purchase?
- What benefits did you receive from using this relationship(s) to make the purchase?
- Did you anticipate receiving any of these benefits beforehand? Which ones?
- Would you have been able to obtain these benefits without this relationship(s)?
- Did you anticipate receiving any benefits that weren't fully realized? What were they?

- Were there any drawbacks to using your relationship(s) to make this purchase? What happened?

- Did relying on your relationship(s) influence how you felt about the purchase experience? How?

- Were there any implications or consequences for the relationship(s) because you did this?

- What factors affect whether you will rely on your relationships for future purchases?

- How often do you purchase products using your social relationships?

- How did you learn to use your relationships to make purchases?

- What value do your social relationships have for you with respect to making purchases?

- Is there anything that you would like to add that we did not discuss regarding the products or services you have purchased or the way you purchased them?

CURRICULUM VITAE
BRYAN R. JOHNSON

EDUCATION:

Ph.D.	Pennsylvania State University
M.S.	Brigham Young University
B.S.	Brigham Young University

RESEARCH INTERESTS:

Social Capital; Social Networks; Social Structure and Consumption; Consumer Decision Making; Personal Selling in Embedded Contexts

PEER-REVIEWED PUBLICATIONS:

Jacobson, Cardell K. and Bryan R. Johnson (2006), "Interracial Friendship and African American Attitudes about Interracial Marriage," *Journal of Black Studies*, 36 (4), 570-584.

Johnson, Bryan R. and Cardell K. Jacobson (2005), "Contact in Context: An Examination of Social Settings on Whites' Attitudes Toward Interracial Marriage," *Social Psychology Quarterly*, 68 (4), 387-399.

PROFESSIONAL REFERENCES:

William T. Ross, Jr., Smeal Research Fellow in Marketing & Professor of Marketing, Pennsylvania State University, 351B Business Building, University Park, PA 16802. (814) 865-0623 wtr2@psu.edu

Margaret G. Meloy, Associate Professor of Marketing, Pennsylvania State University, 444 Business Building, University Park, PA 16802. (814) 863-0687 mmeloy@psu.edu