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Why Are Products of Social Enterprises Not Purchased Continuously? : A Re-Purchase Model for Social Enterprises

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ABSTRACT

Purpose: In the last decades, practitioners, including governments, have been interested in social enterprises (SEs) as a new sector, called the “fourth sector,” because of their social goals through commercial activities. Although many countries are supporting SEs because of their high evaluation of social contributions, in reality, they are highly dependent on government support, and many SEs are facing difficulties in sustainable management. Due to this issue, some studies have been conducted for the sustainable management of SEs, but research on SEs does not seem sufficient yet. For its sustainable management, the mechanisms between the important factors affecting the sustainable purchase intention of SEs must be understood from a marketing viewpoint. Thus, this study aims (1) to investigate the impact of SEs on their products; and (2) to provide a re-purchase model for SEs.

Design/methodology/approach: This study consists of two empirical studies collecting data from consumers who have purchased SE’s products in South Korea. Study 1 is an exploratory study to elicit sub-constructs for SEs and their products. Study 2 tests the hypotheses using structural equation model analysis.

Findings: The result of Study 1 revealed four sub-constructs for SE’s corporate associations (environment friendly, local community oriented, social responsibility, and employee welfare) and four sub-constructs of the product associations (functional, symbolic, emotional, and social). Meanwhile, the results of Study 2 show that some hypothetical paths in the conceptual re-purchase model for SEs are significant. *Environment friendly* only affects *functional*, whereas *local community oriented* affects *symbolic and social*. Meanwhile, *social responsibility* and *employees’ welfare* affect all four product associations, as hypothesized. Moreover, *functional* and *symbolic* affect only *sensory experience*; *social* affects only *cognitive stimulation*; while *emotional* affects both *sensory experience* and *cognitive stimulation*. Ultimately, both *sensory experience* and *cognitive stimulation*, which were affected by corporate and product associations, positively influence re-purchase intentions.

Research limitations/implications: This empirical research is meaningful in that it provides understanding about SEs from a marketing perspective. It initially provides the re-purchase mechanism for SEs to contribute a theoretical development for the emerging SE context. It also offers insights and managerial implication directions on how to market for the sustainability of SEs.

Keywords: Social enterprise, Re-purchase model, Sensory experience, Cognitive stimulation, Sustainability

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I. Introduction

Social enterprises (SEs) have received a great deal of attention lately. The business model of SEs has been regarded as a corporate sustainability solution and an outlet from a social responsibility perspective. In particular, practitioners, including governments, have been interested in SEs as a new sector (i.e., the “fourth sector”) because SEs seek to achieve social goals through commercial activities (WEF, 2018). An SE is a for-profit enterprise operated to achieve social community values and goals to pursue profit based on the social-economic system. OECD (2000) defined SE as an organization that has different legal forms in different countries with both social and economic goals based on entrepreneurship. SEs are meaningful in that they pursue corporate profits through corporate autonomy, have social publicity through social contributions and government financial support, and ultimately help vitalize the local community and economy (Kim and Kim, 2016). The social economy is often referred to as the third sector because the government and market overlap; it is an area between the public and market sectors (Monzon and Chaves, 2016). Many countries have focused on social economy that creates social values and shares the generated profits to solve social problems. In particular, compared with the European and US SEs, Korean SEs have grown rapidly in quantity in a shorter time because of the concentration of various support led by the Korean government.

Practitioners and academic researchers have taken an increasing interest in SEs because of their importance and impact on the economy and industry. Early research in SE literature emphasized its type and importance and focused on the positive effects of job creation and social contribution on society (e.g., Gil, 2013; Son and Lee, 2012). However, their theoretical underpinnings have not been explored well enough, and the need for academic research on SEs is pressing (Austin, Stenvenson, and Wei-Skillern, 2006). In particular, in the SE literature, studies regarding the SE sustainability are not enough. According to

Lee and Cha (2017), the most important factor for sustainable growth of SEs is government policy. The internal capacity of a company is an important factor to increase SE sustainability, which is achieved through the interaction of external environmental and internal factors of the company in a social structure. For the SE sustainability, Kim and Kim (2016) reported internal factors of the company, such as entrepreneurship, organizational culture, human resources, capital, and external factors (e.g., legal and institutional environment, regional networks and communities, and government support), from a management perspective.

Meanwhile, Choi, Kim, and Choi (2013) reported negative SE association factors toward SEs as well as positive association factors such as eco-friendliness, local community development, coexistence, employee welfare, and social contribution. These negative associations toward SEs existed equally in both buyers and non-buyers. This result raises the question of why customers purchase SE products despite their negative associations with those SEs. Some different mechanisms might exist in the purchase decision-making process for SEs. They seem to be entering the second phase, in which they must learn how to develop their sustainability. To develop SE sustainability, stakeholders must understand customers’ purchase behaviors, particularly their re-purchase behaviors, from a marketing perspective.

Thus, this study focuses on re-purchase behaviors based on associations with SEs and their products. This study aims (1) to investigate why people re-purchase SE products and (2) to propose a purchase model for SEs. This empirical research is meaningful in that it provides understanding about SEs from a marketing perspective. This study is an initial try at providing the re-purchase mechanism for SEs to contribute a theoretical development for the emerging SE context. Moreover, this study offers insights and managerial implication directions on the realization of SE sustainability.

II. Literature Review

A. Literature Review

Social entrepreneurship is different from commercial entrepreneurship in four factors: opportunity, context, people and resources, and deal. First, social entrepreneurship often focuses on providing long-standing needs, which require more innovative approaches. However, capturing certain opportunities through innovative approaches is not easy. Hence, SEs often launch sufficient planning, so business models for social entrepreneurship usually exceed their capacity. Second, social entrepreneurship has a different context, as it requires interaction with a social venture's mission and performance measurement systems. For example, rather than commercial purposes, social entrepreneurship often must raise awareness and attention for certain issues and care about the impact on a social purpose. Third, social entrepreneurship has constraints on people and resources because it has relatively lower compensation and incentives compared with commercial entrepreneurship. Fourth, social entrepreneurship has little or no economic capability and a limited number of target consumers. SE consumers have little economic or market power in their transactions. They are often considered both SE funders and significant customers (Austin *et al.*, 2006).

SEs are fostered in various countries, such as Europe and the United States, and environmental creation and support for SEs are institutionalized. Hence, the supply of services to create social values centered on the local community is becoming more active. The UK established the Social Enterprise Unit to support SEs through integrated and continuous policies. Moreover, it has been leading policy-making coordination and SE promotion through the "Successful Strategic Program of Social Enterprises" program since 2002. The Social Enterprise UK, a network of SEs and related support groups, is influencing the SE conference. In the case of Korea, when the Framework Act on Cooperatives was established and enforced in 2012, a cooperative with a legal character could be freely established if there are five or more

members. Many local governments carried out various support projects related to them; therefore, the social economy ecosystem in Korea has proliferated. SEs have achieved quantitative growth by investing a large budget every year in government-led SEs. Nevertheless, high doubts about the sustainability of SEs still exist (Kim, 2012). In Korea, out of 1,218 SEs in terms of operating profit, 79.2% showed a deficit, making it difficult for most SEs to stand alone (Korea Social Enterprise Promotion Agency, 2014).

Early academic studies of SEs mainly focused on establishing their concept, discussing the social value and purpose to be pursued and categorizing by SE type and characteristics. After that, as the SE system was established and the number of SEs increased according to the support, the research for SEs has focused on the effects of job creation provided by SEs, economic performance, social responsibility, and technological innovation (Son and Lee, 2012). Along with interest in the sustainability of SEs, studies on the performance of SEs have been reported in various ways, which are primarily classified into two categories: economic performance and social performance. First, previous studies on the economic performance of SEs were conducted focusing on the financial data and the employment-related performance of enterprises. In particular, the previous studies on the social performance of SEs focused on the provision of employment opportunities for the socially disadvantaged, the number of beneficiaries of social services, and reinvestment of the profits generated in society (e.g., Gil, 2013; Kwak, 2011; Kim and Kim, 2016). Later, some studies on the sustainability of SEs have been conducted and focused on the factors affecting the SE sustainability, i.e., the internal factors of the company (e.g., entrepreneurship, organizational culture, human resources, capital, organizational system, business strategy, and manager's ability) and external factors (e.g., legal and institutional environment, regional networks and communities, and government support). Kim and Kim (2016) reported the stability, which means sustainability in the market depending on government subsidies, was high at 33.4%. Gaps according

to the age and region of the company also existed. That is, many companies seemed to operate by relying on government support in the early stages of SEs, but they experienced difficulties in sustained growth when government support is terminated.

B. Consumers' Purchasing Behavior related with SEs

Going beyond the issue of providing administrative or legal system supplementation for the sustainable management of SEs, studies on the SE sustainability that understood consumers as a stakeholder at the marketing level and focused on consumer evaluation and purchase-related behavior have begun to be conducted. For instance, Allan (2005) emphasized that SEs have a special business model that provides consumers with social and commercial values that evaluate products by price or quality. Accordingly, the main core of the marketing strategy's success depends on understanding what value consumers want from SEs, how they value them, and how they are assessed differently for each consumer. Consumers' consumption behavior leads to product purchases in the sense that they support the targets of purchase or production enterprises' goals and activities, and their consumption behavior considers social issues and recognizes that they practice social responsibility (Choi and Kim, 2013b).

In addition, the behavior of purchasing products of social-economic enterprises pursuing social values is related to ethical consumption (Park and Son, 2013). Most previous studies' consistent results show that the higher the social value of an SE, the consumers have a more favorable attitude toward the enterprise. It eventually positively affects the purchase intention toward SE product and service. For example, Rhee and Ryu (2012) verified social welfare value and environmental health value through the mediating effect of corporate-consumer identification and corporate attitude on consumer's purchase intention toward SE products. Their result revealed that social welfare values positively influence corporate attitudes and

purchase intentions through identification between companies and consumers. Meanwhile, environmental health values have no mediating effect of identification, but they positively affect purchase intentions through corporate attitudes. Therefore, consumers prioritize social welfare values, and a favorable corporate attitude through social values must be established to increase consumers' purchase intentions. Indeed, trust in SEs is a critical factor; some studies reported that the higher the degree of trust and customer satisfaction in SEs, the greater the continuous purchase intention. In particular, consumers were more demanding and cautious in considering various factors than when purchasing a commercial-type product (Park and Son, 2013). Moreover, when consumers purchase eco-friendly products pursuing social values in the environmental sector, they have both higher purchase intentions and willingness to pay for eco-friendly products (Ko and Jeong, 2010). Meanwhile, Choi and Kim (2013b) reported segmented perceived values (environmental friendliness, community symbiosis, social return, and employee welfare) for an SE. Through the mediation of these perceived values of SEs and consumers' value congruence, the influence of these perceived values on attitudes toward SEs and purchase intentions was verified. In all factors, except for community symbiosis, positive correlations existed between value agreements. Through this study's results, we determined that environmental friendliness, social return, and employee welfare are important factors affecting purchase intentions toward SEs.

Meanwhile, some previous studies related to social responsibility have reported the opposite result. Corporate affinities based on social responsibility perceived positively by consumers are not directly connected to purchase through evaluation results or attitudes toward products. For example, Kim, Kim, and Lee (2009) analyzed the relationship between the degree of social responsibility and that of corporate friendship, purchase intention, and cost expenditure intention. They reported that the degree of social responsibility had a positive effect on forming a friendly attitude toward companies, but contrary to expectations, this did not lead to purchase intentions. Interestingly, many

consumers cannot distinguish between SE activities and the CSR of general corporations because consumers viewed SE activities and general corporate CSR similarly, not differently. This result seems to be mediated by consumers' interest and knowledge of SEs. That is, they do not need to be distinguished from a consumer standpoint (Choi *et al.*, 2013).

SEs invest in the creation of social values or contribute to social contributions related to the creation of social values; hence, consumers believe that purchasing goods or services from SEs is also considered an ethical consumption and self-improvement to society. The higher the level of trust or satisfaction in the SEs, the higher the continuous purchase intention of the consumers. The results of the comparative analysis between hedonic and utilitarian goods reveal relatively more factors to consider when purchasing practical goods than hedonic goods. Thus, consumers seem trickier and more prudent when shopping utilitarian goods than hedonic goods (Park and Son, 2013). In addition, in the environmental sector, consumers have higher purchase intentions and higher willingness to pay for eco-friendly products than general products (Ko and Jeong, 2010). Considering these studies, we can determine that consumers' attitude to support the SEs' pursuit of social and community values is an important factor influencing their sustainable growth. When reviewing the preceding studies, one can observe that SE products that emphasize values, such as social responsibility activities or eco-friendliness, may have a price premium compared to general products. Choi and Kim (2013a) reported that the perceived product quality of an SE has a positive impact on all the three sub-components of SE value: perceived functional, emotional, and social values. In addition, the value of SEs affected by perceived product quality indeed impacts customer satisfaction and consequently affects the re-purchase intention toward SEs. In other words, the causal relationship between the product quality of an SE and customer satisfaction and re-purchase intention was mediated by SE values.

Although the product quality of SEs is an important factor, consumers seem to discontinue purchasing

SE products due to their perception of low-quality products. Choi *et al.* (2013) conducted an exploratory study using in-depth interviews by dividing buyers who purchase SE products from non-buyers. They also conducted an exploratory study on the five sub-factors of association with SEs (eco-friendliness, community development and symbiosis, employee welfare, social contribution and return, and negative perception of SEs), and derived five sub-factors of product association (realization of social value, symbolism, high functioning, experiential value, and unusual freshness). Results of the comparative analysis between the group that purchases SE products and the group that does not, reveal that most SE and product associations were evaluated positively, but some were evaluated negatively. This is inferred to be due to the uncertain business model or low-quality products (services) currently possessed by SEs.

C. Corporate and Product Associations from the CSR perspective

An examination of the influence relationship between corporate and product associations as internal factors of general companies has been conducted over the past decades in SE research. Several studies have demonstrated the direct and indirect relationships between business and product associations in general for-profit companies for a long time (e.g., Brown and Dacin, 1997; Madrigal, 2000; Goldberg and Harwick, 1990; Shimp and Bearden, 1982); however, studies on business and product associations in SE situations are rare. In the literature, corporate associations have been labeled with various terms in different contexts. The corporate associations include the following: a person's perceptions, inferences, and beliefs toward corporations; a person's knowledge of previous behaviors related to the corporations; information about the companies; a person's emotions and moods based on the previous experiences with the companies; and the overall and specific evaluations of the companies (Brown and Dacin, 1997).

There has been a long-running lack of consensus

on the relationship between corporate associations and the corporations' product judgments and responses. The literature has suggested a positive link between corporate associations and consumers' judgments of the corporation's products (e.g., Aaker, 1996). Moreover, several studies have demonstrated that corporate associations positively influence judgments and responses to the corporate products (e.g., Keller and Aaker, 1994) through the impacts of corporate reputation (Goldberg and Harwick, 1990) and corporate credibility (Keller and Aaker, 1992). Madrigal (2000) expanded the study of Aaker (1997) to demonstrate that corporate excitement, among the detailed items of corporate ability, is a single-dimensional concept. He tried demonstrating the relationship between these two concepts on the company evaluation and new product evaluation. The result of the study revealed that both corporate excitement and corporate environmental friendliness had a significant positive relationship with company evaluation and new product evaluation. However, the result of weak association is opposite to that of Brown and Dacin (1997), who insisted on the strong relationship between CSR association and product response. That is, the more the consumers associate with a company as an eco-friendly company, the more they think that the company's products are also positive for the environment and generate a favorable corporate evaluation.

Conversely, some studies reported a weak negative relationship between corporate associations and their products' responses. For example, Shimp and Bearden (1982) reported that corporations' reputations did not strongly influence consumer responses toward their products and lowered the risk perceptions related to the products. Meanwhile, Brown and Dacin (1997) executed three studies on the inconsistent results about the relationship between corporate associations and product responses in the literature. Basically, they sought to differentiate between two distinct types of corporate associations—corporate ability (CA) associations and CSR associations. The results of the three studies reveal that corporate reputations based on CA associations (vs. CSR associations) have a greater impact on both the perceptions toward the

corporation's products and the overall corporate evaluations. The results also showed that CSR associations are as important as CA associations. Negative CSR associations do not seem to directly influence the product's social responsibility, but they influence the corporate evaluation and, ultimately, indirectly harm the product evaluation. However, positive CSR associations enhance product evaluations. In summary, their study demonstrated multiple paths of influence for corporate associations related to CSR perceptions.

III. Development of Hypotheses

Broadly defined, CSR is a company's obligation to exert positive corporate images to positively influence society and a company's activities and status related to societal or stakeholder obligations. CSR creates favorable associations that positively boost consumer responses, such as product and firm evaluations (e.g., Brown and Dacin, 1997; Mohr and Webb, 2005), customers' product attitudes (e.g., Berens, van Riel, and van Bruggen, 2005), and purchase intentions (e.g., Mohr and Webb, 2005). Suh and Jin (2008) divided CSR activities into three types: (1) donation/sponsorship; (2) independent activity; and (3) employee volunteering. They analyzed these CSR types' indirect impact on purchase intention mediated by corporate reputation and social connectedness. The results reveal that employee-volunteering activities have the greatest influence on corporate reputation and social connectedness, and in particular, they argued that these activities are a powerful means of forming emotional bonds between companies.

CSR initiatives consist of important elements of corporate identity that lead to customers', by creating benefits for companies. Ultimately, consumers who identified CSR are more likely to be satisfied with the firm's offerings (e.g., Bhattacharya and Sen, 2003; Lichtenstein, Drumwright, and Bridgett, 2004). The perceptions of CSR influence a brand's image, purchase intention toward the brand, the choice of retailers

to be patronized for that brand, and the firm's financial performance. CSR is also the key antecedent to and thus positively influences customer satisfaction (Luo and Bhattacharya, 2006). In an environmental context, CSR has a stronger impact than price on purchase intention (Mohr and Webb, 2005). Lee and Park (2009) categorized CSR activities of companies similarly to SE associations as (1) economic responsibility, (2) legal responsibility, (3) ethical responsibility, and (4) philanthropic responsibility. An impact relationship between these responsibilities and product evaluation is mediated by trust. Among them, economic responsibility directly affected two mediating variables, namely, expert-based trust and benevolence-based trust, and it had an indirect effect on corporate evaluation. Meanwhile, legal responsibility, ethical responsibility, and philanthropic responsibility had an indirect influence on corporate evaluation only through benevolence-based trust. Further, Choi and Kim (2013a) classified SEs' value associations into three: perceived functional value, emotional value, and social value.

Research demonstrating the direct or indirect impact relationship between corporate associations (CA) and product associations (PA) in general commercial enterprises has been conducted (e.g., Brown and Dacin, 1997; Madrigal, 2000; Goldberg and Harwick, 1990; Shimp and Bearden, 1982). However, studies focusing on the relationship between CA and PA in the SE context are scarce. Choi *et al.* (2013) explored consumer perceptions toward SEs and SE products through qualitative and quantitative research approaches. They reported five sub-component factors which consist of four positive consumer perceptions (environment focused, eco-systemic development with local community, employee welfare, and corporate social response) and one negative consumer perception toward SEs. They provided five sub-component factors (realization of social value, symbolism, high quality, experiential value, and exotic freshness) of consumer perceptions toward SE products. They also compared the perceptions between customers and non-customers of SEs. Interestingly, similar to non-customers, some SE customers have negative perceptions toward SEs, even though they purchase their products and positively

perceive those products.

Considering the recent CSR trend of domestic companies, CSR programs have evolved in various directions gradually, such as voluntary service programs, social return through product purchases, and partnerships between companies, and nonprofit organizations by breaking away from traditional CSR activities such as scholarship foundations or donations (Lee, 2010). In particular, Austin (2000) divided the development stages of alliances between general for-profit companies and nonprofit organizations into a total of three stages. The first stage is the philanthropic stage in which simple donations were made, and the second stage is the corporate and nonprofit stage. It was divided into a business partner (transactional) stage through mutual investment between institutions. The third stage is an integrated partnership (integrative) stage that integrates goals, shared values, and activities between partners. Among them, despite the short history of SEs in Korea, all types of the classification stages appear, confirming the remarkable growth of strategic alliances through partnerships between companies and nonprofit companies (Lee, 2010). That is, SEs cannot be distinguished from corporate CSR activities because of the direction of the CSR program currently pursued by the current enterprises.

A. Development and Results for Study 1

Most preceding studies have been conducted between corporate and product associations in the context of CSR activities, and studies between corporate and product associations for the SE context are insufficient. Therefore, this study first analyzed the exploratory level to discover the detailed components of the SE's corporate and product associations in Study 1.

For the measurement of Study 1, this study adopted the measurement items for SE corporate association and SE product association from Choi *et al.* (2013) and Choi and Kim (2013a, 2013b). Additional measurement items were developed for this study through the in-depth interviews with 25 SE customers.

As a result, 11 items for positive SE corporate associations and 14 items for SE product associations were used.

This study used an online survey conducted with SE customers living in South Korea. The developed questionnaires were distributed via email to the Internet survey panels of a field research firm. A total of 500,000 panel members, ranging in age from 18 to 60 years old, were located in different regions in Korea. To obtain actual SE customers, this study included a screening question asking who had purchased the SE products more than once in the previous three months. To collect enough respondent samples, the authors sent emails asking for participation three times. Eliminating incomplete data, this study finally obtained 241 usable surveys from actual customers of SEs.

An exploratory factor analysis (EFA) was performed to identify underlying factors for both the positive corporate and product associations of SEs using principal component analysis with varimax rotation. The Cronbach's alphas of the measurements were examined to confirm acceptable reliability. For the corporate associations of SEs, using 11 measurement items, the analysis produced four factors: environment friendly, local community oriented, social responsibility, and employee welfare. As shown in Table 1, the total variance of these four factors is 85.6%, and an eigenvalue of 1.0 is also used as criteria for the factor decision. In addition, because the Cronbach's alpha of each factor exceeded .70, measurements of positive corporate associations of SEs showed acceptable reliability.

Following the same procedure, this study determined the factor numbers and reliability for SE product associations. Four factors are potential components for measuring the product associations of SEs: functional, symbolic, emotional, and social. Four factors comprised 77.2% of the total variance, and the eigenvalue of all factors was above 1.0. The Cronbach's alpha of these four factors also represented adequate reliability (>.70). Through the EFA analysis, these four social corporate associations (environment friendly, local community oriented, social responsibility,

and employee welfare) and product associations (functional, symbolic, emotional, and social) were finally identified. Based on the EFA results, this study developed the hypotheses, as can be seen in Study 2.

B. Hypothesis Development for Study 2

Based on Study 1 results, four sub-constructs of SE corporate associations positively influence four sub-constructs of SE product associations. Thus, the following hypotheses have been developed:

- H1:** 'Environment friendly' positively influences product associations (H1-a. functional; H1-b. symbolic; H1-c. emotional; and H1-d. social).
- H2:** 'Local community oriented' positively influences product associations (H2-a. functional; H2-b. symbolic; H2-c. emotional; and H2-d. social).
- H3:** 'Social responsibility' positively influences product associations (H3-a. functional; H3-b. symbolic; H3-c. emotional; and H3-d. social).
- H4:** 'Employee welfare' positively influences product associations (H4-a. functional; H4-b. symbolic; H4-c. emotional; and H4-d. social).

Cognition has been recognized as a significant predictor of satisfaction judgments. The cognition literature focused on the disconfirmation paradigm, which compares expectations and performances (e.g., Oliver, 1980; Oliver and DeSarbo, 1988). Hung and Wyer (2011) suggested that people recall product usage situations by their product evaluations and that their actual positive associations lead to purchase situations. Thus, the utility images of products must be maximized for good product evaluations and positive situation associations. Homburg, Koschate, and Hoyer (2006) reported the role of cognition and affect in the formation process of customer satisfaction from a dynamic perspective. More importantly, they found that as the number of experiences increases, the impact of cognitive factors on satisfaction judgments increases, whereas the impact of affective factors decreases. That is, affect plays a particularly significant role in the early stages of the satisfaction judgment

formation process, when customers have little knowledge and experience related to the products.

Oliver's (1980) early research presented satisfaction as a single dimension of cognitive concept, but other studies related to satisfaction stated that satisfaction itself might be an emotional component or a cognitive with emotional component (Babin and Griffin, 1998; Bagozzi, Yi, and Phillis, 1991). Wirtz and Bateson (1999) emphasized the necessity to understand consumer behavior that separates cognitive and emotional evaluations into two because satisfaction is partly a cognitive or emotional evaluation of the consumption experience. Yu and Dean (2001) compared and evaluated the predictive ability of cognitive and emotional factors in satisfaction. Both positive and negative emotions and cognitive factors were related to consumer loyalty, and emotional factors were even more significant than cognitive factors. Emotional factors were determined to be a better predictor of consumer loyalty. Similarly, Swinyard (1993) conducted a user satisfaction study divided into rational satisfaction and emotional satisfaction. The results revealed that the emotional satisfaction of the user had more influence than the rational satisfaction.

Considering the importance of both cognitive and affective satisfaction, we can expect a simultaneous impact of cognition on satisfaction evaluation and sensory satisfaction in the context of consumption of SE products. Customers' positive evaluation of products will influence sensory satisfaction and stimulate a simultaneous cognitive evaluation of the products. Thus, each sub-construct (functional, symbolic, emotional, and social association) of product associations with SEs that SE customers obtained from their previous purchase experiences will positively influence both sensory satisfaction and cognitive stimulation.

- H5:** Functional product associations positively influence (H5-a) sensory satisfaction and (H5-b) cognitive stimulation.
- H6:** Symbolic product associations positively influence (H6-a) sensory satisfaction and (H6-b) cognitive stimulation.
- H7:** Emotional product associations positively

influence (H7-a) sensory satisfaction and (H7-b) cognitive stimulation

- H8:** Social product associations positively influence ((H8-a) sensory satisfaction and (H8-b) cognitive stimulation).

According to Choi and Kim's (2013b) empirical study on re-purchase intentions for SEs, the impact relationship between customer satisfaction and purchase intentions and perceived quality and value of SE products was analyzed. The result confirmed that the perceived values of SE products, segmented into functional, emotional, and social values, had a positive effect on the re-purchase intention with customer satisfaction as a parameter. Homburg *et al.* (2006) also reported that the customers' positive satisfaction evaluation results and cognitive stimulation about SE products lead to re-purchase intentions. Thus, both sensory satisfaction and cognitive stimulation are expected to affect re-purchase intention.

- H9:** Sensory satisfaction positively influences re-purchase intention.
- H10:** Cognitive stimulation positively influences re-purchase intention.

C. Methodology and Test Results for Study 2

For measurement of the sensory satisfaction and cognitive stimulation, measurement items from Park, Jaworski, and MacInnis (1986) were used, as they relied on previous experiences. Finally, items from Spears and Singh (2004) were used to measure the purchase intention.

Study 2 also used an online survey, conducted with SE customers living in South Korea. The developed questionnaires were distributed to 500,000 panel members, ranging in age from 18 to 60 years to collect data from actual SE customers. In the survey, a screening question regarding customer's purchase experience of SE products more than once in the previous three months is presented. Eliminating incomplete data, Study 2 obtained 241 usable surveys. The demographic features from Study 2 data are

the following. The numbers of male and female customers were almost the same: 119 (49.4%) for male customers and 120 (50.6%) for female customers. Of the total 241 respondents, 75 respondents (31%) ranged in age from 31 to 40 years; 62 (25.7%) from

41 to 50 years; and 50 (20.6%) were more than 51 years old. The majority of the respondents were married (63.9%). In terms of income, the majority were in the mid-range of monthly household income (\$2,000-\$6,000). Among occupations, 95 (39.4%)

Table 1. Measurement items and CFA results: proposed research model

Measurement items	Item Reliability	Construct Reliability	AVE
Environment Friendly			
• The social enterprise considers environment preservation.	.787	.932	.775
• The social enterprise is more likely to be environment friendly.	.757		
• Compared to general enterprises' products, social enterprise's products...	.787		
• The social enterprise tries to reduce the problems related to environmental ...	.771		
Local Community Oriented			
• The social enterprise is interested in local development and conducts...	.745	.903	.757
• The social enterprise supports various activities for local society...	.848		
• The social enterprise tries to have a symbiotic relationship or co-work with...	.679		
Social Responsibility			
• The social enterprise does social service activities positively.	.696	.857	.750
• The social enterprise invests part of their profits for social works...	.805		
Employee welfare			
• The social enterprise makes efforts for the safety and health of the employees.	.834	.888	.799
• The social enterprise considers the welfare of the employees.	.764		
Functional			
• The social enterprise's products have high quality.	.760	.903	.700
• The social enterprise's products are well designed.	.704		
• The social enterprise's products provide high value.	.702		
• The products provided by general enterprises are hackneyed and ...	.632		
Social			
• The social enterprise's products have unique social value, which the product ...	.599	.870	.691
• I am sure that buying the social enterprise's products helps the margins of society.	.745		
• Buying the social enterprise's products is a way to convey social value ...	.729		
Symbolic			
• The social enterprise's products correspond with religious viewpoints ...	.552	.727	.572
• The consumption of the social enterprise's products makes me a good ...	.591		
Emotional			
• Even if I don't directly donate, buying social enterprise's products gives me ...	.632	.899	.640
• The consumption of social enterprise's products is consistent with my values...	.694		
• I think that social justice can be realized through the consumption of social...	.619		
• Social enterprise's products provide new feelings because they have their...	.575		
• The consumption of social enterprise's products is one of the ways to realize...	.679		
Sensory Satisfaction			
• After consumption of social enterprise's products, I have a positive perception of the products.	.714	.895	.741
• I am satisfied with the social enterprise's products.	.814		
• When I talk about the social enterprise's products, I will use positive expressions.	.694		
Cognitive Stimulation			
• I remember my buying style toward the social enterprise's products, the situation I used the products, or the specific role of the product.	.687	.813	.685
• I will recall the social enterprise's products when I buy some products.	.682		
Re-purchase intention			
• I will purchase the social enterprise's products if I need any products or services.	.805	.926	.808
• I am willing to buy the products or services of social enterprises.	.810		
• I am interested in the products or services of social enterprises.	.808		

Model fit: $\chi^2_{(440)}=809.792$, $p<.001$; GFI=.838; CFI=.949; TLI=.935; SRMR=.038; RMSEA=.059

Note: CFA = confirmatory factor analysis, GFI = goodness-of fit index, CFI = comparative fit index, TLI = Tucker-Lewis index, SRMR = standardized root mean square residual, RMSEA = root mean square error of approximation

were office workers, 46 (19.1%) were housekeepers, and 31 (12.9%) were professional workers.

A confirmatory factor analysis (CFA) was conducted to test the measurement model using AMOS 5.0. A CFA validated this study's structural model, which included 11 constructs measured by 33 observed variables. The measurement model showed an acceptable model fit: $\chi^2_{(440)} = 809.79$, $p < .001$, GFI = .84, CFI = .95, TLI = .94, SRMR = .04, RMSEA = .06. Following the same procedure used in the two prior CFAs, this study confirmed reliability and validity. The construct validity of the latent constructs was assessed by convergent and discriminant validity (Table 1). All path weights were significant; thus, convergent validity showed a satisfactory level. A test of discriminant validity verified that each construct was independent of other constructs. Moreover, the composite reliabilities of all 11 constructs exceeded the required standard of .70 (Nunnally and Bernstein, 1994), and the average variance extracted (AVE) values of all constructs were greater than .50 (Table 2).

Structural model testing was conducted to test this study's hypotheses by using the maximum likelihood method with AMOS 5.0. Table 3 illustrates good model fits of the proposed research models ($\chi^2_{(462)} = 976.43$, $p < .001$, GFI = .81, CFI = .93, TLI = .91, SRMR = .057, RMSEA = .07) and the hypothesis

testing results. H1a-H1d investigate the impact of the environmentally friendly construct on SE product associations, including functional (H1a), symbolic (H1b), emotional (H1c), and social (H1d) dimensions. The results showed that environment friendly does not have a significant impact on SE product associations except in the functional dimension ($\gamma = .205$, $t\text{-value} = 1.948$). Thus, H1a was supported, but H1b, H1c, and H1d were rejected. H2a-H2d proposed that the degree of local community orientation of SEs positively influences four dimensions of SE's product associations: functional (H2a), symbolic (H2b), emotional (H2c), and social (H2d). The local community orientation significantly and positively impacts the symbolic and social dimensions of SE product associations, whereas it did not influence functional and emotional dimensions, supporting H2b ($\gamma = .238$, $t\text{-value} = 1.963$) and H2d ($\gamma = .251$, $t\text{-value} = 2.926$). H3a-H3d explicated the impact of social responsibility of SEs on their product associations. Results showed that social responsibility positively affects the four dimensions of the product associations, thus supporting all the hypotheses. In addition, employee welfare also has a positive impact on the functional, symbolic, emotional, and social dimensions of SE product associations, thereby supporting H4a-H4d. Meanwhile, H5-H8 postulate how SE product associations influence experiential

Table 2. Convergent and discriminant validity for proposed research model

	1	2	3	4	5	6	7	8	9	10	11
Environment friendly	.775	.717	.644	.766	.632	.533	.651	.720	.648	.645	.704
Local community-oriented		.757	.729	.658	.530	.615	.655	.741	.565	.626	.654
Social responsibility			.750	.640	.553	.592	.658	.681	.576	.552	.697
Employee welfare				.799	.636	.578	.623	.729	.664	.725	.655
Functional					.700	.523	.607	.764	.616	.641	.620
Symbolic						.572	.744	.765	.751	.696	.669
Emotional							.640	.826	.788	.798	.825
Social								.691	.743	.831	.804
Sensory Satisfaction									.741	.868	.785
Cognitive Stimulation										.685	.814
Re-purchase intention											.808

Note: The numbers in the diagonal line are the average variance extracted (AVE) by each construct. The number above the diagonal is the squared correlation coefficient (SIC) between the constructs.

Table 3. Results of the structural modeling for hypothesis test

Structural paths	Standardized estimate	Standard error	t-value
Environment friendly → Functional (H1a)	.205	.101	1.948*
Environment friendly → Symbolic (H1b)	-.093	.112	-.742
Environment friendly → Emotional (H1c)	.120	.090	1.234
Environment friendly → Social (H1d)	.087	.085	.982
Local community oriented → Functional (H2a)	-.027	.109	-.264
Local community oriented → Symbolic (H2b)	.238	.122	1.963*
Local community oriented → Emotional (H2c)	.151	.098	1.602
Local community oriented → Social (H2d)	.251	.093	2.926**
Social responsibility → Functional (H3a)	.180	.102	1.854*
Social responsibility → Symbolic (H3b)	.234	.114	2.012**
Social responsibility → Emotional (H3c)	.284	.093	3.093**
Social responsibility → Social (H3d)	.183	.086	2.231**
Employee welfare → Functional (H4a)	.429	.101	4.009***
Employee welfare → Symbolic (H4b)	.413	.113	3.236**
Employee welfare → Emotional (H4c)	.331	.090	3.356***
Employee welfare → Social (H4d)	.445	.087	4.847***
Functional → Sensory Satisfaction (H5a)	.127	.057	2.053**
Functional → Cognitive Stimulation (H5b)	.090	.053	1.570
Symbolic → Sensory Satisfaction (H6a)	.276	.077	3.577***
Symbolic → Cognitive Stimulation (H6b)	.086	.068	1.273
Emotional → Sensory Satisfaction (H7a)	.524	.073	6.837***
Emotional → Cognitive Stimulation (H7b)	.535	.071	7.290***
Social → Sensory Satisfaction (H8a)	.080	.073	1.016
Social → Cognitive Stimulation (H8b)	.362	.072	4.698***
Sensory Satisfaction → Re-purchase intentions (H9)	.174	.096	2.052**
Cognitive Stimulation → Re-purchase intentions (H10)	.748	.108	7.814***

Model fit: $\chi^2 = 976.428$ (df = 462, $p < .000$), GFI = .806; CFI = .925; TLI = .914; SRMR = .057; RMSEA = .068

Note: * $p < .1$, ** $p < .05$, *** $p < .001$

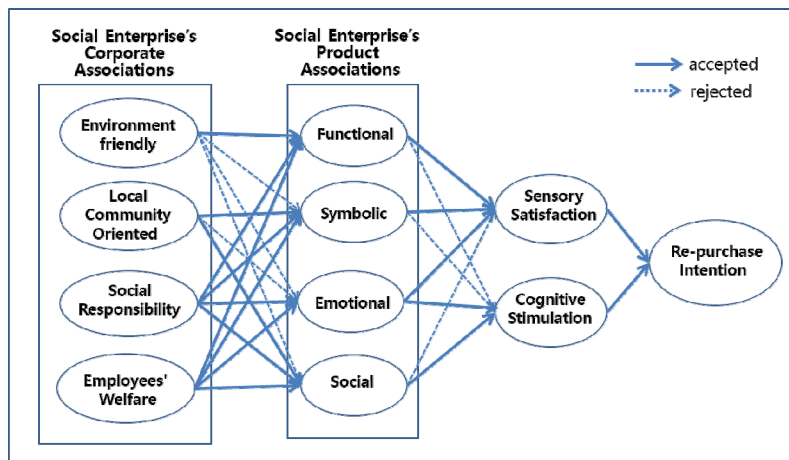


Figure 1. Re-Purchase Model for Social Enterprises

aspects, including sensory satisfaction and cognitive stimulation. Results showed that sensory satisfaction is significantly influenced by functional (H5a), symbolic

(H6a), and emotional dimensions (H7a), but the social dimension did not affect sensory satisfaction, thereby rejecting H8a. The emotional dimension (H7b) and

social dimension (H8b) positively influenced cognitive stimulation, whereas the functional (H5b) and symbolic (H6b) dimensions did not impact cognitive stimulation. Thus, H7b and H8b were accepted. Finally, the study hypothesized that two experiential aspects, namely, sensory satisfaction and cognitive stimulation, positively influence re-purchase intentions. As we expected, the findings indicate that sensory satisfaction and cognitive stimulation significantly and positively impact re-purchase intentions, thus supporting H9 and H10. Figure 1 shows the results of the hypotheses being tested in Study 2.

IV. Discussion and Conclusion

A. Result Summary and Discussion

SEs have received a great deal of attention lately, as their business model is considered a sustainability solution, from a company perspective, and an outlet, from a social responsibility perspective. Given the importance of the impact of SEs on our economy, attention and interest are increasing from both practitioners and academic researchers. Academic studies on SEs mainly include the related associations and evaluations (Choi *et al.*, 2013), the effects of such associations and evaluations on customer's purchase intention of SE products (Choi and Kim, 2013b), and the effects of perceived values for a company on consumer's purchase intention of SE products (Choi and Kim, 2013a).

Many people do not seem to distinguish between social entrepreneurship and commercial entrepreneurship. Moreover, they do not seem to care about this distinction. Interestingly, similar to non-customers of SEs, some customers of SEs have negative associations, even though they purchase their products and have positive associations with those products (Choi *et al.*, 2013). Considering the literature of SEs, studies related to SEs are not enough despite the interest in sustainable management of SEs. This leads to a question about what mechanism works in creating re-purchase behavior

in an SE context. Therefore, this study aims to investigate why people re-purchase SE products and ultimately propose a re-purchase model for SEs from a consumer viewpoint.

In Study 1, the exploratory study has been conducted by executing an EFA to determine the sub-constructs for SE corporate associations and SE product associations, respectively. The result of Study 1 revealed four sub-constructs for SE's corporate associations (i.e., environment friendly, local community oriented, social responsibility, and employee welfare) and four sub-constructs of the product associations (functional, symbolic, emotional, and social). Based on the outcomes from Study 1, the hypotheses were developed in Study 2, which eventually proposed a re-purchase model for SEs by testing using a structural equation model analysis.

The empirical results showed that some of the hypothetical paths in the re-purchase model for SEs are significant. The *environment friendly* construct only affects the *functional* product association, and *local community-oriented* construct affects *symbolic* and *social* product associations. Meanwhile, *social responsibility* and *employee welfare* affect all four product associations (functional, symbolic, emotional, and social), as hypothesized. These results seem to mean that *environment friendly* and *local community-oriented* constructs are not dominant factors affecting product associations with SEs. Some of these sub-factors of corporate associations seem to depend on context. The results showed that *social responsibility* and *employee welfare* are important factors to corporate associations, influencing all sub-factors of their product associations. This is consistent with the literature on CSR, which reports that CSR creates favorable associations that positively boost consumer responses such as product and firm evaluations (Brown and Dacin, 1997; Mohr and Webb, 2005). The results of this study confirmed that *employee welfare* is the strongest key factor influencing all sub-factors of product associations (all path coefficients for these items are over .33). Through the results, we may infer that SE customers understand SEs' features, as they are often considered both SE funders and significant customers. In doing so, *employ-*

ee welfare boosts consumer responses such as SE products.

Among the product associations with SEs, functional and symbolic associations affect only the sensory satisfaction, but not cognitive stimulation. This result is contrary to the previous literature, which has heavily reported that functional associations with products take a utilitarian frame, so they influence cognitive stimulation through the disconfirmation paradigm (e.g., Oliver, 1980; Oliver and DeSarbo, 1988). Functional associations with SE products seem relatively satisfied, but they do not seem to boost further cognitive judgment about the purchase decision-making process. This is influenced by the inferior product quality of SEs, as highlighted by the previous studies pointing out inferior SE product quality (Choi *et al.*, 2013).

This study confirmed that symbolic product associations with SEs, such as trendy and exotic experiences, directly increased satisfaction from purchasing experiences, which is consistent with the results of the qualitative research by Choi *et al.* (2013). However, symbolic product associations did not stimulate cognition. However, emotional associations with SE's products were the strongest key factor among the product associations. Emotional product associations influence both sensory satisfaction and cognitive stimulation in the purchase decision-making process. This is a very interesting result as emotional associations both stimulate cognitive judgment and influence sensory satisfaction, indicating a simultaneous integration between cognition and affect, which produces satisfaction. This result supported the previous studies reporting the impact on various cognitive judgments in producing satisfaction and the interaction between affect and cognition (Oliver, 1997; Smith and Bolton, 2002). That is, affective associations with SE products play the most important role among these product associations when increasing re-purchase intentions, as the affective associations directly increase satisfaction and directly stimulate cognition in purchase judgment, and indirectly increase re-purchase intentions.

Social associations with SE's products influence only cognitive stimulation. It means that cognitive stimulation is induced by social associations with

SE's products, whereas the social associations do not lead to customer satisfaction. SEs usually focus their businesses on social connections and have tightly linked social communities. According to Nitzan and Libai (2011), a social effect is a key driver in the product adoption, and the extent of social influence on retention decays over time. The likelihood of defection is influenced by the strength of social connections and homophily with defecting neighbors. Thus, SE customers do not seem to enjoy social product associations, even though we do not understand the exact reasons. We presume that social ties provided by SEs are not strong enough, or their social values do not seem to be effectively communicated to their customers, so that SE customers do not seem to appreciate social product associations.

Ultimately, both sensory satisfaction and cognitive stimulation, which were affected by corporate and product associations, positively influence re-purchase intentions. More importantly, the impact of cognitive stimulation on re-purchase intention is very strong ($\gamma = .74$), whereas the impact of sensory satisfaction on re-purchase intention is relatively small ($\gamma = .17$). SE customers seem to judge their further purchase decisions through a cognitive decision-making process, not relying only on their previous satisfaction. Thus, SEs should pursue their customers cognitively rather than affectively. This is consistent with Homburg *et al.*'s study (2006), who reported that as the number of experiences increases, the impact of cognitive factors on satisfaction judgments increases, whereas the impact of affective factors decrease.

According to Kim and Lee (2013) conducting an experimental study on how company's CSR activities affect product evaluation by applying the interpretation-level theory, consumers interested in a specific CSR activity area positively influenced product evaluation by a CSR activity and in the case of the mindset activated. However, consumers who are not interested in a specific CSR activity area positively influenced the product evaluation in which conditions are abstract not in the case of the mindset activated, not specific. That is, company's CSR activities seem to affect product evaluation. According to the study on the

purchase intention of SEs by Choi and Kim (2013b), consumer value perceptions toward SEs did not directly affect positive attitudes toward SEs, but value congruity between SEs and consumers. It turned out to have an effect through a complete mediation. In addition, both value congruity between SEs and consumers and positive attitudes toward SEs positively influenced the purchase intention of SEs. We can confirm whether the value consistency between the SE and the consumer plays an important mediating role in a series of processes affecting the purchase intention through consumer attitude and perception of the SE value. Considering these two studies, some of the rejected hypotheses in this study seem to be by some mediators like value congruence or moderators, such as SE' consumer interest and mindset.

B. Research Contribution and Managerial Implications

Theoretically, this research provides understanding about SEs from a marketing perspective. This is meaningful in that this is the first trial to investigate SEs' consumer re-purchase intentions. It initially provides an in-depth understating about the re-purchase mechanism for SEs, so it contributes a theoretical development to the emerging SE context. As mentioned in the discussion section, this study confirms the satisfaction judgment formation process, and the consumption and purchase decision-making processes that the previous studies had reported. For example, this study confirms that CSR creates favorable associations that positively boost consumer responses such as product and firm evaluations (Brown and Dacin, 1997; Mohr and Webb, 2005) through an empirical study of SEs. Homburg *et al.* (2006) reported that as the number of experiences increases, the impact of cognitive factors on satisfaction judgments increases, whereas the impact of affective factors decreases. The dynamic role of cognition and affect in the formation of customer satisfaction is confirmed in this study. Basically, this research extended these previous studies into the SE purchase context. This

research also verifies the ironic phenomenon in research results from Choi *et al.* (2013), reporting that social customers have negative associations with social corporations but have positive product associations.

For management implications, this empirical research is meaningful in that this research offers market insights to SEs for the sustainability of their businesses. As aforementioned in the introduction, these study results provide market insights to governments and commercial enterprises who are interested in the welfare and sustainability of society. To improve their corporate images, SEs should emphasize their social responsibility and employee welfare, which are different from features of commercial enterprises, in their marketing. Therefore, SE market communications should promote more corporate associations about social responsibility and employee welfare. Affective associations with SE's products are the most important role among these product associations when increasing re-purchase intentions. Affective associations directly increase satisfaction and directly stimulate cognition in purchase judgment, and indirectly increase re-purchase intentions. Thus, SEs should identify their customers' key affective associations and develop a marketing strategy that stimulates those affective associations. According to the results, social ties provided from SEs are not strong enough, or they do not seem to communicate their social values to their customers effectively. Thus, SE customers should strategically manage their social communities as part of their customer relations management. More importantly, for customer retention by SEs, SEs should develop and execute marketing strategies that stimulate more of the cognitive attributes of products, as the most dominant key was in cognitive product associations. For example, SEs should improve their product quality, and work to change customers' images and perceptions of their products, to remove the inferior quality image and customers' perceptions toward SE's products. Thus, SEs should stimulate cognitive associations through their products, their marketing communications, and their social communities including their employees.

C. Limitations and Future Research

This study has some weaknesses. First, this empirical study asked for participation in the survey based on consumers' previous purchase experiences of the previous three months. Customers may have purchased any variety of products and/or services from various SEs, so these results may be different, depending on the product types, consumption patterns and purchase contexts. For the generalizability of these results, a future study should control for corporate business model and product types. Second, as the number of experiences increases, the impact of cognitive factors on satisfaction judgments increases, whereas the impact of affective factors decreases (Homburg *et al.*, 2006). A future study should control for experiences with SEs. With the same logic, depending on the customers' involvement and knowledge, customers may have different satisfaction experiences and purchase decision-making processes. Thus, customer involvement and knowledge about SEs should be considered in a future study.

For a direction of future studies, first, a future study should consider the features of SEs; social community is a noticeable feature of SEs, compared with commercial enterprises. Customers' connection with social communities should be considered in the research design. Second, this study investigated a purchase decision-making mechanism for retention. It would be interesting if a future study were to investigate non-customer (general consumer) responses toward social corporations and social corporation's products for future consumption and/or purchase consideration. Third, as mentioned in the last part of the discussion section, considering the rejected hypotheses, future studies need to investigate significant moderators and mediators in the re-purchase model for SEs.

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